Question 1

Chairman's Statement And Management's Discussion & Analysis (pages 22-27 of the Annual Report 2016)

a) During the financial year, the restructuring programme on the Group's wood products plant, Craft Master Timber Products Sdn. Bhd. had enabled it to reduce losses. The Group foresees a turnaround in 2017 via lease of assets.

i) In terms of cost savings, how much costs had been saved from the restructuring programme and please share on the details of the cost savings.

Answer:

In FY2016, Craft Master Timber Products Sdn. Bhd. (CMTP) reported a net loss of RM7.1million. Included in the net loss are impairment of goodwill, impairment & loss on disposal of plant & equipment amounting to RM4.6millon and depreciation expenses of RM0.8million. For FY2015, CMTP had reported a net loss of RM5million. Upon completion of restructuring at the end of FY2016, CMTP is asset light and generate income from its remaining assets via lease. Lease income is projected to be sufficient to cover the minimal expenses of CMTP.

ii) What are the costs associated with it?

Answer:
There are no other cost incurred aside from those reported in 1) a (i) above as the restructuring CMPT was focus to cut off losses derived from production operations. We have now leased out part of the assets and receiving a fix lease income that is above our minimal expenses currently incurred.

b) The Group has already established its markets in Europe, Australia and Japan for its Ready to Assemble Furniture products and China for its Solid Wood Furniture, aiming to increase its production volume in order to gain more market share in these markets and at the same time penetrate into potential new markets.

i) What is the Group's current total production volume and the targets for FY2017?

Answer:

At the end FY2016, the Group's total production volume for Ready-To-Assemble Furniture (RTA) products was 422 x 40'containers. For FY2017, the Group is targeted to produce 600 x 40'containers.

ii) With regard to the market share, we noted that Europe had only contributed 5% to the Group's total market share. What would be the targeted (in terms of percentage) market share from Europe moving forward?

Answer:

Europe constituted 3% of the Group's total turnover in 2016.

Out of the 3%, 2% constitute of RTA products. It is the Group's strategy to increase its RTA sales to Europe by approximately 10% annually.

MDF makes up the remaining 1% or so of which we do not expect significant change.

iii) Could the Board share the challenges faced by the Group in these markets?

Answer:

Due to the fact that the Group is building up its RTA capacity, the challenges faced so far are orders which are seasonal and design trends that change rapidly.

iv) What other markets that the Group is planning to penetrate into?

Answer:

In respect of RTA, the Group is currently focusing on increasing its market share in our existing markets and plans to penetrate into the US market with higher end products.

c) In terms of operation, what are other improvements expected to be achieved in FY2017.

Answer:

Production efficiency are our Group's continuous improvement plans and in addition are to reduce inventory level in the group. Furthermore, with the Group Particle Board (PB) line having commenced trial operations, an increase in the Group's production volume is expected for FY2017.

d) With the introduction of the state-of-the-art technology Particle Board Line, the Group would focus on penetrating its local market and China's niche market in order to have a higher profit margin.

i) Please share with shareholders on the special features of the state-of-the-art technology Particle Board Line.

Answer:

The PB Line is designed to run thin PB and cope well with low-emissions PB and this plant is highly automated requiring lesser manpower and handling.

ii) What is the Group's plant's current capacity and what would be the expected total capacity to be achieved once the new line comes into operation?

Answer:

The old PB line which ceased operations in 2013, had a capacity of 120,000m3 per annum and the new line will have a capacity in excess of 250,000m3 per annum.

iii) In terms of market share, how many percent of the local and China's niche markets are being targeted by the Company? Please brief on the China's niche market and the challenges.

Answer:

In the initial stage of operations, PB will be supplied mainly to the local market which has a shortage of PB and eventually export 30-40% to China. We are yet to see the challenges of exporting to this market.

e) In addition to lowering its production cost, the Group will focus on producing higher premium products that are able to enhance the Group's profit margins. How much orders for the higher premium products have been received from customers to-date?

Answer:

Currently our orders for Premium products constituted more than 50% of the Group's MDF orders.

f) What are the key performance areas and financial targets that have been set by the Group for FY2017 and forward?

Answer:

The Group Key Performance Areas for 2017 is on increasing Quality Control, Cost Control, Reduction of inventory holding, penetrating new markets and higher financial targets have been set for FY2017.

Question 2

Trade receivables (Amount past due and impairment)

The Group's trade receivables that are more than 120 days past due but not impaired had increased significantly by more than 100% from RM197.8k in FY2015 to RM1.3 million in FY2016.

The Group had also impaired RM124k of the receivables at the end of 2016.

Are these amounts recoverable and how much have been collected to date?

Chairman's Statement And Management's Discussion & Analysis (pages 22-27 of the Annual Report 2016)

Answer:

These amounts are recoverable and a total of RM0.6million has been collected to date.

Question 3

Corporate Governance

Request :-

We noted that there is no resolution pertaining to approval of payment of directors' other benefits pursuant to Section 230 (1) of the Companies Act 2016.

Does it mean that during FY2017, no allowances or benefits-in-kind or any other benefits would be paid to the directors until a resolution is tabled at the AGM in 2018 and shareholders' approval obtained? Please explain.

Answer :

Yes, shareholders approval will be sought at the AGM in 2018 prior to any payment of allowances or benefits in kind to Directors for FY2017.

THANK YOU