

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 has applied the Principles and Practices and the approach the Board will take to steer the Company to apply such Principles and Practices as prescribed by the Malaysian Code on Corporate Governance as issued by Securities Commission Malaysia on 26 April 2017 (“MCCG”).

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.

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 mostly Non-Executive Directors with a majority being Independent Non-Executive Directors (“INEDs”). The composition of the Board and Board Committees are more particularly described under Board composition.

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 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 has yet to have descriptions for certain Board positions and also the corporate objectives for which the Executive Directors are responsible to meet. Having due note of that, 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.

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

The management, with the assistance from the Internal Audit Department (“IAD”), 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

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

I. Board Responsibilities *(Cont'd)*

d) Succession planning

The Board, through the NC, is responsible for ensuring that there is effective and orderly succession planning in the Company. The TOR of the NC provide the responsible for formulating nomination, selection and succession policies for the Directors.

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

The Board acknowledges its responsible 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 2017.

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. 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 as at the date of this Annual Report 2017 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 Directors	Tengku Muzzammil Bin Tengku Makram Chow Hon Piew Kang Pang Kiang

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.

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
Chow Hon Piew	Chairman
Kang Pang Kiang	Member

The NC's mandate expressed through its TOR 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



During the financial year ended 31 December 2017, the NC met on one (1) occasion and resolved the following key activities:-

- a) Conducted the annual assessment of the Directors, Board, Board Committee and Chief Financial Officer,
- b) Reviewed the level of independence of INEDs;
- c) Reviewed the term of office and performance of AC; and
- d) Recommended the re-appointment, re-election and retention of Directors.

The Nominating Committee 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 and Chief Financial Officer 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 Code on gender diversity. However, the Board has yet to establish a specific policy on setting targets for women representation. The Board believes it is not necessary to adopt a formal 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 NC will however continue to take steps to ensure suitable women candidates are sought as part of its recruitment exercise.

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 to the Board. The Company secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

The director who is subject to re-election and/or re-appointment at the next Annual General Meeting is assessed by the NC before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the NC is based on the annual assessment conducted. The Articles of Association 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, thereafter by rotation at least once in every three (3) years at the AGM.

The Board, together with the NC, will also formalise a guide to be used during annual assessment, recruitment and the induction processes for Directors.

III. Remuneration Committee

The Remuneration Committee currently comprised the following:

Name	Position
Kang Pang Kiang	Chairman
Chow Hon Piew	Member

The RC consists of two members, whom are INEDs. On 26 February 2018, Dato' Ang Poon Chuan stepped down as member of the RC in line with Practice 6.2 of the MCCG.

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 responsible and challenge in discharging their fiduciary duties. Non-Executive Directors are paid fixed annual fees 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 (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 2017 is as follows:

	Salaries (RM'000)	Bonus & Other Allowances (RM'000)	EPF Contribution by Employer (RM'000)	Fees (RM'000)	Total (RM'000)
Company					
Executive Directors					
Dato' Ang Poon Chuan		2		30	32
Dato' Ang Poon Khim				30	30
Datuk Ang Poon Seong				30	30
Ang See Ming	78	24	12	30	144
Non-Executive Directors					
DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin		52		30	82
Tengku Muzzammil Bin Tengku Makram		10		30	40
Chow Hon Piew		12		30	42
Kang Pang Kiang		12		30	42
Total	78	112	12	240	442

Group					
Executive Directors					
Dato' Ang Poon Chuan	777	317	66	79	1,239
Dato' Ang Poon Khim	729	295	61	79	1,164
Datuk Ang Poon Seong	264	42	38	74	418
Ang See Ming	297	94	51	57	499
Non-Executive Directors					
DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin		52		30	82
Tengku Muzzammil Bin Tengku Makram		10		30	40
Chow Hon Piew		12		30	42
Kang Pang Kiang		12		30	42
	2,067	834	216	409	3,526

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

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.

IV. 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 5 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

	Board	Audit	Committees	
			Nominating	Remuneration
DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin	4/5	-	-	-
Tengku Muzzammil Bin Tengku Makram	5/5	5/5	-	-
Dato' Ang Poon Chuan	4/5	-	-	1/1
Dato' Ang Poon Khim	5/5	-	-	-
Datuk Ang Poon Seong	5/5	-	-	-
Ang See Ming	5/5	-	-	-
Chow Hon Piew	4/5	4/5	1/1	1/1
Kang Pang Kiang	5/5	5/5	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.

V. Director 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.

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

Areas	Seminar / Programs / Trade exhibition	Director attended
Production/ Plastics	<ul style="list-style-type: none"> Chinaplas 2017 – The International Exhibition on Plastics and Rubber Industries 	<ul style="list-style-type: none"> Dato' Ang Poon Chuan Datuk Ang Poon Seong
	<ul style="list-style-type: none"> Introduction to Smart Manufacturing (Industry 4.0) Seminar on MS26562016 – Safety of Loads on Vehicles for Carrying General Goods (Code of Practice) 	<ul style="list-style-type: none"> Dato' Ang Poon Khim
Finance, Taxation & Governance	<ul style="list-style-type: none"> Driving Financial Integrity & Performance – Enhancing financial literacy for Audit Committee 	<ul style="list-style-type: none"> Tengku Muzzammil Bin Tengku Makram
	<ul style="list-style-type: none"> The New Companies Act 2016: Key Changes and Practical issues 	<ul style="list-style-type: none"> DYTM Tengku Sarafudin Badlishah Ibni Sultan Sallehuddin
	<ul style="list-style-type: none"> Malaysian Code on Corporate Governance: A New Dimension 	<ul style="list-style-type: none"> Chow Hon Piew
	<ul style="list-style-type: none"> MIDF Automation Seminar Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issues 	<ul style="list-style-type: none"> Ang See Ming
Management	Blue Ocean Strategy & Disruptive Innovation	<ul style="list-style-type: none"> Kang Pang Kiang

All Directors had attended the Mandatory Accreditation Program.

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. Chow Hon Piew. In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR as well as the External Auditor Assessment Policy which was approved by the Board in February 2018.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

The AC currently comprised individuals with professional experiences in financial management, general management, 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 responsibility effectively.

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

II. Risk Management and Internal Control Framework

In general, all major projects, investment and capital expenditure initiatives are presented to the Board for consideration and approval. 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 the financial controller 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 was any changes in the risk identified. Details on the internal audit function are discussed under SORMIC in Annual Report 2017.

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 and Extraordinary General Meeting (“EGM”), 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 AGM and EGM are sent to shareholders. The notices are also published in a national newspaper and released through Bursa Securities for public dissemination. Members of the Board attend the AGM and EGM 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 amendments to the MMLR of Bursa Securities, the Board will implement 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 *(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 2017 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 23 April 2018.