

TEK SENG HOLDINGS BERHAD

Registration No. 200201011909 (579572-M)

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE 19TH 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 SEPTEMBER 2021 AT 9.30 A.M.

Key matters discussed at the 19th AGM are summarised as follows:-

- (1) In view of the increasing demand and the contribution of PP Non-Woven products getting more significant, be it in the annual report or the quarterly report, the revenue mix and profit breakdown PP Non-Woven should be segregated from PVC category generally to allow shareholders to have more useful information instead of the previous breakdown of PVC in general and solar segment which has ceased operation now.**

Answer:

MFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria of MFRS 8.13.

However, two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects of MFRS 8.12.

- (2) What is the sales mix and profit contribution of PP Non-Woven products in FYE 2020 and Q1 2021? What is the utilization of the PP Non-Woven machines?**

Answer:

We have a total of 3 machineries which can produce an output of approximately 800 tonnes per month currently. For FYE 2020, PP non-woven contributes about 30% to the group profit. The utilisation rate is 100% for PP Non-Woven machines.

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- (3) **Note 4(b) Property, plant and equipment (Annual Report Page 59): What are the adjustment factors to prices of comparable assets that being considered and incorporated by the Directors in estimating the recoverable amounts of the assets in the solar segment?**

Answer:

Adjustment factors usually would be any difference in location, size and shape of the property, tenure, title restriction as well as conditions of the specific property.

- (4) **Would this PP Non-Woven section be expanded again?**

Answer:

We have added new facilities which are mainly catered for medical lines. We have coating facilities in which our non-woven can be used in inner layer of face mask for water absorption purposes as well as for outer layer for water repellent purposes. Our new machines can also produce specifications for diapers. The group is consistently looking for new product developments for different market, and as cleanliness and awareness have increased overall, the Group is likely to expand this division.

- (5) **In the past one year, the Company paid RM10.8m to acquire additional of about 6.67% shares in the solar subsidiary which has totally ceased its production operation left with only the renewable energy, and major plant and machinery have been provided for impairment loss. What is the objective or plan of the Company for such move?**

Answer:

TS Solartech Sdn Bhd plant has 2 buildings fully leased out to long term tenant, totally approximately **RM 553,000** in rental per month as well as approximately **RM 180,000** in power generation per month. As adequate impairment had been provided for TSST, the management believes this has more pros than cons.

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- (6) Since the profit margin of the Group is very much dependant on the resin material price, what is the strategy taken toward the fluctuation of material price and how fast can the price be passed to the customers?**

Answer:

Internally, the management does set a tolerance level for cost fluctuation. Once it surpasses certain level, we will pass on the cost to the clients. However due to pandemic, cost fluctuation has been on an unprecedented level, thus the management decided to construct a new warehouse in order to store materials during dips.

The Company does provide a written notice to clients for price increment. We will supply upon first come first serve basis on materials availability. Price will be increased across the board upon maturity date.

- (7) What kind of restructuring that the Group looking for the current manufacturing facilities in order to provide leaner and more efficient way of operation?**

Answer:

As our PP division has obtained both ISO 9001 and ISO 13485, thus we need to segregate it in order to fully comply with cleanroom requirements. We need this for hygiene industry as well. In addition, we are looking to enhance our value adding facilities for PVC, mainly for printing facilities, to cater for furniture and flooring products. The company will mainly improve on PVC operations. Also, the company is looking to build a dormitory for its own workers.

- (8) The Group had developed an in house recycling program and is actively looking for recycled PVC materials. What is the cost saving in this move?**

Answer:

Recycled PVC materials not only save cost and it is 5 times cheaper than PVC resin, it also help in reducing waste as well as promote a greener and sustainable environment.

- (9) When is the expected new factory to be completed on the new land acquired?**

Answer:

After obtained shareholders' approval in our EGM on 04 August 2021, the land should take around 6 months to be cleared and further construction will be depending on external factors. The amalgamation and subdivision of land will take certain time frame as well.

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(10) What would be its capacity in relation to the existing PVC factory?

Answer:

In terms of sizing of the build up, it is expected to be 60% of our current site which is about 187,000sqft. Our existing facility can produce close to 13,000 tonnes of output per month. The Group is expected to have 30% increase in production.

(11) How did Covid-19 change our group's business in terms of revenue and net profit? How is it going to be for the year of 2021 and future?

Answer:

The unexpected pandemic had brought us some good and bad. What we may not expect from it was that some industry had benefited from the pandemic due to a swift of consumer behaviour and living pattern. In 2020, the Group had more contribution from pandemic related businesses than ever before, for eg, face mask, surgical gowns, as well as the personal hygiene products. Besides that, the Group had received better demand from household products due to the 'working from home' initiative. We had seen higher demand from the furniture and household industry for our PVC products. Thus the management believed moving forward, the Group shall be able to continue benefit from all sectors especially there is a new consumer awareness and behaviour on personal hygiene and protection issues.

(12) Note 11(f) Trade and Other Receivables (Annual Report Page 70): Why the expected loss rate for trade receivables more than 90 days past due had decreased from 60.65% in FY 2019 to 18.26% in FY2020?

Answer:

The management had practiced slightly stringent approach in managing debts. Also, the management had prioritised cash payments transaction in FY 2020.

(13) What was the impact to the Company financially due to the implementation of the FMCO and NRP since 01 June 2021?

Answer:

The impact arising from the temporary closure for non-essential PVC products for 2 months during the FMCO. The Segment is contributing approximately 50%-70% of the Group's revenue. However, we had the MITI approval to operate for the PP Non-Woven products for Personal Protective Equipment such as face masks and gowns which had helped to cushion some of top and bottom line for the financial period.

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- (14) Impairment losses on property, plant and equipment of the Company decreased sharply in FY2020 by 98.7% from RM44 million in the financial year ended 31 December 2019 to RM0.5 million in FY2020 (Page 48 of Annual Report 2020). Still has any impairment loss in FY2021?**

Answer:

Adequate impairment had been provided for Solar Property, Plant and Equipment.

- (15) Have the fundamentals of PP Non-woven business permanently changed due to COVID-19 pandemic?**

Answer:

With the ever-increasing standards of health and life expectancy, the demand for PP non-Woven products for Personal Protective Equipment would continue to rise especially post-Covid-19.

- (16) Does port congestion barred raw materials for production of PVC and others?**

Answer:

The Company had been working closely with the customers and port management to move the shipments out quickly. In terms of raw materials, not much impact due to port congestion as the Company has kept safety stock to overcome the delays, but higher shipping cost is unavoidable during the global pandemic.

- (17) The Company still intend to acquire additional shares in the solar subsidiary?**

Answer:

The Company will not consider it for the time being unless the price offered is very considerable.

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- (18) May I know what is the company's future outlook? How is the impact of MCO to the company? How much is the cost saving for this virtual AGM as compared to the physical one? Will the Board consider giving door gift, such as e-voucher or e-wallet for those that have participated in this AGM?**

Answer:

The Company future outlook remains optimistic as the Company has managed to tap into personal hygiene industry as well as value enhanced PVC products. Hopefully the herd immunity will come into effect as soon as possible for Malaysia. The virtual AGM is slightly more costly and the Company will take into consideration for door gifts for attendees.

- (19) Why the FY2021 Q2 report was delayed? What is the progress of new factory? For the post COVID period, what will be the PP material used for except facial mask? Will the customer base be affected? What is the new direction for Tekseng? Is there any chance to reinvest into renewable energy again?**

Answer:

The release of Q2 report was in line with the extension granted by Bursa due to the lockdown nationwide. Plans are being submitted for new factory. PP Non-woven are being used in various industry. PP Non-woven are often used in bedding, furniture, various bags, packaging as well as medical products. Currently, there is no plan on TS Solartech.

- (20) Can you tell us more about the progress of the new factory acquired and how much the expected revenue to be generated?**

Answer:

The new land is currently undergoing the process of amalgamation and subdivision. It will take approximately 6 months or so as well as depending on the external factors. We are looking to at least contribute 30% more output from the new site.

- (21) What is the proposal to maintain profit margin of achieve even higher while increasing revenue at the same time?**

Answer:

The management is always looking at every cost saving measures and maximizing sustainable returns always remain one of the Company's top priority.

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- (22) Did company look for manufacturing any other medical appliances or other customers?**

Answer:

The Company currently has no plans tapping into other expertise, but rather focus and expand current expertise.

- (23) How is the utilization rate for the Group during the MCO currently?**

For most of the period from June and July, the Group had been operating at 60% level. The Group had since then operating at 80% level when Penang entered into Phase 2 of NRP. The Group had completed vaccination for 80% of its workforce.

- (24) Can perform share buy back to support share price?**

Answer:

The Company's objective is to fully maximise shareholders' return.

- (25) How severe the price spike in PVC resin affected the group cost structure. How profit will be affected for the next quarter?**

Answer:

The Company does have a tolerance level for cost fluctuation. Some costs are being passed on to the clients and some may not. Thus the Company does have own recycling program to minimize and control costing effectively.

- (26) The solar segment keep reducing its profits contribution and what is the management plans to resolve this?**

Answer:

The solar segment will be contributing healthy returns for years to come as both buildings had been fully leased out to long term tenants.