

**LEE SWEE KIAT GROUP BERHAD**  
**[Registration No. 200301005163 (607583-T)]**  
**SUMMARY OF KEY MATTERS RAISED AT THE SEVENTEENTH ANNUAL GENERAL MEETING HELD ON 23 JULY 2020**

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Q1. Why the Company did not conduct a virtual Annual General Meeting?

A1. Usually, the Company has low shareholders' turnout at the AGM, thus, it is more cost effective to convene a physical AGM than the virtual meeting.

Q2. How the Covid-19 pandemic affected the Company's business?

A2. The Company's business was not classified as essential service and as such, the Company's production and operation were not allowed to operate during the Movement Control Order ("MCO") period commencing 18 March 2020. The Company managed to obtain approval from the Ministry of International Trade and Industry to commence its production at one factory for export market in the 4<sup>th</sup> week of April 2020. The remaining operation of the Group resumed in early May 2020. The Company lost one and half month of its revenue during the MCO period.

Since early May 2020, the Company secured substantial export order whereby the order volume was higher than the pre-MCO level. The retail sales recovered and performed well in June 2020. However, the Company lost part of its revenue from the local furniture fair as no event could be held during the MCO period. Nevertheless, based on the existing operation, the performance of the retail and production were on track and could surpass the pre-MCO results.

Q3. Is the Company allowed to operate with a minimum of 50% of workforce during the MCO period?

A3. The Company is not allowed to operate during the MCO period. Thus, the 50% workforce requirement was not applicable to the Company.

Q4. What is the growth driver for sales of mattresses? What are the factors that lead customers to buy the mattresses?

A4. The Company has no privy to such information. However, based on the report, most of the retail shops recorded a very significant improvement in sales for the past 1.5 months. However, the sustainability of the sales was uncertain after the MCO.

Q5. What is the current consumer demand trend for the Company's products, i.e. higher or lower-end products?

A5. The demand for both higher and lower end products was quite comparable.

Q6. How is the human resource policy implemented by the Government in relation to the foreign workers affecting the Company?

A6. The Company was not affected by the recent freeze of recruitment of new foreign workers by the Malaysian Government. The Company had recruited new foreign workers last year and the current manpower was sufficient to meet its operation at the moment.

In view of the Covid-19 pandemic, the Government had also imposed regulations on foreign workers' accommodation. Currently, the Company's foreign workers were staying in shop houses provided by the Company. The Company is in the midst of applying for the approval from the local authority to convert the shop houses into a proper hostel for the foreign workers in accordance to the foreign worker accommodation policy imposed by the Government. Thus far, the Company had obtained an approval to convert one shop house and the remaining application was still in process.

Q7. Does the Company experience any manpower shortage?

A7. The Company experienced shortage of foreign workers two years ago where the government freeze the foreign workers intake. However, after several dialogue with the government authorities, the restriction of foreign workers intake has been uplifted.

Q8. Has the Company work out any measures to mitigate the manpower shortages?

A8. The Company was actively working on ways to reduce the dependency on labour. The Company had invested in machinery for certain production functions which could substantially reduce the labour dependency. The machinery had arrived at the Company's premises but pending commissioning. In view of the Covid-19 pandemic,

the foreign technicians could not enter into Malaysia to carry out the commissioning work. Once the machinery is fully commissioned, the labour requirement for certain functions and sections would be reduced significantly. The Company's production could operate for longer hours and thereafter, increase the productivity. Management would look into the production planning after the machinery is fully commissioned.

Q9. How likely the market would absorb the additional production?

A9. The additional production could easily be taken up by new export customers as 50% of the Group's sales were for export markets.

Q10. Since export market contributed about 50% of the Company's production and the growth was less challenging, why the Company did not focus more on the export markets in the past? What are the challenges faced for export markets?

A10. The export market was depending on worldwide situations. In 2019, the Company was affected by the US-China trade war whereby the Company's major export to Korea was severely affected. During that time, the Korean currency dropped to its lowest rate. This had affected the Company's export growth. The Company's originally forecasted for a double digit growth in 2019 and 2020. Nevertheless, export to Korea market had started to revive whilst export sales to US market had increased substantially. The Company foresee increase of sales from Korea markets in 2020 after MCO.

Q11. How does the US-China trade war affect the Company's export to Korea?

A11. The Company's latex was regarded as a premium product in Korea. Thus, the significant drop in the Korean currency had changed the consumer demand whereby demand for premium product had reduced as the consumers opted to buy a lower end product instead.

Q12. Will the Company expand its business to online retail channel or via e-commerce platform?

A12. The Company's retail sales performed very well. The demand of mattress was based on consumers' personal preference and consumer needs to feel the comfort level as well as to understand the details of the product personally. At present, the contribution from the online retail channel was minimal, i.e. less than 1%. The Company would continue developing its branding for Englander and Napure in order to gain customer confidence on its products on long term basis. With this effort, the Company could capture greater market share. The Company would attempt to work on a simpler online platform or channel for oversea market.

Q13. It was noted that the export product was mainly latex and why the Company did not leverage on its own brand?

A13. The Company exports Englander mattresses to Singapore and Philippines and Napure mattresses to Taiwan. There were several factors to be considered for selling the Company's own brand in overseas. Although selling own brand to overseas market could command a higher premium and contribute to the Company's growth in long term, the Company may lose other customers as the Company would be seen as their competitors. Currently, the Company supplies latex to several manufacturers in overseas.

Q14. What is the Company's growth driver and opportunity?

A14. The Company's growth plan had been disrupted by the Covid-19 pandemic. So far, the sales had resumed and was very promising after the MCO. At this moment, the Company was hopeful that the pandemic can be over soon and the Company could resume all the plan.

Q15. What is the mattress replacement cycle? And will the Covid-19 pandemic change the market demand?

A15. The replacement cycle for mattress was about 10 years.

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Q16. What is the biggest challenge of the Company?

A16. The bigger challenge for the Company would be the mechanism of the latex production. Management was still finding ways to smoothen the latex productions such as engaging with robotic company, etc.

Q17. How often does the Company engage with research house or investment banks?

A17. The Company's performance and analysis was usually covered by CIMB Investment Bank Berhad. Additionally, the Company was approached by other fund managers from both local and Singapore.