



**THONG GUAN
INDUSTRIES BERHAD**
199401038519 (324203-K)

Right Gauging



100% Recycled
Material



Coreless



Weight Measurement
& Optimization



30% PCR Content



4.5 Microns Thickness

RESEARCH AND DEVELOPMENT FOR **SUSTAINABILITY**

ANNUAL REPORT 2023

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RESEARCH AND DEVELOPMENT FOR SUSTAINABILITY

Envisioning sustainability being the core element of our company, we pledged ourselves to conduct comprehensive research and development towards sustainability. Thong Guan Industries Berhad is looking to imminently dedicate itself to the thorough groundwork for applying and progressing all the ESG values across all aspects of its business innovation. This dutiful endeavor is invested with only one goal in mind, and that is to create a greener future.



CORPORATE INFORMATION

BOARD OF DIRECTORS

DULI YANG TERAMAT MULIA TENGKU SARAFUDIN BADLISHAH IBNI SULTAN SALLEHUDDIN

(Chairman)

Independent Non-Executive Director

DATO' ANG POON CHUAN

Managing Director

DATO' ANG POON KHIM

Executive Director

DATUK ANG POON SEONG

Executive Director

ANG SEE MING

Executive Director

TENGKU MUZZAMMIL BIN TENGKU MAKRAM

Independent Non-Executive Director

LEE KEAN TEONG

Independent Non-Executive Director

TEOH MEI SHEAN

Independent Non-Executive Director

JOINT COMPANY SECRETARIES

Ong Tze-En
(MAICSA 7026537)
(SSM PC No. 202008003397)

Lau Yoke Leng
(MAICSA 7034778)
(SSM PC No. 202008003368)

SHARE REGISTRAR

ShareWorks Sdn. Bhd.
No. 2-1, Jalan Sri Hartamas 8,
Sri Hartamas 50480, Kuala Lumpur
T – 603 6201 1120
F – 603 6201 3121
E – sharereg@shareworks.com.my

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad

REGISTERED OFFICE

170-09-01 Livingston Tower,
Jalan Argyll, 10050
George Town, Penang
T – 604 229 4390
F – 604 226 5860
E – boardroom-kl@boardroomlimited.com

AUDIT COMMITTEE

Lee Kean Teong (Chairman)
Teoh Mei Shean
Tengku Muzzammil Bin
Tengku Makram

PRINCIPAL PLACE OF BUSINESS

Lot 52, Jalan PKNK 1/6, Kawasan
Perusahaan Sungai Petani, 08000
Sungai Petani, Kedah Darul Aman.
T – 604 441 7888
F – 604 441 9888

NOMINATING COMMITTEE

Teoh Mei Shean (Chairman)
Tengku Muzzammil Bin
Tengku Makram
Lee Kean Teong

REMUNERATION COMMITTEE

Tengku Muzzammil Bin
Tengku Makram (Chairman)
Teoh Mei Shean
Lee Kean Teong

STOCK EXCHANGE LISTING

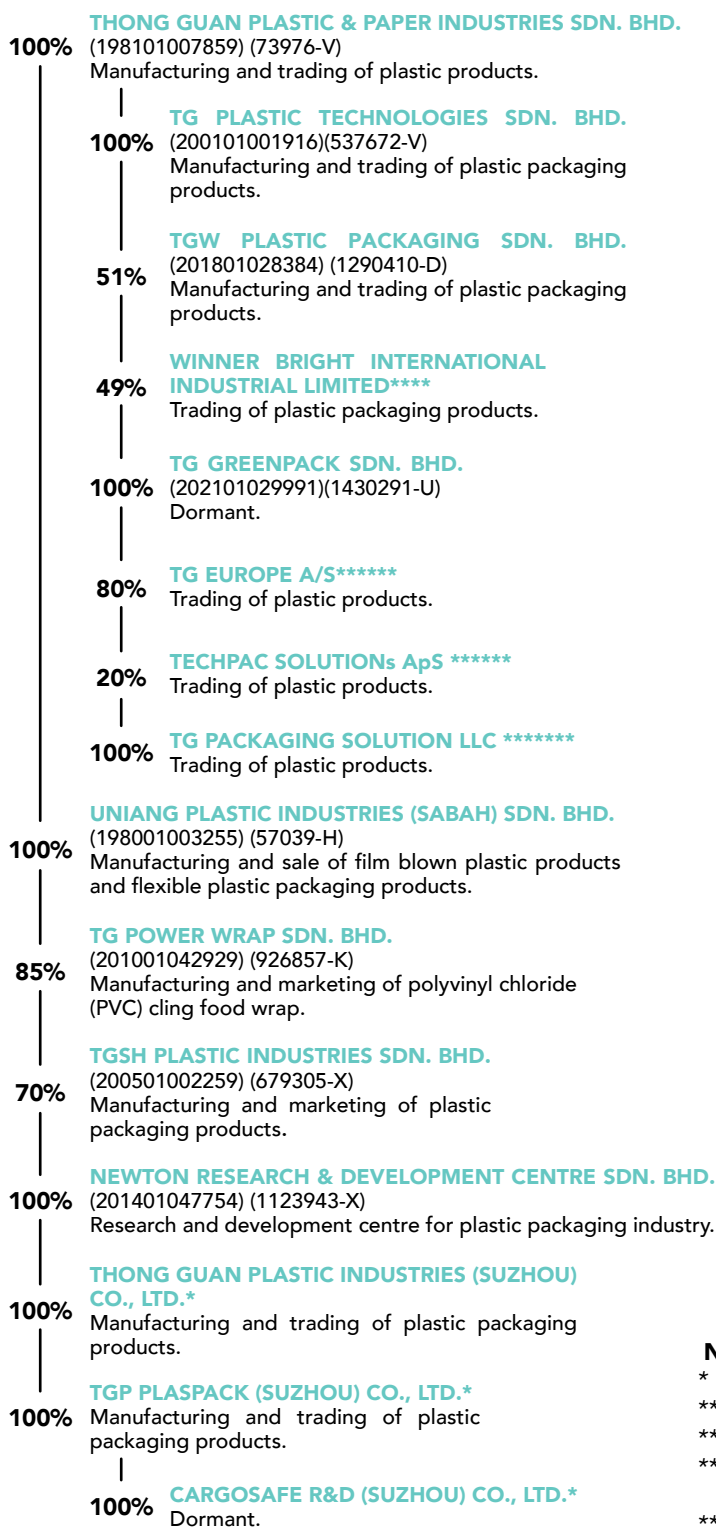
**Main Market of Bursa Malaysia
Securities Berhad**
Sector: Industrial Products
Stock Name: TGUAN
Stock Code: 7034
(Listing since 19 December 1997)

GROUP STRUCTURE & PRINCIPLE ACTIVITIES



THONG GUAN INDUSTRIES BERHAD
199401038519 (324203-K)

Investment holding activities as well as trading of plastic and petroleum products.



Note:

- * Incorporated in the People's Republic of China
- ** Incorporated in the Socialist Republic of Vietnam
- *** Incorporated in Kingdom of Thailand
- **** Incorporated in Hong Kong SAR of the People's Republic of China
- ***** Incorporated in Republic of the Union of Myanmar
- ***** Incorporated in Denmark
- ***** Incorporated in United States of America

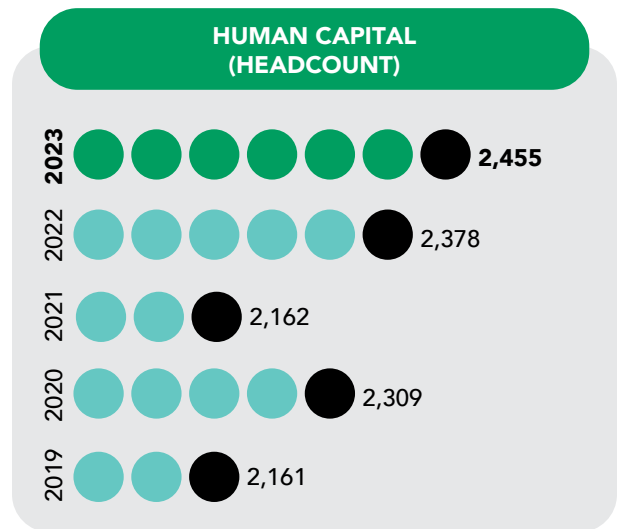
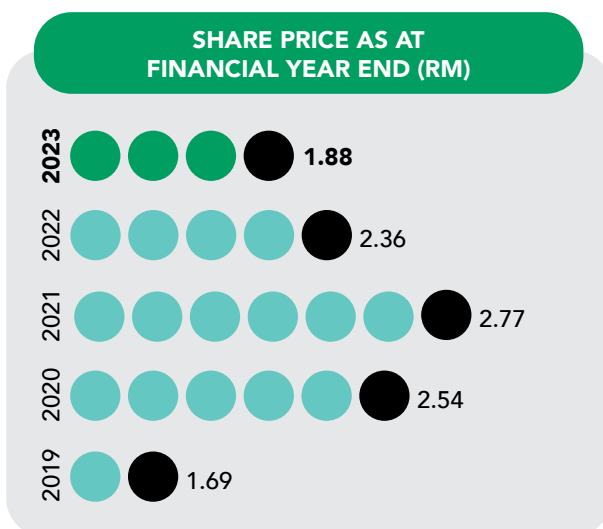
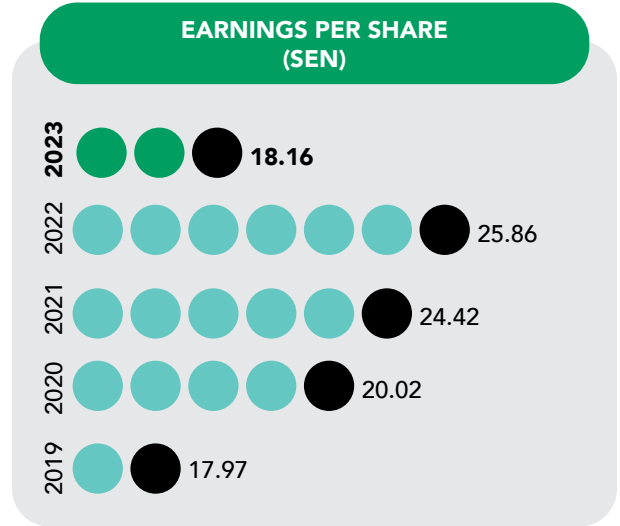
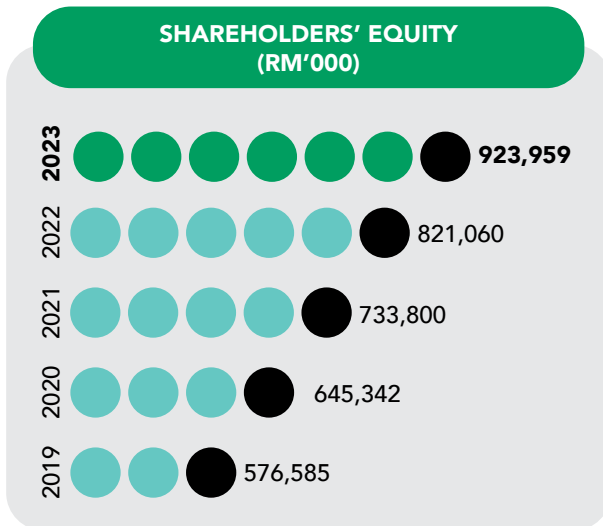
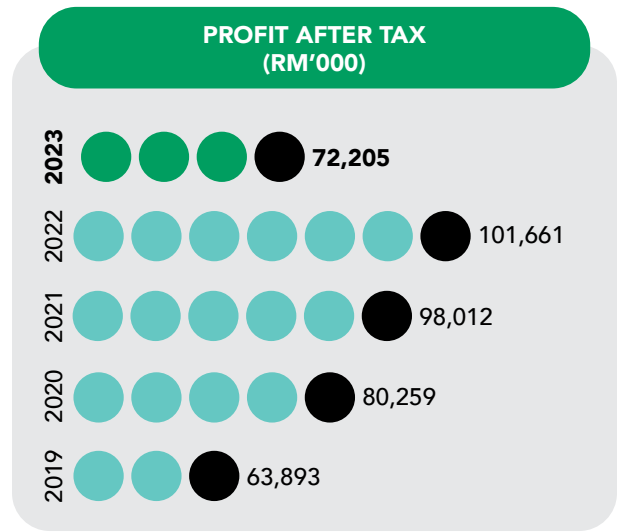
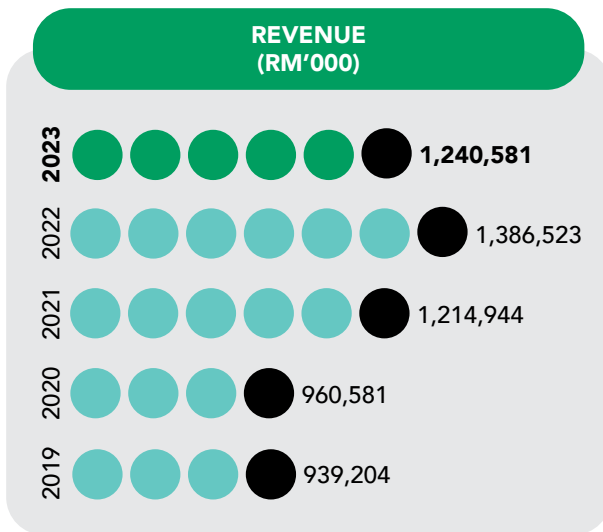
FINANCIAL HIGHLIGHTS AND INDICATORS

| In RM '000 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------|-----------|-----------|-----------|------------------|
| Revenue | 939,204 | 960,581 | 1,214,944 | 1,386,523 | 1,240,581 |
| EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) | 100,301 | 125,978 | 154,398 | 159,519 | 133,997 |
| Profit Before Taxation | 75,452 | 99,912 | 125,218 | 124,435 | 91,666 |
| Profit After Tax | 63,893 | 80,259 | 98,012 | 101,661 | 72,205 |
| Net Profit Attributable to Equity Holders | 61,849 | 75,302 | 92,876 | 99,948 | 71,315 |
| Total Assets | 881,316 | 1,010,558 | 1,217,758 | 1,304,406 | 1,399,917 |
| Total Borrowings | 143,036 | 149,285 | 186,261 | 223,409 | 198,079 |
| Shareholders' Equity | 576,585 | 645,342 | 733,800 | 821,060 | 923,959 |

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|--------|--------|--------|--------|---------------|
| Return on Equity (%) | 10.73 | 11.67 | 12.66 | 12.17 | 7.81 |
| Return on Total Assets (%) | 7.25 | 7.94 | 8.05 | 7.79 | 5.16 |
| Gearing Ratio (Times) | 0.25 | 0.23 | 0.25 | 0.27 | 0.21 |
| Interest Cover (Times) | 18.18 | 40.34 | 67.46 | 25.10 | 13.40 |
| Earnings Per Share (Sen) | 17.97 | 20.02 | 24.42 | 25.86 | 18.16 |
| Net Assets Per Share (Sen) | 156.08 | 169.48 | 189.55 | 210.27 | 233.66 |
| Gross Dividend Per Share (Sen) | 4.50 | 4.50 | 5.50 | 6.00 | 4.24 |
| Price Earning (PE) Multiple (Times) | 9.37 | 12.72 | 11.42 | 9.13 | 10.35 |
| Gross Dividend Yield (%) | 2.67 | 1.77 | 1.99 | 2.54 | 2.26 |
| Share Price as at financial year end (RM) | 1.69 | 2.54 | 2.77 | 2.36 | 1.88 |



FINANCIAL HIGHLIGHTS AND INDICATORS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Thong Guan Industries Berhad (“the Group” or “Thong Guan” or “TGI”) carry a manufacturing and trading business which involve in plastic products and packaged food, beverages and other consumable products. The Group major activities as below: -

- Manufacturing and trading the plastic products which included Japan garbage bags, Industrial used bags, stretch films & courier bags;
- Manufacturing and trading of coffee and tea products; and
- Distribution and trading of fast-moving consumer goods (FMCG).

FINANCIAL REVIEW

| | 31.12.2023 RM'000 | 31.12.2022 RM'000 | Variance RM'000 | Variance % |
|--|----------------------|----------------------|--------------------|---------------|
| Revenue | | | | |
| Plastic products | 1,116,707 | 1,271,532 | (154,825) | 12.2 |
| Food, beverages and other consumable product | 123,797 | 114,569 | 9,228 | 8.1 |
| Others | 77 | 422 | (345) | 81.8 |
| Group | 1,240,581 | 1,386,523 | (145,942) | (10.5) |
| Profit before tax | | | | |
| Plastic products | 92,792 | 116,954 | (24,162) | (20.7) |
| Food, beverages and other consumable product | 9,195 | 8,080 | 1,115 | 13.8 |
| Others | (10,321) | (599) | (9,722) | (1,623.0) |
| Group | 91,666 | 124,435 | (32,769) | (26.3) |

(a) Revenue

The Group reported softer performance compared to the previous financial year came on the back of unprecedented challenge which tested our resilience and adaptability as an organisation.

Our two major business segments, plastic segment’s revenue decreased compared to previous financial year whereas food, beverages and other consumable product recorded growth during financial year 2023. The decreased revenue in plastic segment is due to lower selling price and the decreased sales volume on garbage bag division, PVC cling films division and courier bag division compared to previous financial year. In addition, the food, beverage and other consumable products revenue increased due to the growth sales in tea and coffee division.

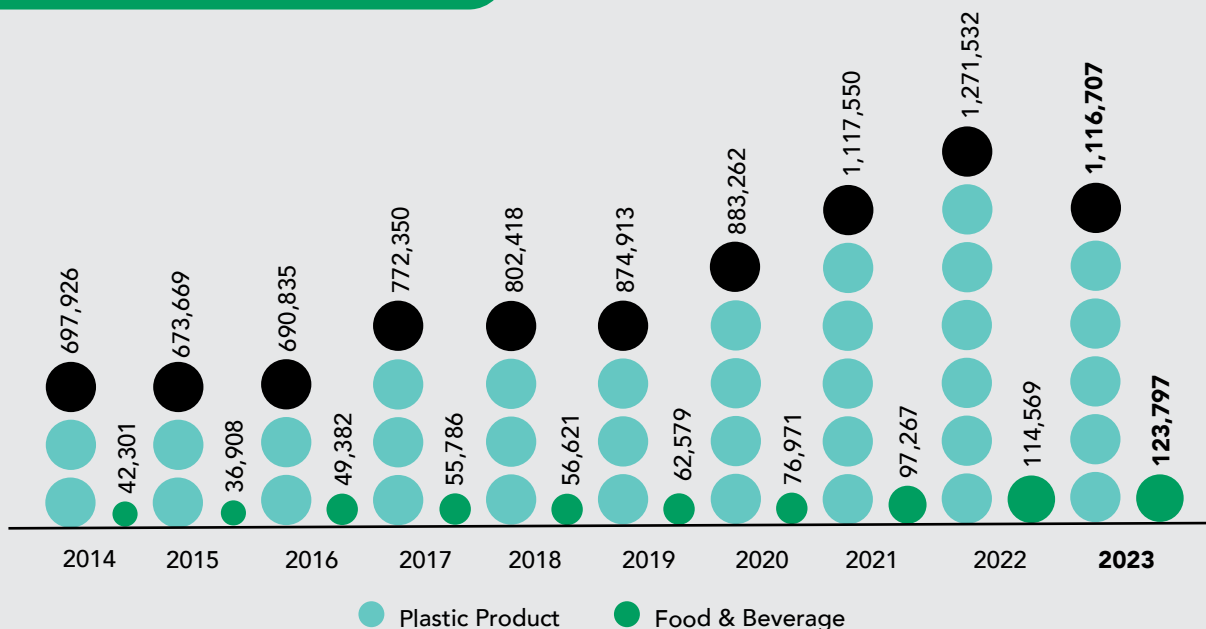
The chart below shows the revenue by segments for the past 10 years.

BUSINESS STRATEGIES

Thong Guan’s business strategy is based on the principle of creating value for our customers that safeguards not only their goods and returns but also the environment. During the Financial Year Ended 31 December 2023 (“FY2023”), the Group business dealt with higher prices for goods and services, along with changing interest rates and ongoing global tensions, Managing cost while handling economic uncertainties was tough, demanding smart planning and flexible strategies to stay competitive in a volatile world market. Despite these challenges, the Group remained focused on developing more high-quality products to protect its revenue and profitability. Furthermore, the Group also prioritized sustainability issues and aimed to help its customers build a green and sustainable business environment. (Refer to sustainability report page).

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE BY SEGMENT (RM'000)

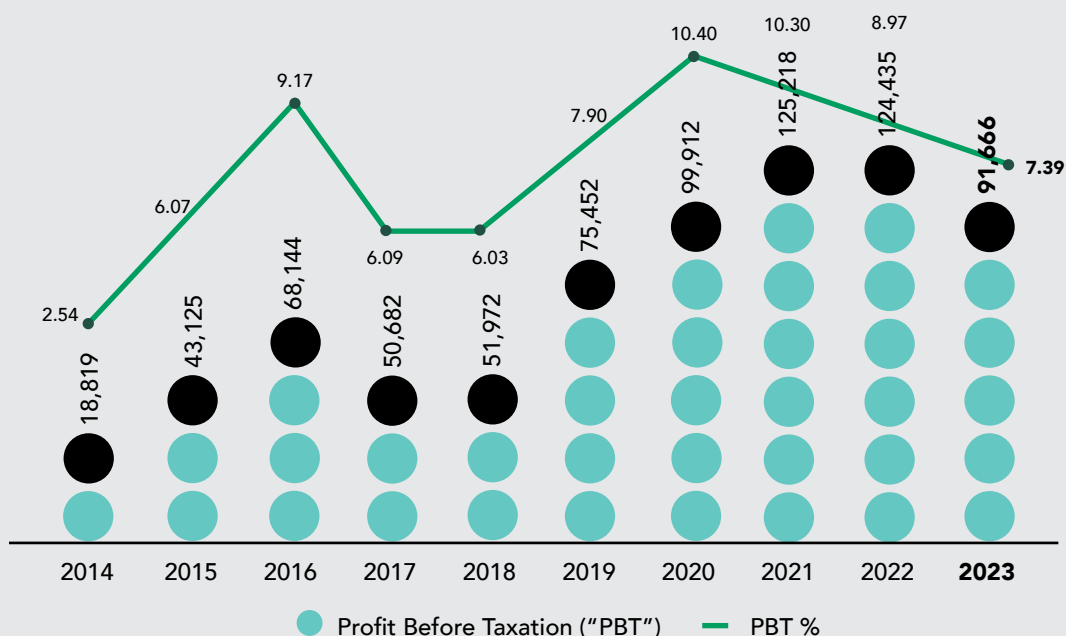


(b) Profit Before Taxation ("PBT")

For FY2023, the PBT recorded was RM91.7 million, which represents a decrease of 26.3% compared to RM124.4 million in FY2022. The worldwide inflation had an impact on the operational costs, including resin cost, labour cost, and finance cost.

The following chart illustrates the Group's PBT and PBT margin since 2014.

PROFIT BEFORE TAXATION ("PBT") (RM'000) & MARGIN %



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

Assets

As of December 31, 2023, total assets had grown 7.3% to RM1.4 billion, up from RM1.3 billion in the previous year. The increase in total assets was mainly due to an increase in property, plant, and equipment amounting to RM62.8 million, an increase in inventories amounting to RM35.1 million, and an increase in cash and cash equivalents amounting to RM17.3 million. The Group also has a total of RM291.3 million in cash and cash equivalents. This strong cash reserve will enable the Group to carry out its strategic expansion plans in a timely manner and navigate any unpredicted economic downturns with ease.

Liabilities

As of December 31, 2023, total liabilities had decreased by 1.8% to RM446.1 million, down from RM454.1 million in the previous year.

Equity

As of December 31, 2023, total equity had increased from RM850.3 million in FY2022 to RM953.8 million, representing an increase of 12.2%. The increase in total equity was mainly due to profits generated in FY2023 after offsetting dividends paid to shareholders, as well as RM5.6 million in proceeds from the issuance of shares from the ESOS exercise.

CASH FLOWS

Cash from operating activities

Net cash generated from operating activities was RM154.0 million in FY2023, compared to RM38.2 million in FY2022. This increase was mainly due to collection from customers is faster than the preceding year.

Cash used in investing activities

Cash used in investing activities was RM90.5 million in FY2023, compared to RM73.9 million in FY2022. The net cash outflow was mainly due to the acquisition of property, plant, and equipment amounting to RM57.9 million, compared to the previous financial year's RM77.0 million, and RM36.0 million used for the acquisition of investment properties.

Cash from financing activities

Net cash used in financing activities was RM53.9 million in FY2023, compared to net cash generated from financing activities of RM10.5 million in FY2022. In FY2023, the dividend paid and interest paid were RM18.6 million and RM10.0 million respectively, compared to the previous financial year's RM23.1 million in dividend payments and RM5.2 million in interest payments. In FY2023, there is net repayment of other bank borrowings amounting to RM25 million compared to net drawdown of other bank borrowings amounting RM38.2 million in FY2022.

SHARE CAPITAL AND EARNING PER SHARE ("EPS")

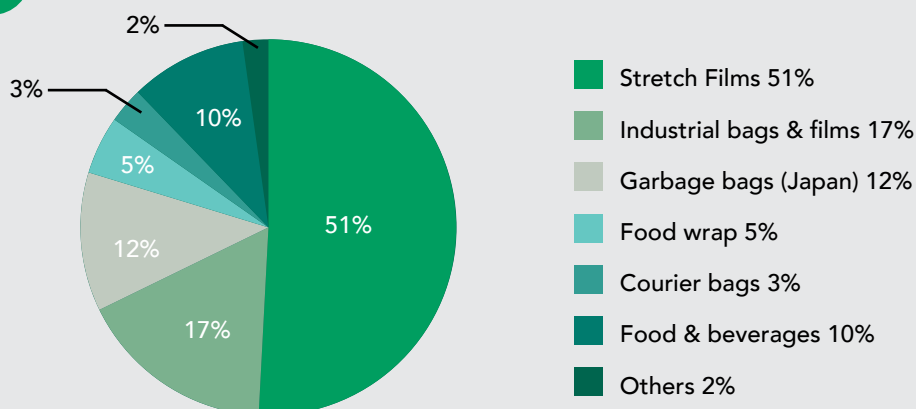
Share Capital

The number of issued shares increased to 398.2 million as at 31 December 2023 contributed from the exercise of ESOS during the financial year.

EPS

FY2023 basic EPS is 18.16 sen while diluted EPS is 18.00 sen. The dilution in EPS is due to taking into account of unexercised shares from Employees' Share Option Scheme.

SALES MIX FOR FY 2023



MANAGEMENT DISCUSSION AND ANALYSIS

PLASTIC DIVISION

The Group's plastic products comprise five main categories: stretch films, industrial bags, garbage bags, PVC food wraps, and courier bags. The revenue contribution from each category is 51%, 17%, 12%, 5%, and 3%, respectively.

During the financial year 2023, the Group installed two new premium stretch film production lines, one line was fully commissioned in October 2023. Another line will commission in early year 2024.

In the Industrial bags & films division, the Group installed one extruder film production lines, which will fully commissioned in May 2024.

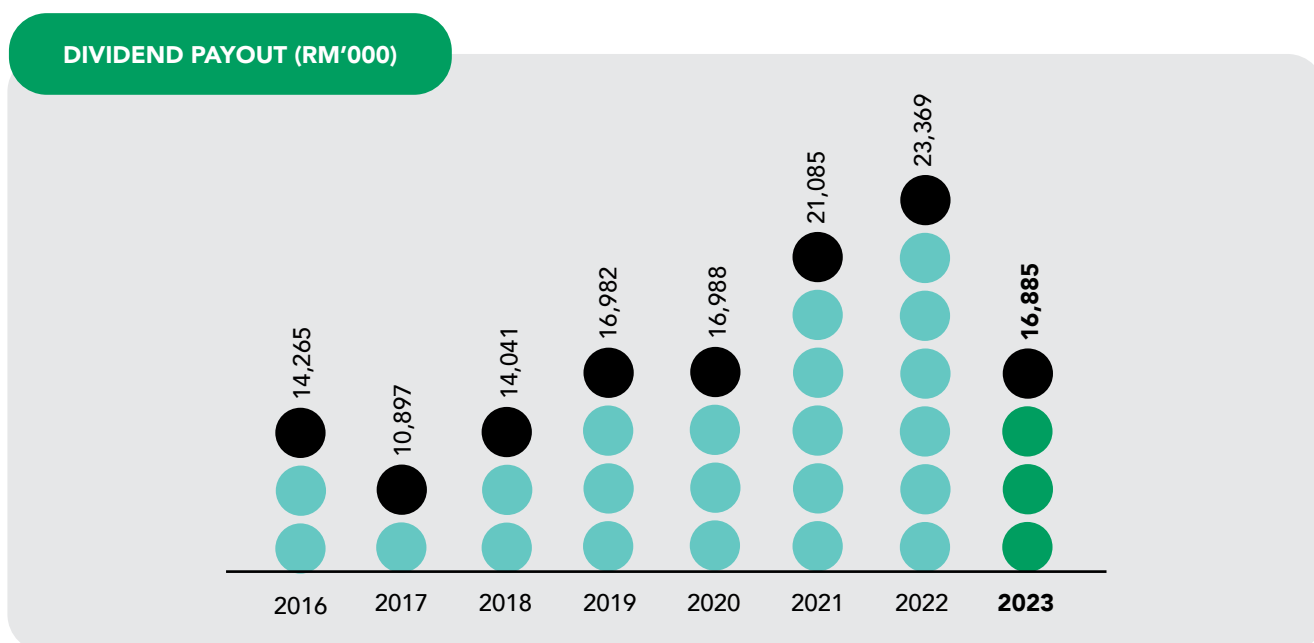
FOOD, BEVERAGE AND OTHER CONSUMABLE PRODUCTS (F&B)

During the financial year, the F&B division has delivered an annual contribution of 10% to the Group's total revenue. The tea and coffee division still major contributor to the revenue. The improvement sales at Thailand subsidiary compare to previous financial year had increase the revenue and profitability in the F&B division.

DIVIDEND

Despite not having a dividend policy, the Group continues to declare dividend every year to our shareholders. On 18 July 2023, the Group Paid a first single-tier interim ordinary dividend of 1.25 sen per ordinary share, with a total dividend pay-out of RM4.9 million in respect of FY2023. On 18 April 2024, the Group paid a second single-tier interim ordinary dividend of 3.00 sen per ordinary share, with a total dividend pay-out of RM12.0 million in respect of FY2023.

In total, Thong Guan has returned around RM134.5 million to shareholders over a period of 8 years. The following chart illustrates the Group's dividend payout since FY2016.



MANAGEMENT DISCUSSION AND ANALYSIS

KEY RISK RELATING TO THE BUSINESS AND MITIGATION

(a) Foreign Currency Risk

Thong Guan is an export-oriented company with 80% of its revenue derived from abroad. A major part of the business transactions is transacted in US dollars (USD), hence foreign currency exchange losses or gains may arise during currency receipt or settlement. To mitigate this risk, we rely on natural hedge on foreign exchange to reduce the exchange difference. Additionally, the Group has foreign exchange forward contracts with several financial institutions. Should the need arise, forward contracts could be utilized to lock in the exchange rates between Ringgit and USD, after taking into consideration the exposure period and the related transaction costs.

(b) High Business Concentration risk

90% of Thong Guan's revenue is generated from the plastic products segment, with the stretch film division contributing almost 51% to the total group revenue. A significant drop in sales of the stretch film division would have a deep impact on the Group's business income. As part of our risk mitigation strategy, we put a lot of effort into research and development to create more valuable products that can help us sustain and expand our current market share worldwide. We have set up Newton Research and Development Centre Sdn. Bhd. to provide services to our customers in training on cargo safety and load stability, reducing costs, and using plastic products in an environmentally friendly way.

Although we are highly dependent on the Stretch film division, in the next 10 years, the demand for stretch film will still be increasing, which is in tandem with our expansion project on the stretch film division that will be fully completed in early 2024.

BUSINESS OUTLOOK

The world's economic conditions are expected to continue to be challenging. The management will continue to take precautionary measures amidst these global changes. The Group will take precautions to build on its market position and capture new growth areas, both locally and internationally, for all its product lines. Barring any unforeseen circumstances, we expect that all of the Group's business divisions will continue to be on an upward trajectory.



APPRECIATION

We would like to express our sincerest appreciation to all our valued customers, vendors, bankers, relevant authorities, and respective stakeholders for their continued support of Thong Guan, enabling us to advance with our strategic plans. The Group also takes this opportunity to acknowledge the contributions of our management team and staff members who have given their best commitment and hard work to propel the Group forward. Finally, we extend our heartfelt gratitude to the Board of Directors for their invaluable insights and guidance. Together, we will strive to ensure that Thong Guan achieves even stronger financial years ahead.

PROFILE OF DIRECTORS



DULI YANG TERAMAT MULIA TENGKU SARAFUDIN BADLISHAH IBNI SULTAN SALLEHUDDIN

AGE 57 MALE MALAYSIAN

DYTM Tengku Sarafudin graduated with a Bachelor of Laws Degree from Brunel University, London, United Kingdom and is a Barrister at Law from the Inner Temple, United Kingdom. He started his Career at Sime Darby Berhad in 1992 and was attached to the Corporate Planning and Legal Department and then to Industrial Relations Department. In late 1994, upon completion of his pupillage at Messrs Shearn Delamore & Co, he was admitted as an Advocate and Solicitor of High Court of Malaya. In 1997, he joined Pesaka Jardine Felming Sdn. Bhd., a financial advisory company where he was involved in compliance, secretarial and legal matters. In late 1999, he joined the Malaysian Communications and Multimedia Commission's Legal Department and he left in 2010 as the Head of Legal and Secretarial Department. He is currently a partner in the legal firm, Messrs Kamil Hashim Raj & Lim. DYTM Tengku Sarafudin was proclaimed as the Crown Prince of Kedah on 26 November 2017. He was proclaimed as the Pro Chancellor 1 of Universiti Utara Malaysia in November 2018, as Pro Chancellor of Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah and as Chancellor of Management & Science University, both in February 2019.

He attended all the four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He is the cousin of Tengku Muzzammil Bin Tengku Makram, Independent Non-Executive Director. He has no conflict of interest with the Company and does not hold any other directorship in public companies. He has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

DYTM Tengku Sarafudin was appointed as the Independent Non-Executive Director and Chairman on 25 August 2016.



DATO' ANG POON CHUAN

AGE 79 MALE MALAYSIAN

He completed his MCE prior to joining Thong Guan Industries Berhad ("TGI") as a Marketing Executive in 1965. He rose through the ranks to the position of Managing Directors of Syarikat Thong Guan Trading Sdn. Bhd. and Thong Guan Plastic & Paper Industries Sdn. Bhd. (both wholly-owned subsidiaries of TGI) in 1983. During his 59 years of service, he has gained extensive knowledge of the plastic, paper, food, beverages and trading business. His invaluable business acumen and foresight has shaped and build TGI to its present stature. He is a well-respected figure in the plastic industry and was the former President of the Malaysian Plastic Manufacturers Association (Northern Branch).

He attended all of the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Khim and Datuk Ang Poon Seong and the father of Ang See Ming. He is a shareholder of Foremost Equals Sdn. Bhd. which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the note to the financial statements and does not hold any other directorship in public companies. He has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

He was appointed as the Managing Director on 18 September 1997.

PROFILE OF DIRECTORS



DATO' ANG POON KHIM

AGE 69 MALE MALAYSIAN

He obtained a Bachelor of Science (Hons) in Mechanical Engineering from Teeside University, U.K and joined Thong Guan in 1980. He has contributed to product development R&D and in sustainability projects. He is presently the Executive Director and is responsible for overseeing production and sales functions of TGI.

He attended all of the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Chuan and Datuk Ang Poon Seong. He is a shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the note to the financial statements and does not hold any other directorship in public companies. He has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

He was appointed as the Executive Director on 18 September 1997.



DATUK ANG POON SEONG

AGE 68 MALE MALAYSIAN

He is an accomplished business leader, currently serving as the Managing Director of Jaya Uni'ang Sdn. Bhd. and Uniang Plastic Industries Sdn. Bhd., both wholly-owned subsidiaries of TGI. He started as a Marketing Executive at Thong Guan after completing his MCE in 1976. Due to his exceptional performance, he quickly rose through the ranks and was soon tasked with spearheading the company's expansion into Sabah in 1980. With his visionary leadership and unwavering commitment, he successfully established the Sabah operations of TGI Group, which grew to become the largest plastic flexible packaging manufacturer in Sabah.

Under his stewardship, the Sabah operations of TGI Group significantly contributed to the state's economy and provided employment opportunities for many locals. Datuk Ang's dedication and expertise have also earned him various positions in industry associations, including Advisor of Small and Medium Enterprise Association of Sabah, Advisor of Malaysia China Chamber of Commerce (Sabah Branch) and Advisor of Sabah Liu Kwee Tang Clansmen Association. Moreover, he has previously served as Chairman of the Malaysian Plastics Manufacturers Association (Sabah Branch) and President of the Federation of Sabah Manufacturers, highlighting his valuable contributions to the growth and development of the plastics manufacturing industry in Sabah.

He attended all of the four Board meetings held for the financial year. He is the brother of Dato' Ang Poon Chuan and Dato' Ang Poon Khim. He is a shareholder of Foremost Equals Sdn. Bhd., which is a major shareholder of TGI. He has no conflict of interest with the Company other than as disclosed in the note to the financial statements and does not hold any other directorship in public companies. He has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

He was appointed as the Executive Director on 18 September 1997.

PROFILE OF DIRECTORS



MR. ANG SEE MING

AGE 54 MALE MALAYSIAN

He holds a Bachelor of Business (Accounting) degree from Monash University, Australia. He joined TGI in 1993 as an Account Executive and rose through the ranks to become the General Manager prior to his appointment to the Board. He was instrumental in planning the listing of TGI on the Kuala Lumpur Stock Exchange and has contributed immensely to the growth of TGI.

He attended all of the four Board meetings held for the financial year. He is the son of Dato' Ang Poon Chuan and the nephew of Dato' Ang Poon Khim and Datuk Ang Poon Seong. He has no conflict of interest with the Company other than as disclosed in the note to the financial statements and does not hold any other directorship in public companies. He has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

He was appointed as the Executive Director on 11 December 2013.



**TENGGU MUZZAMMIL BIN
TENGGU MAKRAM**

AGE 50 MALE MALAYSIAN

He graduated with a Diploma in Business Studies and Diploma in Marketing from Stamford Group of Colleges. He started his career at Pembinaan Jayabumi (S) Sdn. Bhd. in 1996 as Marketing Executive. Thereafter, in 1997, he assumed the role as Special Project Executive in FACB Berhad. In 1998, he joined R. AT Design Sdn. Bhd. as an Assistant Manager and was promoted to General Manager in 2002. He is the owner of TM Med Sdn. Bhd. which specialized in the provision of medical supplies to government hospital.

He serves as the Chairman of Remuneration Committee and is a member of the Audit Committee and Nominating Committee. He attended all the four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He is the cousin of Duli Yang Teramat Mulia Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin, Independent Non-Executive Chairman. He has no conflict of interest with the Company. He has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

He was appointed as the Independent Non-Executive Director on 25 August 2016.

PROFILE OF DIRECTORS



LEE KEAN TEONG

AGE 65 MALE MALAYSIAN

He was with KPMG Malaysia for more than 35 years and was a partner until his retirement on 31 December 2014. He qualified as a Chartered Accountant of Malaysia Institute of Accountants (MIA) and is also a member of Malaysian Institute of Certified Public Accountants (MICPA).

He has extensive experience in audit and management consulting throughout his career. He was the engagement partner for a wide range of companies which include public listed companies and multinationals in various industries, mainly in manufacturing, property development and construction, hotel, stock broking and finance. He currently sits on the Board of EG Industries Berhad, Asas Dunia Berhad and Oriental Holdings Berhad.

He serves as the Chairman of Audit Committee and is a member of the Remuneration Committee and Nominating Committee. He attended all of the four Board meetings held for the financial year. He does not have any family relationship with any director and/or major shareholders of the Company. He has no conflict of interest with the Company. He has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

He was appointed as the Independent Non-Executive Director on 28 November 2022.



MS. TEOH MEI SHEAN

AGE 46 FEMALE MALAYSIAN

She graduated with a Bachelor of Architectural Studies (Hons) and a Diploma in Architecture from the University of Glasgow, Scotland. She is a member of the Board of Architects Malaysia and the Malaysian Institute of Architects, and is also a Board Member of the Lembaga Totalisator Malaysia of the Ministry of Finance.

She Started her career at Keppie Design Ltd. In Glasgow for a year before returning to Malaysia in 2002. On her return from the United Kingdom, she joined M.K.Teoh Architect as Project Architect for 6 years, before joining Arkitek ZAA Sdn Bhd in 2008. She is one of the main consulting architects leading the practice currently and has extensive experience in design and project management on a variety of projects specializing in hospitality, institutional and residential buildings.

She serves as the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee. She attended all of the four Board meetings held for the financial year. She does not have any family relationship with any director and/or major shareholders of the Company. She has no conflict of interest with the Company. She has not been convicted for any offences (other than traffic offence, if any) over the past 5 years and has not been imposed of any public sanction or penalty by relevant regulatory bodies during the financial year.

She was appointed as the Independent Non-Executive Director on 28 November 2022.



THONG GUAN
INDUSTRIES BERHAD
199401038519 (324203-K)

FY2023 SUSTAINABILITY STATEMENT

LIVE GREEN

A SUSTAINABILITY
ADVOCATOR'S JOURNEY



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OUR SUSTAINABILITY COMMITMENT

“We are dedicated to fostering a safer, enhanced, and more sustainable world as we strive toward our goal of becoming champions for sustainability.”

We achieve this by directing our efforts towards product innovation, cultivating a positive organizational culture and governance, minimizing waste, reducing emissions, and responsibly managing and preserving resources.”



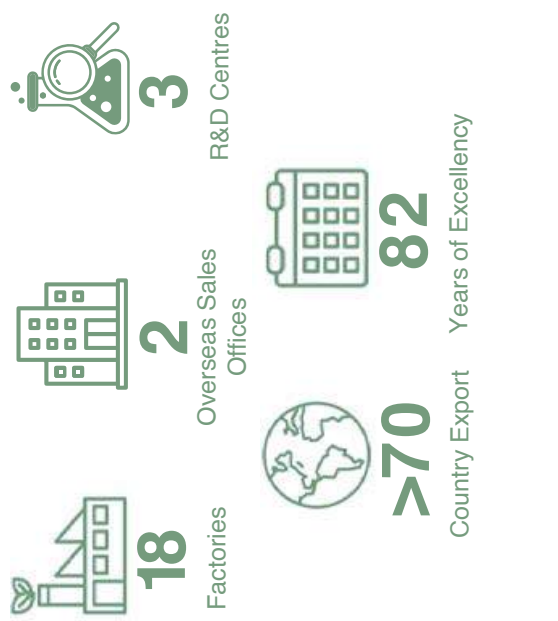
About Us

Who We Are

In this fast-paced era of business globalisation, Thong Guan Industries Berhad ("Thong Guan", "the Group", "us", "our", or "we") has been continuously evolving to strive for sustainable growth. Over 80 years in business operations, we have established well-diversified plastics packaging products and food and beverage ("F&B") businesses and export to over 70 countries.

In FY2023, we witnessed the completion of a new factory in Sungai Petani and the commencement of business activities at our overseas sales offices in US and Denmark, which were incorporated in FY2022. This expansion solidified our presence in the US and Denmark, allowing us to better serve our customers in these regions.

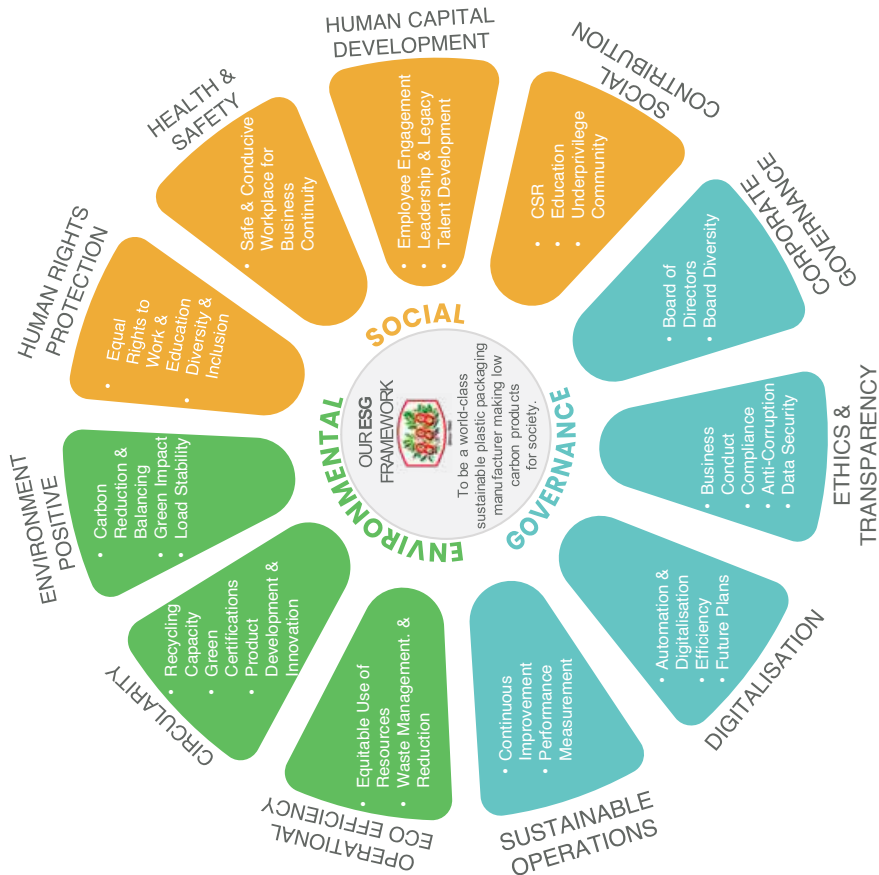
As we continue our growth strides, we are very cautious of our impact on the economic, social and environmental scales. Therefore, it is pertinent to understand the matters that affect the Group's sustainability and ensure that we identify and manage them accordingly.



Our ESG Framework

#LiveGreen Roadmap

Our Environmental, Social, and Governance Framework outlines our goal, key initiatives, and strategic action plans encompassing factors related to environmental, social and governance. The aim is to make sustainability easier to achieve through sharing of our successes, document the pitfalls encountered and challenges met, and how we overcome them for future improvements.



Our Core Strategies

Matching our core strategies with United Nation (UN) Sustainability Development Goals (SDGs)

We want to build economic growth and address a range of social needs, including education, health, social protection and job opportunities, while tackling climate change issues through environmental conservation and preservation.

We create value focusing on 3Ps—People, Planet and Prosperity. We develop our Environmental, Social and Governance (ESG) core strategies through the guidance of UN SDGs.

Our Initiatives

- Recycling & Circular Economy
 - Climate Change & Energy
 - Health, Safety & Well Being
 - Corporate Social Responsibilities & Collaboration
 - Effective, Accountable & Transparent Organisational Structure & Culture
- TG as a stakeholder and steward of the planet, our sustainability and corporate citizenship initiatives encompass these areas.

SUSTAINABLE DEVELOPMENT GOALS



About Our Sustainability Statement

TG Sustainability statement aims to deliver clear understanding of our sustainability commitments, ambitions, actions, and progress. This Statement furnishes information into our strategies for overseeing of our operations, encompassing matters related to the economy, the environment, the social and governance issues. At Thong Guan, sustainability is embedded in all our business activities so that we can foster meaningful and long-lasting relationships with all our stakeholders and contribute to national growth.

Scope & Boundaries

Information in this statement primarily reflects the sustainability performance of Thong Guan during the period of 1 January 2023 to 31 December 2023. It covers the two business segments of the Group, namely, plastic packaging and food & beverages in Malaysia, China and Thailand. It does not cover overseas sales offices in United States and Denmark. Historical information from previous years was include, wherever applicable, to provide a basis for comparison.

Reporting Framework

This statement has been prepared to conform with the applicable requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Bursa Malaysia's Sustainability Reporting Guide (3rd Edition) as well as with reference to the global best practices for sustainability, i.e. United Nations Sustainable Development Goals as respond to emerging information demands from stakeholders and regulators.




Assurance

We strive to improve our data collection in Thong Guan to ensure completeness and accuracy. The information in this Statement has been reviewed by the Thong Guan Risk Management Task Force. This Statement has yet to be externally assured.

Sustainability Governance

Sustainability-related topics fall under the purview of the executive committee, assisted by the risk management task force. Our executive director represents the executive committee in reporting the sustainability-related matters to the Board of Directors.

We led our sustainability framework from the top-down, and each level of our organisation holds its respective responsibilities

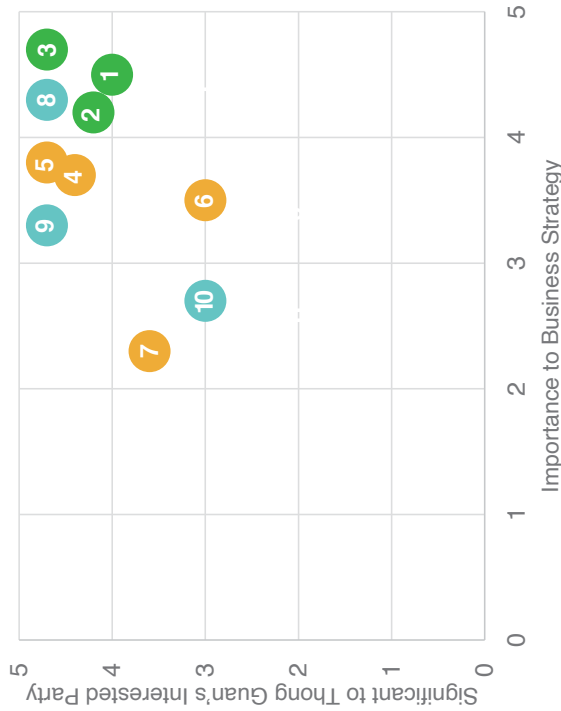
| Role | Responsibilities | Composition |
|---|--|--|
| Thong Guan's Board of Directors  | <ul style="list-style-type: none"> Review the Group's sustainability matters and ensure business strategy considers sustainability. Provide advice and direction of sustainability in the Group when necessary, leading sustainability agenda. Provide the final review and approval on sustainability matters related to Thong Guan. | <ul style="list-style-type: none"> Executive Directors Non-Executive Directors |
| Risk Management Task Force  | <ul style="list-style-type: none"> Responsible for assessing and identifying material sustainability factors. Develop sustainability strategies, policies, practices, targets and regular revision is in place. Undertake actions necessary to address sustainability concerns. Oversees operating divisions in ensuring the robustness of the system of sustainability management. Report to the Board on the progress in sustainability matters and programs. | <ul style="list-style-type: none"> Executive Directors Divisional COO General Manager Senior Sustainability Manager Head of Departments |
| Sustainability Leaders at Operating Level  | <ul style="list-style-type: none"> Support strategy implementation developed by the Risk management Task Force to ensure sustainability objective is achieved. Ensure sustainability processes and controls are in place within its departments/ functions. Review and feedback on all measurements for improvement. | <ul style="list-style-type: none"> Operation leaders Key department representatives |

The Board aims to stay well-informed about sustainability management, including climate-related risks and opportunities. Additionally, Thong Guan implemented sustainability-linked Key Performance Indicators (KPIs) in the evaluation process senior management to foster accountability and drive sustainability performance across the organization.

Materiality Assessment

The Risk Management Task Force conducted the materiality assessment process to pinpoint significant economic, environmental, social and governance risks and opportunities affecting our business. This procedure offers stakeholders insights for decision-making and prioritizing the company's interests, guided by Bursa Securities' Sustainability Reporting Guide and Toolkits.
















The Risk Management Task Force has recognized and ranked numerous sustainability concerns pertaining to the Group's operations, considering their impact and feedback from stakeholders.



- 1 Operational Eco Efficiency
- 2 Circularity
- 3 Environment Positive
- 4 Human Rights Protection
- 5 Health & Safety
- 6 Human Capital Development
- 7 Social Contribution
- 8 Corporate Governance and Ethics & Transparency
- 9 Sustainable Operations
- 10 Digitalisation

The table below offers a concise overview of Thong Guan's material matters and their significance. These 10 material matters align with supporting UN Sustainable Development Goals (SDGs), which aim to eradicate poverty, safeguard the environment and climate, and promote peace and prosperity for all people.

| Environment | Material Matter | Description on its significance |
|-------------|----------------------------|---|
| | Operational Eco Efficiency | In manufacturing operations, efficient resource use, waste management, and product stewardship are paramount. Efficient use of resources increase profit, promoting sustainability. Efficient waste management and reduction strategies minimize environmental impact, conserve resources, and mitigate pollution. Product stewardship involves taking responsibility for a product's entire lifecycle, from design to disposal, ensuring minimal environmental harm. These practices not only enhance environmental sustainability but also improve operational efficiency, reduce costs, and bolster the company's reputation as a responsible corporate citizen. |
| | Circularity | Circularity and recycling are crucial in the plastic industry to mitigate environmental impact. Embracing circular economy principles promotes the reuse, repurposing, and recycling of plastic materials, reducing waste, conserving resources, and contributing to a more sustainable and resilient industry ecosystem. |

| Material Matter | Description on its significance |
|---|--|
|    | <p>The greenhouse gas (GHG) emissions from our manufacturing and supply chain activities, along with high water usage, contribute to climate change and strain valuable resources. To mitigate adverse effects on both our business and the environment, managing energy consumption to reduce carbon footprint and ensuring water security are vital for minimizing environmental impact.</p> |
|   | <p>Implementing human rights and ensuring fair treatment of employees enhances job satisfaction and underscores our commitment as an empathetic employer who upholds stakeholders' basic human rights and complies with relevant laws, regulations, and employment and human rights standards.</p> |
|    | <p>Ensuring a healthy and safe workplace is paramount to preserving the health and overall well-being of employees and stakeholders, mitigating the risk of accidents, and is pivotal in attracting and retaining talent.</p> |
|    | <p>Attracting and retaining talent is vital for cultivating a skilled team, decreasing turnover rates and associated costs, and ultimately fostering stronger customer relationships.</p> <p>Consistent training and leadership development programs will elevate employee skills and competencies, fostering career growth and enabling them to meet the evolving demands of the company.</p> |
|  | <p>Sound corporate governance and ethical business practices cultivate an atmosphere of trust, transparency, and accountability essential for nurturing enduring investment, financial stability, and corporate integrity. Our corporate governance adheres to the directives outlined in our Board Charter, Code of Conduct, and policies on anti-corruption and risk management.</p> |
|  | <p>In sustainable operation, growth and profit are vital for long-term viability, innovation, attracting investors and talent, scaling impact, building resilience, and demonstrating success. They provide resources to expand sustainability efforts and deliver long term value to the stakeholders.</p> |
|   | <p>Automation and digitalization in future manufacturing operations reduce reliance on manual labour, enhancing efficiency, productivity, and quality. By streamlining processes and minimizing human intervention, these technologies mitigate labour shortages, decrease errors, and ensure consistency.</p> |

* "Governance" and "Economic" material matters are reported under Governance pillar.

Stakeholder Engagement

Staying relevant & add value

Stakeholder engagement is key to ensuring our business continue be relevant and add value. The table below shows the engagement activities we have carried out during financial year 2023.

| STAKEHOLDERS | AREAS OF INTERESTS | METHOD AND FREQUENCY |
|--|--|--|
| Bankers, Investors & Shareholders | <ul style="list-style-type: none"> Sustainable Operations Ethics & Transparency Corporate Governance | <ul style="list-style-type: none"> Quarterly Financial Result Annual General Meeting Company Website Annual Reports Press Release |
| Customers, Suppliers & Business Partners | <ul style="list-style-type: none"> Operational Eco Efficiency Circularity Environment Positive Ethics & Transparency Digitalisation | <ul style="list-style-type: none"> Customer Satisfaction Survey/Supplier Evaluation Customer Service & Communication Trade Fairs & Frequent Site Visits |
| Employees | <ul style="list-style-type: none"> Human Rights Protection Health & Safety Human Capital Development | <ul style="list-style-type: none"> Communications, through counselling & memo circulation Workplace Continuous Improvement Annual Performance Appraisal Trainings & Workshops Employee Events, including outing and get together gathering |
| Regulators, Government & Authorities | <ul style="list-style-type: none"> Corporate Governance Circularity Environment Positive | <ul style="list-style-type: none"> Compliance & Certification Exercises, including site visits and audits by authorities/certification bodies |
| Communities | <ul style="list-style-type: none"> Social contribution Circularity Environment Positive | <ul style="list-style-type: none"> Educational Site Visits Community Outreach Programmes |
| Consultants (In the areas of business, finance, environment, social and governance) | <ul style="list-style-type: none"> Corporate Governance Ethics & Transparency Circularity Environment Positive Health & Safety | <ul style="list-style-type: none"> Communications, through collaborations and engagement sessions with consultants |

Environmental

Our sustainability goals toward carbon reduction, focusing on short & mid-term targets



Environmental

- Recycling & Circular Economy
- Climate Change & Energy

Environmental Progress:

2023 ENVIRONMENTAL HIGHLIGHTS

Solar power system implementation at 6 factories with capacity of **4425.8kWp** as at FY2023.

100% of our main packaging materials (paper core and carton) made of recycled and recyclable material.

6 factories certified with ISO 14001 Environmental Management System as at FY2023.

Consumption up to **1,000 pcs** of recycled wooden pallet **per month** through collaboration with supplier

6 factories completed energy audit as at FY2023.

Achieved target by **reducing waste to landfill by 37%** compared to FY2022-baseline (Target set: 30%).

All our plastic packaging factories located at West Malaysia signed up OCS program.

Subscribed to **49,578 MWh** GET during FY2023.

OUR APPROACH TO ENVIRONMENT MANAGEMENT

As a responsible corporate citizen committed to environmental sustainability, we are dedicated to taking meaningful actions. These include regulating our resources usage, minimising air and water pollution and emphasizing wildlife conservation by supporting the Operation Clean Sweep (OCS) program, minimizing waste to landfill through recycling, and adhering to regulations set on hazardous waste.

Establishing a robust environmental governance framework is essential for integrating best practices and strategies across our value chain, ensuring accountability among relevant functions and teams. The Risk Management Task Force plays a pivotal role in driving environmental management initiatives aligned with Thong Guan's environmental goals. Supported by our Environmental Management System (EMS), which upholds high standards of environmental business conduct, the responsibilities of the Risk Management Task Force include:

- Overseeing sustainability issues stemming from internal and external factors.
- Endorsing and proposing new ESG (Environmental, Social, and Governance) initiatives.
- Presenting the progress of ESG initiatives to senior management and the Board of Directors.
- Implementing and monitoring decarbonization and other environmental initiatives.

RISK MANAGEMENT THROUGH INNOVATION AND COMPLIANCE

In recent years, there has been a significant rise in public consciousness regarding the imminent threats posed by climate change and global warming. This heightened awareness has led to an escalating demand for products and solutions that boast reduced climate impact. Moreover, with the anticipated surge in regulatory requirements pertaining to plastics in the foreseeable future, the imperative to adapt and innovate is becoming increasingly urgent.

Failure to heed both legislative mandates and evolving customer expectations could result in a decline in sales volumes for Thong Guan. To preemptively address this challenge, we diligently monitor legislative developments, ensuring swift and strategic responses. Additionally, we have proactively bolstered our regulatory expertise over the years, enabling us to remain abreast of forthcoming changes and actively engage with pertinent industry associations.

We aim not only to comply with regulatory frameworks but also to anticipate and exceed customer demands for environmentally responsible solutions. This proactive stance positions us at the forefront of sustainability initiatives, reinforcing our commitment to environmental stewardship while safeguarding our market competitiveness.

ENVIRONMENTAL OPERATIONAL ECO EFFICIENCY

1. EQUITABLE USE OF RESOURCES

Energy Management

Improving operational efficiency & Increasing the use of renewable energy

Improving operational efficiency

Efficient energy management is central to our commitment to sustainability and environmental stewardship. Our proactive approach involves not only investing in operational and energy efficiency but also fostering a culture of continuous improvement.

At the heart of our efforts is a dedicated in-house engineering team meticulously monitoring energy consumption across our facilities. Their expertise ensures we identify opportunities for optimization and implement effective energy-saving measures.

In FY2023, recognizing the importance of structured oversight, we established an energy management committee. Comprising senior management, this committee provides strategic direction and oversight, ensuring alignment with our sustainability goals. By closely monitoring progress and evaluating outcomes, we ensure accountability and drive meaningful results.

Furthermore, we have recently completed energy audits for two additional plastic packaging subsidiaries, bringing the total number of factories audited to six. These audits represent a proactive approach to identifying opportunities for energy optimization and efficiency improvements within our operations. By systematically evaluating energy usage and performance, we can implement targeted measures to minimize waste and reduce environmental impact across our facilities. Our aim is to achieve a 5% reduction in the Building Energy Index within three years following the completion of the audit. This ambitious target represents a significant milestone, especially considering that our facilities already operate under a robust energy management program.

Through these initiatives, we are not only reducing emissions but also enhancing operational resilience and cost-effectiveness. Our commitment to sustainable energy practices underscores our responsibility to future generations and strengthens our position as a leader in environmental stewardship within our industry.

Our power energy-saving project includes changing the chiller system, lightings to energy-saving bulbs & tubes, control system from direct online starter to variable frequency drive. These transformations brought considerable energy savings.



Site visits by auditor during energy audit

Harnessing renewable energy

In FY2018, we began installing solar photovoltaic (PV) system on the roofs of our factories to reduce our reliance on conventional energy.

In FY2023, we completed the installation of solar PV systems at two production facilities, bringing our total investment in solar PV systems to RM13.3 million. We continuously identify opportunities to install more solar PV systems, and we expect to further increase our solar PV system capacity in FY2024.

These initiatives underscore our commitment to sustainable practices and reducing our carbon footprint. By investing in renewable energy sources, we not only reduce our environmental impact but also enhance our resilience to energy price fluctuations. Ultimately, these efforts contribute to long-term cost savings and operational efficiency.

✓ In 2023, our combined use of 5,067 MWh of solar energy saved over 3,840 tCO₂e

✓ Since the installation of the PV system in FY2018, our combined use of 22,852 MWh of solar energy saved over 18,059 tCO₂e.

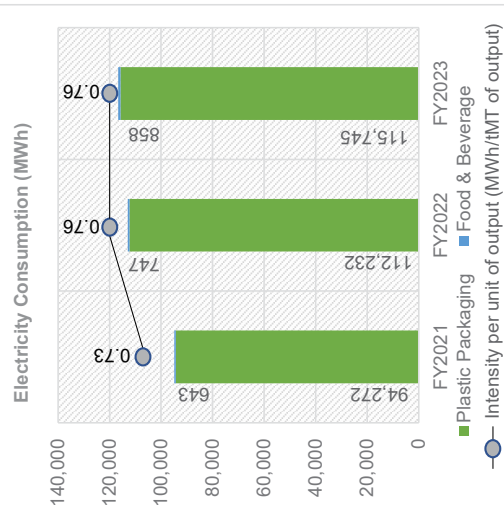
ENVIRONMENTAL OPERATIONAL ECO EFFICIENCY

1. EQUITABLE USE OF RESOURCES

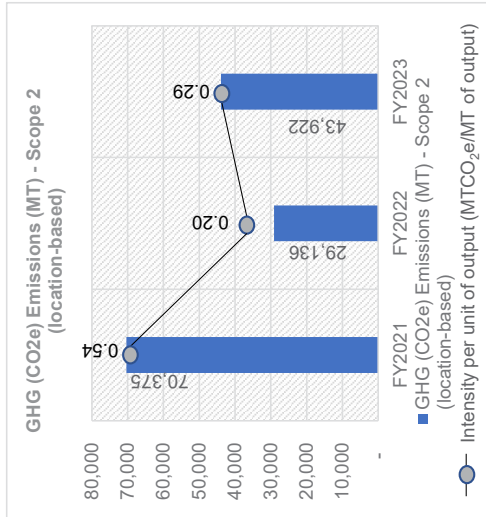
Energy Management

Improving operational efficiency & Increasing the use of renewable energy

| Electricity Consumption (MWh) | | | |
|-------------------------------|---------------|----------------|----------------|
| | FY2021 | FY2022 | FY2023 |
| Food & Beverage | 643 | 747 | 858 |
| Plastic Packaging | 94,272 | 112,232 | 115,745 |
| Total | 94,915 | 112,979 | 116,603 |
| Powered by: | | | |
| Solar PV System | 4,690 | 4,468 | 5,067 |
| GET | - | 66,759 | 49,578 |
| Fossil-based | 90,225 | 41,752 | 61,958 |
| Total | 94,915 | 112,979 | 116,603 |



| GHG (CO ₂ e) Emissions (MT) | | | |
|--|--------|--------|--------|
| | FY2021 | FY2022 | FY2023 |
| Total | 70,375 | 29,136 | 43,922 |



- Note:
- FY2021 Energy Consumption and GHG (CO₂e) Emission disclosed above refer to consumption and emission of facilities located in West Malaysia only.
 - Scope 2 emission factors refer to:
 - Grid emission factors in Malaysia (2017-2021) published by Suruhanjaya Tenaga Malaysia
 - Electricity emission factor published by Ministry of Ecology and Environment of the People's Republic of China dated 15 March 2022, 25 April 2023

Exploring natural capital solution

In FY2023, we achieved 4.3% usage of renewable electricity generated by our own solar PV system on a group-wide basis. Our goal is to increase the usage of renewable electricity to 10% by 2025 and 20% by 2030. We are optimistic that we will be able to achieve the targets we have set.

Limitations of available rooftop space and variability of energy output indeed present significant challenges that limit our ability to exceed the 10% target.

We subscribed to Green Energy Tariff (GET¹) Programme by Tenaga Nasional Berhad (TNB) since the first quarter of 2022 as an alternative to increase our usage of renewable electricity. With this move, we achieved 47% (FY2022: 63%) usage of renewable energy in FY2023 on a group wide basis.

The percentage of renewable energy decreased compared to the prior year as we ceased our subscription to GET starting from August 2023 due to high subscription costs. However, this setback does not deter us from actively seeking alternative solutions. For instance, we are currently exploring Virtual Power Purchase Agreement (VPPA) opportunities in Malaysia as a viable option to further our commitment to renewable energy.

¹GET electricity is from solar and hydro generators. This offered us a further reduction opportunity of our GHG emissions in line with our support of the Paris Agreement and our development of local renewable energy sources.

ENVIRONMENTAL OPERATIONAL ECO EFFICIENCY

1. EQUITABLE USE OF RESOURCES

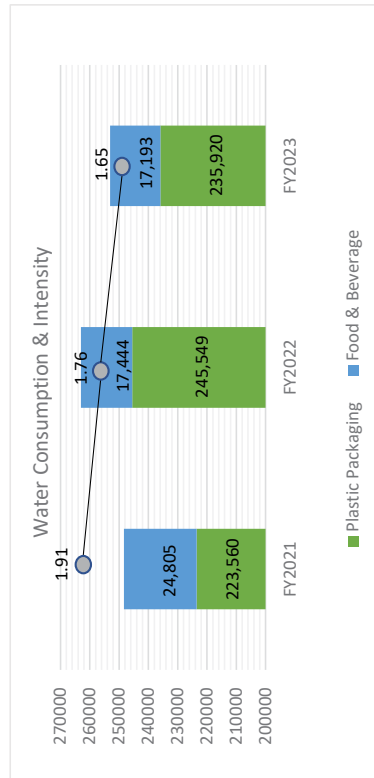
Water Management

Managing & reducing our water consumption

Water Management Policy

- Thong Guan adheres to all relevant environmental laws, international standards, procedures, and regulations in the countries where we operate. We consistently demonstrate responsible water usage by optimizing water utilization while safeguarding water sources.
- We have committed to decreasing our water intensity and mitigating water-related risks through our enterprise risk management framework.
- We preserve water quality by preventing plastic pellets from entering waterways and the environment.

| Environment Progress Against Targets | | | | |
|--------------------------------------|---|----------|-------|--------|
| Focus Area | Metrics | Progress | | Target |
| | | 2022 | 2023 | |
| Water | Reduction in water intensity (Based on FY2021 baseline) | 7.8% | 13.6% | 20% |



| | Water Consumption (m³) | | |
|-------------------|------------------------|---------|---------|
| | FY2021 | FY2022 | FY2023 |
| Food & Beverage | 24,805 | 17,444 | 17,193 |
| Plastic Packaging | 223,560 | 245,549 | 235,920 |
| Total | 248,365 | 262,933 | 253,113 |

In FY 2023, we successfully met our objective of decreasing water intensity by 13.6% in comparison to the FY2021 baseline. This accomplishment primarily stemmed from heightened awareness of water conservation practices during our daily operations, as well as proactive measures implemented to detect and address water leakages in aging pipelines.

Operation Clean Sweep¹ (OCS)

Thong Guan pledges to OCS, ensuring zero pellet loss. We are committed to preventing resin spills with 6 actions:

- Improve our workites set-up to prevent spills;
- Have in place internal procedures towards zero pellet loss goals;
- Provide employees training and accountability for spill prevention, containment, clean-up and disposal;
- Audit our performance regularly;
- Comply with all applicable local and national regulations governing pellet containment; and
- Encourage our partners (contractors, transporter, distributors, etc) to join the OCS

¹Operation Clean Sweep is an international programme designed to prevent the loss of plastic granules (pellets, flakes, and powders) during handling by the various entities in the plastics' value chain and their release into the environment.

Thong Guan has signed up to the Operation Clean Sweep3 (OCS) pledge in Europe and is implementing zero pellet loss measures. Pellet loss should always be avoided. Examples of actions taken to avoid pellet loss at some of our sites are installation of filters in storm water drainage, cleaning with vacuums and installing equipment, specific recycling processes for dirty granules, weekly action plans, and staff training.

ENVIRONMENTAL OPERATIONAL ECO EFFICIENCY

1. EQUITABLE USE OF RESOURCES

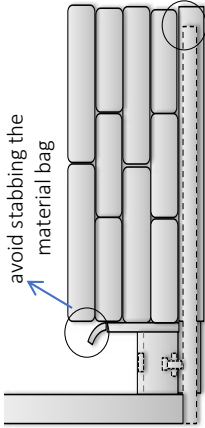
Water Management

Managing & reducing our water consumption

Operation Clean Sweep (OCS)



Installation of filters in water drainage



Installation of forklift stopper to avoid stabbing the material bag

Consuming Water Responsibly

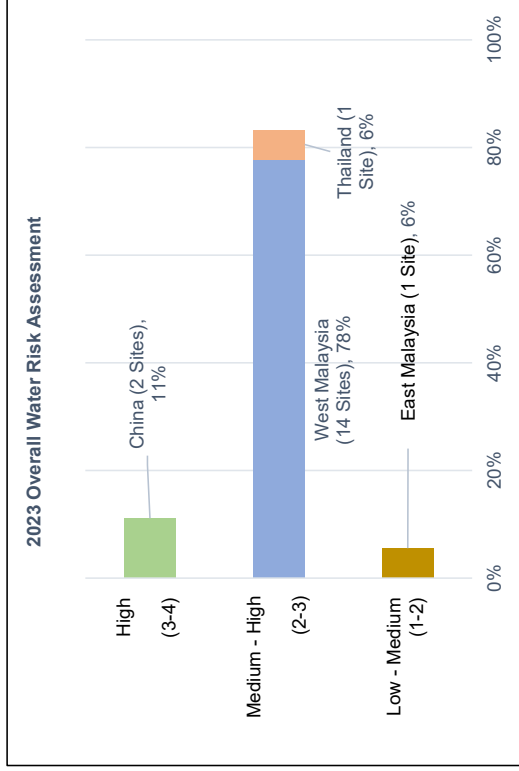
While water is not a primary component in our manufacturing process for plastic packaging and the food & beverage sector, it remains a significant focal point in our resource management strategies. Our F&B Division mainly processes dry material

We initiate our water management strategy by responsibly utilizing water from municipal pipelines, which currently serve as our primary water source. Our objective is to decrease our reliance on municipal water sources by minimizing water wastage throughout our operations. For instance, we implement practices such as continuous recirculation and reuse of water in cooling towers to diminish evaporation and limit wastage. Additionally, we conduct regular monitoring of our water usage to detect any irregularities and pinpoint areas for enhancement, all while ensuring there are no leakages that could contribute to water wastage.

Additionally, we conduct periodic monitoring of the effluent quality from our plastic packaging manufacturing plants. Samples are collected and dispatched to third-party laboratories for analysis. Over the past three years, we have complied with regulations concerning both water consumption and quality, with zero incidents of non-compliance reported.

To optimize water resource utilization at our operational sites and alleviate strain on water-stressed environments, we implement proactive measures and utilize predictive methods. We rely on the AQUEDUCT Water Risk Atlas, which employs 13 indicators to assess our water risk, stress levels, and forecast fluctuations in demand and supply at our sites. Senior management and the Risk Management Task Force utilize these results to formulate remediation strategies for water optimization.

| Location | Percentage | Overall Water Risk |
|--------------------------|------------|---------------------|
| East Malaysia (1 Site) | 6% | Low - Medium (1-2) |
| West Malaysia (14 Sites) | 78% | Medium - High (2-3) |
| Thailand (1 Site) | 6% | Medium - High (2-3) |
| China (2 Sites) | 11% | High (3-4) |



ENVIRONMENTAL OPERATIONAL ECO EFFICIENCY

1. EQUITABLE USE OF RESOURCES

Material Management

Manufacturing responsibly

We always strive to use materials responsibly. Thong Guan's use of raw materials contains virgin (fossil) and recycled. Our main raw material is polyethylene (PE), additives, compounds and masterbatches (mainly consisting of polymers) are used to enhanced properties of the films. We encourage sustainable consumption and closely monitor the total volume of primary materials. We are committed to innovating and developing more sustainable solutions, stemming from the use of virgin polymer by using recycled materials and reduce the thickness of our film.

| | Total Materials Used (MT) | | |
|-----------------|---------------------------|----------------|----------------|
| | FY2021 | FY2022 | FY2023 |
| Virgin material | 141,139 | 131,156 | 138,615 |
| Recycle resin | 7,948 | 9,143 | 10,071 |
| Total | 149,087 | 140,299 | 148,686 |

Post-Industrial Recycle (PIR)

Recycled plastic from post-industrial waste - waste material diverted during a manufacturing process is reutilization of materials such as rework, regrind or scrap generated in a given process and capable of being reclaimed within the same process.

We oversee our daily plastic production waste as part of our ongoing commitment to minimizing in-house plastic production waste. Should the percentage of plastic production waste surpass the internal threshold, the production manager conducts an investigation. Additionally, we refine our in-house recycling process to minimize contamination in plastic production waste. We also segregate plastic production waste according to grade, type, and colour to enhance the quality of our PIR.

Our plastic production waste is recyclable and undergoes full recycling into PIR, aiming for zero plastic production waste. While PIR remains a resource at Thong Guan, it is no longer a primary component in our target follow-up process.

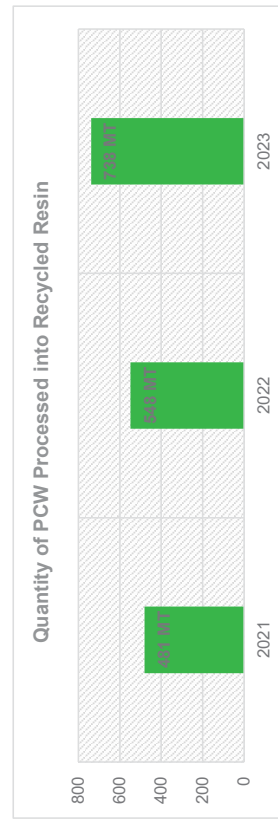
Post-Consumer Recyclate (PCR)

Recycled plastic resin from post-consumer plastic waste (PCW) (waste material generated by the end-users of products, that has fulfilled its intended purpose or can no longer be used - including material returned from within the distribution chain). Handling post-consumer waste come with immense challenges, but we support the use of PCR for greener results. Our ambition toward plastic circularity is incomplete without formulating and successfully executing our strategies for handling PCW.

We are committed to incorporating 10% Post-Consumer Recycled (PCR) materials into our total plastic production output by the year 2030, recognizing the pivotal role PCR plays in spearheading the transition towards a circular use of plastics and in mitigating our carbon footprint. Our dedication to providing low-carbon solutions to our customers underpins our mission. Currently, our utilization of PCR is less than 1% of our total plastic production output as of FY2023. While this figure falls short of our set targets, we persistently explore avenues to bolster our PCR consumption. The primary hurdle we encounter is the restricted availability of PCR meeting our stringent quality standards. Presently, our PCR sources predominantly encompass external resin suppliers, internal post-use plastic packaging such as resin bags, shrink covers, stretch hoods, and stretch films, along with collaborative initiatives with customers aimed at collecting post-use plastic packaging.

To effectively meet our PCR utilization targets, we have implemented comprehensive strategies focused on forging enduring partnerships with PCR suppliers and waste collectors, thereby securing a reliable and steady influx of externally sourced PCR. Additionally, recognizing the paramount importance of bolstering our recycling infrastructure, we have made significant investments totaling RM5 million over the past three years. These investments are directed towards enhancing our recycling capabilities, thus fortifying our ability to process and utilize PCR materials efficiently and sustainably.

Waste segregation campaign was successfully launched in within TG. In FY2023, total PCW from internal post-use processed into recycled resin increased by 190MT to 738MT.

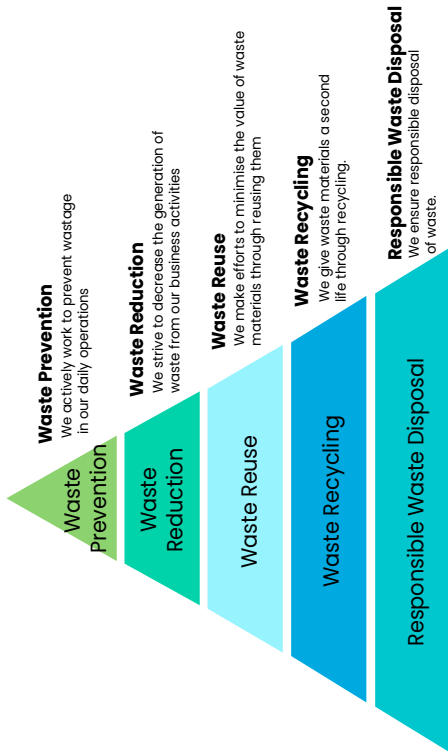


ENVIRONMENTAL OPERATIONAL ECO EFFICIENCY
2. WASTE MANAGEMENT & REDUCTION

Waste Management

Managing & reducing our production waste

We adhere to a responsible approach in industrial waste management, prioritizing compliance with pertinent laws and regulations. Our waste management practices include providing guidance on the safe handling and disposal of waste, aligning with health and safety control requirements. Our approach involves:



In FY2022, we committed to reducing waste to landfill by 30% in 2023. To achieve this goal, we implemented a waste segregation and recycling awareness program and conducted frequent briefings for operational staff on the significance of recycling. Additionally, we engaged with suppliers who demonstrate high awareness in waste reuse, recovery, or recycling. As a result of these efforts, we achieved encouraging results, successfully reducing waste to landfill by 37% in FY2023.

| Environment Progress Against Targets | | | | |
|--------------------------------------|---|----------|------|--------|
| Focus Area | Metrics | Progress | | Target |
| | | 2022 | 2023 | 2025 |
| Waste | Reduction in waste (Based on FY2022 baseline) | N/A | 37%* | 60% |

Total solid waste excludes production scraps generated directly from our manufacturing process such as plastic trimmings and rejected films. Production scraps generated directly from our manufacturing process is fully recycled, upcycled and sold to third parties that may use them as raw material in their own production processes. Our manufacturing plants are equipped with recycling facilities which made the recycling of our production scraps efficient and achieved zero production scraps.

Our solid waste includes:

- Post-use industrial plastic waste, including packaging like resin bags, shrink covers, stretch hoods, and films from our suppliers
- Post-use industrial non-plastic waste, such as used wooden pallets, paper, and metal.
- Post-consumer waste from in-house segregation program, including PET bottles, clean flexible packaging, and paper.

| Total waste generated (MT) | | |
|------------------------------------|-------------------|-----------------|
| FY 2023 | Plastic Packaging | Food & Beverage |
| Total waste diverted from disposal | 5,485 | 35 |
| Total waste directed to disposal | 1,169 | 414 |
| Total | 6,654 | 449 |

Refer to total waste of facilities in West Malaysia

Scheduled (Hazardous) Waste

Thong Guan collaborates with licensed collectors from the Department of Environment (DOE) to manage schedule waste. This waste is either sent to landfills, incinerated, or recycled. We transparently report and disclose our scheduled waste generation on the government portal.



ENVIRONMENTAL OPERATIONAL ECO EFFICIENCY
2. WASTE MANAGEMENT & REDUCTION

Wooden Pallet Recycling Program

Managing & reducing our production waste

TG Group is dedicated to embracing sustainable practices in response to environmental concerns, particularly in light of the growing demand from eco-conscious consumers for more sustainable packaging solutions. We place a strong emphasis on the recyclability of our packaging materials, including wooden pallets, recognizing the importance of collaboration with stakeholders across the value chain to address the systemic challenge of waste management.



Used, worn and broken pallets sent to vendor

In FY2022 December, Thong Guan initiated the Wooden Pallet Recycling Program with our vendors, focusing on rebuilding used, worn, and broken pallets into usable recycled pallets. Collaborating closely with our vendors, we ensured that the durability and strength of the recycled pallets met our quality standards. Furthermore, we undertook efforts to educate our customers on the significance of using recycled wooden pallets and demonstrated how this initiative contributes to minimizing deforestation issues.

The program garnered positive responses from customers, leading to a significant increase in the internal consumption of recycled wooden pallets from 50 pieces monthly to 1,000 pieces monthly by the end of FY2023. Looking ahead to FY2024, we aim to further elevate consumption to 2,500 pieces monthly.



Recycled pallets using our own materials

Through the Wooden Pallet Recycling Program, even wood dust and broken wood planks are repurposed into wood chips or energy by our vendors. This demonstrates our commitment to ensuring that our used, worn, and broken pallets are handled responsibly while emphasizing the importance of stakeholder partnerships for achieving circularity in our operations. In FY2023, the vendor collected 47,324 pieces broken or used pallet for recycling in their manufacturing operations.



Thong Guan is committed to build a sustainable supply chain with our stakeholders and contribute to both CO2e and landfill avoidance. Every recycled wooden pallet saves 28KG of CO2eq.

ENVIRONMENTAL CIRCULARITY

1. RECYCLING CAPACITY

Recyclability and Recycling

Driving plastic circularity

Product Recyclability

Promoting recyclability plays a pivotal role in reducing the environmental impact of a product by minimizing its carbon footprint. Thong Guan is committed to enhancing the recyclability of our products post-consumption, thereby steering them away from conventional disposal routes like landfills or incinerators. Instead, our focus is on maintaining their presence within the material cycle, thus bolstering circularity within the system. This objective is pursued through various initiatives, such as advancing process technologies and innovating the design of plastic products to optimize their recyclability potential.

Our products are designed with recyclability in mind, ensuring that they can be efficiently repurposed at the end of their lifecycle. This holistic approach not only aligns with our sustainability goals but also underscores our dedication to fostering a more environmentally responsible manufacturing process.

Thong Guan defines recyclable products as those that are deemed recyclable in polyethylene (PE) upon receipt from our company. However, it is important to note that certain products designed for specific uses may become contaminated in a manner that renders mechanical recycling unfeasible. Examples of such applications include medical products and hygiene laminations, which are therefore excluded from our recyclability definition.

Recycling Capacity

TGSH Plastic Industries Sdn. Bhd. has served as our internal recycling plant since 2011. As of December 31, 2023, TGSH owns 4 recycling lines and has the capacity to convert 5,400 MT of plastic waste into recycled resin. TGSH specialises in recycling of post-consumer waste (PCW). Managing PCW requires specialised knowledge and expertise in feedstock management to ensure effective processing. Our investment in recycling facilities has been substantial, totalling RM6.3 million since 2016.

To our customers, we:

- Increase awareness among customers regarding their role in minimizing environmental impact by supporting environmentally friendly products and offer an after-use collection program.
- Provide data and evidence-based test results from the Newton R&D Centre to assure customers of the quality performance of our recycled packaging.
- Quantify our sustainability commitment through green certificates such as ISCC Plus & GRS to ensure traceability of certified material (recycled resin) and third-party confirmation on recycled content.

Risk management in relation to recycling

As of the present day, Thong Guan's impact on end-of-life plastic recycling is somewhat constrained, given that the actual recycling process hinges on several factors including product usage, as well as the collection and management of waste post-consumption. Waste collection procedures are predominantly governed by national and local authorities, thereby limiting the standardization of recycling regulations. Furthermore, the perception of recycling among both local authorities and the public plays a significant role in shaping our expansion plans for recycling facilities.

To enhance the recycling rate, it is imperative to establish efficient conditions that encourage the collection of used plastics and create a predictable regulatory framework conducive to investments in circular plastics. In response to this need, Thong Guan has initiated the RE:USE program, aimed at providing after-use waste collection services to our customers. Additionally, we are actively exploring collaboration opportunities with waste collectors to scale up the recycling of post-consumer plastic waste (PCW), thereby enabling a greater volume of plastic waste to be recycled.

Life Cycle Assessment (LCA)

In collaboration with SIRIM, we successfully completed our first life cycle assessment (LCA) of our nano stretch film product in FY2013. This assessment was conducted in accordance with ISO14044 (Environmental Management – Life Cycle Assessment) to comprehensively evaluate the environmental impact of our products.

This assessment was conducted to carefully evaluate the environmental impacts of our products, with a specific focus on our core offerings, such as nano stretch film. Throughout this process, we actively solicited feedback and input from both our suppliers and customers, seeking valuable insights to enhance various facets of our product lifecycle.



RE:DO



RE:USE



RE:DUCE

ENVIRONMENTAL CIRCULARITY

2. GREEN CERTIFICATIONS

Justifiable Sustainability

Quantifying & qualifying our green competency

Green Certifications

Through the application of globally recognized standards and the validation of our sustainability efforts by external entities, we secure an additional layer of assurance for both ourselves and our stakeholders, affirming our trajectory towards becoming the preeminent leader in sustainability within our industry. Our emphasis on obtaining globally recognised certifications such as ISO14001, ISCC Plus and GRS enables us to stay updated with industry best practices and enhance our reputation by showcasing our commitment to be transparent in supply chain.

We meticulously choose our certificates, and when applicable, seek assistance from external parties to ensure that we engage with certifications that yield the greatest impact and establish the most stringent standards for sustainability. Thong Guan's subsidiaries, where relevant, are certified in accordance with a range of international and national standards and certifications, including but not limited to the following:

ISO 14001



ISO 14001 is a globally recognized standard for establishing and maintaining effective environmental management systems (EMS). It guides organizations in addressing environmental responsibilities, fostering sustainability, and driving continual improvement. Compliance with ISO 14001 signifies a commitment to environmental stewardship and operational excellence.

6 Factories



ISCC Plus



The International Sustainability and Carbon Certification (ISCC) stands out as a premier solution provider for fostering sustainable international supply chains. Renowned for its comprehensive approach, ISCC encompasses the entirety of the supply chain, encompassing diverse bio-based feedstocks and renewables. With ISCC certification, companies are assured of meeting stringent ecological and social sustainability criteria, achieving reductions in greenhouse gas emissions, and maintaining traceability across the entire supply chain.

2 Factories



In the process of adding an additional site in FY2024

GRS



Global Recycled Standard (GRS) set the criteria for third-party certification of recycled materials and chain of custody. Certified products must contain at least 20% of recycled material and only products with at least 50% Recycled Content qualify for product-specific GRS labelling.

2 Factories



ENVIRONMENTAL CIRCULARITY

3. Sustainable Product Development and Innovation

LoopClosers

Closing the loop with product development and innovation

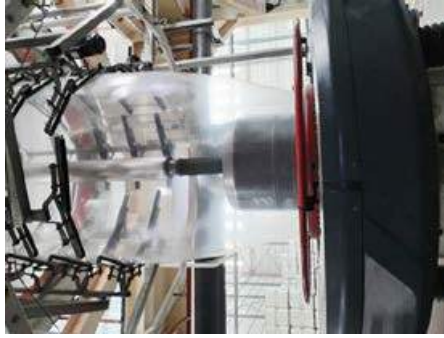
Thong Guan is dedicated to assisting our customers in their sustainability journey by pioneering innovative products and solutions that contribute to a reduced climate footprint. We empower our clients to progress towards their sustainability targets while ensuring that their functional and branding needs are met. Our commitment extends to providing products and solutions that prioritize environmental responsibility while delivering excellent service. By deeply comprehending our customers' businesses and profitability concerns, we tailor our offerings to align seamlessly with their objectives, fostering a mutually beneficial partnership dedicated to sustainability and success.

In collaboration with our stakeholders, we actively explore and identify the most suitable options to fulfil their unique requirements. One such initiative is our provision of carbon footprint calculations for Thong Guan's products, enabling our customers to gain comprehensive insights into their environmental impact and identifying avenues for reduction.

Recycling collation shrink film

Collation shrink films are no longer required to be classified as single-use plastics thanks to our collaborative efforts with ExxonMobil. We've achieved a breakthrough in mechanical recycling, developing a solution that incorporates 50% recycled material content into shrink films.

Our innovative approach has proven successful, with the collation shrink films passing the "proof of concept" stage. This indicates that the films meet the necessary performance criteria after undergoing three months of testing.



iPAK 5

iPAK5, an affordable IoT solution, has been developed to enhance businesses' visibility and traceability in their packaging operations. With iPAK5, customers can achieve optimal performance by:

- Providing visibility and traceability of operations.
- Reducing product damages during transportation.
- Enhancing safety throughout the supply chain.
- Boosting productivity.
- Offering long-term cost reduction.
- Improving sustainability Key Performance Indicators (KPIs).

iPAK5 delivers valuable insights, including:

- Total films consumed.
- Downtime alerts.
- Monitoring across multiple sites.
- Estimated CO2 savings.
- Load stability.

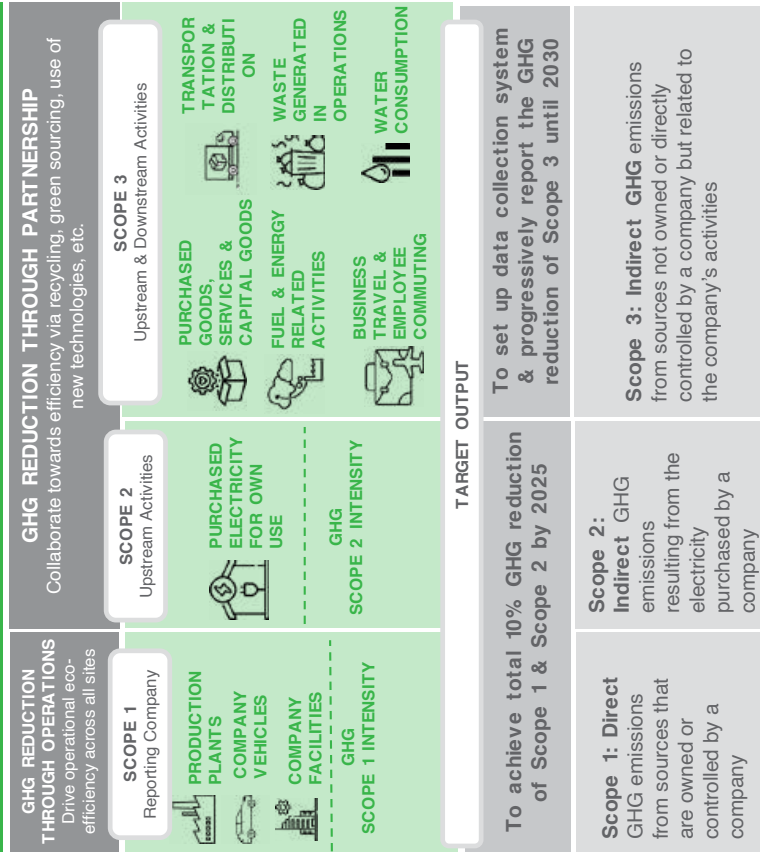
ENVIRONMENTAL ENVIRONMENT POSITIVE

2. GREEN IMPACT

Air Pollution Management

Minimising environmental pollution

GHG EMISSIONS ACROSS OUR VALUE CHAIN



ENVIRONMENTAL ENVIRONMENT POSITIVE

1. CARBON FOOTPRINT REDUCTION & BALANCING

GHG Emissions Reduction

Keeping our environmental impact in check

As a responsible corporate citizen, Thong Guan remains dedicated to upholding adherence to relevant local and international environmental and climate regulations. We are resolute in our commitment to incorporating sustainable environment practices into our business activities and minimising adverse impacts on the environment resulting from air pollution. Our formal air pollution management is guided by ISO 14001 to address odour-related environmental concern.

During FY2021 to FY2023, there were no instance of non-compliance resulting from air pollution. We strictly abide by environmental laws and regulations to achieve the goal of zero penalty.

At Thong Guan, we have established various initiatives for air pollution control in our manufacturing processes and comply with the Environmental Quality (Clean Air) Regulations of 2014. These initiatives include:

1. Collaboration with external laboratory to ensure that emissions from our chimneys consistently adhere to regulatory limits.
2. Prohibition of open burning to mitigate air pollution.
3. Modernization our equipment by changing diesel forklift to electric forklift. Since FY2022, we purchased 14 electric forklifts with a total cost of RM1,113k.

GHG Emissions Reduction

Understanding where emissions occur across the value chain is crucial for improving our climate impact. Our assessment of Scope 1 & Scope 2 emissions revealed that 98% of Thong Guan's production sites' energy consumption comes from purchased electricity (Scope 2), while our Scope 1 emissions derive from diesel and petrol consumption. Following our roadmap, we aim to reduce our Scope 1 & Scope 2 GHG emissions by 10% through transitioning to renewable electricity, such as electricity generated by our solar PV system, and continuous improvement in energy efficiency. Additionally, we are exploring Virtual Power Purchase Agreements to further decrease our Scope 1 & Scope 2 emissions beyond the 10% target.

Transportation and distribution are identified as major components of our Scope 3 emissions. We have established a data collection system and are exploring greener transportation modes. We have also set Key Performance Indicators to increase the utilization of return containers. In FY204, we will disclose our Scope 3 emissions for Category 6 (business travel) and Category 7 (employee commuting) in accordance with the Bursa Sustainability Reporting Guide (3rd edition).

ENVIRONMENTAL ENVIRONMENT POSITIVE 2. GREEN IMPACT

Chemical Substances Management

Minimising environmental pollution

Chemical Substances Management

Thong Guan places paramount importance on the responsible handling of its raw materials, particularly those classified as chemical substances. Thong Guan diligently adheres to the regulations outlined REACH¹ framework, ensuring ongoing compliance. Additionally, in cases where relevant, Thong Guan strictly follows legislation governing food contact materials to guarantee the safety and quality of its products.

At the heart of our commitment to compliance is the meticulous selection of substances that have been either registered or pre-registered in accordance with the rigorous standards set forth by REACH. Furthermore, fostering transparent communication and collaboration, we engage in continuous dialogue with our network of raw material suppliers, ensuring that they too uphold the stringent requirements of REACH. Our dedication to transparency extends to providing access to our REACH statement via our official website, affirming our unwavering commitment to regulatory adherence and responsible business practices.



¹Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) is a regulation of the European Union, adopted to improve the protection of human health and the environment from risks that can be posed by chemicals.

ENVIRONMENTAL ENVIRONMENT POSITIVE 2. GREEN IMPACT

Collaboration Helps Growth

Optimising synergy for greater positive green impact

Our Membership In Associations

As active member in a variety of industry associations, we unlock greater value through collaboration, develop closer relationship with various stakeholders and contribute to the uplifting of standard across the Malaysian business community. Our membership also enable us to stay abreast of the latest industry innovations and trends.

| Association | Business Division | Our Role |
|---|-------------------|--|
| Malaysian Plastic Manufacturers Association (MPMA) | Packaging | Member in Central Committee Northern Branch Chairman |
| Federation of Malaysian Manufacturers (FMM) | Packaging | Member |
| International Safe Transit Association (ISTA) | Packaging | Member |
| European Safe Logistics Association (EUMOS) | Packaging | Member |
| ASTM International (American Society for Testing and Materials) | Packaging | Member |

Support Green Initiatives

The call for climate action continue to grow louder. At Thong Guan, we support organisation/agencies who share the same value to same value to develop and implement sustainable environment practices to effectively manage climate and environmental risk.

We are a member of the Climate Governance Malaysia, the Malaysian chapter of the World Economic Forum (WEF) climate governance initiative



CLIMATE GOVERNANCE MALAYSIA

ENVIRONMENTAL ENVIRONMENT POSITIVE

3. LOAD STABILITY

Sustainability Through Data

Optimising performance to achieve greener impact

Safe & Stable Load Reduce Risk of Road Accidents

While Thong Guan acknowledges the significance of sustainability initiatives within the packaging sector, particularly in recycling and downgauging, we also prioritize the delicate balance between environmental concerns and logistical safety. This is especially pertinent when considering the utilization of recycled materials in packaging films, such as stretch film, shrink film, stretch hood, and strappings, and reducing packaging material thickness, which are crucial for load stability. Excessive use of recycled materials may alter the physical properties of packaging film, resulting in decreased tensile strength, puncture resistance, and elongation capacity, directly impacting load stability.

At Thong Guan, ensuring load stability remains paramount and is not to be compromised, even in the pursuit of increased recycled content and downgauging in packaging films.

Compromised load stability poses significant safety risks and operational inefficiencies:

- Increased Product Damage: Unstable loads are more prone to collapse or shift, leading to a higher incidence of product damage.
- Repacking and Reverse Logistics: Damaged goods necessitate repacking and return shipments, involving additional material use and transportation.
- Labour and Documentation: Handling incidents related to unstable loads requires extra labour and extensive documentation, thereby increasing operational costs.
- Overall Increased Carbon Emissions: Ironically, the additional transportation, manufacturing of replacement goods, and waste management resulting from load failures may outweigh the carbon savings from using recycled materials.

The establishment of the Newton Research and Development Centre aims to provide customers with visibility of data and guidance on the suitability of films to be used, including the optimal percentage of recycled content and thickness.

In Newton, our state-of-the-art simulators assess palletized load stability and integrity in real-world scenarios, encompassing various transportation modes such as road, rail, sea, and air. Our global standards lab simulations reassure customers that their palletized load can withstand the rigors of long journeys, even in potential transit or situational incidents. Reducing the risk of road accidents also contributes to mitigating transportation-related fatalities, aligning with our mission.

Customer Testimonial



“Since, my team and I took part in the training at **Newton**, it has revolutionized the way we offer our services to our client”
Sean Twinnam / Manager/ Castle Industrial

“We've learned lots of things by joining **Newton's training**. We've been able to understand the technology that goes into the films that we utilise , plus the best mechanisms to reduce waste to improve load containment which ultimately leads to better safety with our customers”

James Poulsen/ Sales General Manager/ Signet



Our Load Stability On The Move was recently showcased at the Interpack 2023 in Dusseldorf, Germany

Social

Empowering our people & the communities



Social

- Health, Safety & Well Being
- Corporate Social Responsibilities & Collaboration

Social Progress:

2023 SOCIAL HIGHLIGHTS

Zero complaint on incident of unfair employment, violation of labour law and human rights, unfair harassment and unlawful discrimination practices in the past three years.

Donated goods and money worth **RM91,016** to **43** beneficiaries.

Zero fatality in FY2023. To continue to achieve zero fatality in coming years.

All our hostels are **approved** Centralised Labour Quarters (CLQ).

3 of our factories have obtained SMETA accreditation.

We employed **4** employees with disabilities and **44** interns as at 31 Dec 2023.

4 of our factories are certified under ISO 45001:2018.

Increased training hours by **62%** compared to FY2022, achieving our target set in the prior year.

OUR APPROACH TO SOCIAL MANAGEMENT

Thong Guan demonstrates a commitment to responsible employment practices and active community engagement across our operational areas. Our focus lies in fostering a secure and inspiring workplace environment that prioritizes the well-being of our employees. We pledge to cultivate a culture where our staff not only excel and grow but also enjoy optimal physical and mental health. By investing in our personnel, promoting continuous learning, and fostering a culture of recognition for all contributions, we strive to create an inclusive environment. While adherence to laws and regulations is non-negotiable across all our sites, Thong Guan goes beyond mere compliance, embracing a heightened level of social responsibility in many instances.

RISK MANAGEMENT THROUGH KEY STRATEGIES

Major risks associated with heavily relying on foreign workers include changes in immigration policies, geopolitical tensions, and currency fluctuations. Additionally, there is the potential for increased costs related to work permits, visas, and recruitment fees. To address these challenges, Thong Guan aims to minimize dependence on foreign labour by prioritizing local economic development and sourcing its workforce locally whenever feasible, thereby reducing reliance on external factors beyond the Group's controls.

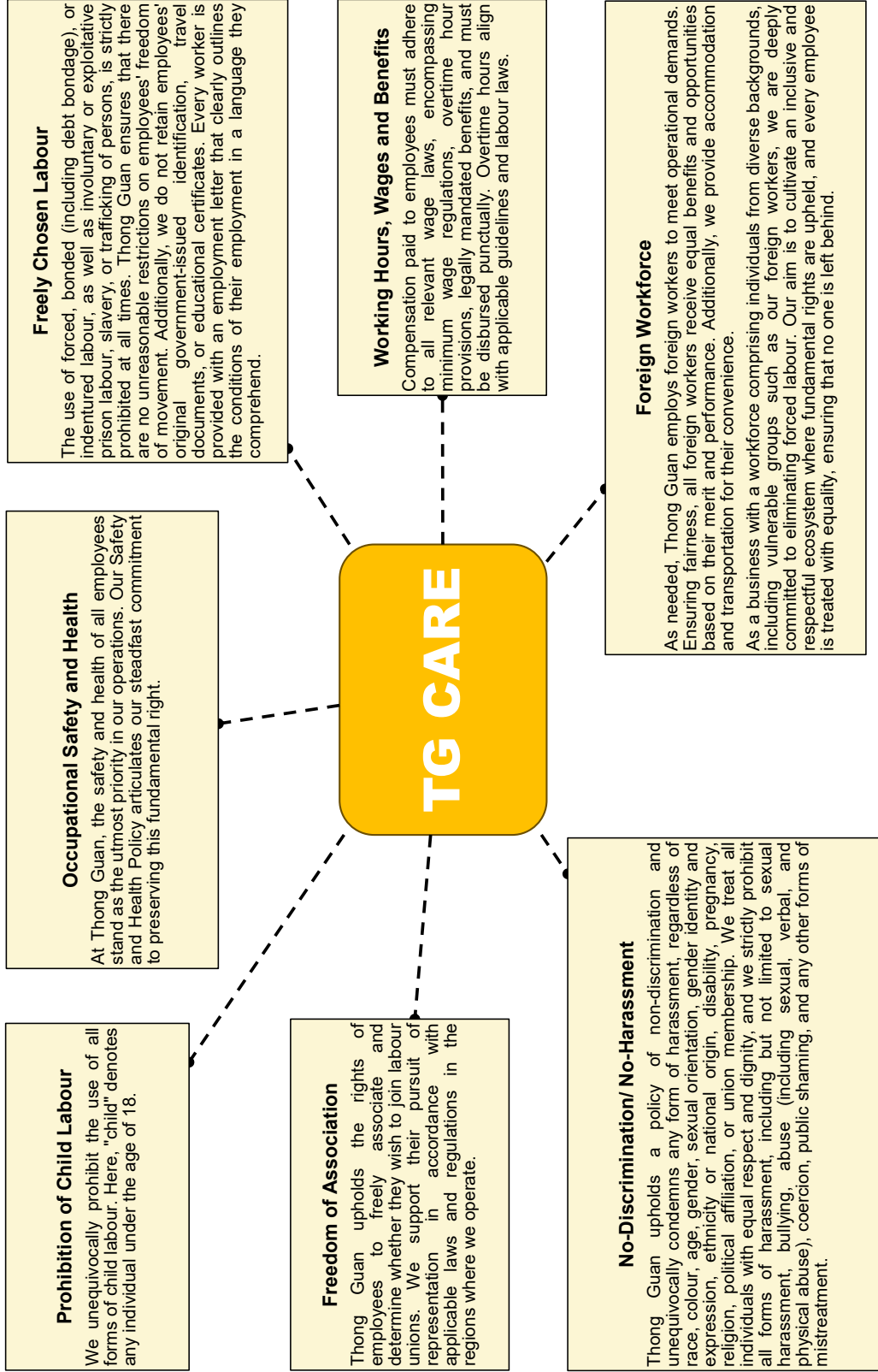
To mitigate these risks effectively, Thong Guan has implemented several key strategies:

- 1. Monitoring Regulatory Changes:** Thong Guan's Group Human Resources Department remains vigilant regarding developments in labour laws and regulations. They provide proactive updates to ensure the Group stays abreast of the latest regulatory changes, enabling timely adjustments to policies and practices.
- 2. Continuous Improvement of Labour Practices:** Thong Guan consistently monitors and enhances its labour practices, committed to complying with best practices to promote the resilience of its workforce and mitigate potential disruptions.
- 3. Manpower Utilization Planning:** The Group has established a dedicated manpower utilization plan, regularly reviewed to ensure a sufficient talent pool to meet the organization's evolving needs, thus reducing reliance on external hiring.
- 4. Adoption of Technology and Diversification:** Thong Guan is actively embracing technology and automation to minimize reliance on human labour.

These proactive measures underscore Thong Guan's commitment to managing risks associated with foreign labour reliance while promoting sustainable growth and resilience across its operations.

Our People

Our commitment to human rights and labour standard is seamlessly integrated into our human capital management principle



SOCIAL HUMAN RIGHTS PROTECTION

1. EQUAL RIGHTS TO WORK & EDUCATION

Equal Opportunities

Protecting our people on their rights

Workplace human rights

TG respects the human rights of all its workers and supports the local communities. A primary subsidiary of TG passed the SMETA audit in 2021, followed by another subsidiary obtained SMETA accreditation in FY2022 to ensure no human rights violations across the organisation. We continue to engage with our suppliers on their commitment to addressing human rights issues.

Sedex Member Ethical Trade Audit (SMETA)



SEDEX is a membership organisation that provides one of the world's leading online platforms for companies to manage and improve working conditions in the global supply chain.

SMETA (Sedex Members Ethical Trade Audit) is the most widely used social audit globally. SMETA is Sedex's social auditing methodology, enabling businesses to assess their sites and suppliers to understand working conditions in their supply chain.

Equal rights to work & education

Our practice is always basing employee performance on a merit system, regardless of language, culture, age, gender, ethnicity or nationality.

We provide equal training and promotion opportunities to all employees, including migrant workers. There is clear evidence of our practice with certain long service migrant workers being promoted to supervisory level.



Company trip included all employees regardless gender, ethnicity or nationality

SOCIAL HUMAN RIGHTS PROTECTION

2. DIVERSITY & INCLUSION

Welcoming Workplace

Embracing differences for the greater good

Diverse & inclusive workplace

Diversity and inclusivity are our core focus for maintaining a sustainable workplace. We understand that by embracing people regardless of who they are, where they come from, and what they believe in, we can achieve extraordinary work results. Diversity sparks innovation, improves collaboration, makes better decisions, attracts new talents, and boosts profitability. But above all, it is our respect towards everyone as human, and we respect what they bring to the table, not who brought it.

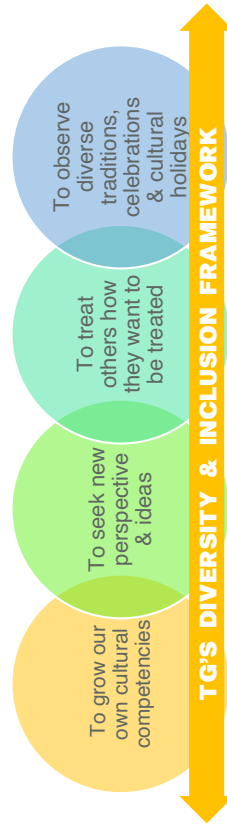
A diverse workforce is essential for continued innovation, a growth mindset and sustained business growth.

As a diverse and inclusive organisation that continues to seek differences in opinions, viewpoints and ideas, we do not discriminate based on language, culture, age, gender or nationality and offer employees promotions and rewards based on merit.

From the outset of our recruitment activities, we demonstrate our commitment to diversity and inclusion. When we hire internally and externally, we search for a diverse pool of candidates based on individual qualities. Diversity is also a key focus in succession planning.

Our Diversity & Inclusion Framework

We embrace employees from different ethnicities, cultures, nationalities and educational backgrounds. Our framework, comprising five core strategies, ensure the practice of diversity and inclusion throughout our organisation.



SOCIAL HUMAN RIGHTS PROTECTION
2. DIVERSITY & INCLUSION
Women Leadership

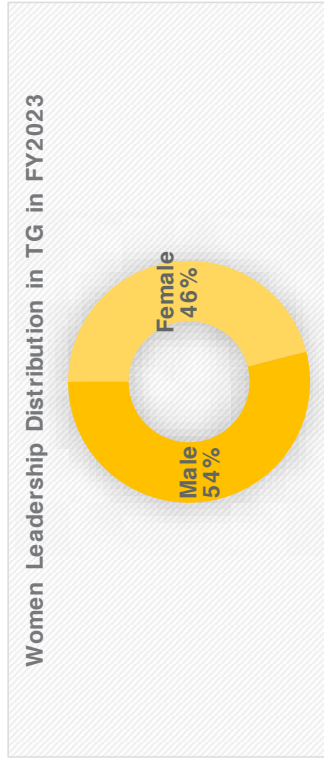
Advancing gender justice & equality for furthering economic, social and environmental progress

The power of women leadership

We know that women are powerful agents of change. The far-reaching benefits of diversity and gender parity in leadership and decision making are increasingly recognised everywhere.

In Thong Guan, we recognised people by their talents and ability to hold leadership position and not by gender. In FY2023, we have 46% (FY2022: 48%) of women in our management team. They held positions of business unit and departmental heads.

30% (FY2022: 32%) of our global workforce are female employees as at 31 Dec 2023.



Board Diversity

Under the Malaysian Code of Corporate Governance, the board should at least comprises 30% of women directors. Thong Guan welcomes its first female director to join TG family in FY2022 as we recognise the importance of board diversity, and board decisions should consider diverse perspectives and insights.

- ✓ We have 46% (FY2022: 48%) women leaders in Thong Guan.
- ✓ Despite not yet reaching our target of 50%, we remain committed to providing opportunities for qualified female candidates to assume roles as business unit and departmental heads.

SOCIAL HEALTH & SAFETY

1. SAFE & CONDUCTIVE WORKPLACE
OHS System for the people

Ensuring our workplace is safe & conducive

Safety and health at work are paramount for our workforce and operations. We are proud to be a responsible operators maintaining our duty of care for the environment and our employees, and we routinely go beyond minimum legislative requirements. Our well-established Occupational Health and Safety (OHS) system ensures that everyone understands their responsibility in providing a safe work environment and maintaining safe and healthy habits daily within our business.

Number of workplace accidents



Summary of major workplace accidents (with medical leave > 2 days) were published in our group's employee intranet to serve as a reminder to all employees on the importance of carefulness in their daily operations. Investigations were conducted to find out the root cause and allows us to take precautionary measures to prevent it in future.

Process safety

In addition to prioritising workforce safety, we ensure that our plant's infrastructure and equipment are regularly maintained and tested to meet international health and safety standards. This reduces the risk of safety incidents, improves efficiencies and helps us avoid potential incidents, many of which can have significant adverse social and environmental implications.

We also provide occupational health services, including medical surveillance tests and audiometry. We outsource this work to external providers to support employees' health efforts.



Chemical Spill Response and PPE training conducted during FY2023

SOCIAL HUMAN CAPITAL DEVELOPMENT

1. EMPLOYEE ENGAGEMENT

Employee Engagement Model

Investing in our people

Benefits of highly engaged employees

Highly engaged employees are essential for our business success and help us achieve and sustain our vision. We have open door policy of which the staffs are encouraged to share their issues with superiors. Weekly meeting are held between executive directors and leaders to discuss on operational matters and to provide solution and guidance.

Our Employee Engagement Framework

Our people are our most valuable assets. As such we invest heavily in our workforce. In our focus on employee engagement, we follow the guideline of our framework. The focus are on these six areas.



SOCIAL HUMAN CAPITAL DEVELOPMENT

2. LEADERSHIP & LEGACY

Organisational Success

Future-proofing our workforce

Our people are our most valuable asset, and we invest heavily in our workforce. We focused on creating a strong leadership team with the right capabilities and experiences to drive our ambitions and achievements. We develop our people and reward strong performance through our career management strategies, learning and development opportunities, and access to resources.

Developing strong leadership

Leaders are important to set the culture of the company.

- Our corporate values and philosophy are
- Driving excellence through innovation
 - Fostering trust and confidence
 - Cultivating a safer, better working world

As such, we ensure our leaders are aligned and can propagate the same cultural essence and values through their own ways.

Succession planning

A strong pipeline is critical to ensure sustained quality leadership and organisational success. We need a well-structured and consistent process to build a robust pipeline of competent candidates to fill the positions.

Therefore, we follow the succession planning process to identify key leadership positions to mitigate key person risk.

✓ Commencing in FY2023, business unit and department heads are tasked to mentor and coach succession leaders and establish succession plans for key leadership positions. This responsibility is integrated into the Key Performance Indicators (KPIs) of business unit and department heads.

SOCIAL HUMAN CAPITAL DEVELOPMENT

3. TALENT DEVELOPMENT

Opportunities & Growth

Training & developing our people for progression

Attract, develop and engage

People are a company's ultimate competitive advantage. We strive to attract, develop and engage our employees because our people's success is TG's success.

Attracting Talent

We continually attract qualified and talented personnel and nurture our workforce, so they are ready to take on new challenges. Our ambition is to facilitate the seamless integration of talent into the organisation and build our brand as an employer of choice.

Developing Talent

We encourage employees to adopt a growth mindset where learning is ongoing. There are different ways to learn and grow, depending on the development needs and an individual's learning style.



In Thong Guan, these are the learning styles we adopt.

- **On the job training and learning.** For example, taking on new challenges or stretched assignments
- **Growth through others.** For example, social and collaborative interactions and constructive feedback in a community, networks, peers, coaches and mentors
- **Formal learning.** For example, structured programmes and courses like training, online classes and readings

Each business unit and department need to submit an annual training plan to the human resources department to make necessary training arrangement. Employees can also discuss with their superiors to request additional training if required. We also have an education sponsorship programme for qualified employees.

We also recognised employees who have been with us through thick and thin by awarding them a long-service award.

✓ FY2023, we clocked 14,155 (FY:2022 8,712) structured training hours for our employees. An increase of 62% compared to FY2022.
 ✓ We achieved training hours target set.



SOCIAL CONTRIBUTIONS
4. CORPORATE SOCIAL RESPONSIBILITIES
CSR Projects

Helping others during hard times

Contribution to society

In FY2023, our commitment to serving and uplifting our communities through corporate social responsibility (CSR) initiatives remained steadfast. Throughout the fiscal year, we actively responded to the needs of our communities by engaging in various CSR activities. Among our efforts, we proudly contributed to the betterment of society by donating both funds and goods totaling RM91,000 to a diverse range of 44 deserving beneficiaries. Through these contributions, we aimed to make a meaningful and lasting impact on the lives of those in need, reinforcing our dedication to social responsibility and community support.

Support local talents

We continued to champion promising athletes and individuals who showcased exceptional performance in various sporting events. Through our sponsorship initiatives, we provided financial support to these talented individuals, empowering them to reach greater heights in their sporting endeavors. By investing in the development of local talent, we not only fostered a culture of excellence but also contributed to the growth and success of our communities.



Support Technical and Vocational Education and Training (TVET)

We support the TVET program coordinated by the university. Through our participation, we offer profound insights into prevailing industry trends, cutting-edge technological advancements, and promising career pathways. This involvement ensures that both students and faculty members remain well-informed about the latest advancements, empowering them to stay ahead in their fields and cultivate a deeper comprehension of industry requisites. By facilitating this exchange of knowledge, we aim to nurture a workforce that is not only well-prepared but also highly adaptable to the dynamic demands of the ever-evolving industrial landscape.



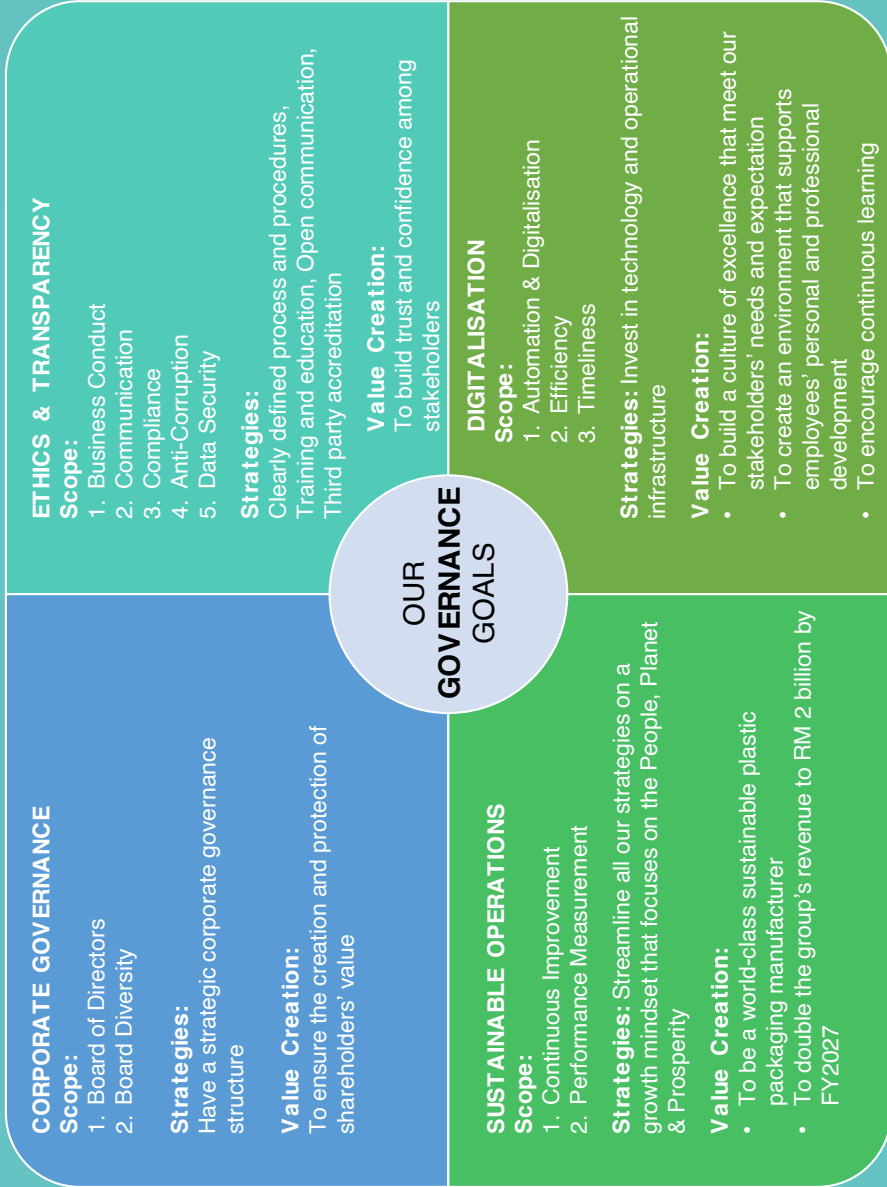
Support underprivileged community and local schools

Throughout the year, we extend our support to various local initiatives, including schools, the Malaysia Relief Agency, and blood donation campaigns. Our primary objective is to assist those in need and foster a compassionate community. By actively participating in these endeavors, we aim to make a positive impact on the lives of vulnerable groups and contribute to the creation of a caring and supportive society. Through our collective efforts, we strive to build stronger bonds within our community and inspire others to join us in spreading kindness and goodwill.



Governance

Effective, accountable & transparent



Governance

• Effective, Accountable & Transparent Organisational Structure & Culture

Governance Progress: 2023 GOVERNANCE HIGHLIGHTS

Introducing an online course on anti-bribery and corruption for executives and above, along with fundamental training sessions designed for non-executive staffs.

Annual Board Effectiveness Evaluation conducted internally, facilitated by the Company Secretary.

Enhance the disclosure of sustainability performance data according to Bursa Malaysia enhanced sustainability reporting requirements.

Engagement between Non-executive Directors and Management

100% board meeting attendance.

100% independent directors on audit, nominating & remuneration committee.

The Board consists of 50% independent directors.

Adoption of Conflict of Interest Policy effective FY2023.

OUR APPROACH TO GOVERNANCE MANAGEMENT

Thong Guan's esteemed reputation is firmly rooted in its core Business Ethics: Honesty, Integrity & Transparency. From day one, we instill these values in every employee, recognizing that earning stakeholders' trust is paramount for our business's future success. We are dedicated to upholding exemplary ethics and compliance, fostering a culture of good corporate governance throughout the Group.

Demonstrating the highest standards of corporate governance is integral to building a foundation of credibility and integrity. We are committed to implementing comprehensive risk management practices, adhering to good boardroom principles, and instilling a culture of anti-bribery, anti-corruption, and ethical conduct. By prioritizing these principles in all aspects of our operations, we uphold our commitment to ethical excellence and sustain the trust of our stakeholders.

RISK MANAGEMENT THROUGH COMPREHENSIVE FRAMEWORK

The risk management system in Thong Guan is set up in accordance with the principles of Committee of Sponsoring organisations of the treadway Commission ("CoSo") enterprise Risk Management framework and ISO31000 on risk management which are internationally recognised risk management frameworks, Our Enterprise Risk Management Framework is to provide us with the capability to align risk management with corporate strategies, business direction and sustainable development.

Guided by Thong Guan's Enterprise Risk Management Framework, which is reviewed on frequent basis, we strive to maintain a sustainable balance between our risk appetite and business potential to achieve a competitive advantage. Please refer to the Statement On Risk Management And Internal Control in the Annual Report 2023 for more disclosure on our risk management practices.

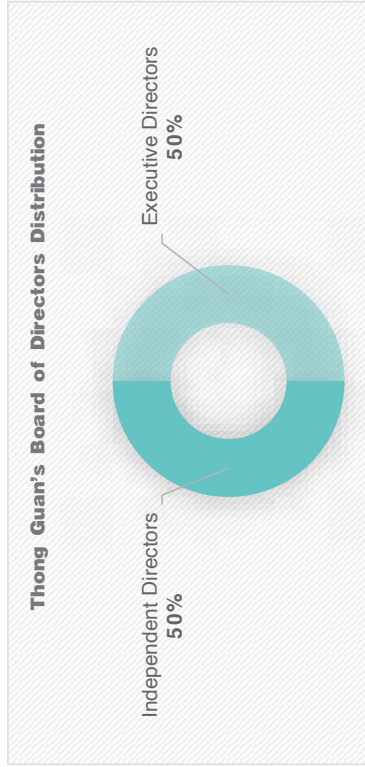
GOVERNANCE **CORPORATE GOVERNANCE**
Board of Directors

Leveraging on the invaluable assets of a strong & effective Board of Directors

Good corporate governance creates a conducive business environment for long-term growth. Our efforts are underpinned by a board of directors elected to represent shareholders in providing strategic and independent oversight for the corporation's affairs, including corporate management, activities, policies, and more.

Board of Directors

In 2023, the Board comprised eight directors who met on four occasions, during which they approved the company's financial statements. The Board receives updates and reviews from internal and external experts on issues of importance to the company.



- ✓ 100% board meeting attendance
- ✓ 100% independent directors on audit, nominating & remuneration committee

GOVERNANCE **ETHICS & TRANSPARENCY**
Business Code of Conduct

Building deep trust among stakeholders of the company

Ethics & transparency

Thong Guan strives to uphold high ethical standards in all aspects of our business. Our **Business Ethics and Code of Conduct** set the ethical conduct expectation for our Group.

Thong Guan encourages employees and contractors to ask questions, voice concerns and report any alleged violations of company policies.

In addition to our open-door communication culture, we have the **Whistleblowing Policy**, providing an independent channel to offer more accessible, secure, and confidential reporting. We respect confidentiality, subject to legal requirements, and strictly prohibit retaliation against any employee for submitting concerns—audit Committee reviews reports of suspected violations concerning ethics and management integrity.

Our audit committee, comprising three independent directors, oversees accounting and internal control matters for the company, including compliance with legal and regulatory requirements. Thong Guan conducts quarterly internal audits and self-assessments to verify the effectiveness of our control system.

Anti bribery & corruption

In FY2023, we continue to review and update our risk analysis in relation to anti bribery and corruption. Anti-corruption training was carried out in FY2022. Below is our anti-corruption and anti bribery data for FY2021, FY2022 & FY2023.

Furthermore, in FY2023 we have implemented an online course on anti-bribery and corruption for executive-level employees and above, complemented by foundational training sessions tailored for non-executive staff and also include the training in our on-boarding process. While we have not yet achieved full participation from our workforce, we remain committed to emphasizing the importance of corporate integrity to all our employees.

| | Financial year | | |
|--|----------------|------|------|
| | 2021 | 2022 | 2023 |
| Number of corruption and bribery case | 0 | 0 | 0 |
| Political contribution made (RM) | 0 | 0 | 0 |
| Facilities payment made (RM) | 0 | 0 | 0 |
| Fines imposed in relation to corruption, bribery (RM) | 0 | 0 | 0 |
| Percentage of operations assessed for corruption-related risks | 100 | 100 | 100 |

GOVERNANCE ETHICS & TRANSPARENCY

Data Security

Protecting data assets

Data Security

Thong Guan's commitment to data security extends beyond mere technological upgrades. Within our organization, we actively prioritise ethical standards in data handling, as outlined by our Security Policy and Procedures. These guidelines dictate the responsible utilization of information, ensuring the protection of our information assets and network infrastructure. An essential aspect of this approach involves the implementation of Non-Disclosure Agreements (NDAs), serving as a legal safeguard to shield our intellectual property from theft or unauthorized access.

Our dedication to cybersecurity compliance not only enhances our daily operations but also fosters trust among stakeholders. Our employees serve as the first line of defense in safeguarding data. Through comprehensive training and awareness initiatives, we empower them to act as a human firewall, remaining vigilant against potential threats. By nurturing a culture of security awareness, we instill a sense of accountability in each individual to protect our data assets. This entails following best practices and promptly identifying and reporting any suspicious activities, contributing to a collective effort to bolster our defenses.

To ensure that employees only access necessary data for their roles, we have implemented access controls within our business processes. Our technological solutions, including endpoint protection, secure cloud storage, and cloud email security, work together seamlessly to establish a robust defense mechanism against cyber threats and unauthorized access attempts.

To proactively address emerging risks, we continually invest in and adopt innovative technologies to reinforce our commitment to upholding data security standards.

There were no complaints concerning breaches of customer privacy and losses of customer data in 2023.

GOVERNANCE DIGITALISATION

Automation & Digitalisation

Improving efficiency, transparency & speed

Automation & digitalisation transformation

Automation and digitalization revolutionize manufacturing by enhancing efficiency, precision, and agility. They streamline processes, reducing human error and labour costs while accelerating production. Real-time data analytics optimize resource allocation, inventory management, ensuring seamless operations. Furthermore, automation enhances workplace safety by minimizing hazardous tasks. Overall, embracing automation and digitalization in manufacturing environments not only boosts productivity and competitiveness but also paves the way for innovation and sustainability.

In FY2023, we successfully implemented an auto-debagging system for handling incoming resin materials. This innovative solution not only reduces manpower requirements but also minimizes the risk of plastic resin leakage into the environment. Additionally, it plays a crucial role in safeguarding the well-being of our staff by minimizing tasks that pose risks to their posture and physical health.

Similar as previous years, we continue to focus on increasing automation and digitalisation in our infrastructure.



GOVERNANCE | SUSTAINABLE OPERATIONS Continuous Improvements

Ensuring our business thrive for the people, environment & economy

Sustainable Operation Management & strategies

Our Sustainable Operations Management (SOM) drives the operational strategies of the company. They cover the procedures, processes, practices and systems we have initiated, created and delivered. In which are profitable for our business using the resources at our disposal while taking preservation of the nature and social environment into account.



It is an honour for us to be included in Forbes Asia's Best Under A Billion 2023, which recognizes 200 top-performing publicly listed small and mid-sized companies in the Asia-Pacific region. This marks our second time receiving such an honour.

- ✓ Paid RM16.3 M tax to support the development of the countries where we operates.
- ✓ Paid 4.25 cents per share dividend to shareholders (total RM16.9 M) to shareholders.

We recognised business growth and profit are vital for long-term viability, innovation, attracting investors and talent, scaling impact, building resilience, and demonstrating success. Our aim is to elevate the Group's revenue to RM2 billion by FY2027. Despite facing a downturn, with a 10.5% decrease in revenue and a 29% decline in profit compared to FY2022, attributed to challenging global economic conditions, we remain resolute in our dedication. Our commitment continues to drive us to pursue our target, realizing the ambitious RM2 billion revenue milestone by FY2027.

In June 2023, Thong Guan was honored with the Malaysia Sustainability Excellence Award at the 2nd Malaysian Sustainability Leadership Summit. This summit is a collaborative effort between the All-Party Parliamentary Group on SDGs, the Malaysian CSO-SDG Alliance, the Economic Club of Kuala Lumpur, and the KSI Strategic Institute for Asia Pacific.



In March 2024, we were announced as the Epicor Innovation Champion Award Winner. This recognition is not just a trophy on our shelf, it is a testament to our unwavering commitment to innovation and excellence.

BURSA SUSTAINABILITY INDICATORS

The table below contains the common and specific sustainability indicators as required by Bursa Malaysia in their Enhanced Sustainability Guide (3rd edition), and it is presented in the prescribed format as shown in the Bursa Malaysia's Illustrative Sustainability Report that was published in September 2023. This reflects our unwavering commitment to providing our stakeholders with the most reliable and up-to-date information, ensuring our sustainability performance are best reported to our knowledge.

| Indicator | Measurement unit | 2023 | |
|--|------------------|-------------------|-----------------|
| | | Plastic Packaging | Food & Beverage |
| Common Sustainability Matters: Anti-corruption | | | |
| C1(a) Percentage of employees who have received training on anticorruption by employee category | | | |
| <i>Level</i> | | | |
| Senior Management | Percentage | 91 | 100 |
| Middle Management | Percentage | 82 | 88 |
| Executive | Percentage | 80 | 71 |
| Non-executive | Percentage | 62 | 70 |
| <i>Function</i> | | | |
| Admin | Percentage | 56 | 74 |
| Production | Percentage | 66 | 68 |
| Technical | Percentage | 76 | 73 |
| C1(b) Percentage of operations assessed for corruption-related risks | Percentage | 100 | 100 |
| C1(c) Confirmed incidents of corruption and action taken | Number | 0 | 0 |
| Common Sustainability Matters: Community/Society | | | |
| C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer | MYR | 64,321 | 26,695 |
| C2(b) Total number of beneficiaries of the investment in communities | Number | 11 | 33 |
| Common Sustainability Matters: Diversity | | | |
| C3(a) Percentage of employees by gender and age group, for each employee category | | | |
| <i>Gender by Level</i> | | | |
| Senior Management Female | Percentage | 5 | 17 |
| Senior Management Male | Percentage | 95 | 83 |
| Middle Management Female | Percentage | 37 | 42 |
| Middle Management Male | Percentage | 63 | 58 |
| Executive Female | Percentage | 48 | 60 |
| Executive Male | Percentage | 52 | 40 |
| Non-Executive Female | Percentage | 27 | 25 |
| Non-Executive Male | Percentage | 73 | 75 |
| <i>Age by Level</i> | | | |
| Senior Management below 30 years old | Percentage | 0 | 0 |
| Senior Management 30-50 years old | Percentage | 41 | 67 |
| Senior Management above 50 years old | Percentage | 59 | 33 |
| Middle Management below 30 years old | Percentage | 11 | 9 |
| Middle Management 30-50 years old | Percentage | 61 | 58 |
| Middle Management above 50 years old | Percentage | 28 | 33 |
| Executive below 30 years old | Percentage | 25 | 17 |
| Executive 30-50 years old | Percentage | 61 | 70 |
| Executive above 50 years old | Percentage | 14 | 13 |
| Non-Executive below 30 years old | Percentage | 44 | 43 |
| Non-Executive 30-50 years old | Percentage | 49 | 47 |
| Non-Executive above 50 years old | Percentage | 7 | 10 |
| <i>Gender by Function</i> | | | |
| Admin Female | Percentage | 54 | 34 |
| Admin Male | Percentage | 46 | 66 |
| Production Female | Percentage | 26 | 24 |
| Production Male | Percentage | 74 | 76 |
| Technical Female | Percentage | 32 | 82 |
| Technical Male | Percentage | 68 | 18 |

| Indicator | Measurement unit | 2023 | |
|---|------------------|-------------------|-----------------|
| | | Plastic Packaging | Food & Beverage |
| Age by Function | | | |
| Admin below 30 years old | Percentage | 11 | 31 |
| Admin 30-50 years old | Percentage | 58 | 56 |
| Admin above 50 years old | Percentage | 31 | 13 |
| Production below 30 years old | Percentage | 43 | 44 |
| Production 30-50 years old | Percentage | 50 | 45 |
| Production above 50 years old | Percentage | 7 | 11 |
| Technical below 30 years old | Percentage | 41 | 55 |
| Technical 30-50 years old | Percentage | 50 | 45 |
| Technical above 50 years old | Percentage | 8 | 0 |
| C3(b) Percentage of directors by gender and age group | | | |
| Gender | | | |
| Female | Percentage | 12 | 14 |
| Male | Percentage | 88 | 86 |
| Age | | | |
| below 30 years old | Percentage | 0 | 0 |
| 30-50 years old | Percentage | 35 | 43 |
| above 50 years old | Percentage | 65 | 57 |
| Common Sustainability Matters: Energy management | | | |
| C4(a) Total energy consumption | Megawatt | 110,875 | 661 |
| Common Sustainability Matters: Health and safety | | | |
| C5(a) Number of work-related fatalities | Number | 0 | 0 |
| C5(b) Lost time incident rate ("LTIR") | Rate | 0.66 | 0 |
| C5(c) Number of employees trained on health and safety standards | Number | 439 | 23 |
| Common Sustainability Matters: Labour practices and standards | | | |
| C6(a) Total hours of training by employee category | | | |
| Level | | | |
| Senior Management | Hours | 43 | 24 |
| Middle Management | Hours | 1,416 | 521 |
| Executive | Hours | 5,529 | 1,948 |
| Non-Executive | Hours | 4,034 | 640 |
| Function | | | |
| Admin | Hours | 3,165 | 1,876 |
| Production | Hours | 6,338 | 909 |
| Technical | Hours | 1,519 | 348 |
| C6(b) Percentage of employees that are contractors or temporary staff | Percentage | 32 | 22 |
| C6(c) Total number of employee turnover by employee category | | | |
| Level | | | |
| Senior Management | Number | 0 | 0 |
| Middle Management | Number | 16 | 13 |
| Executive | Number | 141 | 57 |
| Non-Executive | Number | 1319 | 248 |
| Function | | | |
| Admin | Number | 83 | 199 |
| Production | Number | 1231 | 109 |
| Technical | Number | 162 | 10 |
| C6(d) Number of substantiated complaints concerning human rights violations | Number | 0 | 0 |
| Common Sustainability Matters: Supply chain management | | | |
| C7(a) Proportion of spending on local suppliers | Percentage | 29 | 76 |
| Common Sustainability Matters: Data privacy and security | | | |
| C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data | Number | 0 | 0 |
| Common Sustainability Matters: Water | | | |
| C9(a) Total volume of water used | Megalitres | 236 | 17 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of Thong Guan Industries Berhad (“the Company”) is committed to maintain good corporate governance throughout the group in its effort to ensure long-term sustainable growth and to safeguard, protect and enhance shareholders’ value.

The Corporate Governance Overview Statement sets out how the Company and its subsidiaries (“the Group”) have applied the Principles and Practices and the approach the Board will take to steer the Group to apply such Principles and Practices as prescribed by the Malaysian Code on Corporate Governance (MCCG 2021).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board takes full responsibilities for the overall performance of the Group by providing leadership and direction as well as management supervision. As a whole, the Board is the ultimate decision making body. Further to its legal responsibilities, the Board assumes full responsibility for the Group’s strategic direction, overseeing the proper conduct of the Group’s business, identifying principal risks and ensuring the implementation of systems to manage risks, succession planning, developing investor relations programme, reviewing the adequacy and integrity of the Group’s internal control systems and management information systems, establishing goals for management and monitoring the achievement of these goals.

There is a clear separate division of responsibility of the role and duties of Chairman and Managing Director. Chairman of the Board is responsible for leading the Board and oversee the Board in the effective discharge of its supervisory role and facilitate effective contribution of all members of the Board during meetings. Managing Director is responsible for the vision and strategic direction of the Group.

The Board has established 3 Board Committees (“Committees”) to assist in the performance of its stewardship duties under specific terms of reference (“TOR”). The Committees established are the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”). These Committees comprised of all Independent Non-Executive Directors (“INEDs”). The composition of the Board and Board Committees are more particularly described under Board composition. The TOR for 3 Board Committees are available on the corporate website at www.thongguan.com.

All decisions and deliberations at Committee level are documented by the Company Secretary in the minutes of meetings. The Chairman of the respective Board Committees reports on the outcome and recommendations of the Board Committee meetings to the Board for further deliberation and approval. Such reporting and ensuing deliberation, if any, is detailed in the minutes of Board meeting. The Committees’ function is to principally assist the Board in the execution of its duties and responsibilities to enhance operational and business efficiency and efficacy. The Board reviews the Committees’ authority and terms of reference from time to time to ensure its relevance and enhance its efficacy.

The Board has responsibilities which are discharged in the best interests of the Company in pursuance of its regulatory and commercial objective. The key responsibilities of the Board include:

a) Reviewing and adopting the Group’s Strategic plans

The Board is collectively responsible for oversight and overall management of the Group. The Executive Directors are normally involved in the deliberation of the overall Group strategy and direction, major acquisition and/or divestment, approval of major capital expenditure, consideration of significant financial matters and review of financial and operating performance of the Group.

b) Overseeing the conduct of the Group’s business

The Executive Directors are responsible for the day-to-day operational management of the Group, implementing the policies and decisions of the Board, overseeing business operations as well as coordinating the development and implementation of business and corporate strategies. On the other hand, the INEDs do not engage in the daily management of the Group. Their presence bring objectivity and independence to any evaluation of strategic performance or resources related issues. In this manner, the INEDs fulfil a crucial corporate accountability role as they provide independent and objective views, opinions and judgment on issues being deliberated.

The Board is of the opinion that the Managing Director, with the assistance and support from the Executive Directors and key management, is responsible for the day-to-day operations of the Group and represents Management to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

- c) Identifying principal risks and ensuring the implementation of appropriate systems to manage them

The management, with the assistance from the Internal Audit ("IA"), has implemented the Enterprise Risk Management processes and formed a Risk Management Committee to identify, assess and monitor risks impacting the Group's business and supporting activities. The details of the risk management are set out in the Statement on Risk Management and Internal Control ("SORMIC") of this Annual Report.

- d) Succession planning

The management, as guided by the Managing Director, is responsible for ensuring that there is effective and orderly succession planning in the Company at all levels.

- e) Reviewing the adequacy and integrity of the management information and internal control system of the Company.

The Board acknowledges its responsibilities for the adequacy and integrity of the Groups' internal control system. Details pertaining to the Groups' internal control system and its effectiveness are available in the SORMIC of this Annual Report 2023.

The Chairman ensures that all Directors have full access to information with Board papers and agendas on matters requiring the Board's consideration issued with appropriate notice in advance of each meeting to enable Directors to obtain further explanations from the Managing Director or his management team, where necessary, in order to be briefed properly before the meetings. Meeting papers on issues or corporate proposals which are deemed confidential and sensitive would only be presented to the Directors during the meeting itself. Management is invited to provide Directors with updates on business and operational matters or clarify items tabled to the Board. Verbal explanation and briefings are also provided by management to enhance understanding of the matters under discussions.

All Directors have access to the advice and services of the two (2) Company Secretaries (both are qualified to act as company secretary under the Companies Act 2016 ("CA2016")). The Board, whether as a full board or in their individual capacity, may upon approval of the Board, seek independent professional advice if required, in discharge of their duties, at the Company's expense.

II. Sustainability Risks and Opportunities

- a) Sustainability Governance Structure

The Board is responsible to embed sustainability in the Group's strategy and operations. The Board is assisted by the executive director and executive committee who oversees the formulation, implementation and effective management of the Company's sustainability strategies and targets. The Sustainability Governance Structure can be found in the Sustainability Statement on page 44 of this Annual Report. The executive committee provides leadership, direction and targets for the sustainability priorities of the Group. The Sustainability Officer drives the implementation of the priorities and tracks relevant measurements and targets.

- b) Key Sustainability Matters

In order to ensure the Board is kept abreast with and understand sustainability issues related to the Group's business and operations, Management had presented to the Board key sustainability matters, including climate-related risks and opportunities.

- c) Stakeholder Engagement

The Group's key sustainability matters are communicated through Thong Guan's website, and targeted engagements with customers, vendors, relevant authorities and community leaders. Multiple engagements are also done with internal stakeholders who are responsible for driving and executing the sustainability initiatives. The Group's key sustainability matters and performance for the financial year under review are reported in the Sustainability Statement on pages 15 to 52 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Board Composition

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age and ethnicity, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management.

The Board comprised 8 Directors of which half of the Board are INEDs as at the date of this Annual Report 2023 as follows:-

| | |
|---|--|
| Independent Non-Executive Chairman | DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin |
| Managing Director | Dato' Ang Poon Chuan |
| Executive Directors | Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming |
| Independent Non-Executive Director | Tengku Muzzammil Bin Tengku Makram Lee Kean Teong Teoh Mei Shean |

The present composition complies with the composition requirement as stated in Bursa Malaysia Securities Berhad Main Market Listing Requirement ("MMLR") as more than 1/3 of the Board Members are INEDs.

The Board does not adopt a policy which limits the tenure of INEDs to nine years without further extension. However it is the company's practice that INEDs only serve up to maximum 9 years. The Company has no INED serves beyond 9 years currently.

IV. Nominating Committee (NC)

The principal Board function of making recommendations for new appointment to the Board and Board Committees is delegated to the NC.

Currently, the Committee consists entirely of INEDs as tabulated:

| Name | Position |
|------------------------------------|----------|
| Teoh Mei Shean | Chairman |
| Tengku Muzzammil Bin Tengku Makram | Member |
| Lee Kean Teong | Member |

The NC's mandate expressed through its TOR and Directors' Fit & Proper Policy is to bring to the Board; recommendations on the appointment of new Directors, review of the Board structure, size, composition as well as systematic assessment of the effectiveness and contribution of the Board, its Committees, and individual Directors on an annual basis. The NC is empowered to seek professional advice within or outside the Group as it deem necessary to discharge its responsibilities.

During the financial year ended 31 December 2023, the NC met on one (1) occasion and resolved the following key activities:-

- Review the current board structure, size and composition,
- Conducted the annual assessment of the Directors, Board and Committee,
- Reviewed the level of independence of INEDs;
- Reviewed the term of office and performance of AC; and
- Recommended the re-appointment, re-election and retention of Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

IV. Nominating Committee (NC) (Cont'd)

The NC also systematically reviews the required mix of skills, experience and other qualities, including core competencies of the members of the Board on an annual basis. The assessment also considered the qualifications, contributions and performance of Directors in meeting the needs of the Group based on the criteria of competency, character, time commitment, integrity and experience as set out under paragraph 2.20A of the MMLR.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations. The present Board composition reflects a broad range of experience, skills and expertise necessary for the success of the Group and the importance of independent judgment and opinion.

The Board acknowledges the recommendation of the policy on gender diversity. However, the Board has yet to establish a specific policy on gender diversity. The Board believes it is not necessary to adopt a formal gender diversity policy as the Company is committed to provide fair and equal opportunities and nurturing diversity within the Group. The evaluation of the suitability of candidate is based on the candidate's competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Board acknowledges the benefits of having participation of woman director on the Board in term of providing different perspectives and insights for effective decision making.

The NC met to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the Company's Annual General Meeting ("AGM"). New appointees will be considered and evaluated by the NC before recommending the candidates to be approved and appointed by the Board. The Company secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

The directors who are subject to re-election and/or re-appointment at the next AGM are assessed by the NC and upon satisfactory evaluation of the Directors, be recommended to the Board and shareholders for re-election and/or re-appointment. The statement for justification of re-election of Director have been disclosed in the notice of AGM. Appropriate assessment and recommendation by the NC is based on the annual assessment conducted. The Constitution of the Company requires that all Directors shall be subjected to re-election by shareholders at the first opportunity after their appointment and at least one third (1/3) or the number nearest to one third (1/3) of the Directors retire, thereafter by rotation at least once in every three (3) years at the AGM.

V. Remuneration Committee

The Remuneration Committee currently comprised the following:

| Name | Position |
|------------------------------------|----------|
| Tengku Muzzammil Bin Tengku Makram | Chairman |
| Teoh Mei Shean | Member |
| Lee Kean Teong | Member |

The RC consists of three members, whom are INEDs. The RC met once during the financial year with the full attendance by all members of the RC. The adoption of remuneration packages for the Executive Directors, however, is a matter for the Board as a whole, with individual Directors abstaining from decision making in respect of his remuneration package.

The RC is authorised, inter-alia, to recommend to the Board the remuneration packages for the Executive Directors of the Company and set up a broad policy or framework for all elements of remuneration for the Directors.

The remuneration of the Non-Executive Directors is linked to their experience and level of responsibilities undertaken by them as well as the onerous responsibilities and challenges in discharging their fiduciary duties. Non-Executive Directors are paid fixed annual fees and allowances as members of the Board and Board Committees. The Directors' fees and benefits payable are approved annually by the shareholders of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

V. Remuneration Committee (Cont'd)

The aggregate remuneration, with categorisation into appropriate components and distinguishing between Executive and Non-Executive Directors, paid or payable to all Directors of the Company for the financial year ended 31 December 2023 is as follows:

| | Salaries (RM'000) | Bonus, Other Allowance, Benefit in Kind & ESOS (RM'000) | EPF Contribution by Employer (RM'000) | Fees (RM'000) | Total (RM'000) |
|--|----------------------|---|--|------------------|-------------------|
| Company | | | | | |
| Executive Directors | | | | | |
| Dato' Ang Poon Chuan | | 114 | | 40 | 154 |
| Dato' Ang Poon Khim | | 99 | | 40 | 139 |
| Datuk Ang Poon Seong | | 99 | | 40 | 139 |
| Ang See Ming | 198 | 164 | 30 | 40 | 432 |
| Non-Executive Directors | | | | | |
| DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin | | 155 | | 40 | 195 |
| Tengku Muzzammil Bin Tengku Makram | | 50 | | 40 | 90 |
| Lee Kean Teong | | 13 | | 40 | 53 |
| Teoh Mei Shean | | 13 | | 40 | 53 |
| Total | 198 | 707 | 30 | 320 | 1,255 |
| Group | | | | | |
| Executive Directors | | | | | |
| Dato' Ang Poon Chuan | 1,092 | 535 | 60 | 124 | 1,811 |
| Dato' Ang Poon Khim | 1,044 | 507 | 58 | 126 | 1,735 |
| Datuk Ang Poon Seong | 478 | 172 | 22 | 88 | 760 |
| Ang See Ming | 537 | 282 | 84 | 102 | 1,005 |
| Non-Executive Directors | | | | | |
| DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin | | 155 | | 40 | 195 |
| Tengku Muzzammil Bin Tengku Makram | | 50 | | 40 | 90 |
| Lee Kean Teong | | 13 | | 40 | 53 |
| Teoh Mei Shean | | 13 | | 40 | 53 |
| Total | 3,151 | 1,727 | 224 | 600 | 5,702 |

The Group adopts a remuneration package that is responsive to the market elements as well as performance of the Group and its business divisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

V. Remuneration Committee (Cont'd)

The Board acknowledged the need for transparency in the disclosure of its Senior Management's remuneration. Nonetheless, it takes the view that such disclosure might be detrimental to the Group's business interests given the highly competitive human resources environment in which the Group operates where intense head hunting for the candidates with the requisite expertise, knowledge and relevant professional experience is the norm. As such, disclosure of specific remuneration information could give rise to recruitment and talent retention issues going forward.

VI. Foster Commitment

The Board normally meets at least 4 times annually at quarterly intervals. Under exceptional circumstances owing to urgent and important issues at hand, additional meetings are convened between the scheduled meetings with sufficient notices given.

During the year under review, the Board held 4 meetings to deliberate and decide on various issues. The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of these meetings.

Details of attendance of each Director at the Board meeting and respective Committees' meeting during the year under review are as follows:

| | Committees | | | |
|---|------------|-------|------------|--------------|
| | Board | Audit | Nominating | Remuneration |
| DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin | 4/4 | - | - | - |
| Tengku Muzzammil Bin Tengku Makram | 4/4 | 4/4 | 1/1 | 1/1 |
| Dato' Ang Poon Chuan | 4/4 | - | - | - |
| Dato' Ang Poon Khim | 4/4 | - | - | - |
| Datuk Ang Poon Seong | 4/4 | - | - | - |
| Ang See Ming | 4/4 | - | - | - |
| Lee Kean Teong | 4/4 | 4/4 | 1/1 | 1/1 |
| Teoh Mei Shean | 4/4 | 4/4 | 1/1 | 1/1 |

Notes:

All Board members met the minimum percentage required for Board meeting attendance as prescribed under MMLR of Bursa Securities during the period under review.

VII. Directors Training

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. The Company Secretary circulates relevant guideline to update the Directors on statutory and regulatory requirements and changes from time to time. Internal briefings were also conducted for the Directors on key corporate governance developments and salient changes to the MMLR.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

VII. Directors Training (Cont'd)

Pursuant to para 15.08(2) and Appendix 9C (Part A, para 28) of MMLR, some of the Directors had, during the year under review, attended or received the following briefing, training programs, seminars and international trade exhibition:-

| Areas | Seminar / Programs / Trade exhibition | Director attended |
|----------------------|---|---|
| Production/Plastic | • Interpack 2023 | • Dato' Ang Poon Khim • Ang See Ming |
| | • Pack Expo Las Vegas 2023 | • Ang See Ming |
| Management | • Chief Executive Programme | • Ang See Ming |
| Finance | • Market Watch Live: Growing Turbulence in Global Financial | • Dato' Ang Poon Chuan |
| | • Penang Tax Summit 2023 | • Teoh Mei Shean |
| Corporate Governance | • Conflict of Interest and Governance of Conflict of Interest | • Tengku Muzzammil Bin Tengku Makram |
| | • Bursa Malaysia Mandatory Accreditation Programme (MAP) Part II | • Teoh Mei Shean |
| | • Why ESG: A Governance Perspective | • Dato' Ang Poon Chuan |
| | • Briefing from Secretary: Amendments to Main Market Listing Requirement (MMLR): Mandatory Accreditation Programme Part II: Leading for Impact of a new mandatory on boarding programme on sustainability for directors of Public Listed Companies listed on Bursa Securities • Conflict of Interest | • DYT M Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin • Tengku Muzzammil Bin Tengku Makram • Lee Kean Teong • Teoh Mei Shean • Dato' Ang Poon Chuan • Dato' Ang Poon Khim • Dato' Ang Poon Seong • Ang See Ming |

All Directors have complied with the provision of MMLR in relation to Mandatory Accreditation Program Part I.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC of the Company comprises three (3) INEDs. The AC is chaired by Mr. Lee Kean Teong. He is not the Chairman of the Board. He is former audit partner in the KPMG PLT, an audit firm and retired on 31 December 2014. There is no policy to require a person who is a former key audit partner observe a cooling-off period of at least 3 years before being appointed a member of the AC. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the criteria as prescribed under Paragraph 15.21 of the MMLR, the External Auditor Assessment Policy as well as the Policy on Non-Assurance Services provided by External Auditors' adopted by the Company.

Annually, the term of office and composition of AC is reviewed by the NC and recommended to the Board for its approval. As reported, the Board is satisfied with the outcome of the assessment of the performance of the AC as its members possessed the necessary knowledge, experiences and skills, for the overall effectiveness of the AC.

The AC currently comprised individuals with professional experiences in financial management, general management, architecture, audit, tax and strategic planning, amongst other. All members are financially literate and are able to read, interpret and understand the financial statements. This diversity in skills and knowledge coupled with financial literacy allows the AC to discharge their roles and responsibilities effectively.

An overview of the Audit committee activities is spelt out in this Annual report under Audit Committee Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. Risk Management and Internal Control Framework

In general, all major projects, investment and capital expenditure initiatives will be conducted through a feasibility study and reviewed by the management and executive directors. The confirmed major projects, investment and capital expenditure will then presented to the Board for endorsement. An overview of the state and feature of the internal controls and risk management within the Group is spelt out in this Annual Report under Statement on Risk Management and Internal Control.

The Group has established a management level Risk Management Committee ("RMC"). The RMC is led by an executive director as the Chief Risk Officer and populated by head of the various reporting entities. The RMC undertakes annual risk review in the Group's businesses and operations. The AC will report to the Board on exception only basis if there are any changes in the risk identified. Details on the internal audit function are discussed under SORMIC in Annual Report 2023.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Board acknowledges the need and importance of ensuring dissemination of information to shareholders, investors and regulatory bodies. The Board peruses through and approves all announcements prior to the release of the same to Bursa Securities. At the same time, the Board will take reasonable steps to ensure that the public and investors who invest in the Company's securities enjoy equal access to such information to avoid selective disclosure.

The Company's website, www.thongguan.com, provides an avenue for information dissemination with dedicated sections on corporate information including announcements to Bursa Securities, financial information, press releases and news and events related to the Group. Any queries or concerns regarding the Group may be directed to the Investor Relations Department via the email address: info@thongguan.com.

As the Group release all material information publicly through Bursa Securities, shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website at www.bursamalaysia.com.

The AGM, provide a platform for the Board to dialogue and interact with shareholders where individual shareholders and investors may seek clarifications on the Group's businesses, performance and prospects. The notices of the general meetings are sent to shareholders and auditor. The notices are also published in a national newspaper and released through Bursa Securities for public dissemination. Members of the Board attend the AGM to answer queries and concerns from the shareholders. All suggestions and comments put forth by shareholders will be noted by the Board for consideration.

The general meetings are useful forums for shareholders to engage directly with the Board and senior management. The shareholders are at liberty to raise questions or seek clarification on the agenda of the meeting from the Board and the senior management.

In line with the provision of the MMLR of Bursa Securities, the Board conducts poll voting for all the resolutions set out in the notice of general meetings. In addition, the Company will appoint one (1) scrutineer to validate the votes cast at the general meetings. The outcome of the general meetings is to be announced to the Bursa Securities on the same day after the meetings are concluded with the announcement made accessible via Bursa Securities and the Company's website.

The Board recognises the need for shareholders to be kept updated with all material business matters affecting the Group. Shareholders are provided with an overview of the Group's performance and operations through timely release of financial results on yearly and quarterly basis as well as various other announcements.

Further, in a move to promote wider publicity and dissemination of public information, the Group will issue press releases to the media on significant corporate developments and business initiatives to keep the investment community and shareholders updated on the progress and development of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

Directors' Responsibility Statement

The Board is responsible to ensure that the financial statements of the Group and Company gives a true and fair view of the state of affairs of the Group and of the Company and of their results and cash flows as at the end of the financial year. The Directors have ensured that the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016.

The Director have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates in preparing the financial statements. A general responsibility of the Directors is to take such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Compliance with the Principles and Practices of the MCCG

For the year ended 31 December 2023 and up to the date of the printing of this annual report, the Group has complied substantially with the principles and practices of the MCCG in so far as applicable and described herein.

This CG Overview Statement was approved by the Board of Directors on 29 April 2024.

OTHER INFORMATION

Audit and Non-audit Fee

The amount of audit and non-audit fees paid and payable to the external auditors and its affiliate corporations for the audit and non-audit services rendered to the Company and the Group for the financial year ended 31 December 2023 is as follows:-

| Type of Audit | Fee (RM'000) | |
|------------------|--------------|-------|
| | Company | Group |
| a) Audit fee | 53 | 407 |
| b) Non Audit fee | 87 | 143 |

Recurrent Related Party Transaction

Detail of recurrent related party transaction made during the financial year ended 31 December 2023 pursuant to the shareholders' mandate obtained by the company at the AGM were as follow:

| Nature of Transactions | Name of Company | Related Party | Interested Directors | Cumulative Value of Transactions as at 31.12.23 RM'000 |
|---|---------------------------|-------------------------------|---|--|
| Sales of plastic products (plastic bag, stretch film, shrink film, laminated film and etc) | UPI (Seller) | KFI (Buyer) | Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim | 2,770 |
| Sales of plastic products | TGSH (Seller) | TGPM, TGPP, UPI, TGPT (Buyer) | Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim Ang See Ming | 4,455 |
| Purchase of plastic products | TGPP, TGPW, TGPT (Seller) | TGSH (Buyer) | Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim Ang See Ming | 34,045 |
| Purchase of snack food | JUS (Buyer) | KFI (Seller) | Dato' Ang Poon Chuan Datuk Ang Poon Seong Dato' Ang Poon Khim | 10,542 |
| Renting of factory and warehouse premise at Plot 156 and Plot 33, Kawasan Perusahaan Sg. Petani, 08000 Sg. Petani, Kedah. | TGPP (Tenant) | BV (Landlord) | Dato' Ang Poon Chuan Ang See Ming | 259 |
| Renting of factory premise at No.24 (DBKK Building No.6), District of Kota Kinabalu, Sabah. | UPI (Tenant) | KP (Landlord) | Datuk Ang Poon Seong | 84 |
| Renting of factory and warehouse premise at Plot 33, Jalan PKNK Utama, Kawasan Perusahaan Sg. Petani, Kedah. | EFI (Tenant) | BV (Landlord) | Dato' Ang Poon Chuan Ang See Ming | 155 |
| Sales of noodle products | STGT (Buyer) | EFI (Seller) | Ang See Ming | 449 |
| Purchase of beverages and plastic products | STGT (Seller) | EFI (Buyer) | Ang See Ming | 5 |
| Renting of factory and warehouse premise at Plot 156 and Plot 33, Kawasan Perusahaan Sg. Petani, 08000 Sg. Petani, Kedah. | TGPT (Tenant) | BV (Landlord) | Dato' Ang Poon Chuan Ang See Ming | 700 |
| Sales of PVC products | STGT, TGPT, JUS (Buyer) | TGPW (Seller) | Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming | 2,853 |

OTHER INFORMATION

| Nature of Transactions | Name of Company | Related Party | Interested Directors | Cumulative Value of Transactions as at 31.12.23 RM'000 |
|---|------------------|-------------------|---|--|
| Purchase of plastic products | TGWPP (Seller) | TGSH (Buyer) | Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming | - |
| Renting of factory and warehouse premise at Batu 33, Jalan Sg. Petani ke Sungai Lalang, Sungai Lalang 08100, Kedah. | TGPP (Landlord) | TGPW (Tenant) | Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming | 780 |
| Purchase of plastic products | TGWPP (Seller) | Winner (Buyer) | Ng Chiu Bun | 38,338 |
| Purchase of plastic products | TGWPP (Seller) | Landblue (Buyer) | Ng Chiu Bun | 3,904 |
| Sales of plastic products | TGWPP (Buyer) | Landblue (Seller) | Ng Chiu Bun | 312 |
| Sales of PVC Products | TGTT (Buyer) | TGPW (Seller) | Dato' Ang Poon Chuan Dato' Ang Poon Khim Datuk Ang Poon Seong Ang See Ming | 5,232 |
| Sales of plastic products | JUS, UPI (Buyer) | LPI (Seller) | Datuk Ang Poon Seong | 5,216 |
| Purchase of plastic products | UPI (Seller) | LPI (Buyer) | Datuk Ang Poon Seong | 1,319 |
| Bounty Values Sdn Bhd | | | | BV |
| Everprosper Food Industries Sdn Bhd | | | | EFI |
| Jaya Uni'ang (Sabah) Sdn Bhd | | | | JUS |
| Kimanis Food Industries Sdn Bhd | | | | KFI |
| Kimanis Property Sdn Bhd | | | | KP |
| Syarikat Thong Guan Trading Sdn Bhd | | | | STGT |
| TG Power Wrap Sdn Bhd | | | | TGPW |
| TGP Marketing Sdn Bhd | | | | TGPM |
| TGSH Plastic Industries Sdn Bhd | | | | TGSH |
| Thong Guan Plastic & Paper Industries Sdn Bhd | | | | TGPP |
| TG Plastic Technologies Sdn Bhd | | | | TGPT |
| Uniang Plastic Industries (Sabah) Sdn Bhd | | | | UPI |
| TGW Plastic Packaging Sdn Bhd | | | | TGWPP |
| Winner Bright International Industrial Limited | | | | Winner |
| Landblue Co. Ltd | | | | Landblue |
| Thong Guan Trading (Thailand) Co., Ltd. | | | | TGTT |
| Lok Kawi Plastic Industries Sdn. Bhd. | | | | LPI |

Material Contract

Since the end of the previous year report, there were no material contract that involved the Group and its Directors and major shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") of listed companies is required to include in its Company's Annual Report a statement about the state of the internal controls of the listed issuer as a group. The Board is pleased to provide the following Statement on Risk Management and Internal Control for the financial year ended 31 December 2023.

Responsibility

The management takes full responsibility for the Group's internal control system, which involves creating a robust control environment and suitable framework for internal control, as well as regularly assessing its adequacy and integrity. The Board recognizes that no internal control system can eliminate all potential risks, but it is designed to manage them effectively. As such, the system provides reasonable assurance against any significant misstatement, loss, or fraud, rather than absolute certainty. The internal control system encompasses financial, organizational, operational, compliance controls, and risk management.

Organisational and Reporting Structure

The Group's organizational structure boasts well-defined lines of responsibility and delegation of authority. It employs a hierarchical reporting system that establishes appropriate authority limits and ensures proper segregation of duties. The Group conducts annual budgeting and monthly reporting of variances between actual and budgeted results to facilitate corrective actions. Additionally, human resource management policies are in place to support the efficient functioning of the Group. Standard operating procedures of the main operating companies provide guidance on complying with risk management, internal controls, and pertinent laws and regulations.

Risk Management Framework

The management has implemented an Enterprise Risk Management (ERM) Framework to identify, evaluate, and manage risks. To achieve this, a Risk Management Task Force (RMTF) was established, which is responsible for identifying risks within the Group. The Board, through its Audit Committee, conducts quarterly reviews of this process. The primary goal of this review is to institutionalize a risk management process across the Group, sensitizing all employees to risk identification, evaluation, monitoring, and reporting. The formalization of the ERM framework encompasses the following activities:

- To update the risk profiles of main operating companies in the Group according to the ERM framework; and
- The Group conducts risk-based internal audits, which are subject to review by both the Audit Committee and the Board to ensure the adequacy and integrity of the internal control system.

Internal Audit Function

The Internal Audit function is outsourced to an independent professional accounting and consulting firm, PKF Risk Management Sdn Bhd that reports directly to the Audit Committee ("AC"). Its role is to provide the AC with reasonable assurance on the adequacy and effectiveness of the Group's internal control system through its auditing and monitoring process. An annual Audit Plan is prepared and presented to the AC for approval. Subsequently at AC meetings, audit findings will be presented to the AC for attention and deliberation.

The activities that have been planned and carried out by the IA function are as follows:

- Mapping out the current state of procedures and processes with the aim of identifying areas for improvements.
- Testing and conducting audits on identified risk areas and relevant controls.
- Report findings and irregularities (if any) to Management and AC and provide recommendations to mitigate the risks identified.
- Ensuring compliance with applicable laws, regulations, rules, directives and guidelines by the various authorities and those set out by the Management.

The management has provided their responses to the internal audit reports, which encompass recommendations and action plans. These reports are deliberated at AC Meetings and followed-up as required. The auditee/management ensures that all action plans from each audit are addressed, and progress updates are shared at subsequent AC Meetings to maintain accountability and transparency.

Other Risk and Control Processes

- The Group's policies and standard operating procedures establish the guidelines, procedures, and benchmarks for the Group's operations, to be adhered to by all employees. To ensure their continued effectiveness, these policies and procedures undergo periodic review and updates, as necessary. This approach enables the Group's operations to be conducted in a consistent and reliable manner, resulting in efficiency and consistency.
- The Board and AC review the quarterly financial results and discuss the reasons for unusual variances noted thereof.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Other Risk and Control Processes (Cont'd)

- The involvement of the Executive Directors, who are hands-on with the operations of the Group. The Executive Directors brief the Board on significant changes in the business and external environment, which affect the operations of the Group at large.
- The Group has in place a Management Reporting mechanism whereby financial information is generated and reviewed by Executive Directors on a monthly basis and the Board on a quarterly basis.
- The Group sets out an annual budget and operational targets for every operating division. Analysis and reporting of variances against budget are presented in the Group's Management Meetings which act as a monitoring mechanism.
- The Group is steadfast in its commitment to foster a culture of integrity and ethical values, as highlighted in the Business Ethics and Code of Conduct. This unwavering dedication ensures that the Group's actions and decisions are grounded in ethical principles, fostering trust, respect and transparency with all stakeholders.
- The Group has implemented a whistleblowing policy, empowering, encouraging and supporting its employees and third parties to report and disclose any illicit or unethical activities within the organization. The Group is steadfast in its commitment to investigate all suspected cases of misconduct or breaches reported, while ensuring the protection of whistle-blowers who come forward to disclose such activities. This approach fosters a culture of accountability and transparency, safeguarding the Group's reputation and maintaining stakeholders' trust.
- The Group has embraced a resolute zero-tolerance stance towards any form of bribery and corruption. The Group's unwavering commitment is to conduct its business with ethics and integrity, free from any corrupt practices. To this end, the Group has established an anti-bribery and anti-corruption policy that prohibits all such activities, ensuring that the high standards of integrity and transparency are upheld at all times. This approach serves as a testament to the Group's dedication to conducting business in a responsible and ethical manner, which seeks to earn the trust and respect of stakeholders.
- Certain major subsidiaries of the Group have successfully maintained their management systems that are compliant with the three (3) international standards, namely the ISO 9001-QMS, ISO14001-EMS & ISO45001-Health & Safety.

Risk Management Assurance

The Board has received affirmative assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system is functioning optimally and effectively in all significant aspects, anchored on the Group's risk management and internal control system.

Furthermore, both the Board and Management remain steadfast in their commitment to operating an effective system of internal control, which is reviewed, enhanced and updated in response to changes in the operating environment. This approach ensures the Group's continued success, safeguards against potential risks and maintains the trust of all stakeholders.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2023, and reported to the Board that nothing has come to their attention that caused them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issues, or
- b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement on Risk Management and Internal Control does not cover the associates as disclosed in Note 6 to the financial statements.

Conclusion

For the financial year under review and up to the date of issuance of this statement, the Board is confident that the Group's risk management and internal control system is adequate, dependable and effective. To date, no significant losses, contingencies, or uncertainties have arisen due to any insufficiencies or failures in the Group's internal control system, necessitating separate disclosure in the Group's Annual Report.

This statement was approved via a resolution of the Board dated 29 April 2024.

AUDIT COMMITTEE REPORT

Audit Committee Composition and Attendance

The Board of Directors ("Board") is pleased to present the Audit Committee report for the financial year ended 31 December 2023 ("FY2023"). The Audit Committee ("AC") currently comprises the following directors:-

| Directors | Position | Attendance |
|------------------------------------|--|------------|
| Lee Kean Teong | Chairman, Independent Non-Executive Director | 4/4 |
| Tengku Muzzammil Bin Tengku Makram | Member, Independent Non-Executive Director | 4/4 |
| Teoh Mei Shean | Member, Independent Non-Executive Director | 4/4 |

During FY2023, the AC had met four (4) times. Minute of each AC meeting was noted by the Board via distribution to each Board members.

The Nominating Committee had undertaken an annual review of the term of office and performance of the AC and its members in accordance with para 15.20 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") to ensure that the AC and its members have carried out their duties in accordance with their terms of reference ("TOR"). Upon review, the Nominating Committee and the Board is satisfied that the AC and its members have been able to discharge their functions, duties and responsibilities in accordance with the TOR of AC.

Summary of works during Financial Year

The main works undertaken by the AC during FY2023 in discharging their functions and duties were as follows:

1. Financial reporting

- a. Reviewed quarterly unaudited financial results of the Group before recommending to the Board of Directors for approval and onward announcement to Bursa Securities;
- b. Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements, with the MMLR of Bursa Securities, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements; and
- c. Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries.

2. External audit

- a. Reviewed the audit plan from the external auditors, the audit strategy, scope of work for the year and general extent of the auditors' audit examinations;
- b. Reviewed the external audit results, audit report, audited financial statements as well as management letter (if any) and the response from the management;
- c. Met twice (on 23 November 2023 and 28 February 2024) with the external auditors without the presence of the Executive Director and management staff to enquire the extent of assistance rendered by the Management, issues on audit and accounting (if any), suggestions arising from audit and any other issues of concern to the auditors; and
- d. Reviewed and assess the objectivity, independence and competency of the external auditors touching on quality of service, experience and expertise and made its recommendations to the Board on their re-appointment and fees.

3. Internal audit

- a. Reviewed the internal audit reports, the audit issues therein as well as follow-up audits, recommendations and management's response. Where appropriate, the AC has directed that control procedures be rectified and improve based on the internal auditors' recommendations and suggestions for improvement;
- b. Evaluated the performance and functions of the internal auditors with focus on its scope of work, functions, competency and that it has the necessary resources to carry out its work in respect of FY2023; and
- c. Conducted meeting with internal auditors without the presence of the Executive Directors and management staff to facilitate discussion on concerns or audit issues noted in the course of audit.

AUDIT COMMITTEE REPORT

Summary of works during Financial Year (Cont'd)

4. Governance

- a. Reviewed the recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group;
- b. Reviewed and recommended for approval of the Board of Directors the Statement on Risk Management and Internal Control for inclusion in the Annual Report 2023;
- c. Reviewed and approved the AC Report for inclusion in the Annual Report 2023;
- d. Discussed and approved draft circular to shareholders in relation to proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature;
- e. Reviewed and recommended for approval of the Board of Directors the Policy on Non-Assurance Services provided by External Auditors and updated policy on External Auditors Assessment; and
- f. Reviewed and revised TOR to enhance duties of AC to monitor, resolve, eliminate and mitigate conflict of interest situations.

Internal Audit Function

The Internal auditor's ("IA") primary objective was to undertake regular reviews of the system of controls, procedures and operations so as to provide reasonable assurance that the internal control system is sound, adequate and satisfactory. Its role is to provide the AC with independent and objective reports on the state of internal controls of the key operating units within the Group guided by established policies and procedures and the regulatory requirements of the relevant authorities. The AC reviewed and approved the internal audit plan of the Group as submitted by the IA annually.

The total cost incurred for the internal audit function for FY2023 was RM45,000.

The summary of internal audit activities during the financial year under review is as outlined below:

- a. Performed audit on Repair and Maintenance Management, Inventory Management and Production Management for the adequacy of internal controls over these functions.

The IA has presented internal audit reports to the AC on quarterly basis. Audit recommendations and management responses in relation to findings on internal control weaknesses are incorporated into these reports which were also circulated to the AC. The resulting reports of the audits undertaken were issued to the management of the respective operating companies concerned, incorporating audit recommendations and management responses.

This report is approved by the AC on 29 April 2024.

DIRECTORS' REPORT

For The Year Ended 31 December 2023

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2023.

Principal activities

The Company is principally engaged in investment holding activities and trading of plastic and petroleum products while the principal activities and details of the subsidiaries are stated in Note 5 to the financial statements.

There has been no significant change in the nature of these activities during the financial year under review.

Results

| | Group RM'000 | Company RM'000 |
|---------------------------------------|-----------------|-------------------|
| Profit for the year attributable to : | | |
| Owners of the Company | 71,315 | 4,261 |
| Non-controlling interests | 890 | - |
| | <u>72,205</u> | <u>4,261</u> |

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends declared and paid by the Company were as follows :

- i) In respect of the financial year ended 31 December 2022 :
 - a third interim dividend of 1.25 sen per ordinary share, totalling RM4,880,887 declared on 28 November 2022 and paid on 18 January 2023; and
 - a fourth interim dividend of 2.25 sen per ordinary share, totalling RM8,806,025 declared on 28 February 2023 and paid on 18 April 2023.
- ii) In respect of the financial year ended 31 December 2023 :
 - a first interim dividend of 1.25 sen per ordinary share, totalling RM4,895,482 declared on 22 May 2023 and paid on 18 July 2023; and
 - a second dividend of 3.00 sen per ordinary share, totalling RM11,990,014 declared on 28 February 2024 and paid on 18 April 2024.

The Directors do not recommend any other dividend to be paid for the financial year under review.

DIRECTORS' REPORT

For The Year Ended 31 December 2023

Directors of the Company

Directors who served during the financial year until the date of this report are :

Duli Yang Teramat Mulia Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin
Tengku Muzzammil Bin Tengku Makram
Dato' Ang Poon Chuan - Managing Director
Dato' Ang Poon Khim
Datuk Ang Poon Seong
Ang See Ming
Lee Kean Teong
Teh Mei Shean

Directors of subsidiaries

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served on the respective boards of the subsidiaries during the financial year until the date of this report are :

Dato' Ang Poon Chuan
Dato' Ang Poon Khim
Datuk Ang Poon Seong
Ang See Ming
Ang Poon Shen
Ang Eng Choo
Ang See Nung
Ang See Hwan
Ang See Cheong
Phoon Ling Zi
Teh Boon Yen
Lo Kui Fai
Ng Chiu Bun
Ang See Jie
Ang See Yao

DIRECTORS' REPORT

For The Year Ended 31 December 2023

Directors' interests in shares

The interests and deemed interests in the ordinary shares and Employees' Share Option Scheme ("ESOS") of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

| | Number of ordinary shares | | | Balance at 31.12.2023 |
|------------------------------------|---------------------------|------------------|-----------|-----------------------|
| | Balance at 1.1.2023 | Bought/Converted | (Sold) | |
| Interests in the Company | | | | |
| Dato' Ang Poon Chuan : | | | | |
| - own | 2,086,408 | 383,000 | - | 2,469,408 |
| - others # | 1,152,566 | 38,000 | - | 1,190,566 |
| Datuk Ang Poon Seong | | | | |
| - own | 4,044,116 | - | (301,000) | 3,743,116 |
| - others # | 247,800 | 80,200 | - | 328,000 |
| Dato' Ang Poon Khim | | | | |
| - own | 3,665,486 | 188,000 | - | 3,853,486 |
| - others # | 310,700 | 10,000 | - | 320,700 |
| Ang See Ming - own | 1,962,796 | - | - | 1,962,796 |
| Lee Kean Teong | | | | |
| - own | 10,000 | - | - | 10,000 |
| - others * | 90,000 | - | - | 90,000 |
| Interests in subsidiaries | | | | |
| - TGS Plastic Industries Sdn. Bhd. | | | | |
| Datuk Ang Poon Seong | | | | |
| - own | 80,000 | - | - | 80,000 |
| Ang See Ming - own | 160,000 | - | - | 160,000 |
| - TG Power Wrap Sdn. Bhd. | | | | |
| Dato' Ang Poon Chuan | | | | |
| - own | 1 [@] | - | - | 1 [@] |
| Ang See Ming - own | 1 [@] | - | - | 1 [@] |

DIRECTORS' REPORT

For The Year Ended 31 December 2023

Directors' interests in shares (Cont'd)

| | Number of ordinary shares | | | Balance at 31.12.2023 |
|---|---------------------------|----------------------|--------|--------------------------|
| | Balance at 1.1.2023 | Bought/ Converted | (Sold) | |
| Interests in subsidiaries | | | | |
| - Everprosper Food Industries Sdn. Bhd. | | | | |
| Ang See Ming - own | 240,000 | - | - | 240,000 |
| - TGW Plastic Packaging Sdn. Bhd. | | | | |
| Dato' Ang Poon Chuan - own | 1 [@] | - | - | 1 [@] |
| Dato' Ang Poon Khim - own | 1 [@] | - | - | 1 [@] |

| | Employees' Share Option Scheme ("ESOS") | | | Balance at 31.12.2023 |
|--|---|---------|-------------|--------------------------|
| | Balance at 1.1.2023 | Granted | (Exercised) | |

Interests in the Company

| | | | | |
|----------------------|-----------|---|-----------|-----------|
| Dato' Ang Poon Chuan | | | | |
| - own | 766,000 | - | (383,000) | 383,000 |
| - others # | 652,000 | - | (38,000) | 614,000 |
| Datuk Ang Poon Seong | | | | |
| - own | 686,000 | - | - | 686,000 |
| - others # | 240,600 | - | (49,800) | 190,800 |
| Dato' Ang Poon Khim | | | | |
| - own | 631,000 | - | (188,000) | 443,000 |
| - others # | 432,000 | - | - | 432,000 |
| Ang See Ming - own | 1,078,000 | - | - | 1,078,000 |

These are shares and ESOS held in the name of the spouses and/or children and are regarded as interests of the Directors in accordance with the Companies Act 2016

@ Share held in trust for Thong Guan Industries Berhad

* Shares held by a company in which the children of the Director is a substantial shareholder and are regarded as interests of the Director

None of the other Directors holding office at 31 December 2023 had any interest in the ordinary shares and ESOS of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

For The Year Ended 31 December 2023

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than as shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have or are deemed to have a substantial financial interest in companies which rented properties to and traded in the ordinary course of business with the Group.

The benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2023 are as follows:

| | From the Company RM'000 | From subsidiaries of the Company RM'000 |
|---|-------------------------------|--|
| Directors of the Company: | | |
| Fees | 320 | 280 |
| Remuneration (including contributions to Employees' Provident Fund) | 514 | 4,140 |
| Estimated monetary value of benefits-in-kind | 10 | 27 |
| Share-based payments | 411 | - |
| | 1,255 | 4,447 |

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than through the ESOS of the Company as disclosed in the financial statements.

Issue of shares and debentures

During the financial year, 4,965,450 new ordinary shares were issued by the Company arising from the exercise of 4,965,450 ESOS at the exercise price of RM1.13 per share.

There were no other changes in the issued and paid-up capital of the Company and no debentures were issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the ESOS of the Company as disclosed in the financial statements.

Employees' Share Option Scheme

At an Extraordinary General Meeting held on 18 April 2019, the Company's shareholders approved the establishment of the Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares of the Company (excluding treasury shares) to eligible Directors and employees of the Group (excluding subsidiaries which are dormant). The ESOS is administered by the ESOS Committee in accordance with the By-Laws of the ESOS and shall be in force for a period of 5 years from 3 July 2019 ("ESOS Period").

| | Number of options '000 | ESOS exercise price (RM/share) | Vesting period |
|-----------|------------------------------|-----------------------------------|--------------------------------|
| Tranche 1 | 604 | 1.13 | 7 August 2019 to 6 August 2020 |
| Tranche 2 | 2,742 | 1.13 | 7 August 2020 to 6 August 2021 |
| Tranche 3 | 8,418 | 1.13 | 7 August 2021 to 6 August 2022 |
| Tranche 4 | 8,418 | 1.13 | 7 August 2022 to 6 August 2023 |
| Tranche 5 | 8,418 | 1.13 | 7 August 2023 to 2 July 2024 |
| | 28,600 | | |

DIRECTORS' REPORT

For The Year Ended 31 December 2023

Employees' Share Option Scheme (Cont'd)

The outstanding options offered to take up unissued ordinary shares of the Company are as follows:

| Date of offer | Expiry date | Exercise price RM | Number of options over ordinary shares | | | |
|---------------|-------------|-------------------|--|------------------|------------------|--------------------|
| | | | At 1.1.2023 '000 | (Exercised) '000 | (Forfeited) '000 | At 31.12.2023 '000 |
| 3.7.2020 | 2.7.2024 | 1.13 | 12,952 | (4,965) | (200) | 7,787 |

The maximum allocation of ESOS to Executive Directors and senior management of the Group shall in aggregate not exceed 70% of the total options granted. The share options allocated to Executive Directors and senior management as at 31 December 2023 was 31.4% (2022 : 31.4%) of the total options granted.

The salient features of the ESOS are, *inter alia*, as follows:

- The ESOS shall be in force for a duration of 5 years from 3 July 2019 ("ESOS Period") and may be extended at the discretion of the Board upon the recommendation of the ESOS Committee provided that the ESOS Period shall not in aggregate exceed a duration of 10 years from 3 July 2019 or such longer duration as may from time to time be permitted by the relevant authorities;
- The total number of shares which may be issued and allocated under the ESOS scheme shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the ESOS Period;
- Eligible employees are employees employed by and are on the payroll of any company in the Group (excluding subsidiaries which are dormant) and his/her employment has been confirmed by the company, who is at least 18 years of age and is not undischarged bankrupt nor subject to any bankruptcy proceedings;
- Not more than 10% of the aggregate number of shares to be issued under the ESOS shall be allocated to any individual eligible employee who, either singly or collectively through persons connected with the eligible employee, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares, if any); and
- The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of and not less than 100 shares.

On 1 April 2024, the Company extended the existing ESOS expiring on 2 July 2024 for a period of another 5 years until 2 July 2029. At the same time, the Company offered an additional 18,000,000 options under the ESOS to eligible employees and Executive Directors of the Group as follows :

| | Number of options '000 | ESOS exercise price (RM/share) | Vesting period |
|-----------|------------------------|--------------------------------|----------------------------|
| Tranche 1 | 5,400 | 1.68 | 3 July 2024 to 2 July 2025 |
| Tranche 2 | 5,400 | 1.68 | 3 July 2025 to 2 July 2026 |
| Tranche 3 | 7,200 | 1.68 | 3 July 2026 to 2 July 2027 |
| | <u>18,000</u> | | |

Indemnity and insurance costs

There was no indemnity given to or insurance effected for the Directors, officers or auditors of the Company during the financial year.

DIRECTORS' REPORT

For The Year Ended 31 December 2023

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the impairment on trade receivables as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant event during the financial year

Details of the significant event is disclosed in Note 30 to the financial statements.

Subsequent events

The details of such events are disclosed in Note 31 to the financial statements.

DIRECTORS' REPORT

For The Year Ended 31 December 2023

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The audit and non-audit fees of the Group and of the Company during the year are as follows :

| | Group RM'000 | Company RM'000 |
|-------------------------------|-----------------|-------------------|
| Audit fees | | |
| - KPMG PLT | 312 | 53 |
| - Other auditors | 95 | - |
| | 407 | 53 |
| Non-audit fees | | |
| - KPMG PLT | 20 | 20 |
| - Other overseas affiliates | 60 | 60 |
| - Local affiliate of KPMG PLT | 63 | 7 |
| | 143 | 87 |
| | 550 | 140 |

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....

Dato' Ang Poon Chuan

Director

.....

Ang See Ming

Director

Kedah Darul Aman

Date : 29 April 2024

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2023

| | Note | Group | | Company | |
|---|------|------------------|------------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Assets | | | | | |
| Property, plant and equipment | 3 | 462,944 | 400,153 | - | - |
| Investment properties | 4 | 59,960 | 24,567 | 59,367 | 23,940 |
| Investments in subsidiaries | 5 | - | - | 113,721 | 113,075 |
| Investments in associates | 6 | 2,641 | 3,719 | - | - |
| Deferred tax assets | 7 | 387 | 376 | - | - |
| Trade and other receivables | 9 | 8,337 | 22,161 | - | 4,954 |
| Total non-current assets | | 534,269 | 450,976 | 173,088 | 141,969 |
| Inventories | 8 | 319,911 | 284,846 | - | - |
| Trade and other receivables | 9 | 251,009 | 290,594 | 38,671 | 64,388 |
| Current tax assets | | 3,466 | 4,035 | 281 | 165 |
| Cash and cash equivalents | 10 | 291,262 | 273,955 | 69,307 | 93,015 |
| Total current assets | | 865,648 | 853,430 | 108,259 | 157,568 |
| Total assets | | 1,399,917 | 1,304,406 | 281,347 | 299,537 |
| Equity | | | | | |
| Share capital | 11 | 262,840 | 255,516 | 262,840 | 255,516 |
| Reserves | 12 | 661,119 | 565,544 | 16,206 | 25,906 |
| Total equity attributable to owners of the Company | | 923,959 | 821,060 | 279,046 | 281,422 |
| Non-controlling interests | 5 | 29,855 | 29,265 | - | - |
| Total equity | | 953,814 | 850,325 | 279,046 | 281,422 |
| Liabilities | | | | | |
| Deferred tax liabilities | 7 | 41,736 | 38,607 | - | - |
| Loans and borrowings | 13 | 57,151 | 44,776 | - | - |
| Lease liabilities | | 829 | 1,849 | - | - |
| Total non-current liabilities | | 99,716 | 85,232 | - | - |
| Loans and borrowings | 13 | 140,928 | 178,633 | - | - |
| Lease liabilities | | 1,351 | 1,250 | - | - |
| Provision | 14 | - | - | 1,000 | 1,000 |
| Trade and other payables | 15 | 197,637 | 183,222 | 1,301 | 17,115 |
| Contract liabilities | 16 | 3,337 | 2,124 | - | - |
| Current tax liabilities | | 3,134 | 3,620 | - | - |
| Total current liabilities | | 346,387 | 368,849 | 2,301 | 18,115 |
| Total liabilities | | 446,103 | 454,081 | 2,301 | 18,115 |
| Total equity and liabilities | | 1,399,917 | 1,304,406 | 281,347 | 299,537 |

The notes on pages 86 to 144 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2023

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Revenue | 17 | 1,240,581 | 1,386,523 | 14,507 | 26,086 |
| Cost of goods sold | | (1,049,366) | (1,179,361) | - | - |
| Gross profit | | 191,215 | 207,162 | 14,507 | 26,086 |
| Other income | | 5,976 | 5,067 | 2,535 | 2,192 |
| Selling and distribution expenses | | (33,635) | (27,076) | - | - |
| Administrative expenses | | (47,520) | (44,765) | (2,878) | (3,342) |
| Other expenses | | (7,790) | (13,050) | (559) | (225) |
| Net (loss)/gain on impairment of financial instruments | 18 | (10,242) | (23) | (9,998) | 802 |
| Results from operating activities | 18 | 98,004 | 127,315 | 3,607 | 25,513 |
| Finance income | | 3,342 | 1,449 | 610 | 425 |
| Finance costs | 20 | (10,000) | (5,164) | - | - |
| Operating profit | | 91,346 | 123,600 | 4,217 | 25,938 |
| Share of profit of equity-accounted associate, net of tax | | 320 | 835 | - | - |
| Profit before tax | | 91,666 | 124,435 | 4,217 | 25,938 |
| Tax expense | 21 | (19,461) | (22,774) | 44 | (201) |
| Profit for the year | | 72,205 | 101,661 | 4,261 | 25,737 |
| Other comprehensive income, net of tax | | | | | |
| <i>Item that is or may be reclassified subsequently to profit or loss</i> | | | | | |
| Foreign currency translation differences | | 38,221 | 1,475 | - | - |
| Total comprehensive income for the year | | 110,426 | 103,136 | 4,261 | 25,737 |
| Profit attributable to : | | | | | |
| Owners of the Company | | 71,315 | 99,948 | 4,261 | 25,737 |
| Non-controlling interests | | 890 | 1,713 | - | - |
| | | 72,205 | 101,661 | 4,261 | 25,737 |
| Total comprehensive income attributable to : | | | | | |
| Owners of the Company | | 109,536 | 101,423 | 4,261 | 25,737 |
| Non-controlling interests | | 890 | 1,713 | - | - |
| | | 110,426 | 103,136 | 4,261 | 25,737 |
| Basic earnings per ordinary share (sen) | 23 | 18.16 | 25.86 | | |
| Diluted earnings per ordinary share (sen) | 23 | 18.00 | 25.40 | | |

The notes on pages 86 to 144 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2023

| Group | Attributable to owners of the Company | | Distributable | | Total equity RM'000 | | | | | |
|---|---------------------------------------|------------------------------|------------------------------|--------------------------|---------------------|---------|----------|----------|---------|----------|
| | Share capital RM'000 | Share options reserve RM'000 | Share options reserve RM'000 | Retained earnings RM'000 | | | | | | |
| At 1 January 2022 | 246,454 | 26,779 | 4,141 | (5,135) | (567) | 3,017 | 459,111 | 733,800 | 27,802 | 761,602 |
| Foreign currency translation differences | - | 1,475 | - | - | - | - | - | - | 1,475 | 1,475 |
| Total other comprehensive income for the year | - | 1,475 | - | - | - | - | - | - | 1,475 | 1,475 |
| Profit for the year | - | - | - | - | - | - | 99,948 | 99,948 | 1,713 | 101,661 |
| Total comprehensive income for the year | - | 1,475 | - | - | - | - | 99,948 | 101,423 | 1,713 | 103,136 |
| Contributions by and distribution to owners of the Company | | | | | | | | | | |
| - Share based payments | - | - | - | - | - | 2,120 | - | - | - | 2,120 |
| - Share options exercised | 9,062 | - | - | - | - | (2,120) | - | - | - | 6,942 |
| - Dividends paid to owners of the Company | - | - | - | - | - | - | (23,225) | (23,225) | - | (23,225) |
| - Dividend paid by a subsidiary to non-controlling interests | - | - | - | - | - | - | - | - | (300) | (300) |
| - Shares issued by a subsidiary to non-controlling interests | - | - | - | - | - | - | - | - | 50 | 50 |
| Total transactions with owners of the Company | 9,062 | - | - | - | - | - | (23,225) | (14,163) | (250) | (14,413) |
| At 31 December 2022 | 255,516 | 28,254 | 4,141 | (5,135) | (567) | 3,017 | 535,834 | 821,060 | 29,265 | 850,325 |
| | Note 11 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 |

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2023

| | Attributable to owners of the Company | | Distributable | | | | | Non-controlling interests | Total equity | |
|---|---------------------------------------|-------------------|---------------|-----------------|--------------------|-----------------------|-------------------|---------------------------|--------------|----------|
| | Share capital | Non-distributable | Share reserve | Treasury shares | Fair value reserve | Share options reserve | Retained earnings | | | Total |
| Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Group | | | | | | | | | | |
| At 1 January 2023 | 255,516 | 28,254 | 4,141 | (5,135) | (567) | 3,017 | 535,834 | 821,060 | 29,265 | 850,325 |
| Foreign currency translation differences | - | 38,221 | - | - | - | - | - | 38,221 | - | 38,221 |
| Total other comprehensive income for the year | - | 38,221 | - | - | - | - | - | 38,221 | - | 38,221 |
| Profit for the year | - | - | - | - | - | - | 71,315 | 71,315 | 890 | 72,205 |
| Total comprehensive income for the year | - | 38,221 | - | - | - | - | 71,315 | 109,536 | 890 | 110,426 |
| Contributions by and distribution to owners of the Company | | | | | | | | | | |
| - Share based payments | 22 | - | - | - | - | 1,453 | - | 1,453 | - | 1,453 |
| - Share options exercised | | 7,324 | - | - | - | (1,713) | - | 5,611 | - | 5,611 |
| - Dividends paid to owners of the Company | 24 | - | - | - | - | - | (13,701) | (13,701) | - | (13,701) |
| - Dividend paid by a subsidiary to non-controlling interests | | - | - | - | - | - | - | - | (300) | (300) |
| Total transactions with owners of the Company | | 7,324 | - | - | - | (260) | (13,701) | (6,637) | (300) | (6,937) |
| At 31 December 2023 | Note 11 | 262,840 | 66,475 | 4,141 | (5,135) | (567) | 593,448 | 923,959 | 29,855 | 953,814 |
| | | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 |

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2023

| | Attributable to owners of the Company | | Distributable | | | Total equity RM'000 |
|--|---------------------------------------|------------------------|---------------------------|------------------------------|--------------------------|---------------------|
| | Share capital RM'000 | Treasury shares RM'000 | Fair value reserve RM'000 | Share options reserve RM'000 | Retained earnings RM'000 | |
| Company | | | | | | |
| At 1 January 2022 | 246,454 | (5,135) | (567) | 3,017 | 26,079 | 269,848 |
| Profit for the year representing total comprehensive income for the year | - | - | - | - | 25,737 | 25,737 |
| Contributions by and distribution to owners of the Company | | | | | | |
| - Share based payments | - | - | - | 2,120 | - | 2,120 |
| - Share options exercised | 9,062 | - | - | (2,120) | - | 6,942 |
| - Dividends paid | - | - | - | - | (23,225) | (23,225) |
| Total transactions with owners of the Company | 9,062 | - | - | - | (23,225) | (14,163) |
| At 31 December 2022 | 255,516 | (5,135) | (567) | 3,017 | 28,591 | 281,422 |
| | Note 11 | Note 12 | Note 12 | Note 12 | Note 12 | Note 12 |

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2023

| | Attributable to owners of the Company | | Distributable | | Total equity RM'000 |
|--|---------------------------------------|------------------------|---------------------------|------------------------------|---------------------|
| | Share capital RM'000 | Treasury shares RM'000 | Fair value reserve RM'000 | Share options reserve RM'000 | |
| | Non-distributable | | | | |
| Note | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Company | | | | | |
| At 1 January 2023 | 255,516 | (5,135) | (567) | 3,017 | 281,422 |
| Profit for the year representing total comprehensive income for the year | - | - | - | - | 4,261 |
| Contributions by and distribution to owners of the Company | | | | | |
| - Share based payments | - | - | - | 1,453 | 1,453 |
| - Share options exercised | 7,324 | - | - | (1,713) | 5,611 |
| - Dividends paid | - | - | - | - | (13,701) |
| Total transactions with owners of the Company | 7,324 | - | - | (260) | (6,637) |
| At 31 December 2023 | 262,840 | (5,135) | (567) | 2,757 | 279,046 |
| | Note 11 | Note 12 | Note 12 | Note 12 | Note 12 |

The notes on pages 86 to 144 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2023

| | Note | Group | | Company | |
|---|------|-----------------|----------------|-----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 91,666 | 124,435 | 4,217 | 25,938 |
| Adjustments for : | | | | | |
| Property, plant and equipment (including right-of-use assets) | | | | | |
| - Depreciation | 3 | 35,050 | 30,747 | - | - |
| - Gain on disposal | | (86) | (63) | - | - |
| - Written-off | | 171 | 5 | - | - |
| Gain on derecognition of lease liabilities | | - | (45) | - | - |
| Depreciation of investment property | 4 | 623 | 622 | 589 | 588 |
| Loss on disposal of other investments | | - | 33 | - | - |
| Unrealised loss on loans and borrowings | 13.2 | 3,773 | 2,651 | - | - |
| Reversal of provision for financial guarantees | 14 | - | - | - | (460) |
| Dividend income | 17 | - | - | (14,430) | (25,664) |
| Interest expense | 20 | 10,000 | 5,164 | - | - |
| Share-based payments | 22 | 1,453 | 2,120 | 411 | 411 |
| Interest income | | (3,342) | (1,449) | (610) | (425) |
| Share of profit of equity accounted associate, net of tax | | (320) | (835) | - | - |
| Operating profit/(loss) before changes in working capital | | 138,988 | 163,385 | (9,823) | 388 |
| Changes in working capital : | | | | | |
| Inventories | | (33,354) | (28,331) | - | - |
| Trade and other receivables | | 42,716 | (33,480) | 47,943 | (21,416) |
| Trade and other payables | | 19,284 | (46,889) | (10,933) | 4,338 |
| Contract liabilities | | 1,213 | (2,118) | - | - |
| Cash generated from/(used in) operations | | 168,847 | 52,567 | 27,187 | (16,690) |

STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2023

| | Note | Group | | Company | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Income tax paid | | (16,260) | (14,338) | (72) | (182) |
| Dividends received | | 1,436 | - | 700 | 32,654 |
| Net cash from operating activities | | 154,023 | 38,229 | 27,815 | 15,782 |
| Cash flows from investing activities | | | | | |
| Acquisition of property, plant and equipment | A | (57,943) | (76,966) | - | - |
| Acquisition of investment properties | 4 | (36,016) | - | (36,016) | - |
| Proceeds from disposal of plant and equipment | | 118 | 1,097 | - | - |
| Interest received | | 3,342 | 1,449 | 610 | 425 |
| Investments in subsidiaries | | - | - | (646) | (461) |
| Investments in an associate | | - | (282) | - | - |
| Subscription of shares by non-controlling interest in a subsidiary | | - | 50 | - | - |
| Proceeds from disposal of other investments | | - | 764 | - | - |
| Advances to a subsidiary | | - | - | (2,500) | - |
| Net cash used in investing activities | | (90,499) | (73,888) | (38,552) | (36) |
| Cash flows from financing activities | | | | | |
| Payment of : | | | | | |
| - hire purchase creditors | | (719) | (621) | - | - |
| - lease liabilities | 13.2 | (1,331) | (1,193) | - | - |
| Repayment of term loans | 13.2 | (3,611) | (4,224) | - | - |
| (Repayment)/Drawdown of other bank borrowings (net) | | (25,000) | 38,185 | - | - |
| Dividends paid | | (18,582) | (23,148) | (18,582) | (23,148) |
| Dividend paid to non-controlling interests by a subsidiary | | (300) | (300) | - | - |
| Proceeds from exercise of ESOS | | 5,611 | 6,942 | 5,611 | 6,942 |
| Interest paid | | (10,000) | (5,164) | - | - |
| Net cash (used in)/from financing activities | | (53,932) | 10,477 | (12,971) | (16,206) |

STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2023

| | Note | Group | | Company | |
|--|------|-----------------------|----------------|----------------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Net increase/(decrease) in cash and cash equivalents | | 9,592 | (25,182) | (23,708) | (460) |
| Effects of exchange rate fluctuations on cash and cash equivalents | | 7,829 | 5,886 | - | - |
| Cash and cash equivalents at 1 January | | <u>273,361</u> | <u>292,657</u> | <u>93,015</u> | <u>93,475</u> |
| Cash and cash equivalents at 31 December | B | <u>290,782</u> | <u>273,361</u> | <u>69,307</u> | <u>93,015</u> |

Notes

A. *Acquisition of property, plant and equipment - Group*

During the financial year, the Group acquired property, plant and equipment by way of the following :

| | Note | 2023 RM'000 | 2022 RM'000 |
|---|------|----------------------|----------------|
| Total additions during the year | 3 | 70,592 | 105,134 |
| Purchased by way of hire purchase /finance lease arrangements | | (753) | (1,533) |
| Changes in prepayment for purchase of plant and equipment | | (11,415) | (25,478) |
| Additions unpaid at year end | | (1,638) | (1,157) |
| Amount paid for prior year's additions | | 1,157 | - |
| | | <u>57,943</u> | <u>76,966</u> |

B. *Cash and cash equivalents*

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts :

| | Note | Group | | Company | |
|---------------------------|------|-----------------------|----------------|----------------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash and cash equivalents | 10 | 291,262 | 273,955 | 69,307 | 93,015 |
| Bank overdrafts | 13 | (480) | (594) | - | - |
| | | <u>290,782</u> | <u>273,361</u> | <u>69,307</u> | <u>93,015</u> |

STATEMENTS OF CASH FLOWS

For The Year Ended 31 December 2023

Notes (Cont'd)

C. Cash outflows for leases as a lessee

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Included in net cash from operating activities : | | | | | |
| Payment relating to short-term leases | 18 | 1,973 | 1,198 | - | - |
| Payment relating to low-value assets | 18 | 69 | 70 | - | - |
| Included in net cash used in financing activities : | | | | | |
| Interest paid in relation to lease liabilities | 20 | 90 | 96 | - | - |
| Payment of lease liabilities | 13.2 | 1,331 | 1,193 | - | - |
| Total cash outflows for leases | | 3,463 | 2,557 | - | - |

The notes on pages 86 to 144 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Thong Guan Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows :

Principal place of business

Lot 52, Jalan PKNK 1/6
Kawasan Perusahaan Sungai Petani
08000 Sungai Petani
Kedah Darul Aman

Registered office

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2023 do not include other entities.

The Company is principally engaged in investment holding activities and trading of plastic and petroleum products while the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 29 April 2024.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

The following are amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company :

Amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements*

Amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned amendments, where applicable in the respective financial years when the abovementioned amendments become effective.

The initial application of the above amendments is not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (Cont'd)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 8.1 – valuation of inventories.

2. Changes in material accounting policies

2.1 Material accounting policy information

The Group and the Company adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group entities' accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

| Group | ← Right-of-use assets → | | | | | | | Total RM'000 |
|---|-----------------------------|--------------------------------|---|----------------------------------|--|-----------------------------|--|-----------------|
| | Leasehold land RM'000 | Factory buildings RM'000 | Freehold land and buildings (Note 3.1) RM'000 | Plant and machinery RM'000 | Furniture, fittings, office and solar equipment RM'000 | Motor vehicles RM'000 | Capital expenditure -in-progress RM'000 | |
| Cost | | | | | | | | |
| At 1 January 2022 | 27,049 | 4,011 | 72,107 | 474,613 | 45,143 | 18,872 | 25,441 | 667,236 |
| Additions | 8,383 | 3,268 | 14 | 23,819 | 1,541 | 2,631 | 65,478 | 105,134 |
| Disposals | - | - | (1,023) | (23) | - | (836) | - | (1,882) |
| Written-off | - | - | - | (197) | (86) | (8) | - | (291) |
| Derecognition * | - | (3,347) | - | - | - | - | - | (3,347) |
| Reclassification | - | - | 99 | 30,540 | 260 | - | (30,899) | - |
| Effect of movements in exchange rates | 488 | 53 | (264) | (933) | 222 | 221 | (283) | (496) |
| At 31 December 2022/1 January 2023 | 35,920 | 3,985 | 70,933 | 527,819 | 47,080 | 20,880 | 59,737 | 766,354 |
| Additions | 63 | 412 | 889 | 14,330 | 3,471 | 2,195 | 49,232 | 70,592 |
| Disposals | - | - | - | (176) | - | (599) | - | (775) |
| Written-off | - | - | - | - | - | (363) | (171) | (534) |
| Derecognition * | - | (802) | - | - | - | - | - | (802) |
| Reclassification | - | - | 8,582 | 42,400 | 1,870 | 25 | (52,877) | - |
| Effect of movements in exchange rates | 1,768 | 1,063 | 2,711 | 28,675 | 1,832 | 1,309 | 3,162 | 40,520 |
| At 31 December 2023 | 37,751 | 4,658 | 83,115 | 613,048 | 54,253 | 23,447 | 59,083 | 875,355 |

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (Cont'd)

| Group | ← Right-of-use assets → | | | | | | | Total RM'000 |
|---------------------------------------|-----------------------------|--------------------------------|---|----------------------------------|--|-----------------------------|--|-----------------|
| | Leasehold land RM'000 | Factory buildings RM'000 | Freehold land and buildings (Note 3.1) RM'000 | Plant and machinery RM'000 | Furniture, office fittings, and solar equipment RM'000 | Motor vehicles RM'000 | Capital expenditure -in-progress RM'000 | |
| At 1 January 2022 | | | | | | | | |
| Accumulated depreciation | 5,037 | 1,650 | 36,291 | 255,145 | 21,567 | 14,816 | - | 334,506 |
| Accumulated impairment losses | - | - | - | - | 4,110 | - | - | 4,110 |
| | 5,037 | 1,650 | 36,291 | 255,145 | 25,677 | 14,816 | - | 338,616 |
| Depreciation for the year | 640 | 1,217 | 1,618 | 22,477 | 3,230 | 1,565 | - | 30,747 |
| Disposals | - | - | - | (74) | - | (774) | - | (848) |
| Written-off | - | - | - | (197) | (86) | (3) | - | (286) |
| Derecognition* | - | (1,927) | - | - | - | - | - | (1,927) |
| Effect of movements in exchange rates | (18) | 36 | (196) | (314) | 217 | 174 | - | (101) |
| At 31 December 2022/1 January 2023 | | | | | | | | |
| Accumulated depreciation | 5,659 | 976 | 37,713 | 277,037 | 24,928 | 15,778 | - | 362,091 |
| Accumulated impairment losses | - | - | - | - | 4,110 | - | - | 4,110 |
| | 5,659 | 976 | 37,713 | 277,037 | 29,038 | 15,778 | - | 366,201 |

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (Cont'd)

| Group | ← Right-of-use assets → | | | | | | | Total RM'000 |
|---|-----------------------------|--------------------------------|---|----------------------------------|--|-----------------------------|--|-----------------|
| | Leasehold land RM'000 | Factory buildings RM'000 | Freehold land and buildings (Note 3.1) RM'000 | Plant and machinery RM'000 | Furniture, fittings, office and solar equipment RM'000 | Motor vehicles RM'000 | Capital expenditure -in-progress RM'000 | |
| Accumulated depreciation and impairment losses | | | | | | | | |
| Depreciation for the year | 777 | 1,348 | 2,646 | 25,519 | 3,168 | 1,592 | - | 35,050 |
| Disposals | - | - | - | (167) | - | (576) | - | (743) |
| Written-off | - | - | - | - | - | (363) | - | (363) |
| Derecognition* | - | (802) | - | - | - | - | - | (802) |
| Effect of movements in exchange rates | 183 | 1,037 | 1,472 | 9,027 | 754 | 595 | - | 13,068 |
| At 31 December 2023 | 6,619 | 2,559 | 41,831 | 311,416 | 28,850 | 17,026 | - | 408,301 |
| Accumulated depreciation | - | - | - | - | 4,110 | - | - | 4,110 |
| Accumulated impairment losses | - | - | - | - | - | - | - | - |
| Carrying amounts | 6,619 | 2,559 | 41,831 | 311,416 | 32,960 | 17,026 | - | 412,411 |
| At 1 January 2022 | 22,012 | 2,361 | 35,816 | 219,468 | 19,466 | 4,056 | 25,441 | 328,620 |
| At 31 December 2022/1 January 2023 | 30,261 | 3,009 | 33,220 | 250,782 | 18,042 | 5,102 | 59,737 | 400,153 |
| At 31 December 2023 | 31,132 | 2,099 | 41,284 | 301,632 | 21,293 | 6,421 | 59,083 | 462,944 |

* Derecognition of right-of-use assets due to end of lease term.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (Cont'd)

| | | Motor vehicles RM'000 |
|--|--|--------------------------|
| Company | | |
| Cost | | |
| At 1 January 2022/31 December 2022/1 January 2023/31 December 2023 | | <u>320</u> |
| Accumulated depreciation | | |
| At 1 January 2022/31 December 2022/1 January 2023/31 December 2023 | | <u>320</u> |
| Carrying amount | | |
| At 1 January 2022/31 December 2022/1 January 2023/31 December 2023 | | <u>-</u> |

3.1 Freehold land and buildings - Group

| | Cost | | Carrying amounts | |
|-------------------|----------------|----------------|------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Freehold land | 5,105 | 4,231 | 5,105 | 4,231 |
| Factory buildings | 78,010 | 66,702 | 36,179 | 28,989 |
| | <u>83,115</u> | <u>70,933</u> | <u>41,284</u> | <u>33,220</u> |

3.2 Security

Certain plant and machinery of the Group with carrying amount of RM9,927,000 at 31 December 2023 (2022 : RM10,726,000) are charged for banking facilities granted to the Group (Note 13.1).

3.3 Right-of-use assets

The Group leases land and factory buildings that run between 2 years to 936 years, with an option to renew the leases after the expiry of the initial lease periods.

3.3.1 Extension options

Certain leases of factory buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The disclosure of lease liabilities recognised and potential future lease payment not included in lease liabilities for extension options have not been made as the Directors noted the amount to be inconsequential.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (Cont'd)

3.4 Material accounting policy information

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

(b) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|----------------|
| Leasehold land (Right-of-use assets) | 48 - 936 years |
| Factory buildings (Right-of-use assets) | 2 - 5 years |
| Factory buildings | 20 - 50 years |
| Plant and machinery | 5 - 20 years |
| Furniture, fittings, office and solar equipment | 5 - 25 years |
| Motor vehicles | 5 years |

(c) Recognition exemption for right-of-use assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or shorter and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties

| | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Electrical installation RM'000 | Total RM'000 |
|------------------------------------|----------------------------|-----------------------------|---------------------|--------------------------------------|-----------------|
| Group | | | | | |
| Cost | | | | | |
| At 1 January 2022/1 January 2023 | 10,877 | 7,931 | 7,669 | - | 26,477 |
| Addition | 35,997 | - | - | 19 | 36,016 |
| At 31 December 2023 | 46,874 | 7,931 | 7,669 | 19 | 62,493 |
| Accumulated depreciation | | | | | |
| At 1 January 2022 | - | 1,190 | 98 | - | 1,288 |
| Depreciation for the year | - | 238 | 384 | - | 622 |
| At 31 December 2022/1 January 2023 | - | 1,428 | 482 | - | 1,910 |
| Depreciation for the year | - | 238 | 384 | 1 | 623 |
| At 31 December 2023 | - | 1,666 | 866 | 1 | 2,533 |
| Carrying amounts | | | | | |
| At 1 January 2022 | 10,877 | 6,741 | 7,571 | - | 25,189 |
| At 31 December 2022/1 January 2023 | 10,877 | 6,503 | 7,187 | - | 24,567 |
| At 31 December 2023 | 46,874 | 6,265 | 6,803 | 18 | 59,960 |

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties (Cont'd)

| | Freehold land RM'000 | Leasehold land RM'000 | Building RM'000 | Electrical installation RM'000 | Total RM'000 |
|------------------------------------|-------------------------|--------------------------|--------------------|-----------------------------------|-----------------|
| Company | | | | | |
| Cost | | | | | |
| At 1 January 2022/1 January 2023 | 10,877 | 7,931 | 6,997 | - | 25,805 |
| Addition | 35,997 | - | - | 19 | 36,016 |
| At 31 December 2023 | 46,874 | 7,931 | 6,997 | 19 | 61,821 |
| Accumulated depreciation | | | | | |
| At 1 January 2022 | - | 1,190 | 87 | - | 1,277 |
| Depreciation for the year | - | 238 | 350 | - | 588 |
| At 31 December 2022/1 January 2023 | - | 1,428 | 437 | - | 1,865 |
| Depreciation for the year | - | 238 | 350 | 1 | 589 |
| At 31 December 2023 | - | 1,666 | 787 | 1 | 2,454 |
| Carrying amounts | | | | | |
| At 1 January 2022 | 10,877 | 6,741 | 6,910 | - | 24,528 |
| At 31 December 2022/1 January 2023 | 10,877 | 6,503 | 6,560 | - | 23,940 |
| At 31 December 2023 | 46,874 | 6,265 | 6,210 | 18 | 59,367 |

The following are recognised in profit or loss in respect of investment properties :

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Lease income | 73 | - | 673 | 600 |
| Direct operating expenses | | | | |
| - income generating investment property | 69 | - | 358 | 290 |
| - non-income generating investment property | 1,060 | 886 | 729 | 524 |

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties (Cont'd)

The operating lease payments to be received are as follows :

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Less than one year | 715 | - | 1,065 | 600 |
| One to two years | 711 | - | 711 | 350 |
| Total undiscounted lease payments | 1,426 | - | 1,776 | 950 |

4.1 Fair value information - Group and Company

Investment properties comprise a leasehold land, freehold land, industrial building and an apartment that are held for undetermined use.

The fair value of the investment properties of the Group and of the Company is based on Directors' estimation using the latest available market information, recent experience and knowledge in the location and category of the property being valued. The fair value of the investment properties of the Group and of the Company as at 31 December 2023 was determined to be approximately RM63.1 million (2022 : RM27.0 million) and RM62.4 million (2022 : RM26.3 million) respectively. The fair values are classified as level 3 of the fair value hierarchy.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The Directors estimate the fair value of the investment properties of the Group and the Company as follows:

| Description of valuation technique and inputs used | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|--|--|
| Sale comparison approach: Sale price of comparable land and building in close proximity or other comparable localities with similar properties are published for sale. The most significant input into this valuation approach is price per square foot. | <ul style="list-style-type: none"> Average price per square foot for freehold land, leasehold land and building ranging of RM5.50 to RM14.90 (2022 : RM5.50 to RM14.90) of the Group and the Company. Average price per square foot for an apartment (included in building) at RM512 (2022 : RM512) for the Group. | The estimated fair value would increase / (decrease) if the price per square foot is higher / (lower). |

4.2 Material accounting policy information

Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

5. Investments in subsidiaries - Company

| | 2023 RM'000 | 2022 RM'000 |
|------------------------|----------------|----------------|
| Investments, at cost | 116,521 | 115,875 |
| Less : Impairment loss | (2,800) | (2,800) |
| | <u>113,721</u> | <u>113,075</u> |

Details of the subsidiaries are as follows :

| Name of entity | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest | |
|---|--|--|--|-----------|
| | | | 2023 % | 2022 % |
| Syarikat Thong Guan Trading Sdn. Bhd. ("STGT") | Malaysia | Manufacturing and trading of food and beverage products, trading of plastic products and wholesale of rice | 100 | 100 |
| Thong Guan Plastic & Paper Industries Sdn. Bhd. ("TGPP") | Malaysia | Manufacturing and trading of plastic products | 100 | 100 |
| Uniang Plastic Industries Sdn. Bhd. ⁽¹⁾ | Malaysia | Manufacturing and sale of film blown plastic products and flexible plastic packaging products | 100 | 100 |
| Jaya Uni'ang Sdn. Bhd. ⁽¹⁾ | Malaysia | Trading in film blown plastic products, food and consumable products | 100 | 100 |
| TG Plastic Technologies Sdn. Bhd. ("TGPT") ⁽²⁾ | Malaysia | Manufacturing and trading of plastic packaging products | 100 | 100 |
| Thong Guan Plastic Industries (Suzhou)Co., Ltd ⁽¹⁾ | People's Republic of China | Manufacturing and trading of plastic packaging products | 100 | 100 |
| TGP Plaspack (Suzhou) Co., Ltd. ("TGPPS") ⁽¹⁾ | People's Republic of China | Manufacturing and trading of plastic packaging products | 100 | 100 |
| TG Power Wrap Sdn. Bhd. ("TGPW") | Malaysia | Manufacturing and marketing of polyvinyl chloride (PVC) cling food wraps | 85 | 85 |
| TGSH Plastic Industries Sdn. Bhd. ("TGSH") | Malaysia | Manufacturing and marketing of plastic packaging products | 70 | 70 |
| TGW Plastic Packaging Sdn. Bhd. ("TGWPP") ⁽²⁾ | Malaysia | Manufacturing and trading of plastic packaging products | 51 | 51 |

NOTES TO THE FINANCIAL STATEMENTS

5. Investments in subsidiaries - Company (Cont'd)

Details of the subsidiaries are as follows (Cont'd) :

| Name of entity | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest | |
|--|--|---|--|--------|
| | | | 2023 % | 2022 % |
| Newton Research & Development Centre Sdn. Bhd. | Malaysia | Research and development centre for plastic packaging industry | 100 | 100 |
| Everprosper Food Industries Sdn. Bhd. ("EFI") ⁽³⁾ | Malaysia | Manufacturing and trading of noodle products | 60 | 60 |
| Thong Guan Trading (Thailand) Company Limited ^{(1),(5)} | Thailand | Manufacturing and trading of food and beverage products, and plastic products | 79 | 79 |
| TGP Marketing Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| TG Plaspak (Vietnam) Co., Ltd ⁽¹⁾ | Vietnam | Inactive | 100 | 100 |
| 888 Cafe Sdn. Bhd. ("888 Cafe") | Malaysia | Inactive | 80 | 80 |
| 888 Food Industries Sdn.Bhd. | Malaysia | Inactive | 100 | 100 |
| Everprosper Marketing Sdn. Bhd. ("EM") ⁽⁴⁾ | Malaysia | Inactive | 60 | 60 |
| TG Plaspak Myanmar Co., Ltd. ⁽¹⁾ | Republic of the Union of Myanmar | Inactive | 100 | 100 |
| TG Greenpack Sdn. Bhd. | Malaysia | Inactive | 100 | 100 |
| Cargosafe R&D Co., Ltd. ^{(1),(6),(7)} | People's Republic of China | Inactive | 100 | 100 |
| TG Europe A/S ^{(1),(2)} | Denmark | Trading of plastic products | 80 | 80 |
| TG Packaging Solution Llc ^{(1),(2),(7)} | United States of America | Trading of plastic products | 100 | 100 |
| TG Development Sdn. Bhd. | Malaysia | Property development | 100 | 100 |

⁽¹⁾ Not audited by KPMG

⁽²⁾ Held through TGPP

⁽³⁾ Held through STGT

⁽⁴⁾ Held through EFI

⁽⁵⁾ Held through STGT. STGT has 79% voting interest via a shareholders' agreement signed

⁽⁶⁾ Held through TGPPS

⁽⁷⁾ The unaudited management accounts were consolidated in the Group's financial statements as these subsidiaries were not required by the local legislation to have their financial statements audited

NOTES TO THE FINANCIAL STATEMENTS

5. Investments in subsidiaries - Company (Cont'd)

5.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows :

| | 2023 | | 2022 | | |
|---|----------------|----------------|-----------------|--|-----------------|
| | TGPW RM'000 | TGSH RM'000 | TGWPP RM'000 | Other subsidiaries with immaterial NCI RM'000 | Total RM'000 |
| NCI percentage of ownership interest and voting interest | 15% | 30% | 49% | | |
| Carrying amount of NCI | 7,566 | 12,929 | 12,529 | (3,169) | 29,855 |
| Profit/(Loss) allocated to NCI | 387 | 1,253 | (1,074) | 324 | 890 |

Summarised financial information before intra-group elimination

As at 31 December

| | | | |
|--------------------------|---------|---------|----------|
| Non-current assets | 30,006 | 12,110 | 31,716 |
| Current assets | 31,803 | 41,111 | 32,082 |
| Non-current liabilities | (2,902) | (1,169) | (9,904) |
| Current liabilities | (8,469) | (8,955) | (28,326) |
| Net assets/(liabilities) | 50,438 | 43,097 | 25,568 |

Year ended 31 December

| | | | |
|--|----------|---------|---------|
| Revenue | 64,355 | 63,201 | 42,423 |
| Profit/(Loss) for the year | 2,577 | 4,178 | (2,192) |
| Total comprehensive income/(expense) | 2,577 | 4,178 | (2,192) |
| Cash from operating activities | 16,741 | 5,949 | 7,287 |
| Cash (used in)/from investing activities | (428) | (247) | (2,208) |
| Cash flows used in financing activities | (10,400) | (3,505) | (7,013) |
| Net increase/(decrease) in cash and cash equivalents | 5,913 | 2,197 | (1,934) |
| Dividend paid to NCI | - | 300 | - |

NOTES TO THE FINANCIAL STATEMENTS

5. Investments in subsidiaries - Company (Cont'd)

5.1 Non-controlling interests in subsidiaries (Cont'd)

| | 2022 | | Other subsidiaries with immaterial NCI | | Total |
|---|--------|--------|--|--|--------|
| | TGPW | TGSH | TGWPP | Other subsidiaries with immaterial NCI | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| NCI percentage of ownership interest and voting interest | 15% | 30% | 49% | | |
| Carrying amount of NCI | 7,179 | 11,976 | 13,603 | (3,493) | 29,265 |
| Profit/(Loss) allocated to NCI | 918 | 1,473 | (807) | 129 | 1,713 |

Summarised financial information before intra-group elimination

As at 31 December

| | | | |
|--------------------------|----------|---------|----------|
| Non-current assets | 32,057 | 13,142 | 31,311 |
| Current assets | 35,268 | 37,619 | 34,666 |
| Non-current liabilities | (2,903) | (1,201) | (13,833) |
| Current liabilities | (16,562) | (9,640) | (24,383) |
| Net assets/(liabilities) | 47,860 | 39,920 | 27,761 |

Year ended 31 December

| | | | |
|--|---------|--------|----------|
| Revenue | 92,207 | 71,918 | 54,172 |
| Profit/(Loss) for the year | 6,120 | 4,909 | (1,648) |
| Total comprehensive income/(expense) | 6,120 | 4,909 | (1,648) |
| Cash from operating activities | 4,724 | 7,861 | 15,915 |
| Cash used in investing activities | (549) | (792) | (1,293) |
| Cash flows (used in)/from financing activities | (3,065) | 225 | (14,159) |
| Net increase/(decrease) in cash and cash equivalents | 1,110 | 7,294 | 463 |
| Dividend paid to NCI | - | 300 | - |

NOTES TO THE FINANCIAL STATEMENTS

5. Investments in subsidiaries - Company (Cont'd)

5.2 Material accounting policy information

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses.

6. Investments in associates - Group

| | 2023 RM'000 | 2022 RM'000 |
|------------------------------------|----------------|----------------|
| Investments, at cost | 802 | 802 |
| Share of post-acquisition reserves | 1,839 | 2,917 |
| | 2,641 | 3,719 |

Details of the associates are as follows :

| Name of associate | Principal place of business | Principal activity/ Nature of the relationship | Effective ownership interest and voting interest | |
|---|-----------------------------|--|--|--------|
| | | | 2023 % | 2022 % |
| Winner Bright International Industrial Limited ("WBIL") | Hong Kong | Trading of plastic packaging products | 49 | 49 |
| Techpac Solutions ApS ("TPS") | Denmark | Trading of plastic products | 20 | 20 |

The disclosure of summary of financial information of the associates have not been made as the Directors noted the amount to be inconsequential.

6.1 Material accounting policy information

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

7. Deferred tax assets/(liabilities)

The recognised deferred tax assets and liabilities are as follows :

| | Assets | | Liabilities | | Net | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Group | | | | | | |
| Property, plant and equipment and right-of-use assets | | | | | | |
| - capital allowances | - | - | (52,297) | (45,005) | (52,297) | (45,005) |
| Lease liabilities | 523 | 744 | - | - | 523 | 744 |
| Capital allowances carry-forward | 2,911 | - | - | - | 2,911 | - |
| Tax incentives | 5,254 | 5,539 | - | - | 5,254 | 5,539 |
| Others | 2,274 | 666 | (14) | (175) | 2,260 | 491 |
| Tax assets/(liabilities) | 10,962 | 6,949 | (52,311) | (45,180) | (41,349) | (38,231) |
| Set-off of tax | (10,575) | (6,573) | 10,575 | 6,573 | - | - |
| Net deferred tax assets/(liabilities) | 387 | 376 | (41,736) | (38,607) | (41,349) | (38,231) |

Movements in temporary differences during the year are as follows :

| | At | Recognised | At 31 | Recognised | At 31 |
|---|--------------------------|--|--|--|-------------------------|
| | 1 January 2022 RM'000 | in profit or loss (Note 21) RM'000 | December 2022/1 January 2023 RM'000 | in profit or loss (Note 21) RM'000 | December 2023 RM'000 |
| Group | | | | | |
| Property, plant and equipment and right-of-use assets | | | | | |
| - capital allowances | (39,481) | (5,524) | (45,005) | (7,292) | (52,297) |
| Lease liabilities | 597 | 147 | 744 | (221) | 523 |
| Capital allowances carry-forward | - | - | - | 2,911 | 2,911 |
| Tax incentives | 5,701 | (162) | 5,539 | (285) | 5,254 |
| Others | 378 | 113 | 491 | 1,769 | 2,260 |
| | (32,805) | (5,426) | (38,231) | (3,118) | (41,349) |

NOTES TO THE FINANCIAL STATEMENTS

7. Deferred tax assets/(liabilities) (Cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross) :

| | 2023 RM'000 | 2022 RM'000 |
|---------------------------------------|----------------|----------------|
| Group | | |
| Capital allowances carry-forward | 2,622 | 3,660 |
| Tax losses carry-forward | 10,940 | 10,744 |
| Reinvestment allowances carry-forward | 1,600 | 1,600 |
| Impairment on trade receivables | 10,000 | - |
| | 25,162 | 16,004 |
| Company | | |
| Tax losses carry-forward | 1,720 | 1,600 |
| Impairment on trade receivables | 10,000 | - |
| Others | - | 477 |
| | 11,720 | 2,077 |

The capital allowances carry-forward of the Group is available indefinitely for offsetting against future taxable profits, subject to the guidelines issued under the Income Tax Act, 1967.

The tax losses carry-forward will expire in the following years of assessment :

| | Group | | Company | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| <i>Year of Assessment :</i> | | | | |
| 2028 | 7,562 | 7,562 | - | - |
| 2029 | 1,582 | 1,582 | - | - |
| 2030 | 549 | 549 | 549 | 549 |
| 2031 | 1,051 | 1,051 | 1,051 | 1,051 |
| 2033 | 196 | - | 120 | - |
| | 10,940 | 10,744 | 1,720 | 1,600 |

The reinvestment allowances carry-forward will expire in year of assessment 2037.

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits therefrom.

7.1 Material accounting policy information

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

8. Inventories - Group

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Raw materials | 224,100 | 195,554 |
| Work-in-progress | 12,865 | 16,990 |
| Manufactured inventories | 74,629 | 62,005 |
| Trading inventories | 8,317 | 10,297 |
| | <u>319,911</u> | <u>284,846</u> |
| Recognised in profit or loss : | | |
| Inventories recognised as cost of sales | 1,048,484 | 1,178,794 |
| Inventories written down (included in cost of sales) | 882 | 567 |

8.1 Judgement and assumptions in relation to valuation of inventories

The management reviews inventories for obsolescence and decline in net realisable value to below cost. The review involves judgements made over future consumption and selling price of the inventories. Possible changes to these estimates could result in a revision to the carrying amount of the Group's inventories and profit or loss.

8.2 Material accounting policy information

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

9. Trade and other receivables

| | Note | Group | | Company | |
|------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Non-current | | | | | |
| Non-Trade | | | | | |
| Deposits | 9.4 | 2,500 | - | - | - |
| Prepayments | 9.1 | 5,837 | 22,161 | - | 4,954 |
| | | <u>8,337</u> | <u>22,161</u> | <u>-</u> | <u>4,954</u> |
| Current | | | | | |
| Trade | | | | | |
| Trade receivables | 9.2 | 226,770 | 268,849 | 13,092 | 39,660 |
| Amount due from an associate | 9.3 | 2,503 | 4,974 | - | - |
| | | <u>229,273</u> | <u>273,823</u> | <u>13,092</u> | <u>39,660</u> |

NOTES TO THE FINANCIAL STATEMENTS

9. Trade and other receivables (Cont'd)

| | Note | Group | | Company | |
|---------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Non-trade | | | | | |
| Other receivables | | 8,817 | 8,104 | - | - |
| Amount due from subsidiaries | | - | - | 8,276 | 24,015 |
| Amount due from an associate | 9.3 | 512 | - | - | - |
| Dividend receivable from subsidiaries | | - | - | 14,430 | 700 |
| Deposits | 9.4 | 2,459 | 2,413 | 31 | 10 |
| Prepayments | | 9,948 | 6,254 | 2,842 | 3 |
| | | 21,736 | 16,771 | 25,579 | 24,728 |
| | | 251,009 | 290,594 | 38,671 | 64,388 |
| | | 259,346 | 312,755 | 38,671 | 69,342 |

9.1 Prepayments

The non-current prepayments of the Group and the Company are for the purchase of property, plant and equipment.

9.2 Trade receivables

Included in trade receivables of the Group are RM1,426,000 (2022 : RM638,000) and RM770,000 (2022 : Nil) due from a company in which a Director has a substantial financial interest and a substantial shareholder of a subsidiary respectively. The amounts are subject to normal trade terms.

9.3 Amounts due from an associate

The trade amount due from an associate is subject to normal trade terms.

The non-trade amounts due from an associate is unsecured, interest-free and repayable on demand.

9.4 Deposits

The non-current deposits of the Group were paid for the acquisition of land by a subsidiary (refer Note 31.2).

Included in current deposits of the Group is rental security deposit of RM160,000 (2022 : RM109,000) held by a related party.

NOTES TO THE FINANCIAL STATEMENTS

10. Cash and cash equivalents

| | Note | Group | | Company | |
|-----------------------------|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash and bank balances | | 250,239 | 260,032 | 69,307 | 93,015 |
| Short term investment funds | 10.1 | 27,253 | 128 | - | - |
| Fixed deposits | | 13,770 | 13,795 | - | - |
| | | 291,262 | 273,955 | 69,307 | 93,015 |

10.1 Short term investment funds

Short term investment funds represent investments in money market and cash management funds which can be redeemed within a period of less than 31 days.

11. Share capital - Group/Company

| | 2023 | | 2022 | |
|---|------------------|-----------------------------|------------------|-----------------------------|
| | Amount RM'000 | Number of shares '000 | Amount RM'000 | Number of shares '000 |
| Issued and paid-up ordinary shares with no par value classified as equity instruments : | | | | |
| At 1 January | 255,516 | 393,278 | 246,454 | 387,134 |
| Exercise of 4,965,450 (2022 : 6,143,900) share options into ordinary shares at the exercise price of RM1.13 per share | 7,324 | 4,965 | 9,062 | 6,144 |
| At 31 December | 262,840 | 398,243 | 255,516 | 393,278 |

11.1 Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

12. Reserves

| | Note | Group | | Company | |
|--------------------------|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Non-distributable | | | | | |
| Translation reserve | 12.1 | 66,475 | 28,254 | - | - |
| Statutory reserve | 12.2 | 4,141 | 4,141 | - | - |
| Treasury shares | 12.3 | (5,135) | (5,135) | (5,135) | (5,135) |
| Fair value reserve | 12.4 | (567) | (567) | (567) | (567) |
| Share options reserve | 12.5 | 2,757 | 3,017 | 2,757 | 3,017 |
| Distributable | | | | | |
| Retained earnings | | 593,448 | 535,834 | 19,151 | 28,591 |
| | | 661,119 | 565,544 | 16,206 | 25,906 |

Movements in the reserves are shown in the Statements of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

12. Reserves (Cont'd)

12.1 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

12.2 Statutory reserve

The statutory reserve comprises amounts transferred from retained earnings as required by the local regulation in People's Republic of China.

12.3 Treasury shares

The shareholders of the Company, via an ordinary resolution passed in the Annual General Meeting held on 30 May 2017, approved for the Company to repurchase its own shares of up to 10% of the issued and paid-up share capital of the Company.

No shares were repurchased by the Company during both financial years.

| | No. of shares '000 | ← Purchase price ^(N1) → | | | |
|---|--------------------|------------------------------------|------------|-----------|------------|
| | | Cost RM'000 | Highest RM | Lowest RM | Average RM |
| 2023 and 2022 | | | | | |
| At beginning of financial year/at end of financial year | 2,806 | 5,135 | 2.07 | 1.23 | 1.83 |

^(N1) Purchase price includes stamp duty, brokerage, clearing fee and Service Tax.

The repurchase transactions were financed by internally generated funds. The repurchased ordinary shares of the Company were held as treasury shares and no shares were reissued during the year (2022 : Nil).

12.4 Fair value reserve

Fair value reserve represents the cumulative net change in the fair value of financial assets recognised in other comprehensive income until the investments are derecognised or impaired.

12.5 Share options reserve

The share options reserve represents the fair value of the share options granted to eligible Directors and employees of the Group and the Company as disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

13. Loans and borrowings - Group

| | 2023 RM'000 | 2022 RM'000 |
|----------------------------------|----------------|----------------|
| Non-current : | | |
| Unsecured | | |
| - Revolving credit | 20,585 | 12,365 |
| - Term loans | 35,913 | 31,401 |
| | 56,498 | 43,766 |
| Hire purchase creditors | 653 | 1,010 |
| | 57,151 | 44,776 |
| Current : | | |
| Secured | | |
| - Revolving credit | - | 444 |
| Unsecured | | |
| - Bank overdrafts | 480 | 594 |
| - Term loans | 21,196 | 27,789 |
| - Revolving credit | 21,655 | 25,530 |
| - Bankers' acceptances | 74,475 | 3,532 |
| - Onshore foreign currency loans | - | 120,095 |
| - Trust receipts | 22,494 | - |
| | 140,300 | 177,540 |
| Hire purchase creditors | 628 | 649 |
| | 140,928 | 178,633 |
| Total loans and borrowings | 198,079 | 223,409 |

NOTES TO THE FINANCIAL STATEMENTS

13. Loans and borrowings - Group (Cont'd)

13.1 Securities - Group

The secured loans and borrowings of the Group are secured by corporate guarantee from the Company and fixed charges over plant and machinery of certain subsidiaries for which the facilities were extended to (Note 3.2).

13.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

| Group | At 1 January 2022 | Hire purchase/new lease obtained | Net changes from financing cash flows | Remeasurement of leases | Derecognition of leases | Movement in exchange rates | At 31 December 2022/ 1 January 2023 | Hire purchase/new lease obtained | Net changes from financing cash flows | Movement in exchange rates | At 31 December 2023 |
|--------------------------------------|-------------------|----------------------------------|---------------------------------------|-------------------------|-------------------------|----------------------------|-------------------------------------|----------------------------------|---------------------------------------|----------------------------|---------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Term loans | 61,408 | - | (4,224) | - | - | 2,006 | 59,190 | - | (3,611) | 1,530 | 57,109 |
| Hire purchase creditors | 1,490 | 790 | (621) | - | - | - | 1,659 | 341 | (719) | - | 1,281 |
| Onshore foreign currency trade loans | 82,561 | - | 37,120 | - | - | 414 | 120,095 | - | (120,439) | 344 | - |
| Bankers' acceptances | 4,756 | - | (1,224) | - | - | - | 3,532 | - | 70,943 | - | 74,475 |
| Revolving credit | 35,819 | - | 2,289 | - | - | 231 | 38,339 | - | 2,002 | 1,899 | 42,240 |
| Trust receipts | - | - | - | - | - | - | - | - | 22,494 | - | 22,494 |
| Lease liabilities | 2,489 | 743 | (1,193) | 2,525 | (1,465) | - | 3,099 | 412 | (1,331) | - | 2,180 |
| | 188,523 | 1,533 | 32,147 | 2,525 | (1,465) | 2,651 | 225,914 | 753 | (30,661) | 3,773 | 199,779 |

NOTES TO THE FINANCIAL STATEMENTS

14. Provision

| | Financial guarantees (Note 29.4) | |
|--------------------------|----------------------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Company | | |
| At 1 January | 1,000 | 1,460 |
| Reversal during the year | - | (460) |
| At 31 December | 1,000 | 1,000 |

15. Trade and other payables

| | | Group | | Company | |
|-------------------------------|------|----------------|----------------|----------------|----------------|
| | Note | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Trade | | | | | |
| Trade payables | 15.1 | 158,235 | 142,851 | 2 | 11,775 |
| Non-trade | | | | | |
| Amount due to related parties | 15.2 | - | 431 | - | - |
| Other payables | | 13,489 | 14,070 | 700 | 64 |
| Accrued expenses | | 25,913 | 20,989 | 599 | 395 |
| | | 39,402 | 35,490 | 1,299 | 459 |
| Dividend payable | | - | 4,881 | - | 4,881 |
| | | 197,637 | 183,222 | 1,301 | 17,115 |

15.1 Trade payables

Included in trade payables of the Group is RM4,393,000 (2022 : RM3,443,000) due to companies in which certain Directors have a substantial financial interest and is subject to normal trade terms.

15.2 Amount due to related parties

The non-trade amount due to related parties was unsecured, interest-free and repayable on demand.

16. Contract liabilities - Group

| | 2023 RM'000 | 2022 RM'000 |
|----------------------|----------------|----------------|
| Contract liabilities | 3,337 | 2,124 |

NOTES TO THE FINANCIAL STATEMENTS

16. Contract liabilities - Group (Cont'd)

The contract liabilities comprise advance consideration received from customers for which the Group has yet to transfer the goods or provide the services to the customers. The contract liabilities are expected to be recognised as revenue in the following financial year.

The changes to contract liabilities during the period are as follows:

| | 2023 RM'000 | 2022 RM'000 |
|---|----------------|----------------|
| Contract liabilities at beginning of the period recognised as revenue during the year | (2,124) | (4,242) |
| Advances received during the year | <u>3,337</u> | <u>2,124</u> |

17. Revenue

| | Group | | Company | |
|---------------------------------------|------------------|------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Revenue from contracts with customers | 1,240,581 | 1,386,523 | 77 | 422 |
| Dividend income from subsidiaries | - | - | 14,430 | 25,664 |
| | <u>1,240,581</u> | <u>1,386,523</u> | <u>14,507</u> | <u>26,086</u> |

Revenue from contracts with customers of the Company relates to the sale of petroleum products where the Company acted as an agent in the transaction rather than as the principal.

17.1 Disaggregation of revenue

| | Group | | | |
|---------------------------------------|---|---|---|------------------|
| | Plastic products ⁽¹⁾ RM'000 | Packaged food, beverages and other consumable products ⁽¹⁾ RM'000 | Petroleum products ⁽¹⁾ RM'000 | Total RM'000 |
| 2023 | | | | |
| Primary geographical markets | | | | |
| Malaysia | 212,618 | 112,502 | 77 | 325,197 |
| Others Asian countries ⁽²⁾ | 437,981 | 10,663 | - | 448,644 |
| Oceania ⁽³⁾ | 183,924 | 632 | - | 184,556 |
| Europe ⁽⁴⁾ | 178,425 | - | - | 178,425 |
| North America ⁽⁵⁾ | 81,545 | - | - | 81,545 |
| Others | 22,214 | - | - | 22,214 |
| | <u>1,116,707</u> | <u>123,797</u> | <u>77</u> | <u>1,240,581</u> |

NOTES TO THE FINANCIAL STATEMENTS

17. Revenue (Cont'd)

17.1 Disaggregation of revenue (Cont'd)

| | ← Group → | | | |
|--|--|--|--|-----------------|
| | ← Company → | | | |
| | Plastic products ⁽¹⁾ RM'000 | Packaged food, beverages and other consumable products ⁽¹⁾ RM'000 | Petroleum products ⁽¹⁾ RM'000 | Total RM'000 |

2023

Timing and recognition

| | | | | |
|----------------------|-----------|---------|----|-----------|
| - At a point in time | 1,116,707 | 123,797 | 77 | 1,240,581 |
|----------------------|-----------|---------|----|-----------|

2022

Primary geographical markets

| | | | | |
|---------------------------------------|-----------|---------|-----|-----------|
| Malaysia | 228,964 | 106,421 | 422 | 335,807 |
| Others Asian countries ⁽²⁾ | 500,139 | 7,964 | - | 508,103 |
| Oceania ⁽³⁾ | 203,155 | 184 | - | 203,339 |
| Europe ⁽⁴⁾ | 194,676 | - | - | 194,676 |
| North America ⁽⁵⁾ | 121,012 | - | - | 121,012 |
| Others | 23,586 | - | - | 23,586 |
| | 1,271,532 | 114,569 | 422 | 1,386,523 |

Timing and recognition

| | | | | |
|----------------------|-----------|---------|-----|-----------|
| - At a point in time | 1,271,532 | 114,569 | 422 | 1,386,523 |
|----------------------|-----------|---------|-----|-----------|

⁽¹⁾ including incidental freight and forwarding services undertaken by the Group and the Company in relation to products sold, where applicable.

⁽²⁾ comprising mainly Japan, People's Republic of China, Korea, Indonesia, Philippines, Singapore, Thailand, Vietnam, Saudi Arabia and United Arab Emirates.

⁽³⁾ comprising Australia, New Zealand, Papua New Guinea and Fiji Island.

⁽⁴⁾ comprising mainly England, Germany, Spain, Belgium, Czech Republic, Italy, Lithuania, Portugal, Netherlands, Denmark and Serbia.

⁽⁵⁾ comprising United States of America, Mexico, Canada, West Indies, Guatemala and El Salvador.

NOTES TO THE FINANCIAL STATEMENTS

17. Revenue (Cont'd)

17.2 Nature of goods

The following information reflects the typical transactions of the Group and the Company :

| Nature of goods | Timing of recognition or method used to recognise revenue | Significant payment terms | Variable element in consideration | Obligation for returns or refunds | Warranty |
|--|--|---------------------------------|-----------------------------------|--|-----------------|
| Assortment of plastic products | Revenue is recognised at a point in time when the goods are delivered to and accepted by the customers. | 30 - 60 days from invoice date. | Not applicable. | Not applicable. | Not applicable. |
| Packaged food, beverages and other consumable products | Revenue is recognised at a point in time when the goods are delivered to and accepted by the customers. | 30 - 60 days from invoice date. | Not applicable. | The Group allows returns for product exchange or cash refunds. | Not applicable. |
| Petroleum products | Revenue from commission income is recognised at a point in time when services are performed and the goods are delivered to customer. | 60 days from invoice date. | Not applicable. | Not applicable. | Not applicable. |

The Group applies the practical expedient on the exemption for disclosure of information on the remaining performance obligations that have original expected duration of one year or shorter.

NOTES TO THE FINANCIAL STATEMENTS

18. Results from operating activities

Results from operating activities are arrived at after charging/(crediting) :

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Auditors' remuneration | | | | |
| - Audit fees | | | | |
| - KPMG PLT | 312 | 302 | 53 | 50 |
| - Other auditors | 95 | 83 | - | - |
| - Non-audit fees | | | | |
| - KPMG PLT | 20 | 18 | 20 | 18 |
| - Overseas affiliates of KPMG | 60 | 55 | 60 | 55 |
| - Local affiliate of KPMG PLT | 63 | 61 | 7 | 7 |
| Material expenses/(income) | | | | |
| Directors' emoluments | | | | |
| Directors of the Company | | | | |
| - fees | 600 | 580 | 320 | 300 |
| - remuneration | 4,199 | 3,986 | 253 | 227 |
| - contributions to Employees' Provident Fund | 224 | 211 | 30 | 27 |
| - others | 231 | 221 | 231 | 221 |
| Other Directors | | | | |
| - fees | 158 | 158 | - | - |
| - remuneration | 1,296 | 1,230 | - | - |
| - contributions to Employees' Provident Fund | 78 | 80 | - | - |
| Personnel expenses (excluding Directors' emoluments) | | | | |
| - Wages, salaries and others | 82,728 | 76,769 | - | - |
| - Contributions to state plans | 7,678 | 5,911 | - | - |
| Share-based payments (Note 22) | 1,453 | 2,120 | 411 | 411 |
| Loss/(Gain) on foreign exchange | | | | |
| - realised | 268 | 4,867 | 559 | (308) |
| - unrealised | 546 | 5,968 | (561) | 225 |
| Government grants (Note a) | (540) | (413) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

18. Results from operating activities (Cont'd)

Results from operating activities are arrived at after charging/(crediting) (Cont'd) :

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Expenses/(Income) arising from leases | | | | |
| Expenses relating to short term leases (Note b) | 1,973 | 1,198 | - | - |
| Expenses relating to leases of low-value assets (Note b) | 69 | 70 | - | - |
| Rental income from property and machinery | (76) | (4) | (673) | (600) |
| Net loss/(gain) on impairment of financial instruments | | | | |
| Impairment loss/(Reversal of impairment) on trade and other receivables | 10,120 | (10) | 9,998 | (342) |
| Bad debts written off | 122 | - | - | - |
| Reversal of provision for corporate guarantee | - | - | - | (460) |
| Loss on disposal of other investments | - | 33 | - | - |
| | 10,242 | 23 | 9,998 | (802) |

Note a

The Group received government grants as wage subsidies for hiring of local workforces under Northern Corridor Economic Region ("NCER") programme. The grants were recognised as other income in profit or loss.

Note b

The Group leases machinery and equipment, motor vehicles and hostels with contract terms of 1 year or shorter. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise the right-of-use assets and lease liabilities for these leases.

Note c

The estimated monetary value of Directors' benefits-in-kind of the Group and the Company amounted to RM67,400 (2022 : RM66,020) and RM9,900 (2022 : RM9,900) respectively.

NOTES TO THE FINANCIAL STATEMENTS

19. Key management personnel compensation

The key management personnel compensation are as follows :

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Directors of the Company | | | | |
| - Fees | 440 | 440 | 160 | 160 |
| - Remuneration | 4,199 | 3,986 | 253 | 227 |
| - Contributions to Employees' Provident Fund | 224 | 211 | 30 | 27 |
| - Estimated value of benefits-in-kind | 37 | 35 | 10 | 10 |
| - Share-based payments | 411 | 411 | 411 | 411 |
| | 5,311 | 5,083 | 864 | 835 |
| Other Director | | | | |
| - Remuneration | 280 | 233 | - | - |
| | 5,591 | 5,316 | 864 | 835 |

Key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include certain Directors of the Group

20. Finance costs - Group

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Interest expense on : | | |
| - financial liabilities that are not at fair value through profit or loss | 9,910 | 5,068 |
| - lease liabilities | 90 | 96 |
| | 10,000 | 5,164 |

21. Tax expense

Major components of tax expense include :

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Current tax expense | | | | |
| - Current year | 16,129 | 17,831 | - | 201 |
| - Prior year | 214 | (483) | (44) | - |
| Total current tax | 16,343 | 17,348 | (44) | 201 |

NOTES TO THE FINANCIAL STATEMENTS

21. Tax expense (Cont'd)

Major components of tax expense include (Cont'd) :

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Deferred tax expense | | | | |
| - Origination of temporary differences | 3,651 | 6,606 | - | - |
| - Prior year | (533) | (1,180) | - | - |
| Total deferred tax | <u>3,118</u> | <u>5,426</u> | <u>-</u> | <u>-</u> |
| Total tax expense recognised in profit or loss | <u>19,461</u> | <u>22,774</u> | <u>(44)</u> | <u>201</u> |

Reconciliation of tax expense

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Group | | | | |
| Profit for the year | 72,205 | 101,661 | 4,261 | 25,737 |
| Total tax expense | <u>19,461</u> | <u>22,774</u> | <u>(44)</u> | <u>201</u> |
| Profit excluding tax | <u>91,666</u> | <u>124,435</u> | <u>4,217</u> | <u>25,938</u> |
| Income tax calculated using Malaysian tax rate of 24% | 22,000 | 29,864 | 1,012 | 6,225 |
| Effect of higher tax rate in foreign jurisdictions | - | 531 | - | - |
| Non-deductible expenses | 4,031 | 2,846 | 449 | 434 |
| Income not subject to tax | (264) | (398) | (3,775) | (6,436) |
| Tax incentives | (8,207) | (7,026) | - | - |
| Effect of share of profit of equity accounted associate | (77) | (200) | - | - |
| Effect of unrecognised deferred tax assets | 2,198 | - | 2,314 | - |
| Utilisation of previously unrecognised deferred tax assets | - | (1,121) | - | (121) |
| Others | 99 | (59) | - | 99 |
| Over provision in prior years | <u>(319)</u> | <u>(1,663)</u> | <u>(44)</u> | <u>-</u> |
| Tax expense | <u>19,461</u> | <u>22,774</u> | <u>(44)</u> | <u>201</u> |

NOTES TO THE FINANCIAL STATEMENTS

22. Employee benefits - Group/Company

Share-based payments arrangement

The Company granted share options to eligible Executive Directors and employees of the Group to purchase shares in the Company under the Employees' Share Option Scheme ("ESOS") approved by the shareholders at an Extraordinary General Meeting of the Company held on 18 April 2019.

The ESOS shall be in force for a duration of 5 years from 3 July 2019.

The terms and conditions related to the grants of the share options are as follows; all options are to be settled by physical delivery of shares in the Company :

| | Number of options granted ('000) | Vesting period | Exercise price (RM/ Share) |
|--------------------------|---|--------------------------------|----------------------------------|
| Granted on 3 July 2019 : | | | |
| - Tranche 1 | 604 | 7 August 2019 to 6 August 2020 | 1.13 |
| - Tranche 2 | 2,742 | 7 August 2020 to 6 August 2021 | 1.13 |
| - Tranche 3 | 8,418 | 7 August 2021 to 6 August 2022 | 1.13 |
| - Tranche 4 | 8,418 | 7 August 2022 to 6 August 2023 | 1.13 |
| - Tranche 5 | 8,418 | 7 August 2023 to 2 July 2024 | 1.13 |
| | <u>28,600</u> | | |

The movements of the ESOS during the year are as follows:

| | Weighted average exercise price 2023 | Number of options ('000) 2023 | Weighted average exercise price 2022 | Number of options ('000) 2022 |
|---------------------------------------|---|---|---|---|
| Outstanding at 1 January | 1.13 | 12,952 | 1.13 | 19,926 |
| Forfeited during the year | 1.13 | (200) | 1.13 | (830) |
| Exercised during the year | 1.13 | <u>(4,965)</u> | 1.13 | <u>(6,144)</u> |
| Outstanding at 31 December | 1.13 | <u>7,787</u> | 1.13 | <u>12,952</u> |
| Vested and outstanding at 31 December | | <u>7,787</u> | | <u>5,892</u> |

NOTES TO THE FINANCIAL STATEMENTS

22. Employee benefits - Group/Company (Cont'd)

Share-based payments arrangement (Cont'd)

The fair value of services received in return for the ESOS granted is based on the fair value of share options granted, measured using the Trinomial Option Pricing Model, with the following inputs :

| | 2023 RM | 2022 RM |
|---|--------------|--------------|
| Fair value of share options and assumptions | | |
| Fair value at grant date | <u>0.345</u> | <u>0.345</u> |
| Weighted average share price | 2.53 | 2.53 |
| Share price at grant date | 2.26 | 2.26 |
| Option life | 5 years | 5 years |
| Expected volatility | 31.15% | 31.15% |
| Expected dividends | 3.15% | 3.15% |
| Risk-free interest rate (based on Malaysian government bonds) | <u>3.44%</u> | <u>3.44%</u> |

Value of employee services received for issue of share options

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | RM'000 2023 | RM'000 2022 | RM'000 2023 | RM'000 2022 |
| Fair value of share options recognised | 1,453 | 2,120 | 1,453 | 2,120 |
| Less: Allocation of expense to subsidiaries * | <u>-</u> | <u>-</u> | <u>(1,042)</u> | <u>(1,709)</u> |
| Total expense recognised in profit or loss | <u>1,453</u> | <u>2,120</u> | <u>411</u> | <u>411</u> |

* The share options expense is allocated or charged to the subsidiaries benefiting from the services of the employees is not recognised in the profit or loss of the Company.

NOTES TO THE FINANCIAL STATEMENTS

23. Earnings per ordinary share - Group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM71,315,000 (2022 : RM99,948,000) and on the weighted average number of ordinary shares outstanding during the year of 392,631,000 (2022 : 386,495,000) calculated as follows :

| | 2023 '000 | 2022 '000 |
|---|----------------|----------------|
| Issued ordinary shares at 1 January | 393,278 | 387,134 |
| Effect of ESOS exercised during the year | 2,159 | 2,167 |
| Effect of treasury shares repurchased | <u>(2,806)</u> | <u>(2,806)</u> |
| Weighted average number of ordinary shares at 31 December | <u>392,631</u> | <u>386,495</u> |
| Basic earnings per ordinary share (sen) | <u>18.16</u> | <u>25.86</u> |

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the profit attributable to ordinary shareholders and on the weighted average number of ordinary shares outstanding after adjusting the effect of all dilutive potential ordinary shares, calculated as follows :

| | 2023 RM'000 | 2022 RM'000 |
|--|----------------|----------------|
| Profit attributable to ordinary shareholders | <u>71,315</u> | <u>99,948</u> |

| | 2023 '000 | 2022 '000 |
|---|----------------|----------------|
| Weighted average number of ordinary shares at 31 December (basic) | 392,631 | 386,495 |
| Effect of exercise of ESOS | <u>3,597</u> | <u>7,035</u> |
| Weighted average number of ordinary shares at 31 December (diluted) | <u>396,228</u> | <u>393,530</u> |
| Diluted earnings per ordinary share (sen) | <u>18.00</u> | <u>25.40</u> |

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options is based on quoted market prices for the period during which the options were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

24. Dividends - Group and Company

Dividends recognised by the Company :

| | Sen per share | RM'000 | Date of payment |
|--------------------------------|---------------|---------------|-----------------|
| 2023 | | | |
| - Fourth 2022 interim dividend | 2.25 | 8,806 | 18 April 2023 |
| - First 2023 interim dividend | 1.25 | 4,895 | 18 July 2023 |
| | | <u>13,701</u> | |
| 2022 | | | |
| - Fourth 2021 interim dividend | 2.25 | 8,662 | 18 April 2022 |
| - First 2022 interim dividend | 1.25 | 4,820 | 18 July 2022 |
| - Second 2022 interim dividend | 1.25 | 4,862 | 18 October 2022 |
| - Third 2022 interim dividend | 1.25 | 4,881 | 18 January 2023 |
| | | <u>23,225</u> | |

A second interim dividend of 3.00 sen per ordinary share in respect of the financial year ended 31 December 2023 was declared on 28 February 2024 and paid on 18 April 2024. As the dividend was declared subsequent to the financial period, the dividend will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2024.

25. Capital commitments

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Contracted but not provided for | | | | |
| - Property, plant and equipment | <u>15,044</u> | <u>67,940</u> | <u>-</u> | <u>30,600</u> |

26. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt to equity ratio that complies with debt covenants and regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS

26. Capital management (Cont'd)

The debt-to-equity ratio of the Group are as follows :

| | 2023 RM'000 | 2022 RM'000 |
|---|----------------|----------------|
| Total loans and borrowings (Note 13) | (198,079) | (223,409) |
| Less : Cash and cash equivalent (Note 10) | <u>291,262</u> | <u>273,955</u> |
| Net cash and cash equivalents | <u>93,183</u> | <u>50,546</u> |

The Group is in net cash and cash equivalents position at the end of the financial period. Hence, debt-to-equity ratio has not been presented.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

There were no changes in the Group's approach to capital management during the financial year.

27. Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker ("CODM")) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments :

- Plastic products
- Food, beverages and other consumable products

Other non-reportable segment comprises investment holding and the Company acting as agent for the sales of petroleum products. None of these segments met the quantitative thresholds for reporting segments.

Performance is measured based on segment profit or loss before tax, as included in the internal management reports that are reviewed by the CODM. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured on all assets of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets are used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, right-of-use assets and investment properties.

NOTES TO THE FINANCIAL STATEMENTS

27. Operating segments (Cont'd)

| | Plastic products | | Food, beverages and other consumable products | | Others | | Consolidated | |
|---|------------------|------------------|---|---------------|-----------------|----------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) before share of after tax results of equity-accounted associate | 92,472 | 116,119 | 9,195 | 8,080 | (10,321) | (599) | 91,346 | 123,600 |
| Share of profit of equity-accounted associate, net of tax | 320 | 835 | - | - | - | - | 320 | 835 |
| Segment profit/(loss) | 92,792 | 116,954 | 9,195 | 8,080 | (10,321) | (599) | 91,666 | 124,435 |
| Included in the measure of segment profit/(loss) are : | | | | | | | | |
| - Revenue from external customers | 1,116,707 | 1,271,532 | 123,797 | 114,569 | 77 | 422 | 1,240,581 | 1,386,523 |
| - Write-down of inventories | 280 | 53 | 602 | 514 | - | - | 882 | 567 |
| - Depreciation and amortisation | 33,432 | 29,368 | 1,652 | 1,413 | 589 | 588 | 35,673 | 31,369 |
| Segment assets | 1,178,481 | 1,072,686 | 73,141 | 69,974 | 148,295 | 161,746 | 1,399,917 | 1,304,406 |
| Included in the measure of segment assets are : | | | | | | | | |
| - Investment in an associate | 2,641 | 3,719 | - | - | - | - | 2,641 | 3,719 |
| - Additions of property, plant and equipment, investment properties and right-of-use assets | 67,647 | 103,077 | 2,945 | 2,057 | 36,016 | - | 106,608 | 105,134 |

NOTES TO THE FINANCIAL STATEMENTS

27. Operating segments (Cont'd)

Geographical segments

The business segments are operated principally in Malaysia and People's Republic of China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments, investment in an associate and deferred tax assets.

Geographical information

The disaggregation of the Group's revenue by geographical location is disclosed in Note 17.1.

| | 2023 RM'000 | 2022 RM'000 |
|----------------------------|----------------|----------------|
| Non-current assets | | |
| Malaysia | 483,131 | 404,246 |
| People's Republic of China | 28,366 | 27,591 |
| Vietnam | 4,387 | 4,135 |
| Myanmar | 6,880 | 6,733 |
| Thailand | 3,530 | 2,505 |
| Europe | 2,080 | 1,671 |
| United States of America | 367 | - |
| | 528,741 | 446,881 |

Major customers

The Group did not have any individual customer that contributed to more than 10% of the Group's revenue.

28. Related parties

28.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company as follows:

- i) Subsidiaries and associate as disclosed in Note 5 and Note 6.
- ii) Companies in which certain Directors are deemed to have a substantial financial interest :
 - Kimanis Food Industry Sdn. Bhd.
 - Kimanis Property Sdn. Bhd.
 - Sensible Matrix Sdn. Bhd.
 - Foremost Equals Sdn. Bhd.
 - T.G. Plastic Pack (Export) Sdn. Bhd.
 - Lok Kawi Plastic Industries Sdn. Bhd.
- iii) Substantial shareholder of a subsidiary
 - Landblue Co. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

28. Related parties (Cont'd)

28.1 Identity of related parties (Cont'd)

- iv) Companies in which close family members of certain Directors of the Group have a substantial financial interest :
 - Bounty Values Sdn. Bhd.
 - Fang Thong Trading
- v) Foundation in which a Director of the Company is a key management personnel
 - Thong Guan Foundation
- vi) Key management personnel include certain Directors of the Group

28.2 Significant related party transactions

Related party transactions were entered in the normal course of business and have been established under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 9 and 15 to the financial statements.

28.2.1 Transactions with subsidiaries :

| | 2023 RM'000 | 2022 RM'000 |
|--------------------------|----------------|----------------|
| Company | | |
| Advances to a subsidiary | 2,500 | - |
| Dividend income (gross) | 14,430 | 25,664 |
| Rental income | 600 | 600 |
| Interest income | 66 | 73 |
| ESOS expense charged to | 1,042 | 1,709 |

28.2.2 Transactions with an associate :

| | 2023 RM'000 | 2022 RM'000 |
|----------------------------|----------------|----------------|
| Group | | |
| Sales | 38,881 | 49,631 |
| Technical services expense | 361 | 1,205 |
| Dividend income | 1,436 | - |

28.2.3 Transactions with a substantial shareholder of a subsidiary :

| | 2023 RM'000 | 2022 RM'000 |
|--------------|----------------|----------------|
| Group | | |
| Sales | 3,904 | 4,073 |
| Purchases | 312 | 1,639 |

NOTES TO THE FINANCIAL STATEMENTS

28. Related parties (Cont'd)

28.2 Significant related party transactions (Cont'd)

28.2.4 Transactions with companies in which certain Directors are deemed to have a substantial financial interest :

| | 2023 RM'000 | 2022 RM'000 |
|----------------|----------------|----------------|
| Group | | |
| Sales | 4,427 | 2,230 |
| Purchases | 19,941 | 10,769 |
| Rental expense | <u>84</u> | <u>80</u> |

28.2.5 Transactions with companies in which close family members of certain Directors of the Group have a substantial financial interest :

| | 2023 RM'000 | 2022 RM'000 |
|----------------|----------------|----------------|
| Group | | |
| Purchases | 651 | 587 |
| Rental expense | <u>1,113</u> | <u>992</u> |

28.2.6 Transaction with a foundation in which a Director of the Company is a key management personnel.

| | 2023 RM'000 | 2022 RM'000 |
|----------------------|----------------|----------------|
| Group/Company | | |
| Donation | <u>-</u> | <u>1,000</u> |

28.3 There were no transactions with the Directors and key management personnel of the Group and the Company other than the remuneration paid to them in accordance to the terms of their appointment as disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

| | Carrying amount RM'000 | AC RM'000 |
|---|------------------------------|----------------|
| 2023 | | |
| Financial assets | | |
| Group | | |
| Trade and other receivables (excluding prepayments) | 243,561 | 243,561 |
| Cash and cash equivalents | 291,262 | 291,262 |
| | <u>534,823</u> | <u>534,823</u> |
| Company | | |
| Trade and other receivables (excluding prepayments) | 35,829 | 35,829 |
| Cash and cash equivalents | 69,307 | 69,307 |
| | <u>105,136</u> | <u>105,136</u> |
| Financial liabilities | | |
| Group | | |
| Loans and borrowings | 198,079 | 198,079 |
| Trade and other payables (excluding dividend payable) | 197,637 | 197,637 |
| | <u>395,716</u> | <u>395,716</u> |
| Company | | |
| Provision | 1,000 | 1,000 |
| Trade and other payables (excluding dividend payable) | 1,301 | 1,301 |
| | <u>2,301</u> | <u>2,301</u> |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.1 Categories of financial instruments (Cont'd)

| | Carrying amount RM'000 | AC RM'000 |
|---|------------------------------|--------------|
| 2022 | | |
| Financial assets | | |
| Group | | |
| Trade and other receivables (excluding prepayments) | 284,340 | 284,340 |
| Cash and cash equivalents | 273,955 | 273,955 |
| | 558,295 | 558,295 |
| Company | | |
| Trade and other receivables (excluding prepayments) | 64,385 | 64,385 |
| Cash and cash equivalents | 93,015 | 93,015 |
| | 157,400 | 157,400 |
| Financial liabilities | | |
| Group | | |
| Loans and borrowings | 223,409 | 223,409 |
| Trade and other payables (excluding dividend payable) | 178,341 | 178,341 |
| | 401,750 | 401,750 |
| Company | | |
| Provision | 1,000 | 1,000 |
| Trade and other payables (excluding dividend payable) | 12,234 | 12,234 |
| | 13,234 | 13,234 |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|--|-----------------|-----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Net (losses)/gains on : | | | | |
| Financial assets at amortised cost | (3,941) | (6,725) | (9,386) | 850 |
| Financial liabilities at amortised cost | (13,683) | (7,719) | - | 460 |
| Financial instruments at fair value through profit or loss : | | | | |
| - Loss on disposal of other investments | - | (33) | - | - |
| | <u>(17,624)</u> | <u>(14,477)</u> | <u>(9,386)</u> | <u>1,310</u> |

29.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

29.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk arises from the individual characteristics of each customer. The Company's exposure to credit risk arises from advances to subsidiaries and financial guarantees given to banks and suppliers for credit facilities granted to subsidiaries. There are no significant changes as compared to prior year.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amount of credit impaired trade receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior year.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

The exposure to credit risk for trade receivables as at the end of the reporting period by geographical region is as follows:

| | 2023 RM'000 | 2022 RM'000 |
|-----------------------|----------------|----------------|
| Group | | |
| Malaysia | 81,136 | 96,580 |
| Other Asian countries | 35,317 | 38,194 |
| Oceania | 39,366 | 32,634 |
| Europe | 36,352 | 54,071 |
| North America | 30,865 | 41,273 |
| Others | 6,237 | 11,071 |
| | 229,273 | 273,823 |

The exposure to credit risk for trade receivables as at the end of the reporting period of the Company is confined to Malaysia.

Recognition and measurement of impairment loss

The Group uses an allowance matrix to measure expected credit loss ("ECLs") of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 90 days will be considered as credit impaired.

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Group will also commence legal proceeding against the customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experienced over the past five years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables.

| | Gross RM'000 | Loss allowances RM'000 | Net RM'000 |
|----------------------------|-----------------|------------------------------|----------------|
| 2023 | | | |
| Group | | | |
| Not past due | 145,229 | - | 145,229 |
| Past due 1 – 30 days | 36,432 | - | 36,432 |
| Past due 31 – 60 days | 9,917 | - | 9,917 |
| Past due 61 – 90 days | 7,269 | - | 7,269 |
| Past due more than 90 days | 40,426 | (10,000) | 30,426 |
| | 239,273 | (10,000) | 229,273 |
| Credit impaired | | | |
| Individually impaired | 10,737 | (10,737) | - |
| | 250,010 | (20,737) | 229,273 |
| Company | | | |
| Not past due | - | - | - |
| Past due 1 – 30 days | - | - | - |
| Past due 31 – 60 days | - | - | - |
| Past due 61 – 90 days | 2,011 | - | 2,011 |
| Past due more than 90 days | 21,081 | (10,000) | 11,081 |
| | 23,092 | (10,000) | 13,092 |
| Credit impaired | | | |
| Individually impaired | 30 | (30) | - |
| | 23,122 | (10,030) | 13,092 |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

| | Gross RM'000 | Loss allowances RM'000 | Net RM'000 |
|----------------------------|-----------------|------------------------------|---------------|
| 2022 | | | |
| Group | | | |
| Not past due | 154,814 | - | 154,814 |
| Past due 1 – 30 days | 43,571 | - | 43,571 |
| Past due 31 – 60 days | 16,703 | - | 16,703 |
| Past due 61 – 90 days | 13,449 | - | 13,449 |
| Past due more than 90 days | 45,286 | - | 45,286 |
| | 273,823 | - | 273,823 |
| Credit impaired | | | |
| Individually impaired | 10,710 | (10,710) | - |
| | 284,533 | (10,710) | 273,823 |
| Company | | | |
| Not past due | 11,893 | - | 11,893 |
| Past due 1 – 30 days | - | - | - |
| Past due 31 – 60 days | - | - | - |
| Past due 61 – 90 days | - | - | - |
| Past due more than 90 days | 27,767 | - | 27,767 |
| | 39,660 | - | 39,660 |
| Credit impaired | | | |
| Individually impaired | 32 | (32) | - |
| | 39,692 | (32) | 39,660 |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.4 Credit risk (Cont'd)

Trade receivables (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The past due trade receivables of the Company are collateralised by a personal guarantee received from a Director of the customer. Subsequent to the end of the reporting period, the Company has received payments for part of the past due balances from the said customer. The Company has also entered into a repayment plan with the customer to allow the repayment of the balance due over quarterly installments leading up to 30 June 2030.

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

| | Credit impaired | |
|----------------------------|-----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Group | | |
| Balance at 1 January | 10,710 | 10,720 |
| Reversal of loss allowance | (36) | (23) |
| Amount written off | (93) | - |
| Loss allowance provided | 10,156 | 13 |
| Balance at 31 December | 20,737 | 10,710 |
| Company | | |
| Balance at 1 January | 32 | 33 |
| Reversal of loss allowance | (2) | (1) |
| Loss allowance provided | 10,000 | - |
| Balance at 31 December | 10,030 | 32 |

Cash and cash equivalents

The cash and cash equivalents are held with established banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid for purchase of property, plant and equipment, rental and utilities and other receivables arising from the Group's normal course of operations which the Directors regard to be of low credit risk.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.4 Credit risk (Cont'd)

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers the advances to subsidiaries to have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay the advances to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit in shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' advances.

| | Gross carrying amount RM'000 | Loss allowances RM'000 | Net balance RM'000 |
|-----------------|---------------------------------|---------------------------|-----------------------|
| Company | | | |
| 2023 | | | |
| Low credit risk | 8,276 | - | 8,276 |
| Credit impaired | 3,050 | (3,050) | - |
| | 11,326 | (3,050) | 8,276 |
| 2022 | | | |
| Low credit risk | 24,015 | - | 24,015 |
| Credit impaired | 3,050 | (3,050) | - |
| | 27,065 | (3,050) | 24,015 |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.4 Credit risk (Cont'd)

Inter-company advances (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

The movement in the allowance for impairment in respect of subsidiaries' loans and advances during the year is as follows:

| | ← Lifetime ECL → | |
|-------------------------|------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Company | | |
| Balance at 1 January | 3,050 | 3,391 |
| Loss allowance provided | - | (341) |
| Balance at 31 December | <u>3,050</u> | <u>3,050</u> |

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and corporate guarantees provided to vendors for the purchase of raw materials. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk relating to facilities granted for the subsidiaries as at the end of the reporting period are as follows:

- i) the Company has issued corporate guarantees for banking facilities granted to certain subsidiaries up to a limit of RM1,090.5 million (2022: RM896.4 million) of which RM191.6 million (2022 : RM233.8 million) have been utilised as at the end of the reporting period.
- ii) the Company has issued corporate guarantees amounting to RM251.1 million (2022 : RM241.5 million) to vendors for the purchase of raw materials by certain subsidiaries. The amount owing by the subsidiaries as at the end of the reporting period amounted to RM40.6 million (2022 : RM67.2 million).

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank or vendor in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

The movement in the allowance for impairment in respect of financial guarantees is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.5 Liquidity risk (Cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Group | Carrying amount RM'000 | Contractual discount rates per annum % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|--------------------------------------|---------------------------|---|-------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------------|
| | | | | | | | |
| 2023 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Term loans | 57,109 | 1.65 - 7.25 | 63,896 | 24,159 | 15,649 | 24,088 | - |
| Hire purchase creditors | 1,281 | 2.10 - 6.05 | 1,361 | 679 | 431 | 251 | - |
| Bank overdrafts | 480 | 6.74 | 480 | 480 | - | - | - |
| Bankers' acceptances | 74,475 | 2.96 - 5.34 | 74,475 | 74,475 | - | - | - |
| Revolving credit | 42,240 | 1.83 - 5.15 | 45,514 | 23,170 | 7,564 | 14,780 | - |
| Trust receipts | 22,494 | 3.73 - 4.64 | 22,494 | 22,494 | - | - | - |
| Lease liabilities | 2,180 | 3.00 - 3.60 | 2,256 | 1,404 | 675 | 177 | - |
| Trade and other payables | 197,637 | - | 197,637 | 197,637 | - | - | - |
| | 397,896 | | 408,113 | 344,498 | 24,319 | 39,296 | - |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

| Group | 2022 | Carrying amount RM'000 | Contractual discount rates per annum % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|------|---------------------------|---|-------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------------|
| | | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | | |
| Bank overdrafts | | 594 | 6.49 | 594 | 594 | - | - | - |
| Term loans | | 59,190 | 1.50 - 5.45 | 61,615 | 29,055 | 18,788 | 13,772 | - |
| Hire purchase creditors | | 1,659 | 2.10 - 6.18 | 1,789 | 719 | 554 | 516 | - |
| Onshore foreign currency loans | | 120,095 | 2.15 - 6.05 | 120,095 | 120,095 | - | - | - |
| Bankers' acceptances | | 3,532 | 2.85 - 5.25 | 3,532 | 3,532 | - | - | - |
| Revolving credit | | 38,339 | 0.97 - 5.85 | 39,820 | 27,321 | 4,813 | 7,686 | - |
| Lease liabilities | | 3,099 | 3.00 - 3.50 | 3,234 | 1,335 | 1,283 | 616 | - |
| Trade and other payables (excluding dividend payable) | | 178,341 | - | 178,341 | 178,341 | - | - | - |
| | | 404,849 | | 409,020 | 360,992 | 25,438 | 22,590 | - |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

| Company | Carrying amount RM'000 | Contractual interest rates per annum % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---------------------------|---|-------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------------|
| 2023 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables (excluding dividend payable) | 1,301 | - | 1,301 | 1,301 | - | - | - |
| Financial guarantees | - | - | 232,256 | 232,256 | - | - | - |
| | <u>1,301</u> | | <u>233,557</u> | <u>233,557</u> | | | |
| 2022 | | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | | |
| Trade and other payables (excluding dividend payable) | 12,234 | - | 12,234 | 12,234 | - | - | - |
| Financial guarantees | - | - | 300,952 | 300,952 | - | - | - |
| | <u>12,234</u> | | <u>313,186</u> | <u>313,186</u> | | | |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US Dollar ("USD"), Japanese Yen ("JPY"), Australian Dollar ("AUD"), Singapore Dollar ("SGD"), European Euro ("EUR"), Chinese Yuen ("RMB") and Thai Baht ("THB").

Risk management objectives, policies and processes for managing the risk

The Group does not hedge its exposure to foreign currency risk using forward exchange contracts. In respect of monetary assets and liabilities held in currencies other than the functional currency of the Group entities, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates to address short term imbalances.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.6 Market risk (Cont'd)

Currency risk (Cont'd)

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

| Group | USD RM'000 | JPY RM'000 | AUD RM'000 | SGD RM'000 | EUR RM'000 | RMB RM'000 | THB RM'000 | Total RM'000 |
|-----------------------------|---------------|---------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
| 2023 | | | | | | | | |
| Trade and other receivables | 124,211 | 1,270 | 6,398 | 696 | 9,153 | 11,178 | 1,312 | 154,218 |
| Cash and bank balances | 72,000 | 573 | - | 11 | 4,924 | 35,261 | 910 | 113,679 |
| Trade and other payables | (68,794) | (139) | - | (49) | (1,532) | (5,951) | (2,715) | (79,180) |
| Loans and borrowings | (39,368) | - | - | - | (59,981) | - | - | (99,349) |
| Net exposure | 88,049 | 1,704 | 6,398 | 658 | (47,436) | 40,488 | (493) | 89,368 |
| 2022 | | | | | | | | |
| Trade and other receivables | 151,883 | 1,305 | 8,573 | 2,086 | 6,624 | 10,899 | 925 | 182,295 |
| Cash and bank balances | 82,071 | 528 | - | 111 | 8,211 | 21,932 | 601 | 113,454 |
| Trade and other payables | (126,414) | - | - | (28) | (959) | (6,397) | (1,881) | (135,679) |
| Loans and borrowings | (106,248) | - | - | - | (111,375) | - | - | (217,623) |
| Net exposure | 1,292 | 1,833 | 8,573 | 2,169 | (97,499) | 26,434 | (355) | (57,553) |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.6 Market risk (Cont'd)

Currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

The Company did not have any material exposure to foreign currency risk as at the end of the reporting period.

Currency risk sensitivity analysis

A 10% (2022 : 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases. There is no impact to equity arising from exposure to currency risk.

| | Profit or loss | |
|--------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Group | | |
| USD | (6,692) | (98) |
| JPY | (130) | (139) |
| AUD | (486) | (652) |
| SGD | (50) | (165) |
| EUR | 3,605 | 7,410 |
| RMB | (3,077) | (2,009) |
| THB | 37 | 27 |

A 10% (2022 : 10%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

Interest rate risk

The Group's primary interest rate risk is related to debt obligations and deposits, which are mainly confined to bank borrowings and deposits with licensed banks. Fixed rate borrowings are exposed to a risk of change in their fair values due to the changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group is presently enjoying competitive interest rates which are reviewed and negotiated on a yearly basis. The Group manages its interest rate risk by having a combination of borrowings with fixed and floating rates.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.6 Market risk (Cont'd)

Interest rate risk (Cont'd)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

| | Group | |
|----------------------------------|------------------|------------------|
| | RM'000 2023 | RM'000 2022 |
| Fixed rate instruments | | |
| Financial assets | 41,023 | 13,923 |
| Financial liabilities | (142,670) | (166,724) |
| | <u>(101,647)</u> | <u>(152,801)</u> |
| Floating rate instruments | | |
| Financial liabilities | <u>(57,589)</u> | <u>(59,784)</u> |

Interest rate risk sensitivity analysis

(i) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(ii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant. There is no impact to equity arising from exposures to interest rate risk.

| | Profit or loss | |
|---------------------------|------------------------------|------------------------------|
| | 100 bp increase RM'000 | 100 bp decrease RM'000 |
| Group | | |
| 2023 | | |
| Floating rate instruments | <u>(438)</u> | <u>438</u> |
| 2022 | | |
| Floating rate instruments | <u>(454)</u> | <u>454</u> |

29.7 Fair value information

Recognised financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.7 Fair value information (Cont'd)

Recognised financial instruments (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

| Group | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Carrying amount RM'000 |
|------------------------------|---|----------------|----------------|--------------|---|----------------|----------------|--------------|------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | |
| 2023 | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| Term loans - variable rate | - | - | - | - | - | - | 57,109 | 57,109 | 57,109 |
| Revolving credit | - | - | - | - | - | - | 45,514 | 45,514 | 42,240 |
| Hire purchase creditors | - | - | - | - | - | - | 1,281 | 1,281 | 1,281 |
| | - | - | - | - | - | - | 103,904 | 103,904 | 100,630 |
| 2022 | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| Term loans - variable rate | - | - | - | - | - | - | 59,190 | 59,190 | 59,190 |
| Revolving credit | - | - | - | - | - | - | 39,820 | 39,820 | 38,339 |
| Hire purchase creditors | - | - | - | - | - | - | 1,659 | 1,659 | 1,659 |
| | - | - | - | - | - | - | 100,669 | 100,669 | 99,188 |

NOTES TO THE FINANCIAL STATEMENTS

29. Financial instruments (Cont'd)

29.7 Fair value information (Cont'd)

Recognised financial instruments (Cont'd)

| | Fair value of financial instruments not carried at fair value | | | | Carrying amount RM'000 |
|------------------------------|---|-------------------|-------------------|-----------------|---------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | |
| Company | | | | | |
| 2023 | | | | | |
| Financial liabilities | | | | | |
| Financial guarantee | - | - | 1,000 | 1,000 | 1,000 |
| 2022 | | | | | |
| Financial liabilities | | | | | |
| Financial guarantee | - | - | 1,000 | 1,000 | 1,000 |

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The carrying amount of floating rate term loans approximates fair value as their effective interest rates change accordingly to movements in the market interest rate. The fair value of hire purchase creditors and revolving credits is calculated using discounted cash flows where the market rate of interest is determined by reference to similar borrowing arrangements.

30. Significant event during the financial year

On 17 October 2023, TG Plastic Technologies Sdn. Bhd. ("TGPT"), a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement ("SPA") to acquire of a piece of leasehold land in Selangor for a total purchase consideration of RM5.6 million. A deposit equivalent to RM0.56 million was paid by TGPT upon entering into the SPA and the acquisition was completed in January 2024.

31. Subsequent events

- 31.1 On 1 April 2024, the Company announced the extension of its existing ESOS expiring on 2 July 2024 for a period of another 5 years until 2 July 2029. At the same time, the Company offered an additional 18,000,000 options under the ESOS to eligible employees and Executive Directors of the Group at the exercise price of RM1.68 per ordinary share.
- 31.2 TG Development Sdn. Bhd. ("TGDEV"), a wholly-owned subsidiary of the Company entered into a Joint Venture Agreement ("JVA") with Perbadanan Kemajuan Negeri Kedah ("PKNK") for the joint development of a parcel of two hundred and twenty-five (225) pieces of land located in Sungai Petani, Kedah. During the financial year, TGDEV has paid RM2.5 million as deposit to PKNK for the purpose of the joint development.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 76 to 144 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

.....

Dato' Ang Poon Chuan

Director

.....

Ang See Ming

Director

Kedah Darul Aman

Date : 29 April 2024

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Ang See Ming**, the Director primarily responsible for the financial management of Thong Guan Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 76 to 144 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Ang See Ming**, NRIC: 700515-07-5691, at George Town in the State of Penang on 29 April 2024.

.....

Ang See Ming

Before me :

INDEPENDENT AUDITORS' REPORT

To The Members of Thong Guan Industries Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Thong Guan Industries Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 76 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to significant accounting policy at Note 1(d) – use of estimates and judgements and Note 8 - Inventories.

The key audit matter

As at 31 December 2023, the carrying amount of the Group's inventories amounted to RM320 million (2022 : RM285 million) representing approximately 23% (2022 : 22%) of the Group's total assets. The Group's inventories comprise mainly of plastic resins and a wide range of plastic packaging products for industrial and consumer use.

The selling price of the Group's manufactured inventories may vary due to fluctuations in the underlying commodity (i.e. crude oil) price. Raw materials are also ordered by the Group to cater for current as well as expected future demand which may not materialise.

Inventories are required to be measured at the lower of cost and net realisable value. Identifying and determining the appropriate write down of the inventories to net realisable value require the use of judgement on the estimated selling price and future customer demand.

This is one of the areas that our audit focused on because it required us to design appropriate procedures to evaluate the judgement and assessments made by the Group.

INDEPENDENT AUDITORS' REPORT

To The Members of Thong Guan Industries Berhad

How the matter was addressed in our audit

Our audit procedures performed in this area included, among others:

- Selected items of inventories on sampling basis and compared the carrying amount of the inventories to the selling price transacted after year end or recent sales transacted during the year;
- Tested the movements of the inventories in the inventory movement reports against receiving documents, production reports and delivery documents;
- Evaluated the Group's basis of writing down slow-moving inventories based on the age of the inventories relative to past and present sales or consumption; and
- Attended the year end physical inventory counts of the Group to identify any inventories that were damaged.

We have determined that there is no key audit matter to be communicated for the separate financial statements of the Company in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT

To The Members of Thong Guan Industries Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

To The Members of Thong Guan Industries Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Penang

Date : 29 April 2024

Raymond Chong Chee Mon
Approval Number : 03272/06/2024 J
Chartered Accountant

LIST OF PROPERTIES OWNED BY THE GROUP

| Location | Description | Approximate Land Area (sq.ft.) | Age of Building | Tenure | Net Book Value RM million | Date of Valuation/ Acquisition |
|--|---|--------------------------------|-----------------|--|---------------------------|--------------------------------|
| Lot No. P.T.18876, H.S.(D) No.98/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah | Factory with office building | 107,288 | 25-27 years | 60 years, leasehold, expiring on 12.4.2052 | 0.55 | 28.11.1995 |
| Lot. No. P.T.18877, H.S.(D) No.99/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah | Factory with office building | 82,067 | 29 years | 60 years leasehold, expiring on 12.4.2052 | 0.36 | 28.11.1995 |
| Lot P.T.18878, H.S.(D) No.100/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah | Factory building | 141,309 | 23 years | 60 years leasehold, expiring on 4.6.2055 | 1.10 | 31.12.2004 |
| Lot No. P.T.19449, Lot No. 950 H.S.(M) No. 249/92 and SP 4009 Mukim of Sungai Petani District of Kuala Muda, Kedah | Factories and office building | 208,898 | 26-39 years | Freehold | 4.26 | 28.11.1995 |
| Lot P.T.48288, H.S.(D) No.12034/95 Mukim of Sungai Petani District of Kuala Muda, Kedah | Factories and office buildings | 339,590 | 21-41 years | Freehold | 4.49 | 28.11.1995 |
| Lot P.T. 129301, H.S.(D) KA27799 Mukim Hulu Kinta District of Kinta, Ipoh, Perak | Warehouse with office building | 5,500 | 39 years | 99 years leasehold, expiring on 18.7.2092 | 0.14 | 28.05.1997 |
| Lot No.P.T.D.89829 H.S.(D) 191571 Mukim of Pelentung District of Johor Bahru, Johor | Warehouse with office building | 6,855 | 31 years | Freehold | 0.46 | 31.12.2004 |
| CL 015373672 Lorong Rambutan Off KM 11 Jln Tuaran Kota Kinabalu, Sabah | Factory and other buildings | 82,764 | 35 years | 60 years leasehold, expiring on 31.12.2035 | 1.35 | 13.12.1995 |
| CL 015276687 606 Taman Bay View Off Mile 21/2 Jln Tuaran Kota Kinabalu, Sabah | Double storey terrace house | 2,178 | 45 years | 999 years leasehold, expiring on 16.6.2914 | 0.08 | 13.12.1995 |
| TL 077549707 Lot 13, Hock Seng Industrial Estate Jalan Bomba, Off KM 5 Jalan Utara Sandakan, Sabah | Double storey semi-detached light industrial building | 5,670 | 32 years | 60 years leasehold, expiring on 31.12.2040 | 0.15 | 13.12.1995 |
| CL 105390707 KM4, Jalan Apas Tawau, Sabah | Vacant industrial land | 37,462 | - | 999 years leasehold, expiring on 21.5.2930 | 0.29 | 13.12.1995 |
| Jiangsu Province Year 2002 Land No: 01006061 Jiulong South Road Wujiang Economic Developing Area Jiangsu, People Republic of China | Factory with office buildings | 315,425 | 18-22 years | 50 years leasehold, expiring on 31.12.2049 | 2.61 | 01.01.2000 |
| Pangjin Road Wujiang Economic Developing Area Jiangsu, People Republic of China | Factory buildings | 716,876 | 18-19 years | 50 years leasehold, expiring on 08.03.2053 | 4.41 | 09.03.2004 |

LIST OF PROPERTIES OWNED BY THE GROUP

| Location | Description | Approximate Land Area (sq.ft.) | Age of Building | Tenure | Net Book Value RM million | Date of Valuation/ Acquisition |
|---|-------------------------------|--------------------------------|-----------------|---|---------------------------|--------------------------------|
| Lot No. 49, Section 65, H.S.(D) 95/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah | Factory with office buildings | 138,822 | 18 years | 60 years leasehold, expiring on 11.04.2052 | 2.80 | 18.05.2010 |
| Lot No. PT2223, H.S. (M) 1365, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah | Factory with office building | 278,785 | 23-24 Years | 60 years leasehold, expiring on 4.7.2055 | 3.24 | 26.08.2011 |
| Lot No. PT2574, H.S. (M) 2798, Padang Lembu, Bandar Gurun, District of Kuala Muda, Kedah | Warehouse | 83,689 | 19 years | 60 years leasehold, expiring on 15.9.2050 | 0.55 | 26.08.2011 |
| No. 12 VSIP II Street 9, Vietnam Singapore Industrial Park II Ben Cat District Binh Duong Province, Socialist Republic of Vietnam | Vacant industrial land | 269,571 | - | 48 years leasehold, expiring on 30.11.2055 | 4.38 | 21.09.2007 |
| Lot No.97, Seksyen 65,HSD 143/92 Mukim Sungai Petani, District of Kuala Muda, Kedah | Factory with office building | 37,383 | 29 years | 60 years leasehold, expiring on 23.11.2054 | 2.74 | 11.09.2014 |
| Lot No. PT.95008, H.S.(D) No.115280 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah | Vacant industrial land | 694,820 | - | 60 years leasehold, expiring on 03.04.2050 | 6.26 | 03.01.2017 |
| Lot No. P.T.30500, H.S.(D) No.46326 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah | Factory with office building | 161,836 | 20 years | 60 years leasehold, expiring on 05.05.2055 | 5.93 | 30.12.2017 |
| Lot BB2, Industrial Area, Zone B (Phase 1), Thilawa Special Economic Zone, Thanlyin, Yangon, Myanmar | Vacant industrial land | 215,461 | - | 48 years leasehold, expiring on 09.02.2067 | 6.88 | 25.11.2019 |
| Lot No. 50, H.S.(D) No. 97/92 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah | Factory with office building | 64,346 | 26 years | 60 years leasehold, expiring on 12.04.2052 | 3.37 | 09.12.2019 |
| Lot 3964, Geran 165228 Mukim Teloi Kiri, Daerah Kuala Muda, Kedah | Factory with office building | 772,203 | 23 years | Freehold | 10.76 | 01.10.2021 |
| Lot No: PT2996, HS(D) 114414 Mukim Teloi Kiri Daerah Kuala Muda, Kedah | Vacant industrial land | 1,152,987 | - | Freehold | 6.33 | 01.10.2021 |
| PT 95009, HS(D) 115281 Sungai Petani Industrial Estate Mukim of Sungai Petani District of Kuala Muda, Kedah. | Vacant industrial land | 340,099 | - | 60 years, leasehold, expiring on 03.04.2050 | 7.48 | 01.04.2022 |
| Lot 7957, GRN67421, Bandar Gurun District of Kuala Muda, Kedah | Vacant industrial land | 3,415,389 | - | Freehold | 36.00 | 31.01.2023 |

ANALYSIS OF ORDINARY SHAREHOLDINGS

As at 29 March 2024

| | | |
|-----------------------------------|---|---|
| Total no. of issued share capital | - | 399,667,140 ordinary shares (excluding 2,806,400 treasury shares) |
| Class of shares | - | Ordinary shares |
| Voting rights | - | One vote per ordinary share |

DISTRIBUTION OF SHAREHOLDINGS

| Size of shareholdings | No. of shareholders | No. of shares held | % of shareholding ^(*) |
|--------------------------|---------------------|--------------------|----------------------------------|
| Less than 100 | 71 | 1,165 | 0.00 |
| 100 - 1,000 | 1,523 | 1,020,374 | 0.26 |
| 1,001 - 10,000 | 4,511 | 20,933,970 | 5.24 |
| 10,001 - 100,000 | 1,701 | 52,600,674 | 13.16 |
| 100,001 - 19,983,356 | 255 | 182,174,457 | 45.58 |
| 19,983,357 - 399,667,140 | 1 | 142,936,500 | 35.76 |
| TOTAL | 8,062 | 399,667,140 | 100.00 |

Note:

(*) Excluding 2,806,400 treasury shares.

INTERESTS OF DIRECTORS

| | No. of Ordinary Shares | | No. of unexercised ESOS options | | | |
|---|------------------------|------------------|---------------------------------|------------------|-----------|----------|
| | Direct | % ^(*) | Indirect | % ^(*) | Direct | Indirect |
| DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin | - | - | - | - | - | - |
| Tengku Muzzammil Bin Tengku Makram | - | - | - | - | - | - |
| Dato' Ang Poon Chuan | 2,852,408 | 0.71 | 1,864,566 ^(a) | 0.47 | - | - |
| Dato' Ang Poon Khim | 4,008,486 | 1.00 | 585,700 ^(a) | 0.15 | 288,000 | 167,000 |
| Datuk Ang Poon Seong | 4,429,116 | 1.11 | 518,800 ^(a) | 0.13 | - | - |
| Ang See Ming | 1,962,796 | 0.49 | - | - | 1,078,000 | - |
| Lee Kean Teong | 10,000 | ^ | 90,000 ^(a) | 0.02 | - | - |
| Teoh Mei Shean | - | - | - | - | - | - |

Notes:

(*) Excluding 2,806,400 treasury shares.

^(a) Deemed interested via interest of spouse and children pursuant to Section 59(11)(c) of the Companies Act 2016.

^(^) Negligible.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

| Name | No. of Ordinary Shares | | | |
|-------------------------------|------------------------|------------------|---------------------------|------------------|
| | Direct | % ^(*) | Indirect | % ^(*) |
| Foremost Equals Sdn Bhd | 148,743,750 | 37.22 | - | - |
| Eastspring Investments Berhad | 21,052,400 | 5.27 | - | - |
| Prudential Plc | - | - | 22,032,000 ^(a) | 5.51 |

Notes:

(*) Excluding 2,806,400 treasury shares.

^(a) Deemed interested via subsidiaries' interests pursuant to Section 8 of the Companies Act 2016.

LIST OF 30 LARGEST SHAREHOLDERS

As at 29 March 2024

(without aggregating securities from different securities accounts belonging to the same registered holder)

| NO. | NAME | HOLDINGS | % (*) |
|-----|--|--------------------|--------------|
| 1 | FOREMOST EQUALS SDN BHD | 142,936,500 | 35.76 |
| 2 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND | 10,376,200 | 2.60 |
| 3 | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR NORGES BANK (FI 17) | 8,385,155 | 2.10 |
| 4 | AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND | 7,088,400 | 1.77 |
| 5 | NEOH CHOO EE & COMPANY, SDN. BERHAD | 6,294,900 | 1.58 |
| 6 | FOREMOST EQUALS SDN BHD | 5,807,250 | 1.45 |
| 7 | ANG POON SEONG | 4,429,116 | 1.11 |
| 8 | CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19) | 4,221,900 | 1.06 |
| 9 | ANG POON KHIM | 4,008,486 | 1.00 |
| 10 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND | 3,500,000 | 0.88 |
| 11 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (EASTSPRINGESG) | 3,476,400 | 0.87 |
| 12 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD | 3,398,078 | 0.85 |
| 13 | CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FOCUS FUND | 3,370,900 | 0.84 |
| 14 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (KENANGA) | 3,001,200 | 0.75 |
| 15 | ANG POON CHUAN | 2,852,400 | 0.71 |
| 16 | AMANAH RAYA BERHAD KUMPULAN WANG BERSAMA | 2,643,000 | 0.66 |
| 17 | MAYBANK NOMINEES (TEMPATAN) SDN BHD SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (ORDPA) | 2,467,600 | 0.62 |
| 18 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INSURANCE BERHAD (EQUITY FUND) | 2,467,000 | 0.62 |
| 19 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082) | 2,239,800 | 0.56 |
| 20 | AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND | 2,230,000 | 0.56 |
| 21 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC) | 2,129,000 | 0.53 |
| 22 | PACIFIC TRUSTEES BERHAD EXEMPT AN FOR ET SMART WEALTH SDN BHD (CLIENTS' ACCOUNT) | 2,104,000 | 0.53 |
| 23 | ANG SEE MING | 1,962,796 | 0.49 |
| 24 | TAN LEE HWA | 1,921,000 | 0.48 |
| 25 | SENSIBLE MATRIX SDN BHD | 1,881,040 | 0.47 |
| 26 | HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAUZAN (5170) | 1,687,700 | 0.42 |
| 27 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ISLAMIC) | 1,603,222 | 0.40 |
| 28 | UOBM NOMINEES (TEMPATAN) SDN BHD UOB ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI | 1,578,200 | 0.39 |
| 29 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (UOB AM SC EQ) | 1,540,900 | 0.39 |
| 30 | TEH BOON YEN | 1,513,224 | 0.38 |
| | | 243,115,367 | 60.83 |

(*) Excluding 2,806,400 treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting (“29th AGM”) of shareholders of Thong Guan Industries Berhad (“TGIB” or “the Company”) will be convened and held at Sapphire Hall, Purest Hotel, No. A-2 Jalan Indah 1, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman, Malaysia on Thursday, 23 May 2024, 11.00 am for the purpose of considering and if thought fit, passing with or without modification the resolutions set out in the notice:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 and the Reports of Directors and Auditors thereon.
2. To re-elect the following Directors who retire in accordance with Clause 103 of the Company’s Constitution:-
 - (a) Dato’ Ang Poon Khim **Ordinary Resolution 1**
 - (b) Mr Ang See Ming **Ordinary Resolution 2**
 - (c) DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin **Ordinary Resolution 3**
3. To approve the Directors’ fees and benefits of up to an aggregate amount of RM970,000 for the period commencing from the next day of this AGM through to the next AGM of the Company in 2025. **Ordinary Resolution 4**
4. To re-appoint KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

AS SPECIAL BUSINESS

5. **Waiver of Pre-Emptive Rights under Section 85 of The Companies Act 2016** **Ordinary Resolution 6**

“THAT pursuant to Section 85 of the Companies Act 2016 read together with Clause 65 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights over (a) all new shares in the Company, (b) all options offered or to be offered pursuant to the Company’s Employees’ Share Option Scheme and (c) any offers, agreements, rights, options or other convertible securities of whatever kind in respect of any new shares in the Company AND THAT such new shares when issued, shall rank *pari passu* equally to the existing issued shares of the Company.”

6. **Power to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** **Ordinary Resolution 7**

“THAT contingent upon the passing of Ordinary Resolution 6 above and subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listings Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company at any time, at such price, upon such terms and conditions, for such purposes and to such person or persons, as the Directors may, in their absolute discretion, deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being.

THAT the Directors are also empowered to obtain the approval from the Bursa Securities for the listing and quotation for the additional shares to be issued and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

FURTHER THAT the new shares to be issued shall, upon issuance and allotment, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares.”

NOTICE OF ANNUAL GENERAL MEETING

7. Proposed Renewal of Authority to Buy Back Its Own Shares by the Company

Ordinary Resolution 8

"THAT subject always to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares in the Company's total number of issued shares through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:-

- i) the aggregate number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the total number of issued shares of the Company for the time being ("TGIB Shares");
- ii) the amount of fund to be allocated by the Company for the purpose of purchasing the TGIB Shares shall not exceed the aggregate of the retained profits of RM19.2 million of the Company as at 31 December 2023;
- iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue in force until:
 - a) the conclusion of the next annual general meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
 - b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the MMLR of the Bursa Securities or any other relevant authorities;
- iv) upon completion of the purchase(s) of the TGIB Shares by the Company, the Directors of the Company be hereby authorised to deal with the TGIB Shares in the following manner:
 - a) to cancel the TGIB Shares so purchased; or
 - b) to retain the TGIB Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
 - c) to retain part of the TGIB Shares so purchased as treasury shares and cancel the remainder; or
 - d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such actions and steps as are necessary or expedient to implement or to effect the purchase of TGIB shares."

NOTICE OF ANNUAL GENERAL MEETING

8. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions Ordinary Resolution 9 for the Company and/or its subsidiaries**

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries ("TGIB Group") to enter into recurrent related party transactions of a revenue or trading nature as set out in the Circular to Shareholders dated 29 April 2024 which transactions are necessary for the day-to-day operations in the ordinary course of business of TGIB Group on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

AND THAT, such approval, shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.

FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions for TGIB Group."

9. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution.

By Order of the Board

ONG TZE-EN (MAICSA 7026537) (SSM PC No. 202008003397)
LAU YOKE LENG (MAICSA 7034778) (SSM PC No. 202008003368)
Joint Company Secretaries
Penang, 29 April 2024

Notes on proxy and voting:

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the Form of Proxy duly completed shall be deposited in the following manner not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof:
 - (a) **By hard copy form**
The Form of Proxy must be deposited at the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.
 - (b) **By electronic form**
The Form of Proxy can be electronically submitted through email to ir@shareworks.com.my.

PROVIDED that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).

NOTICE OF ANNUAL GENERAL MEETING

3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. If the appointer is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or an attorney duly authorised.
7. In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 13 May 2024 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint a proxy to attend and/or vote on his/her behalf.
8. Please follow the procedures provided in the Administrative Guide for the AGM in order to register and participate in the meeting.

Explanatory Notes:

1. Ordinary Resolutions 1, 2 and 3: Re-elect Directors who retire in accordance with Clause 103 of the Company's Constitution

The profiles of the Directors standing for re-election under Ordinary Resolutions 1, 2 and 3 are set out under Profile of Directors in the Annual Report 2023. The Board of Directors ("Board") approved the recommendations from the Nomination Committee and is supportive of the re-election of the retiring Directors based on the justifications below. The retiring Directors had abstained from deliberation and decision making on their own eligibility to stand for re-election at Board meetings.

- 1.1 **Dato' Ang Poon Khim** is the Executive Director. He spearheads research and development initiatives and played a pivotal role in establishing the Newton Research & Development Centre Sdn. Bhd.. This center leverages the Group's cutting-edge technology in packaging films to provide sustainable packaging optimization solutions. Additionally, Dato' Ang Poon Khim is the Chief Sustainability Officer, championing sustainability initiatives across the Group.
- 1.2 **Mr Ang See Ming** is the Executive Director. He is one of our next generation of leaders. He is instrumental in leading corporate development and business growth. He has successfully concluded several business acquisitions and led initiatives to expand market reach, significantly contributing to the growth and value creation of the Group. In addition to his role in business development, Mr. Ang oversees critical operational functions. His responsibilities spanned corporate finance, taxation, accounting, and investor relations. His proactive investment outreach efforts have boosted the Group's reputation within the investment community and solidify its standing as a trusted and forward-thinking Group.
- 1.3 **DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin** is Independent Non-Executive Chairman of the Board. He has provided annual declaration / confirmation of independence and has fulfilled the requirements on independence as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and the prescribed criteria under the Malaysian Code on Corporate Governance 2021. As Chairman of the Board, he has demonstrated sound leadership skills by consensus building and encouraging open discussion for Directors to raise issues of concern without inhibition. He also exhibited his objectivity through his proactive engagements during meetings of the Board by sharing valuable, relevant, independent and impartial insights, views and opinions on issues tabled for discussion. He has exercised due care and carried out his professional duties proficiently and effectively throughout his tenure as a Director of the Company. He does not have any conflict of interest with the Group.

NOTICE OF ANNUAL GENERAL MEETING

2. **Ordinary Resolution 4: Directors' fees and benefits**

The Board seeks shareholders' approval on the Directors' fees and benefits payable for the Directors which have been reviewed by the Remuneration Committee and the Board, which recognises that the fees and benefits payable is in the best interest of the Company. The quantum of Directors' fees and benefits is computed based on the anticipated number of meetings of Board and Board Committees comprising Audit Committee, Nomination Committee and Remuneration Committee, assuming full attendance by all the Directors. The amount also includes a contingency sum to cater for unforeseen circumstances such as the appointment of any additional Director, additional unscheduled meetings of Board and Board Committees. The relevant fees and benefits will be paid to the Directors upon completion of service by the said Directors. The benefits comprise of meeting allowance and Board Committee allowances. This approval shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company. Details of Directors' fees and benefits paid/payable for the financial year ended 31 December 2023 are detailed in the Corporate Governance Overview Statement in the Annual Report 2023 and Corporate Governance Report.

3. **Ordinary Resolution 6: waiver of the pre-emptive rights under Section 85 of the Companies Act 2016**

Pursuant to Section 85 of the Companies Act 2016 read together with Clause 65 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities.

In order for the Board to issue (a) all new shares in the Company, (b) all options offered or to be offered pursuant to the Company's Employees' Share Option Scheme ("ESOS Options") and (c) any offers, agreements, rights, options or other convertible securities of whatever kind in respect of any new shares in the Company free of pre-emptive rights, such pre-emptive rights must be waived. The Ordinary Resolution, if passed, will exclude the shareholders' pre-emptive rights over all new shares in the Company, ESOS Options and any offers, agreements, rights, options or other convertible securities of whatever kind in the Company.

5. **Ordinary Resolution 7: Power to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act")**

This Ordinary Resolution is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board to allot and issue shares up to a maximum of ten per centum (10%) of the total number of issued shares of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 22 May 2023 and which will lapse at the conclusion of the 29th AGM.

This General Mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions. At this juncture, there is no decision to issue new shares but the Directors consider it desirable to have the flexibility permitted to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. If there should be a decision to issue new shares after the General Mandate is obtained, the Company will make announcement in respect thereof.

6. **Ordinary Resolution 8: Proposed Renewal of Authority to Buy Back Its Own Shares by the Company**

This Ordinary Resolution, if passed will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.

7. **Ordinary Resolution 9: Proposed Renewal of Shareholders' Mandate**

This Ordinary Resolution, if passed, will approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") and allow the Group to enter into RRPT in accordance with Chapter 10 of the MMLR. This approval shall continue to be in force until the conclusion of the next AGM or the expiration of the period within which the next AGM is required by the law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

Statement Accompanying Notice of AGM

(Pursuant to Paragraph 8.27(2) of the MMLR)

1. No individual is standing for election as a Director at the forthcoming AGM of the Company.

ADMINISTRATIVE GUIDE

For The Twenty-Ninth Annual General Meeting ("29th AGM") of Thong Guan Industries Berhad ("the Company")

Day & Date : Thursday, 23 May 2024
Time : 11:00 a.m.
Venue : Sapphire Hall, Purest Hotel, No. A-2 Jalan Indah 1, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman, Malaysia

Registration on the day of AGM

1. Registration will commence at 10:00 a.m. and will end at the time as may be determined by the Chairman of the Meeting.
2. Please present your original MyKad or Passport to the registration staff for verification. Please make sure your MyKad or Passport is returned to you after registration.

Entitlement to Participate and Appointment of Proxy

1. Only members whose names appear on the Record of Depositors on 13 May 2024 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
2. The instrument appointing a proxy shall be deposited in the following manner not less than 48 hours before the time for holding the AGM or any adjournment thereof:

(a) By hard copy form

The Form of Proxy must be deposited at the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.

(b) By electronic form

The Form of Proxy can be electronically submitted through email to ir@shareworks.com.my.

Revocation of Proxy

1. If you have submitted your Form of Proxy and subsequently decide to appoint another person or wish to participate in our 29th AGM in person, please write in and be deposited at the Registered Office of the Company to revoke the earlier appointed proxy twenty-four (24) hours before the 29th AGM.

No Door Gifts/Food Vouchers

1. There will be no distribution of good gifts or food vouchers at the 29th AGM.

Enquiries

1. For any enquiries, kindly contact the following during office hours (8:30 a.m. to 5:30 p.m.) on Monday to Friday (except public holidays):

ShareWorks Sdn. Bhd.
T: +603 6201 1120 | F: +603 6201 3121

Boardroom Corporate Services Sdn. Bhd.
T: +604 229 4390 | F: +604 226 5860

Personal Data Privacy

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company and/or its agents/ service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the 29th AGM of the Company and any adjournment thereof.

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FORM OF PROXY



**THONG GUAN
INDUSTRIES BERHAD**
199401038519 (324203-K)

No. of shares held

CDS Account No.

I/We _____
(Full name in Block Letters and NRIC / Passport / Company No.)

of _____

_____ and _____
(Address) (Tel. No.)

being a *member/ members of Thong Guan Industries Berhad hereby appoint

| Full Name (in Block Letters), Email Address & Tel. No. | NRIC/Passport No. | % of Shareholding |
|--|-------------------|-------------------|
| | | |

* and/or

| Full Name (in Block Letters), Email Address & Tel. No. | NRIC/Passport No. | % of Shareholding |
|--|-------------------|-------------------|
| | | |

or failing *him/her, the CHAIRMAN OF THE MEETING as *my/our proxy, to vote for *me/us and on *my/our behalf at the TWENTY-NINTH ANNUAL GENERAL MEETING of the Company to be held at Sapphire Hall, Purest Hotel, No. A-2 Jalan Indah 1, Taman Sejati Indah, 08000 Sungai Petani, Kedah Darul Aman, Malaysia on Thursday, 23 May 2024 at 11.00 am or at any adjournment thereof.

* My/our proxy is to vote on a poll as indicated below with an "X".

| | ORDINARY RESOLUTIONS | | | | | | | | |
|---------|----------------------|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| FOR | | | | | | | | | |
| AGAINST | | | | | | | | | |

* Strike out whichever is not desired.

Signed this _____ day of _____ 2024.

Signature of Shareholder(s)/Common Seal

Notes on proxy and voting:

- A proxy may but need not be a member of the Company.
- For a proxy to be valid, the Form of Proxy duly completed shall be deposited in the following manner not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof:
 - By hard copy form**
The Form of Proxy must be deposited at the Registered Office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.
 - By electronic form**
The Form of Proxy can be electronically submitted through email to ir@shareworks.com.my.
PROVIDED that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
- A member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorized nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- If the appointer is a corporation, the Form of Proxy must be executed under the corporation's common seal or under the hand of an officer or an attorney duly authorised.
- In respect of deposited securities, only a Depositor whose name appears on the Record of Depositors on 13 May 2024 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.
- Please follow the procedures provided in the Administrative Guide for the AGM in order to register and participate in the meeting.

Personal Data Privacy

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the AGM, and any adjournment thereof.

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STAMP

To: The Company Secretaries
Thong Guan Industries Berhad
199401038519 (324203-K)

Registered Office
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang

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THONG GUAN INDUSTRIES BERHAD

199401038519 (324203-K)

Lot 52, Jalan PKNK 1/6, Kawasan Perusahaan Sungai Petani,
08000, Sungai Petani, Kedah, Malaysia
Tel : +604-4417 888 Fax : +604-4419 888