



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

14 November 2023

BY EMAIL/FAX/HAND

The Board of Directors

TEO GUAN LEE CORPORATION BERHAD

Plot 28 Lorong Perusahaan Maju 4,
Prai Industrial Estate,
13600 Prai, Pulau Pinang.

Attention: Lim Choo Tan and Chew Siew Cheng
Company Secretaries

Dear Directors,

Re: 30th Annual General Meeting ("AGM") of Teo Guan Lee Corporation Berhad
("TGL" or the "Group") to be held on Friday, 24th November 2023

In the interest of minority shareholders and all other stakeholders of the Group, we would like to raise the following questions: -

Operational & Financial Matters

1. During the year, TGL completed the acquisition of an established children wear brand "KIKO" in December 2022 which is expected to contribute significantly to the premium children wear segment in the future (page 14 of AR2023).
 - a) How did Kikilala, Cuddels and Pronic perform individually in terms of contribution to the Home Brands segment pre acquisition of KIKO?
 - b) What strategic plans are projected for KIKO brand to excel within the premium market segment considering the current challenging consumer spending climate? Is this brand expected to become the leading contributor among the home brands?
2. A significant amount of cost of sales, approximately 38.5%, comes from the concessionaire commissions (page 107 of AR2023).

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No. 30, JALAN SULTAN ISMAIL

50250 KUALA LUMPUR

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23. COST OF SALES

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Purchases of inventories	70,007,966	42,025,167	-	-
Incidental cost to purchases	41,950	24,030	-	-
Changes to inventories	(21,428,387)	10,436,842	-	-
Concessionaire commissions	30,400,137	29,096,613	-	-
	79,021,666	81,582,652	-	-

- a) For the licensed brands (such as Tom & Jerry, Dora the Explorer, and Ninja Turtles) that the Group pays commissions to, which one incurs the highest payments, and what factors contribute to this? Does this brand also generate the most profit for the Group? If not, which licensed brand is the most profitable?
- b) Are concessionaire commissions renewable? Any strategies to potentially minimize these concessionaire commissions?
3. Despite the recovery of physical stores, TGL's e-commerce performance on Lazada and Shopee sustained with a revenue of RM1.3 million, slightly lower than last year RM1.4 million (page 16 of AR2023).

With the rise of e-commerce and shifting consumer behaviour to shop online, how is TGL adjusting its approach, conventionally centred on physical retail, to stay competitive and drive revenue growth in the evolving market?

4. The Group's property investments, including shopping malls, industrial lots, shophouses, and apartments, yielded increased rental income from RM1.6 million to RM1.9 million, reaching pre-pandemic levels as rentals rebounded post-pandemic (page 16 of AR2023).
- a) Which specific property investments contributed the most to the higher rental income?
- b) In line with increased rental income, are there forthcoming developments or

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investments in real estate sectors to further expand the Group's property portfolio?

5. Other operating income of the Group dropped significantly from RM5.6 million to RM2.0 million (page 49 of AR2023).

What are the constituent components contributing to this other operating income, and which components encountered a substantial decline? Please elaborate on the factors that led to the decline in this category of other operating income.

6. The Group has recognized in its financial statement a write-down of inventories amounting to RM3.5 million in FYE2023 (vs FYE2022: RM4.1 million) (page 52 of AR2023).

a) What comprises these inventories? Despite the slightly lower write-down of inventories compared to the previous year, what are the reasons for the high write-off of inventories?

b) What measures have been taken to minimize such write-downs in future?

c) Is such a high write-down expected in the forthcoming year?

Corporate Governance Matters

1. Practice 5.9 of the Malaysian Code of Corporate Governance (MCCG) stipulates that the board comprises at least 30% women directors due to numerous studies that have proven the business case for board diversity, especially the participation of women on boards.

Currently, the Board comprises six Directors, with only one female Director, accounting for 17% of the total. This figure falls below the recommended 30% threshold specified in Practice 5.9 of the MCCG (page 24 of CG Report 2023).

When does the Group plan to address the lack of diversity by appointing additional female directors to meet the shortfall?

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Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



Devanesan Evanson

Chief Executive Officer

DE/RF/AMIRAH/TGL/AGM2023

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