

## Strategic & Financial Matters

### 1) Question : -

As reported in the Chairman's Statement, In FY15, the management embarked on a series of internal restructuring initiatives to improve the Group's performance.

Please share on the results and what further steps to be taken as well as the timeframe to complete the exercise?

### Answer:-

There are four main parts to the internal restructuring that the Group has and are going through in as to enable the Group to improve its performance. They were:

a) Modernization and Automation of the Chipper & Finishing Line in our Batu Pahat Plant has been completed in 4Q of 2015. The objective of this project was for a cost reduction in terms of reduced manpower that will eventually have a reduction in cost of production being realized in the 1Q 2016 performance;

b) Increase in Production Volume of our Ready to Assemble (RTA) Furniture by installation of a fully automated production line and the objective of this project was to be able to have a reduction of manpower and a lower cost of production from the increase of production volume. The installation of this fully automated production has been completed end April 2016 and is in the stage of trial production. Profits contributed from this project will only be seen in the 3Q ~ 4Q of 2016;

c) Relocation / refurbishment of our existing Medium Density Fibreboard Plant in Masai, Johor is in the process of being relocated to Segamat, Johor and refurbishment work is currently being carried out. It is expected to be completed in the 3Q 2016 and will start contributing to the Group's revenue and profits in 4Q 2016 ~ 1Q 2017; and

d) Last but not least, the upgrade of our Particle Board Plant in Segamat is currently on-going and is expected to be completed in the 4Q 2016 ~ 1Q 2017 and will start contributing to the group's revenue and profits in 1Q 2017 ~ 2Q 2017.

### 2) Segmental Reporting ( Page 127 of the Annual Report 2015/AR2015)

#### Question:-

In FY2015, almost 30% of Malaysia's revenue was from Internal –segment, is there any plan to source for the revenue from external customers? What is the targeted revenue mix contribution of the external customers and Internal-segment for the next few years?

#### Answer:-

The revenue from Internal –Segment is mainly from the Glue Plant which was originally set up for that capacity to supply to all our subsidiaries in order to have control over our quality of Medium Density Fibreboard produce as glue is one of the main and important components. As for our raw Medium Density Fibreboard being sold internally is for the purpose of Lamination process which is carried out by some of our subsidiaries. Hence, we do not foresee any plans to source for external customers on this portion of revenue.

**3) Question :-**

The Group will be looking into producing higher premium products which will enable it to have higher profit margins particularly on the Ready to Assemble (RTA) Furniture. Currently, the contribution of RTA to the Group's total revenue is less than 5%.

a) What is the current production volume for RTA and to what level that the production volume has been targeted to achieve in the long run?

**Answer:-**

The Current production volume for RTA is 30 ~40 containers a month and we target to achieve approximately 80 containers a month in the long run.

b) What would be the future revenue contribution (in percentage) of RTA to the Group's total revenue, targeted profit margin as well as the geographical market segment?

**Answer:-**

The future revenue contribution from the RTA to the Group is targeted to be around 8% with a targeted profit margin of approximately 8%. The targeted geographical market segment is as below:-

<b>Market Segment</b>	<b>%</b>
Europe	40%
South East Asia	15%
Far East	15%
Oceania	25%
Others	5%
TOTAL	100%

**4) Question :-**

The Group have budgeted approximately RM106.5 million for CAPEX for FY2016. Please provide the nature and breakdown of the CAPEX.

**Answer:-**

**The Breakdown of CAPEX is as follows:-**

**RTA Projects - 10%**

**Relocation of MDF plant to Segamat - 2%**

**Particle Board Project - 70%**

**Other machines enhancement from various plants - 18%**

**Total - 100%**

**5) Significant Event during the financial year (Page 130 of AR2015)**

**Question:-**

On 7 July 2015, the Company through its wholly-owned subsidiary, Siam Fibreboard Co., Ltd. obtained an operating license for the incorporation of its wholly-owned subsidiary, Siam Furniture (Shanghai) Co., Ltd. in Shanghai, Republic of China.

Please update shareholders on the status of the Company and its operations.

**Answer:-**

**This Company was originally set-up for the purpose of marketing & distributing the semi & finish products of our Thailand subsidiary into the China Market. We are currently in the midst of studying a viable marketing and distribution channel for the Company.**

**Corporate Governance**

**Request:-**

MSWG is promoting standards of Corporate Governance best practices in PLCs. In this regard, we hope the Board would give due consideration to address the following issues:-

1) The recent amendments to Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of key matters discussed at the AGMs onto the companies' website for AGMs held on or after 1 July 2016. In line with this, we hope the Board would publish the summary of proceedings for this AGM on the Company's website.

**Reply:-**

**Yes we shall publish the summary of key matters discussed in the coming annual general meeting on our company's web site.**

2) Publishing key financial information and analysis e.g. the five year financial highlights, data ratios such a return on assets, return of equity, etc.

Reply:-

**Yes we shall publish the key financial information and analysis of five years including data ratios on return of assets and equity as requested.**

Request:-

We would appreciate if the Board could present the points raised here and their related answers, for the shareholders present at the AGM.

Reply:-

**Yes the Board will present all points raised here in our coming AGM and also on our website for shareholders present and for the benefit of other shareholders. However, in maintaining certain level of confidentiality, information(s) pertaining to the Group's Strategic Business Plans, will be posted limitedly on our website.**