

KOTRA INDUSTRIES BERHAD

[Registration No. 199901022732 (497632-P)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-FIRST ANNUAL GENERAL MEETING OF THE COMPANY DULY HELD AND CONDUCTED ON A FULLY VIRTUAL BASIS

BROADCAST VENUE	:	VERTICAL BUSINESS SUITE, UNIT 35-01, LEVEL 35, TOWER A, AVENUE 3, BANGSAR SOUTH, NO. 8, JALAN KERINCHI, 59200 KUALA LUMPUR
DATE	:	FRIDAY, 20 NOVEMBER 2020
TIME	:	10.00 A.M.

The following key questions on the business and operations of the Group, submitted via the Questions' Pane during the Twenty-First Annual General Meeting of the Company, were duly responded by the Board of Directors and the Chief Financial Officer:-

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

1. How would RCEP affect the Company (positive or negative)? (Chua Wei Nie)

Our Response:

Full impact of RECP has yet to be fully understood and appreciated. However, for the Group, we will be seeking opportunities to export our products. Our last 20 years' investment into international market will position us well to seize any opportunity that arises.

2. How will the RCEP agreement affect the Company? Will the agreement be an advantage to the Company? (Wong Weng Yew)

Our Response:

Being an exporter (approximately 40%) instead of just a local player, we believe we have a better chance of experiencing a positive impact rather than negative one.

DIVIDEND

3. Would CAPEX to be incurred affect dividend payout? (Chua Wei Nie)

Our Response:

The dividend payout is based on the Group's profitability. Given the size of the CAPEX investment, the impact on the dividend payout would be minimal.

DOOR GIFTS

4. Online meeting got door gift/voucher? (Chua Wei Nie)

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5. Many companies also posted door gift this year. I hope that our director will reconsider give door gift this year, million thanks. It will not cost much on door gift, but all shareholders that attend meeting will be happy to receive it, thanks. (Hong Kok Heng)
6. Hope that the Company can post the door gift because other companies also post to us. (Hong Siew Lee)
7. Dear Board of Directors, I hope that the Company will give door gift to your loyalty shareholders who spend effort and times to support this virtual AGM, thanks. (Hong Cheng Wan)

Our Response to Question 4, 5, 6 & 7:

The Board would like to express its sincere appreciation to all shareholders and proxies for allocating their time to attend this AGM. As stated in the Administrative Guide circulated together with the Notification Letter to Shareholders, door gifts will not be provided by the Company to the attendees of the virtual AGM. Delivery of door gifts via courier is costly as we are now leveraging technology by conducting the AGM on a fully virtual basis. Given the unprecedented and challenging situation caused by Covid-19, the Group is also taking measures on cost containment wherever possible. In the past, door gifts were provided to shareholders/proxies when physical AGMs were held.

E-VOUCHERS/E-WALLET

8. Would the BOD kindly consider giving complimentary e-vouchers to RPV participants of this virtual AGM? (Lim Kheng Joo)
9. Dear BOD - Kindly give us some e-vouchers or e-wallet for being loyal shareholders and attending this meeting. Times are bad now. TQ. (Stephen Lye Tuck Meng)

Our Response to Question 8 & 9:

The Board appreciates your participation in the 21st AGM and thank you for your suggestion. The Company will not be providing e-vouchers or e-wallet for this AGM. Given the unprecedented and challenging situation caused by Covid-19, the Group is taking measures on cost containment wherever possible. However, we will prioritise all suggestions and will look into it in the future.

VACCINE

10. Does your company plan to do fill and finish for vaccines? (Hor Kah Wei)
11. Does Kotra plan to participate in fill and finish process for Covid-19 vaccines? (Hor Kah Wei)
12. Do you see the incoming vaccine that will increase the demand for your pre-filled syringe? (Hor Kah Wei)

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13. The demand for the Kotra manufactured pre-filled syringe will be increased by the massive injection for Covid-19 vaccine. (Hor Kah Wei)
14. Any plan for vaccine business? (Kok Chee Leong)
15. Will Kotra get involved with and benefit from the Covid-19 vaccine supply work? (Tan Chuan Hin)
16. Any plan to be involved in Covid-19 vaccine manufacturing? (Wong Weng Yew)
17. Since every nation and citizen pray for Covid-19 vaccines to be commercialized, will Kotra be involved in distribution/sale of one of them? (Jee Jeet Yuan)

Our Response to Question 10, 11, 12, 13, 14, 15, 16 & 17:

The Group will not embark on Covid-19 vaccine development/finish/distribution/sale at this juncture. Should it require in response to National Service, we may explore and keep the options open.

SHAREHOLDER MATTERS

18. @Datuk Chairman, is there any plans to increase the share liquidity in the market. (Lim Yii Wei)

Our Response:

We believe there are sufficient shares spread in the market currently to ensure liquidity of the shares.

19. Noticed Kotra stock price was moving in a tight range within RM2.90 - RM3.50 (May - Nov) compared to Duopharma (RM1.50 - RM4.20) and Pharmaniaga (RM1.70 - RM6.00). Could you please describe further? (Jee Jeet Yuan)

Our Response:

The valuation of share prices is determined by investors. With the Group focusing on its business and profitability, we believe this will provide a better fundamental for our shareholders in the long run.

BUSINESS STRATEGY/OPERATIONS

20. The Malaysia revenue of RM97mil. How many percent are private vs public? (Ng Hooi Ting)

Our Response:

Our focus is currently on the private market sector. Public sector's contribution to the Group's revenue is not significant now. Nevertheless, we will still be actively participating in Government public tenders.

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21. Asia was mentioned in segmental reporting. Can I know the list of countries? (Ng Hooi Ting)

Our Response:

The segmental reporting which can be found in page 99 of the Annual Report. The countries in Asia include ASEAN regions, Sri Lanka, Macau, Hong Kong, Saudi Arabia, Yemen and Maldives amongst others.

22. How much Capex will be spent to upgrade manufacturing equipment and expansion of warehouses in FY2021? (Tan Zhi How)

Our Response:

For FY2021, the Group's capital expenditure to upgrade manufacturing equipment, including cost of expansion of warehouse, is RM57 million. A major portion of the cost may be incurred mainly in FY2022.

23. What is the margin for international market compared to local market? (Tan Zhi How)

Our Response:

The margin for local market is slightly higher compared to international market due to additional transportation charges and distributor margin.

24. How much has our company had spent for branding and marketing last year? If compared to historical average amount spent pre-COVID-19? Appreciate if the board can explain in both marketing spending locally and internationally. (Tan Zhi How)

25. How much is the cost saving from transforming from traditional media to digital media and in terms of Cost Per Lead/ Cost per impression? (Tan Zhi How)

Our Response to Question 24 & 25:

The Group had never cut our spending on any branding and marketing activities before or during Covid-19. Marketing expenditures for local are higher compared to the expenditures for international countries.

In line with our digital marketing strategy, we have established BigLink, a smartphone based cardless loyalty programme that enables users to collect points ("eRM") digitally and is currently only available in Malaysia. As of the financial year ended 30 June 2020, the BigLink application ("the app") is up and running and users can earn eRM each time a purchase of Appeton products is made from physical retail stores.

As mentioned in the Annual Report, we believe BigLink has a huge potential and we intend to fully capitalise on it. We are still new in exploring the digital media and we are still analysing the cost saving, if any.

26. How much will the board spend on R&D every year? From the financial statements, it looks like our company does not capitalize any R&D expenditures? Please correct me if I am wrong. (Tan Zhi How)

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27. How much has Kotra invested in R&D in FY20 Vs FY19? (Tan Beng Liang)

Our Response to Question 26 & 27:

The Group will continue to invest in R&D. We currently have 50 dedicated personnel in this department. The spending throughout the year did not reduce.

Being a generic R&D, the Group has taken a stand not to capitalise any R&D expenditures.

28. With your current capacity and resources, what kind of optimal revenue can you achieve? What are you doing to grow revenue to this level? (Tan Beng Liang)

29. How much is the capacity utilisation for the current production running? (Tai Yeou Ruen)

Our Response to Question 28 & 29:

Given the balance of capacity available, we should be able to achieve 2 to 3 times of the current revenue at optimal point. The Group is still doing what is required, which are focusing on building our brand name and rationalising some expenses to remain competitive as well as making our products accessible to more people.

30. How much does OEM/contract manufacturing contribute to your sales in FY20? What are the key reasons for higher sales of Axcel and Vaxcel in FY20? (Tan Beng Liang)

Our Response:

Contract manufacturing contributed less than 5% for the financial year ended 30 June 2020. A lift in Axcel and Vaxcel products in the local and overseas market managed to offset the impact of decline in contract manufacturing sales. Higher sales of Axcel and Vaxcel were due to new launching of new products on our product portfolio as well as the contribution of our sales team in driving and achieving their targets.

31. How much have you invested in the MDI line and PFS line? What kind of revenue can you achieve at full capacity and when do you expect to achieve full capacity? (Tan Beng Liang)

32. What is the total investment for both MDI line and PFS line? (Tan Beng Liang)

Our Response to Question 31 & 32:

The Group has made a total investment of approximately RM6 million for both MDI and PFS lines. It has yet to achieve its full capacity now.

33. What are the 2-3 key metrics that the Management looks at to drive its business? (Tan Beng Liang)

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34. What are the planning and strategies of Kotra in facing Covid-19 and post Covid-19? (Jee Jeet Yuan)

35. What is your strategy and plan to stand out in the pharmaceutical industry? (Hor Kah Wai)

Our Response to Question 33, 34 & 35:

The Group is still doing what is required, which is focusing on building our brand name. Through strong branding, we can withstand the full impact of international competition where in our view, selling at low cost may not be an efficient way of competition. We are rationalising some expenses to remain competitive and making our products accessible to more people. The Management is of view that although Covid-19 situation is temporal, it has nonetheless changed the way business operates in the new norm and the Group is adapting to the new norm.

TAX

36. How much income tax credit is our company still able to enjoy? What is the expected effective tax rate for FY2021? (Tan Zhi How)

Our Response:

The Group will still be able to enjoy income tax credit of RM109,612,000 (as stated in Note 10, page 80 of the Annual Report). For financial year ending 30 June 2021, the expected effective tax rate will be 0.5%.

37. How long can your unused tax credit/allowances last? (Tan Beng Liang)

Our Response:

It will last till year 2026, except for capital allowances and industrial business allowances which can be brought forward indefinitely.

PRODUCTS

38. How much does Appeton contribute to your total revenue? What is the growth rate in FY20? (Tan Beng Liang)

Our Response:

The Group's Appeton brand is a significant contributor to the Group's total revenue for the financial year and the growth rate has been consistent with the preceding financial year as well.

39. When was the last time you raise prices for Appeton? Other brands? (Tan Beng Liang)

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Our Response:

We do have price increase on a yearly basis. However, due to the Covid-19 situation, we have delayed the price increase for the moment.

40. How are the prices of Appeton products compared to competitors? (Tan Beng Liang)

Our Response:

We believe the pricing of our Appeton products is fair, given the quality and efficacy of our products compared to those of our competitors.

INDUSTRY ENVIRONMENT AND OUTLOOK

41. How is the industry environment and outlook for OTC supplement segment, nutritional products and pharmaceutical products? (Tan Zhi How)

Our Response:

Despite the Covid-19 related challenges and as people are getting used to the current situation, the Group foresees a positive outlook and a recovery once the CMCO is lifted.

42. What has been the biggest change in your industry for the last 5 years? (Tan Beng Liang)

Our Response:

The main change is the steep increase in regulatory compliances, not only locally but internationally as well for our exports.

43. Hi, Kotra. My name is Yap Yong Yi, I am one of the shareholders of Kotra. Thank you for the hardwork within the FY2020. Hope you can do well also in the FY2021 and the future. I know that you cannot disclose the actual number for the results. But can you have roughly talk about what is the growth rate in the future 5 years? (Yap Yong Yi)

Our Response:

We remain positive post Covid-19.

OTHER MATTERS

44. What were the hardest moments in the life of Kotra? And what did you do about it? (Tan Beng Liang)

Our Response:

Establishing Malaysian brands internationally.

45. What keeps you up at night? (Tan Beng Liang)

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Our Response:

Certainly not work. If any, it will be family matters.