

## **TEK SENG HOLDINGS BERHAD**

Registration No. 200201011909 (579572-M)

(Incorporated in Malaysia)

### **SUMMARY OF KEY MATTERS DISCUSSED**

SUMMARY OF KEY MATTERS DISCUSSED AT THE 20<sup>TH</sup> ANNUAL GENERAL MEETING OF TEK SENG HOLDINGS BERHAD (“TEK SENG” OR “THE COMPANY”) CONDUCTED FULLY VIRTUAL THROUGH LIVE STREAMING AND ONLINE PARTICIPATION AND VOTING USING REMOTE PARTICIPATION AND VOTING (“RPV”) FACILITIES VIA THE ONLINE MEETING PLATFORM AT [HTTPS://AGM.DIGERATI.COM.MY/PASB-ONLINE](https://agm.digerati.com.my/pasb-online) (DOMAIN REGISTRATION NO. D1A119533) PROVIDED BY DIGERATI TECHNOLOGIES SDN BHD IN MALAYSIA ON FRIDAY, 10 JUNE 2022 AT 9.30 A.M.

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Key matters discussed at the 20<sup>th</sup> AGM are summarised as follows:-

- (1) **In view of the significant increase of oil price and impact to resin raw material, how much does this affect the gross profit %?**

**Answer:**

As you can see in our latest Quarter report, our gross margin was slightly impacted around 3%.

- (2) **How much is the resin cost per tonne currently?**

**Answer:**

Currently price of PVC resin ranges from USD1,300 – USD1,400 per tonne.

- (3) **How much has the selling price increased due to significant increase of oil price and impact to resin raw material or the company will absorb the cost?**

**Answer:**

The Company had mainly increased selling price accordingly, up to date, our Average Selling Price has increased approximately 50%. However, to some certain industry, the Company absorbed some of the costs in order to maintain business relationship.

- (4) **What are the measurement taken by the company to ensure the profit of the company is not substantially eroded as a result of the increase of resin cost?**

**Answer:**

We do have some cost savings practices, try to minimize wastages as well as increase Average Selling Price.

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- (5) **What is the % of revenue in term of PVC products Vs the non-woven product?**

**Answer:**

PVC products contributed around 85% in 1<sup>st</sup> Quarter 2022. As our products are seasonal, thus it will be different weightage throughout the year.

- (6) **Any new oversea market penetrated in 2022 since border reopen?**

**Answer:**

We do have a few new Western and Oceania clients.

- (7) **What are the effort taken by the company to enlarge the sales once the advance new plant ready in 2022?**

**Answer:**

We will be looking to penetrate different industry and explore different products offerings. As mentioned, the main reason for the new plant is to restructure our current operation plant. Our first objective is to manage cost more effectively and efficiently. Moving forward, our new product offerings will be hygiene industry and also property sector where we will be looking to supply more finishing materials.

- (8) **Will TEKSENG maintain dividend payout for FY2022?**

**Answer:**

During FY2021, the Company had paid a total interim dividends of 3 sen per share for FY2021 and 0.5 sen per share for FY2020 and total dividends paid amounts to RM12.6 million.

The Group is committed to continue rewarding shareholders from time to time and promised to deliver better returns to shareholders.

- (9) **What are the major challenges the company facing?**

**Answer:**

To us, our major challenge is the labour issue. Labour shortage has been an issue to us for 2 years and due to this we are unable to maximise our production output. We are hopeful that the reopening of borders will ease our labour issue as soon as possible.

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- (10) No bonus issues of warrant since 2015. Any plan to exercise such issues or any corporate exercise to enlarge the liquidity of the shares?**

**Answer:**

Based on our current capital management, we are also committed to optimize our existing capital to provide the best returns to shareholders. We do not foresee any immediate need for additional capital injection from warrant exercise or other capital raising mechanism. Thus, there is no plan to have any corporate exercise in the near future.

- (11) May I know, what is the company's future outlook?**

**Answer:**

The outlook is very uncertain coupled with the ongoing Ukraine-Russia war leading to high feedstock cost. However, with the Company's strong financial position and resilience, we are focusing on business optimisation and we are confident that we would be able to run our operations effectively.

- (12) What are the key challenges for the Company in the next 1-2 years?**

**Answer:**

Inflation has been high and thus purchasing power may be further dampened. Demand from retails may well be affected if inflation continues to rise drastically.

Although overall market outlook improved following global and domestic economic reopening, there is instability in demand due to the dynamic nature of the evolving situation and supply chain disruptions.

- (13) Trade and other payables demonimated in USD has increased from RM2 million to RM10 million (Note 17c). Is it due to change in suppliers? Does the Group enter into forward contracts to hedge against the forex fluctuation?**

**Answer:**

This increment is mainly due to the higher import purchases and we do not hedge any forward contract because we do have USD receivables from time to time.

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- (14) Will the Board consider giving door gift such e-voucher or e-wallet for those participating in this AGM as a token of appreciation?**

**Answer:**

No, the Company will not be providing any door gifts including e-vouchers to shareholders/proxies who participate remotely in the virtual 20th AGM this year.

- (15) How is the latest condition for the rise in raw material costs and shipping costs, and the lack of work force?**

**Answer:**

Raw material costs as well as shipping costs have risen to a high level since pandemic started 2 years ago. Currently with the strengthening of USD, we may face higher production cost for the domestic market. Borders are reopening and we are bringing in foreign workforce batch by batch.

- (16) How's the outcome for next quarter performance despite Ukraine's crisis?**

**Answer:**

Our Q1 FY 2022 results announced on 27 May 2022. As you can see, we were affected by the rising costs globally and thus suppressed some of our profit margins. However, the Group remains vigilant and cautious on current situation.

At the moment, it is still too early to measure the impact of Ukraine's crisis on the Group's performance. However, on an overall basis, the Group will remain vigilant on the outlook for the rest of the year but committed to continue deliver performance in 2022.

- (17) How much increase in capacity that the new manufacturing site will bring to the Group?**

**Answer:**

Currently, the new industrial land is undergoing planning process and waiting for approval from the local Land council and Land office.

- (18) How much does the Group have in its order book as of current or latest applicable?**

**Answer:**

The order book stands at around 3 months for The Group

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- (19) Other expenses decreased from RM15.3 million to RM11.8 million. What are included in these other expenses and which expenses had decreased the most year-on-year?**

**Answer:**

Other expenses mainly consist of upkeep and general administrative expenses. The said decreased was mainly due to upkeep of plant and machineries.

- (20) Note 11f – The Group has identified the Malaysian Population as the key macroeconomic factors for ECL assessment. How does the Malaysian Population correlate with the credit risk of the Group?**

**Answer:**

Malaysia Population is used as the key macroeconomic factors as it had better correlation co-efficient with the credit risk of the Group. Further, a population change could influence the type and quantity of products the customers can purchase and indirectly impact the collection of the debts of trade debtor.

- (21) Impairment assessment for amount owing by subsidiary – I would like to seek clarification from management whether only the worst case scenarios are prepared for the impairment assessment? How about the best case and baseline case scenario?**

**Answer:**

The management had considered the best case, baseline case and worst case scenarios in the impairment assessment for amount owing by subsidiary. However, higher weightage are based on worst case scenario of the repayment schedule from the subsidiary.

- (22) May I know what is the utilization rate for both PVC and PP non woven manufacturing?**

**Answer:**

Currently, the utilization rate for the Group is around 70% due to labour shortage.