Question(s)/comment(s)

1. As stated in page 49 of the Annual Report 2018, the trade receivables of the Group has increased from RM7.085 million in financial year ended 31 December 2017 ("FYE 2017") to RM8.410 million in financial year ended 31 December 2018 ("FYE 2018"). What were the reasons for the increase in trade receivables?

2. Export sales have contributed more than 50% of the Group's total turnover and most of them were traded in United States ("US") currency. With the recent strengthening of US currency against Malaysia Ringgit coupled with cheaper raw material prices, does the Group foresee a better prospect for 2019?

3. Does the Company had contractual agreement for supply of products to export market and hospitality sector?

4. Page 79 of the Annual Report 2018 showed that the Company had bought back 4,687,900 shares and retained as treasure shares in the book of the Company. What is the plan of the Company for the treasury shares? Would the Company continue to purchase its shares in the near future?

5. Is the Company an Original Equipment Manufacturer ("OEM") or Original Design Manufacturer ("ODM")?

6. Does the Company's performance affected by the US-China trade war?

7. What was the Company's market share in global industry? How the Company foresee its growth and prospect for the coming three to five years?

The Company's reply/response

1. The increase of the Group's trade receivables for FYE 2018 was mainly driven by the revenue growth of more than 30% from RM74.930 million in FYE 2017 to RM100.031 million in FYE 2018. Overall, the collection rate was reasonably good as the Group achieved a substantial sales growth rate for FYE 2018. Average collection period was fairly consistent at 30 days.

2. The Company have natural hedging of foreign currency. All importation of core raw materials and export transactions were traded in US currency. This was to minimise currency fluctuation risk which was beyond the Company's control. The strengthening US currency was favourable to the Company as the Company's export value was greater than its import value. Nonetheless, the foreign currency exchange gain would not have substantial impact on the overall performance of the Group.

3. The Company's products were premium consumable goods. Thus, there was no contract entered for long-term supply of products to export market. On-going export orders were received on monthly basis. The Company's products were mainly exported to advance countries such as US, Korea, China, Australia, Japan and Europe.

   The Company's sales contribution from hospitality segment was very minimal as the main product distribution channels were through direct marketing and Business-to-Consumer.

4. The Company bought back its shares at times where the share price was substantially undervalued. The purchased shares were held as treasury shares of the Company. The Directors of the Company may at their discretion to deal with the treasury shares in the following manners:-

   i. To cancel all or part of the treasury shares;
   ii. To distribute all or part of the treasury shares as dividend to the shareholders of the Company; or
   iii. To transfer all or part of the treasury shares as purchase consideration for potential acquisition.

   At present, the Company had no plan for cancelling or utilising its treasury shares until further deliberation. The average cost for the share buy-back was RM0.505. Retaining the treasury shares were expected to improve on the Company's earnings per share.

5. The Company was specialised in manufacturing 100% natural latex mattresses. Bedding products made up to more than 95% of the total turnover and the remaining was contributed by laminated foam and other related products.

The Company focuses on two core markets, i.e. domestic and export. For domestic market, the Company owned various trademarks and brands, such as Englander, Napure, etc. Englander was one of the top 10 American bedding brands where prior to this, the Company was licensee of Englander in Malaysia. With the promising growth of Englander brand, the Company acquired the trademark and several intellectual properties of Englander in South East Asia in 2015.

On the export, the Company was supplying natural latex to third party(ies) as material for production use.

As such, the Company was not an OEM.

6. The US-China trade war would not have direct impact to the Company as the Company's export was not subjected to the tariff imposed by US. However, if the US-China trade war were to continue, it may have adverse indirect impact(s) to the Company in term of the declining purchasing power as a result of global economic slowdown.

7. The Company had not studied on its market share data in the global industry thus far. In fact, the sales contribution of natural latex bedding were less than one per centum of the total volume of US's bedding market.

   As the consumers' demand on green products was on the rise, the Company was confident that the sales of the Company's natural latex mattress would continue to grow in the medium to long-term.