

Mr Tham Kin-On presented the following queries raised by MSWG and the respective responses from the Company:

Strategy/Financials

Q1 During the year under review, the Group had recorded a lower revenue of RM37.30 million as against RM44.58 million from the previous financial year. Revenue from plantation showed a decrease from the previous year, while the non-plantation revenue showed an increased from the previous year.

Q1(a) How would the Board address the plunge in the Group's revenue by 16% in 2016?

R1(a) The decrease in revenue is primarily driven by the decline in sales of plantation products following the continued downtrend of commodity prices in Financial Year ("FY") 2016. To address this, the Board is exploring the following strategies:

- i) Plantation segment – Diversify products to cater for not just rubber, but also oil palm, food crops, and horticultural plants. We have developed biofertilizers and organic fertilizers, and we are already selling controlled release fertilizers to oil palm plantations.
- ii) Non plantation segment – For Artstone plant pots, find additional wholesalers in existing export markets such as United States, Europe, Australia and Japan; enter new export markets such as Canada and South Africa; and develop sales locally. This year, we have started selling our Artstone plant pots in AEON stores in Taman Maluri, Bandar Utama, Bukit Tinggi, Falim Perak and Kota Bahru. For other products, promote sales of our plant pots using new materials such as Artcera; and develop new products such as dinnerware. The various developments are still in their preliminary stages.

Q1(b) What measures have been taken to mitigate any further impact from the expected challenging environment of the world economy as mentioned in the Chairman's Statement?

R1(b) Please refer to response given in 1a above.

Q2 Non-Plantation's product revenue increased by 28.4% from RM16.2 million in FY'2015 to RM20.8 million in FY'2016 due to the increase of orders from customers in Europe.

Presently, who is the largest customer in Europe that made up the increase of orders and will the good result be prolonged and sustainable in the coming years? Please explain.

R2 Our largest customer in Europe is a premier distributor of plant pots based in Netherlands but with broad distribution capabilities across Europe. We have a good and longstanding relationship with them dating back around ten (10) years and we are confident that this relationship will be sustainable.

Q3 The recovery of the advanced economies is expected to be slow and the Group is planning to source for more sales outside United States, Europe and Australia. The Group has also identified some opportunities and plans to develop more products to push for growth.

Q3(a) Which countries and what sort of current and new products that the Group is targeting to expand its sales especially in the non-plantation segment?

R3(a) Please refer to response given in 1a above.

Q3(b) How would the Board address the issue of competition and what is the timeframe to realize all the plans especially in developing new products and building a retail/consumer brand?

R3(b) The company maintains a focus on creating differentiated products. For example, our Artstone material used for plant pots is a proprietarily formulated compound material developed by us. Among other benefits, this material is lightweight, recyclable, comprises a high concentration of natural stone powder and exhibits a distinguishing marble feature. Some of our other differentiated products are the biofertilisers which are made from a blend of organic and chemical fertilisers, and controlled release fertilisers. Our product development and branding efforts are ongoing. However, for dinnerware, we target to have products ready for marketing by end-FY17.

Q4 As reported on page 21 of the Annual Report 2016, the Group expected to begin the construction of a new warehouse and office in 2017 to facilitate the expansion of the Group's plant pot business by enabling higher utilization of the existing factory.

Q4(a) Apart from enabling the higher utilization of the existing factory, is there any potential cost savings from the initiative taken?

R4(a) We expect from the main costs savings to result from additional warehouse space and additional production capacity.

Q4(b) Please update on the current utilization rate of the factory and its optimal level that the Company aspired to achieve after completing the construction plan.

R4(b) The current utilization rate of the factory is about 100% during peak periods and about 60% on average throughout the year. In addition, we are experiencing a shortage of warehousing space to expand production at the moment. The optimal utilization rate at all times is 85% and we estimate that the new plant will enable us to boost production significantly.

Q5 Major Customers (refer to page 83 of the Annual Report 2016)

We noted that the Group has few major customers which constituted revenues of more than 50% of the Group's total revenue. How does the Board evaluate and deal with this concentration risk?

R5 Please refer to response given in 1a above.

The Chairman then invited questions from the floor.

There being no questions raised, the Audited Financial Statements for the financial year ended 31 July 2016, together with the Reports of the Directors and Auditors thereon, were received and noted.