

LEE SWEE KIAT GROUP BERHAD (607583-T)
SUMMARY OF KEY MATTERS DISCUSSED AT THE FIFTEENTH ANNUAL
GENERAL MEETING HELD ON 28 MAY 2018

Question(s)/comment(s)

1. It was noted that the Company and its subsidiaries (“the Group”) had RM6.019 million worth of foreign currency in USD bank account as at end-2017. Is the Group comply with the Bank Negara Malaysia’s (“BNM”) policy whereby at least 75% of the export earnings in foreign currency be converted into the Ringgit Malaysia? Did the Group receive special exemption from BNM for a lower conversion rate to settle payment to suppliers in foreign currency?
2. What was the Group’s export turnover ratio in 2017? How competitive the Company against its competitors, particular the China manufacturers which has cost advantages, in the mattress and bedding industry? What is the Company’s business direction to increase production volume and expand market share in global market?
3. Does the Company need extra capital for business expansion? Would the Company consider a right issue and/or bonus issue exercise to increase its market capitalisation?
4. What is the life span of latex pillow compared to cotton pillow? Would the durability of latex pillow affects the local sales of the Company?
5. It was suggested that the Company distribute discount voucher as door gift for shareholders who attended the annual general meeting as a strategy to boost its local sales.

The Company’s reply/response

1. The Group’s RM6.019 million in USD bank account, was equivalent to approximately USD1.5 million. Based on the BNM’s ruling, the Group was required to convert 75% of its foreign currency export proceeds into Ringgit Malaysia. However, BNM allowed the Group to retain more than 25% of its foreign currency export proceeds for purpose of natural hedging which is to be supported with documentary evidence showing payment obligation to suppliers in US currency.
2. The Group’s export products to China, Europe, Korea, Japan, Canada and United States, and the export market contributed about 55.0% of the Group’s total turnover for 2017. 80.0% of the export business were traded in USD currency.

The long-term competitive edges of the Company over competitors in the global market were as follows:-

- a) Continual improvement through Research and Development;
- b) Efficiency in manufacturing 100% natural latex mattress with consistent world-class quality; and
- c) Proximity to the source of raw materials.

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For future business expansion, the Company would strive to improve production volume through adoption of Industry 4.0 which allowed automation of production line with minimal labour force. The Company had engaged with a few international automation vendors to work on the automation project. The said project was expected to be completed within the next two years and it would optimise the quality of products, reduce foreign labour costs and wastage of resource.

3. At present, the Company had sufficient cash flows and reserves to fund its business expansion plan. Thus, there was no plan for right issue for the time being. Nonetheless, the Company would consider right issue as an option for the Company to raise funds for huge expansion project in the future, if any.

Further, the Company had carried out a feasibility study on the declaration of bonus issue. The Board opined that the main purpose of a bonus issue exercise was to encourage retail investor participation by lowering the share price. It would not have positive impact on the Company's market capitalisation. As the current share price of the Company was relatively affordable, the Company had no intention to declare bonus issue at the moment.

4. Generally, latex pillow has a longer life span as compared to cotton pillow. The Company's latex pillow was made of solid block of latex foam which could last up to 10 years as recognised by the LGA certification. However, customers were encouraged to replace their pillow every year for hygiene purpose.
5. The Company would take note on the suggestion.