

LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

**Annexure 3-A: Question &
Answer Session**

**Questions from Participating
Shareholders**



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

Questions from Minority Shareholders Watch Group (“MSWG”)

OPERATIONAL & FINANCIAL MATTERS

1. The Group has ventured into e-commerce to sell its products & the response from its customers has been encouraging. (Page 5 of AR 2020)

a) What was the contribution of e-commerce business to the Group’s overall sales in FYE 2020?

During the 1st MCO on 18 March 2020, all production activities were halted. One of the subsidiaries, involved in manufacturing of sofa set, explored additional channels to sell its products by registering with local online platforms like Shopee and Lazada. There was NO huge investment involved, but just securing a platform or channel for our products to reach local customers during the MCO. Although revenue therefrom was not significant, we view this as a practical auxiliary measure during the pandemic. Sales for 2nd half 2020 amounted to RM1.3 million, whilst revenue for the 1st half 2021 totalled RM1.48 million from e-commerce platform.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

b) What are the measures taken by the Company to grow its e-commerce business?

We are still assessing the potential from this mode of doing business in Malaysia.

2. In the second half of FYE 2020, the Company's export sales were severely affected by a global shortage of containers. Importers had deferred some of their orders due to this reason.

a) Did the deferment result in cancelled orders?

There was no cancellation experienced by the Group.

b) What was the effect to the Company's revenue and profitability from the deferment of the orders from importers due to the global container shortage?

The effect from deferment of orders from FYE 2020 to FYE 2021 was about 2% each on the Company's revenue & profits.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

3. The Company employed 3,333 people for FYE 2020 and has a substantial reliance on foreign labour (Page 47 of AR 2020)

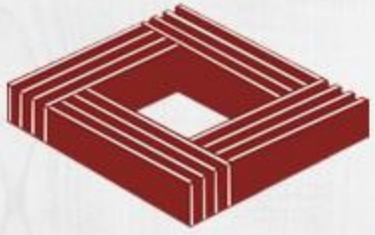
a) What was the ratio of foreign workers to local workers in FYE 2020? In line with tighter regulations to employ foreign workers by the Malaysian Government, what are the steps taken by the Company to mitigate the impact?

The current ratio is about 70 foreign: 30 locals in terms of the Group's worker profile.

Steps taken to mitigate the impact of risk:

i: Continuous sourcing for local workers by reviewing & providing wages and other benefits attractive enough to recruit local workers

ii: Ongoing assessment for pragmatic automation to be deployed in relevant manufacturing processes



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

b) Is the Company looking at automating some of its manufacturing processes to reduce reliance on labour since there is shortage of labour for the manufacturing sector in the country?

The Group is constantly evaluating the possibility of automating certain manufacturing processes, taking into consideration the Cost-Benefit analysis to ensure such automation it is a viable economic option & investment.

In fact, the Group has automated certain production activities, for example the finishing and painting processes. The Group outsources a significant portion of its manufacturing activities with an internal focus on final assembly & quality controls. Due to a myriad of models, automation in the assembly processes is challenging. One of the competitive advantages of the Group lies in its flexible assembly line that can be quickly reconfigured to cater for changing models. The trade-off is that these processes are not easily automated.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

4. In December 2020, the Company reported COVID-19 positive cases at its foreign worker's dormitory in Bukit Pasir, Muar, Johor where an Enhanced Movement Control Order (EMCO) was implemented by the authorities. The EMCO was subsequently lifted on 29 January 2021 (Page 46 AR 2020)

What are the steps taken by the Company to prevent a similar incident from occurring in the future?

The Group participated in the Public-Private Partnership Vaccination Programme ("PIKAS") in August 2021 & by end of September 2021, all workers should be fully vaccinated. Meanwhile, the Group complies strictly with the Government SOP as follows:

i : Workers have to undergo RTK antigen tests every 2 weeks

ii: Separate quarantine room has been put in place for infected workers or those with close contact cases



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

(Responses to Question 4 – cont'd)

iii: All workers & staff, including recruits, must be fully vaccinated before commencing work

iv: An Emergency Response Team has been set up to tackle crisis on Covid-19 & MCOs

v: Wearing of masks at all time, observing social distancing, & regular sanitization of the workplace, hostel & office regularly are being observed



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

5. Other operating Income of the Company rose from RM5.5 million in FYE 2019 to RM7.1 million in FYE 2020. (Page 66 of AR 2020)

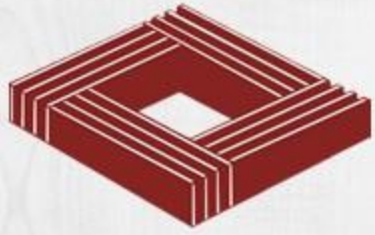
What are the reasons for the increase and is this income expected to recur in FYE 2021?

The increase was largely due to:

- 1. A net fair value gain on derivative of RM1.39 million in 2020 compared to RM0.24 million in 2019. The gain was from the USD forward contracts entered into before year end as part of the Group's hedging policy.**
- 2. Rental income of RM1.8 million in 2020 compared to RM1.1 million in 2019.**

Both are recurring in nature, although there is no assurance of which direction the fair value on hedging will move.

END OF QUESTIONS RAISED BY MSWG



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

SUMMARY OF QUESTIONS RECEIVED FROM SHAREHOLDERS BEFORE THE AGM & THE COMPANY'S RESPONSES THERETO

(A) COVID-19 PANDEMIC IMPLICATIONS

Questions :

1. How is Covid-19 pandemic affecting the US furniture market for Lii Hen?

The US furniture market continues to be robust with the Group's products seeing strong demand currently. Nonetheless, the Management remains cautious when deciding to accept orders in view of the current impediments faced in operations, largely due to the various Standard Operating procedures enacted by the Government following the ongoing Covid-19 pandemic scourge. When this question was responded to, the Group had yet to resume operations because of the Full Movement Control Order ('FMCO') which restricts operations for non-essential services



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

2. Will Work From Home ('WFH') driven by the ongoing Covid-19 pandemic continue to spur higher home furniture sale?

We are of the view that it will, although the Group's operations are currently hampered by stringent requirements on operations due to the ongoing FMCO for non-essential services.

3. In the ongoing pandemic, home furniture is in good demand. What is Lii Hen's current expansion plan to increase production capacity?

A factory building costing about RM6.5 million is currently under construction. In the absence of further Movement Control Orders imposed in the Government's quest to re-open the rest of the economic sectors & barring any unforeseen circumstances, the Board anticipates the project to be completed within the next 6 months.

The Group also acquired another piece of land measuring 7 acres at the cost of RM7.7 million for future expansion purpose.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

4. Do you foresee sales dropping due to easing in COVID cases overseas, as the previous surge in furniture demand was due to Work-From-Home in those countries?

Whilst the surge of furniture demand was to a certain extent attributed to WFH, it would be difficult to predict whether any easing of Covid-19 infectivity would adversely impact demand given that the virus has been mutating into various variants, for example the Delta variant and others.

Moreover, we view the new norms of working activities, i.e., WFH, would likely persist until a time when there is clarity that the threat from this virus is clearly overcome.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

(B) INCREASE IN OPERATING COSTS

Questions:

1 & 2. I wish to know how Lii Hen controls manufacturing cost and the Internal Known Risks that are being faced by Lii Hen. What is the approach taken by Lii Hen to control Manufacturing Cost? What are the Internal Risks of Lii Hen, & countermeasures?

The Group has been rationalizing its operating costs since the onset of Covid-19. For example, we have been implementing cost saving measures at product development stage to ensure cost effectiveness without compromising the quality we have to maintain. At the same time, our Production Management has been mindful to sustain production efficiency at all levels with a clear view of minimizing wastages, as part of our ongoing sustainability imperatives to optimise resources.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

The Group's internal known risks can be found on Pages 9 to 11 of AR 2020, which encompass:

- Covid-19 Outbreak – Movement Control Order which impedes production
- Labour shortage
- Adverse movements in foreign currency exchange rates
- Availability and cost of raw materials

Pages 145 to 150 of Lii Hen's AR 2020 also set out the Group's financial risk management policies & objectives that entail measures deployed by the Group in addressing:

- Credit risk from trade receivables
- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Market price risk



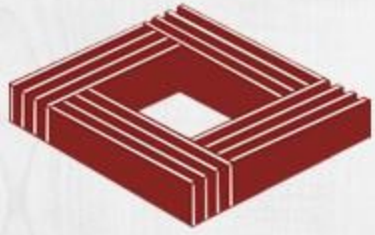
LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

3. In respect of increasing costs of materials, is the Group able to transfer such increases in cost to its customers? **While we are generally able to pass down the price increase in raw materials to customers, it normally takes time, i.e., any price adjustments to customers to factor in the increase in cost of materials will only materialize in 4 to 5 months following the increase in cost of materials.**

4 & 5. How does the Group control the cost against the material, labor fee and freight cost? As shipment & raw material costs are on an uptrend, can the costs to be transferred to customers? How does the Group manage it?

In addition to our response to Question 2 above, the Group seeks to optimize efficiency in the handling of materials to minimize wastages; source for competitive prices from suppliers by negotiating & obtaining bulk and cash discounts; and strive for minimum down-time in the production lines to optimize utilization of installed capacity. The Group's products are sold on Free-On-Board ('FOB') terms, thereby dispensing with freight charges as part of the Group's cost structure.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

6. Can the Management shed some light on current raw material cost? Would you say it to be low, moderate or high compared to the past?

The current cost of raw materials is higher than the past. The Management is mindful of this trend and has been taking pertinent measures to mitigate this risk, as mentioned in our responses to Questions 2, 3 & 4 above, for example, inter-alia, buying materials in bulk to leverage the discount structure provided by suppliers; optimizing the use of materials to minimise wastages; negotiating with customers to factor in price adjustments; etc.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

7. Page 7 of AR mentions the manufacturing cost increase was higher than the sales volume increase.

(a) Based on past experience, how long does it take for the Group to pass on input cost increase to customers?

(b) What are the trends of raw material, labor, sub-contracting & shipping costs right now?

(a) It generally takes an elapsed interval of 4 to 5 months for price adjustments to factor in cost increase to customers

(b) Although the costs are still trending on the high end, signs are showing some stabilization now



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

8. Referring to Page 7 of the AR, what is the percentage increase in material cost in FYE 2020 & FYE 2021? Are you increasing your average selling price (ASP) to offset the increases in both the costs of materials & labour? How much was the increase in your ASP in FYE 2020 & FYE 2021? Will you able to maintain gross profit margin of more than 20% in FYE 2021?

The increase in materials cost ranged on a broad band from 5% to 16%. In 2020, the Group experienced materials price increases in the 2nd half of the year. We managed to negotiate with customers for price adjustments in October 2020 for certain subsidiaries & price adjustments ranged from 3% to 8%. With the continuing increase in cost of materials in 2021, the Group is of the view that the GP margin may not be able to hold at 20% & beyond even if some of the costs can be cascaded down to buyers. One of the key strategies for the Group is to thrive on volume to counter headwinds against margins.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

9. What's the reason for the drop in performance? Foreseeing any recovery?

The decline in performance was mainly due to lower sales generated in the 2nd Quarter of 2020 largely due to the inaugural MCO on 18 March 2020. With the higher rate of vaccination & the resumption of operations envisaged in the 4th quarter of 2021, we are hopeful the Group's performance will recover, albeit slowly.

10. Referring to Page 7 of AR, your subcontractors charges were at RM117 million against your direct labour cost of RM74 million. Does your 3,333 work-force (Page 5 of AR) include those sub-contractor workers? What was the estimated total workforce for the sub-contractor workers? How much is it in terms of percentage of work-flow (from the beginning to the end of furniture manufacturing process) performed by the subcontractors?

The 3,333 head-count in work-force represents the Group's workers only. The number of workers from sub-contractors is estimated to range from 2,000 to 2,300 & the percentage of work covered by sub-contractors is estimated to range up to 45%, depending on the subsidiaries involved.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

(C) SHORTAGE OF CONTAINERS

Questions

1. For how long is the Container issue expected to affect Lii Hen's business?

The issue of container shortage remains an existing challenge & is expected to persist, currently without any clear indications of improvements.

2. What is the Group's strategy to address increasing prices of shipment, & container shortage issue?

The Group's products are sold at FOB, where freight charges are borne by the customers.

Notwithstanding this, higher freight charges may cause some buyers to defer shipments.

3 & 4. Any order cancellation due to container shortage? Will container shortage problem cause Lii Hen to lose any order?

The Group did not experience any major cancellation of orders from buyer as most of the Group's products are generic in nature, which can be sold to any other buyers so long as they are able to book the shipment.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

5. Other than container shortages, do you foresee any new problems (e.g. customer's cancelling orders)? And how would you counter or prevent these problems?

There was no major cancellation but due to FMCO which was implemented in June 2021, the Group's operations were halted for 3 months, where the delivery & shipment of goods had to be postponed or rescheduled.

6. The Group incurred RM36m on freight & haulage in 2020, or 3.9% of revenue. (a) What is the container shortage situation right now? (b) What is the freight & haulage cost as a percentage of revenue YTD in the current financial year? (c) How much of the cost increase can be passed to customers?

- a) The container shortage situation persists currently.**
- b) The container haulage was maintained at 4% of Group's revenue in the current financial year.**
- c) The Group's products are sold at FOB terms.**



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

7. The global container shortage crisis has been around for more than 6 months & freight cost has been on an increasing trend by more than double since September last year. I understand most of your customers' shipment terms are on FOB & your average value per container was at USD12,049 (Page 7 AR 2020). As for customers costing, what is the average freight cost per container & what is the total cost per container (including product, transport & other misc. costs) to be incurred by the customers?

The products are sold on FOB terms. As different products have different loadability, the shipping cost per product invariably differs. We do not have access to the information inquired as the customers view such information to be confidential.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

(D) OTHERS

1. As per 2QFY21 report, FMCO started in June 2021, and all workers would only complete the 2nd vaccination under PIKAS by end of September 2021. (a) What are the percentages of production & shipment in the months of June, July, August & September respectively, if any? (b) When will production, raw materials supply & sub-contracting support return to normal? (c) What is the monthly fixed cost incurred when there is zero production & zero shipment?

a) Sales for June 21 was 19%, July 2021 20%, August 21 20% of the Group's normal monthly sales (as only loading activities were allowed for certain stipulated time with strict SOP enforced)

b) We anticipate normalizing our operations in the 4th quarter 2021 provided there is no further disruption due to unforeseen circumstances or any new MCOs being implemented by the Government

c) The Group's monthly fixed cost is RM8 million.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

2. On July 12, the Malaysian Furniture Council informed that the industry had lost more than RM1.6 billion. MFC President mentioned that overseas buyers had routed their orders elsewhere and might demand compensation from local producers. (a) What are the impacts to the Group and its supply chain? Can its suppliers and subcontractors survive? (b) To which countries do the Group customers likely to have routed their orders? (c) How long may it take the Group to win back lost orders or lost customers?

a) We have not experienced any compensation claims from buyers as the Group does not have any contractual obligations with customers on such event.

b) The orders could have likely shifted to neighbouring countries, but they are also facing the same problem due to the Covid-19 pandemic which is a global scourge and the governments there have also ordered shut down in operations to combat the virus threat.

c) The Group has not lost any major customer arising from the pandemic.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

3. As of 2QFY21, the Group still has RM155 million of cash & FD and has still recorded positive operating cash flow. However, it has suspended the quarterly dividend for the first time since 2009.

(a) What is the set of conditions to be met before the Board resumes dividend payments? (b) How likely will dividend be resumed by Q4 this year?

a) The Company will consider resuming the payment of dividend after the current situations posed by Covid-19 stabilize & there is more certainty in the market economy.

b) The resumption of dividend payment very much depends on the economic situation, which is currently in a state of flux, especially when the Covid-19 infectivity has yet to abate & fatality rates rising. The Group will also consider, inter-alia, the rate of vaccination in the country to hit a safe herd immunity



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

4. The Group has increased its sales to North America from 86% in 2019 to 91% in 2020. Does the Group have any plan to reduce the concentration risk?

While North America continues to be the Group's main market, we are making efforts to explore other markets too, not only to mitigate concentration risk but also geographical exposure.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

5. The US Custom has banned products from some Malaysian firms due to foreign worker issues. The Group employs many foreign workers & has a high dependence on the US market where North America absorbed 91% of sales in 2020. (a) Has the Group planned against this scenario? What are the mitigation steps? (b) Is the Group in compliance with Housing Act 446? (c) Do customers demand compliance audits on the Group and its supply chain?

a) We are the member of SEDEX, an organization that provides a platform for companies to manage & improve on working conditions in the global supply chain. We are constantly observing & improving on the rules & regulations imposed by the US authorities.

b) Continuous efforts are being taken to comply with the Housing Act 446 by building more hostels to house workers & ensuring the safety and hygiene of workers, especially during this pandemic.

c) The Group's manufacturing process constantly undergoes compliance audits conducted by the buyers.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

6. The 2019 Annual Report mentions that factory construction costs RM6.5 million. (a) Does it refer to the same authorized capex of RM7.9 million in Note 14 of recent quarterly report? (b) What is the current progress & expected completion date? (c) How much capacity will it add? (d) What is the Group's capacity utilization during the busy period, i.e., before current lockdown?

a) Yes, the authorized CAPEX of RM7.9 million is inclusive of this factory construction.

b) The factory is expected to complete within the next 6 months provided there is no further disruption due to movement control imposed by the Government or infections among the contractor's workers.

c) The estimated sales from the new factory amount to RM3 million per month in the first year of operation.

d) The Group's capacity utilization before the current lockdown was about 95%.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

7. In recent years, the Group has registered strong sales in upholstery sofa set, dining set and panel-based office suites as compared to bedroom set which is the main revenue contributor. (a) Is this due to a deliberate strategy to diversify product range? (b) Do these products enjoy higher margin than bedroom set?

a) It is the Group's objective to diversify product range to serve the demand of the customers.

b) It depends on the models as some sofa set products do enjoy slightly higher margins than those of the bedroom set.

8. The Group has experienced fire incidents in the past. What is the impact on insurance premium? In general, how is the Group compared to its peers in terms of safety standard?

There is no increase in insurance premium but involves more underwriters on the insurance coverage. The Group safety standard is at least on par with its peers.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

9. According to page 54 of Annual Report, a total of 9 new directors were appointed at the subsidiary company level. What is the reason of appointing so many new directors within a single financial year?

This is an intentional strategy on succession planning as promulgated by the Malaysian Code on Corporate Governance to attract, motivate and retain talents with the Group. Moreover, the bulk of such new appointees have been serving in the subsidiaries concerned in senior management level and hence elevating them to helm directorship in such companies is a natural step of progression as part of a key succession plan.

10. Is LIIHEN doing any USD hedging to minimize forex risk?

The Group's policy is to hedge in the range of 30% to 50% of contracts orders.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

11. Traditional furniture stores seem to be losing crowds to IKEA which offers fashionable yet cheap furniture. Does Lii Hen have any strategy to compete with low-cost DIY furniture like IKEA?

The Group's products cater for different markets. IKEA's products are more for Cash & Carry whereas we sell mostly to importers and wholesalers.

12. Does the Management have any plan to reduce labour and focus on automation?

The Group is constantly on the look-up for automation of certain manufacturing processes. However, this has to take into consideration the Cost-Benefit analysis to ensure it is a viable & economic option as a way forward.



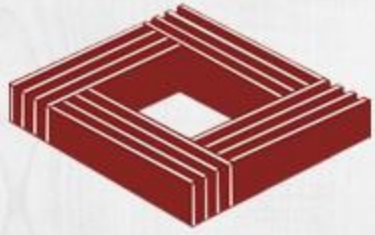
LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

13. What is the impact (financial and orderbook) to the Group as a result of the operation closure during the lockdown from June 2021? Otherwise, good job to the management team in managing the Group and weathering it through the latest crisis!

There is a big impact on the Group's revenue & profitability, especially for the 3rd Quarter 2021 when the impact of the lockdown is more pronounced & severely experienced as compared to the second Quarter this year. Sales orders from customers will need to be postponed and rescheduled.

Nonetheless, thanks for the compliments. Management will take heart and strive to bring in the revenue and profits.



LII HEN INDUSTRIES BERHAD

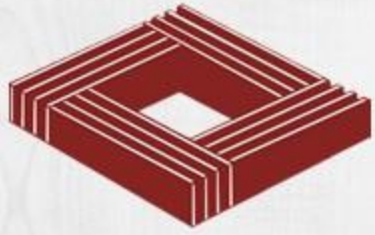
27th Annual General Meeting

14. How many days were your factory closed during 2nd quarter this year? How many orders are in backlog?

The factories were closed for the entire month of June in the 2nd quarter this year. Many orders will need to be postponed & rescheduled to Year 2022 as our Quarter 3 operations are more adversely affected due to the longer period of lockdown in this Quarter.

15. How do you address the growth of the furniture business in the coming few years to come?

As it views the furniture industry to continually grow for the next 5 years, the Group will work closely with customers to develop new products to suit the current trends & needs of the market, like online purchases which are in the form of knock-down modules to ease transportation & cater to the new norms of purchasing habits.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

16. In the Management's view, what are the prospects of furniture industry in FY 2021?

The business prospects for furniture are projected to be positive in view of the strong recovery in the Group's traditional market. However, there are many challenges lying ahead for FYE 2021 to be navigated, especially the containment of the virus pandemic, the increase in operating costs & the issue of container shortage.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

17. Referring to the segmental information in pages 151 & 152, what was the total investment cost and its impairment in your plantation segment? Kindly further explain the nature of the Plantation liabilities of RM12.3 million. This segment losses had increased from RM1.3 million in FYE 2019 to RM4.7 million in FYE 2020. When do you expect it to be break-even? Why not diversify away this non-core division and focus on your core furniture manufacturing activities?

Plantation Division – impairment in subsidiary company in 2020 comprises:

Amount due from subsidiary company-written off	3,054,981
Investment in subsidiary- written off	<u>649,479</u>
Total	<u>3,704,460</u>

The above were attributed to the segment loss, increasing from RM1.3mil in 2019 to RM4.7mil in 2020. The plantation liabilities of RM12.3 mil were mainly amount due to Lii Hen Industries Bhd of RM12mil. The tapping of latex is projected to commence in year 2023 & we expect this division to at least break even in year 2023.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

(Responses to Question 17 – cont'd)

The plantation division is a joint-venture project with PIJ Plantation & Agricultural Sdn Bhd. The main objective of going into plantation is more of a long-term strategic plan to ensure sufficiency of wood supply besides price stability. By replanting rubber trees, which is the sustainable material, the Group is embracing sustainability practices on the environment, in terms of carbon absorption from the atmosphere and social aspects by providing employment



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

18. Referring to page 5 of the AR, you are venturing into e-commerce in Malaysia. What is the total investment cost on this venture? How does this e-commerce been conducted? Who are your targeted customers? What is the e-commerce portal/web-site?

During the 1st MCO on 18 March 2020, all production activities were halted. One of the subsidiaries, involved in manufacturing of sofa set, explored additional channels to sell its products by registering with local online platforms like Shoppe and Lazada. There was NO huge investment involved, but just securing a platform or channel for our products to reach local customers during the MCO.

Although revenue therefrom was not significant, we view this as a practical auxiliary measure during the pandemic. Sales for 2nd half 2020 amounted to RM1.3 million, whilst revenue for the 1st half 2021 totalled RM1.48 million from e-commerce platform.



LII HEN INDUSTRIES BERHAD

27th Annual General Meeting

19. The Gross Profit Margin for the latest 1st Half Results for the period ended 30 June 2021 has declined further to 14.5% from the normal 18% to 19% enjoyed by the Group. Will the Management be able to improve the Gross Profit Margin for the remaining period of FY2021?

The FMCO enforced since June 2021 has severely affected the Group's operations, especially in the 3rd quarter of this year. In view of the current lockdown which has lasted for more than 3 months, we do not foresee any improvement to the Group's gross profit margin for the remaining period of FYE 2021.

20. Due to multiple MCOs & factories not being able to operate at their 100% capacity for a prolonged period, this has caused the Group to be unable to fulfil orders to customers currently, resulting in backorders. How will this affect future customer relationship & upcoming orders?

We anticipate postponements and rescheduling of deliveries amid such unprecedented challenges faced by the Group. Nonetheless, we are leveraging on the long-term and cordial relationship with these customers and are confident of their understanding towards the Group's current predicament.