



**KEY MATTERS DISCUSSED  
AT THE THE TWENTY-THIRD ANNUAL GENERAL MEETING  
HELD ON 28 AUGUST 2019**

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**QUESTION 1**

Mr. Chong Jit Shen, a shareholder of Oriental Food Industries Holdings Berhad (“the Company”), had raised the following questions during the meeting:-

- 1(a) “The gross profit margin of the Company used to be 20% for the past ten (10) years but it has dropped to 18% now, what is the reason of the decrease?”
- 1(b) “The net profit margin of the Company increased for the financial year, but the distribution expenses of the Company has reduced substantially. As marketing and promotion expenses are the essentials for a Company in the consumer product business, is the reduction in promotion expenses considered as short term or long-term gain?”
- 1(c) “Out of the twenty (20) production lines of the Company, how many have been fully utilised?”
- 1(d) “Given that the industry for the biscuit market segment is quite competitive, what are the Company’s strategy for this business segment?”

**ANSWER 1(a), (b), (c) & (d)**

- 1(a) Datuk Son Tong Leong (“Datuk TL Son”), the Group Chief Executive Officer explained that profit margin in the food industry are relatively low as compared with other business segment due to higher operating cost as well as keen competition from other players in the same industry. Datuk TL Son further added that Company will look into the possibility of increasing the Company’s trade promotions.
- 1(b) Datuk TL Son informed that the Company has reduced certain marketing expenses such as media advertisement as the result were not as effective as the Company had expected. Instead the Company has switched its advertising strategy by focusing on more effective marketing channels such as billboard advertisement along major highways, commercial slots on popular radio stations, radio station broadcasting, facebook, etc.

Datuk TL Son further informed that the Company will continue to focus more on product sampling and other modes of introducing its new products to the public in order to create awareness and increase its market’s shares in this industry. The Company has relooked its strategies to increase its revenue including venturing into the biscuits segment as the profit margin of this business segment has been viewed as good and encouraging.



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- 1(c) Datuk TL Son reported that the Company currently produces five (5) main broad categories of food products namely snacks, cakes, wafers, potato based snacks and biscuits which comprise of more than twenty (20) production lines capable of sustaining its operation for 20 to 30 years. The Company is currently utilising a production capacity of approximately 65% to 75% for each category. Datuk TL Son commented that there is still room to increase its production capacity by 20%. However, the utilisation of the production line for biscuits is lower as it's a new product with high market competitiveness.
- 1(d) For long-term strategy, the Company has increased its investment in new production lines of up to approximately RM60.0 million including development of new products which has enables the Company to expand its product range in the market from solely snacks to biscuit industry. Taking into consideration that the Company has invested fairly into biscuits segment and it has only been about two (2) years, more time is required for the Company to expand and grow including its positioning in biscuits industry. Having said that, the Company is confident on its biscuit products appearance, taste and quality and shall focus more on securing relevant business partnership as well as an effective sales strategy to target buyers and succeeding in this new market.

**QUESTIONS 2**

Mr. Lim Siong Hee, a shareholder of the Company had inquired the following:-

- 2(a) "What are the reasons for the decline in revenue of domestic market of the Company in last financial year?"
- 2(b) "The number of fund investors in the Company has declined gradually in the last financial years, what are the strategies to attract funds investors?"
- 2(c) "What are the reasons for the decline in the declaration of dividend by the Company in recent years and what are the plans to increase the Dividend of the Company?"
- 2(d) "The Company's annual report indicated that the Company is facing a shortage of labour, Have this shortage issue been addressed? What are the implications to the Company as a result of the implementation of minimum wages?"

**ANSWER 2(a), 2(b), 2(c) & 2(d):**

- 2(a) Datuk TL Son responded that the reasons for the declination in revenue for both domestic and export market were mainly due to market sentiment and decrease in consumer disposable income. He further explained that the sentiment in domestic and export market has been soft in the last 3 months. However, sales had improved in the second quarter of 2019 which was basically due to the spending trend whereby consumers tend to spend more during the said quarter.



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- 2(b) Generally, funds investors will analyse the financial performance of any company before any investment decision is made. Datuk TL Son was of the view that the good reputation, track record and performance of the Company will definitely attract fund investors to invest in the Company.
- 2(c) Datuk TL Son responded that the Company is still in compliance with its dividend policy whereby the declaration of dividends for past financial years were at least 35% of net profits. Datuk TL Son explained that although the declaration of first interim dividend could be slightly lower, but the overall dividend payout for the financial year would be at least 35% of net profits.
- 2(d) Datuk TL Son informed that the shortage of labour issue is still manageable at this point of time as the Company has managed to secure new approval of work permits for five hundred (500) foreign labour from Bangladesh this year. In addition to that, the Company has recently obtained an approval for three hundred (300) working permits for utilisation within these two (2) years.

**QUESTIONS 3**

Mr. Chong Jit Shen, a shareholder of the Company had raised the following question:-

- 3) What are the distribution methods of the Company in domestic market?

**ANSWER 3**

Datuk TL Son replied that the Company is currently using its local trade partners to distribute its products directly to its retailers. These local trade partners will undertake the distribution and logistics of Oriental products to the customers.

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