

SUSTAINABILITY STATEMENT

INTRODUCTION

Our Group strives to sustain economic and social growth while ensuring minimal impact on the environment in a responsible and ethical manner. We aim to conduct business in a socially responsible and ethical manner, create a conducive working environment for our employees and incorporate, wherever possible, the expectations of our stakeholders in our business activities.

Our Group emphasises on the following core areas of sustainability:

1. Economic sustainability matters

We strive to maintain a sustainable business that benefits all our stakeholders by focusing on the following:

(i) Leveraging on technical competence

We are accredited as a preferred contractor by several motor vehicle companies that manufacture premium brands. This status gives us a strong competitive edge in bidding for new contracts. We strive actively to maintain this accreditation by practicing stringent quality control in our manufacturing processes to meet customers' expectations.

(ii) Operations infrastructure

We apply advanced technologies in our design and manufacturing processes, which allows us to take on complex assignments. This differentiates us from other mould manufacturing companies in the country. Our operations are ISO-certified and are periodically audited by our customers. We invite external consultants to review our production processes from time to time to ensure our operations are up to mark. All these contribute towards ensuring that our operations meet the standards required of our customers and ensure that we continue to secure projects from them in the long term.

(iii) New markets

Historically, we have been dependent on our overseas markets as the main source of revenue. To reduce our dependence on overseas markets which can be volatile, we have been developing our domestic market and are making good headway with local motor vehicle manufacturers and related companies. We strive to achieve a more diversified market to ensure long term revenue sustainability for the Group.

(iv) New business

In January 2017, we ventured into the Marina Point project in Klebang, Melaka and commenced construction work in the same period. However, the construction work was subsequently halted during the MCO period. This project is expected to be completed by third quarter of 2023. Our Group intends to retain part of the developed project for rental and lease income. This will ensure a continuing stream of income for our Group in the long term.

In November 2019, we completed the acquisition of a 12-storey with 1 lower ground floor office building in Bangsar South, Kuala Lumpur for a cash consideration of RM46.00 million. This acquisition is expected to contribute to an improvement in the financial position of the Group via steady rental income and potential capital appreciation in the market value of the office building. The occupancy rate of the office building as at 31 December 2021 stood at approximately 65% and contributed approximately RM0.40 million rental income to our Group for FYE 2021.

In May 2020, we announced that we will be developing air ventilators in collaboration with AT Systematization Bhd, PNE PCB Berhad and Arzon Solar LLC ("ARZ") through a joint venture with the aforementioned parties. ARZ will own 10% equity interest in the jointly-controlled entity while the remaining 90% equity interest will be split equally between Sanichi, AT Systematization Bhd and PNE PCB Berhad. Subsequently in May 2021, we have completed the research and development phase for the aforesaid air ventilators. The development of air ventilators is expected to generate a new revenue stream for our Group following the surge in demand for air ventilators due to the Covid-19 pandemic.

Sustainability Statement

(Cont'd)

1. Economic sustainability matters (Cont'd)**(iv) New business (Cont'd)**

In March 2021, we have obtained the approval from our shareholders to diversify into the manufacture, sale and marketing of rubber gloves. However, our Group has yet to commence the manufacture, sale and marketing of gloves in view of the premature decline in average selling price of gloves. The glove manufacturing industry has been affected by the softening of glove demand as well as the decline in average selling price of gloves. Our Group will continue to monitor the demand and supply conditions (including the average selling price) for gloves prior to making any concrete decision concerning this business.

2. Environmental sustainability matters

The Group is cognisant of the need for environmental protection and has inculcated this aspect into our operations and corporate culture. The initiatives taken by our Group in this regard include introducing environmental awareness program and constant reminders to our employees to reduce wasteful consumption of electricity in all of our offices and manufacturing plant. This is supported by the use of energy saving LED lightings to replace traditional lightings, investment into better waste handling equipment on our factory floor and use of recycled paper, wherever possible.

To reduce the use of paper, we encourage our employees to use digital storage and filing. We adopted a stringent water management initiative to reduce wasteful consumption of water in our Group. The measures taken in this respect include regular maintenance of water taps and piping to prevent water leakage and creating awareness for the need to conserve water among employees.

3. Social sustainability matters**(i) Workplace**

The safety and wellbeing of our employees are an important priority to our Group as we recognise their role in creating value to our Group and shareholders. In this regard, we have policies and practices to cater for the best interests of our employees. One such example is that we do not impose excessive working hours on our employees and we practice equal opportunity for male and female employees.

On our production floor and our property construction sites, we have stringent safety rules and procedures to prevent accidents and we regularly conduct fire safety drills. Further, our technicians and production team as well as employees for our property development business are given training that are specific to their roles for them to remain competent in their job functions.

Our Group also organises in-house seminars for employees and reimburse employees for the cost of external courses and seminars attended by them to improve their skills and employability. The company also organizes social events for employees during major festivals. However, social events are only held when permissible and kept to a minimum during the MCO period and employees are encouraged to observe social distancing and meet via virtual meetings instead.

(ii) Community

We recognise the need to engage with the wider community, including our shareholders, customers and suppliers. Through our website, we disseminate information on our Group to investors and members of the public. For shareholders, there are also opportunities for engagement with management at annual general meetings.

We have a fair-trade policy where our suppliers are assured of a reasonable margin and prompt payment when dealing with us. We also visit our customers regularly to get feedback on the quality of our service and products and invite major customers to visit our production facilities to review our production processes and to build rapport with them.