



Questions from the Minority Shareholders Watch
Group (“MSWG”) and shareholders together
with response

29th Annual General Meeting Asia File Corporation Bhd.

Registration No. 199401027510 (313192-P)
(Incorporated in Malaysia)

Question	<p>1. Revenue contribution from the recyclable consumer and food ware division stood at 15.6% of total revenue in FY2023. With the addition of new products and market expansion, the Group expects the percentage contribution by this division to increase over time. (page 4 of Annual Report (AR) 2023)</p> <p>a) What were the new products introduced by this division in FY2023?</p>
Response	<p>We have introduced different finishing, designs and specifications for products in the categories of chairs, drawers and storage boxes.</p>

MSWG Q&A – Operational & Financial Matters



Question	b) How many stock keeping units (SKUs) do you have at the end of FY2023 compared to a year ago?
Response	<p>Number of SKUs does not represent the range of products we offered as similar products may be packed differently in various combinations (i.e. different UOMs (unit of measures), colours, or combination).</p> <p>Our focus is not in increasing number of SKUs but to package our products in accordance to customers' requirement.</p>

MSWG Q&A – Operational & Financial Matters



Question

c) How many new products do you plan to launch in FY2024?

Response

We will be launching new categories such as cabinet storage and foldable storage.

MSWG Q&A – Operational & Financial Matters



Question	d) Which new markets have the Group entered into FY2023?
Response	<p>In FY2023, our focus was in local market and product penetration on online platforms such as Shopee and Lazada.</p> <div data-bbox="851 576 1164 743">The logo for ABBAware, featuring a crown icon above the text "ABBAware" in a black, sans-serif font.</div> <div data-bbox="1383 576 1753 743">The logo for ABBA premium, featuring the text "ABBA" in a large, bold, green, sans-serif font with a registered trademark symbol, and the word "premium" in a smaller, black, sans-serif font below it.</div>

MSWG Q&A – Operational & Financial Matters



Question

e) Are there any specific market trends or consumer preferences that the Group is capitalizing on?

Response

We are unable to share the information publicly at this moment due to trade sensitivity.

Question	<p>2. In reply to MSWG’s question 3 (c) at last year’s AGM, the Group said that it targeted revenue growth of 20%+ per annum for the recyclable food ware business (i.e. ABBAware), subject to prevailing market conditions.</p> <p>a) Revenue contribution from recyclable consumer and food ware increased by only 1.8% to RM49.6 million in FY2023. Please shed some light on the lower- than-expected growth rate.</p>
Response	<p>Global economies including Malaysia remain subdued on the effects of high interest rate, inflationary pressure as well as slower than expected recovery in China. The sluggish business activities do not augur well for the consumer sector. Consumers adjusted their spending habits as the high inflation eroded the overall purchasing power. This has softened the demand for consumer products.</p>

MSWG Q&A – Operational & Financial Matters



b) What are your strategies to improve sales of consumer and food ware products?

Response

We need to study and understand the market well, manufacture the products in the most cost competitive way and strategize our marketing approach in order to capture a bigger market share.

Question	c) How much was the revenue and profit before tax contribution from Supportive Technology Sdn Bhd in FY2023?
Response	Revenue and loss before tax for Supportive Technology Sdn Bhd for FY2023 were RM10.1 million and RM281k respectively, an improvement from the loss position of RM1.4 million registered one year ago.

MSWG Q&A – Operational & Financial Matters



Question	d) What is the budgeted capex for FY2024?
Response	It should be in the range of RM 5m to RM 10 m.

Question	<p>3. For the first quarter of FY2024, consumer and food ware segment saw a 30% year-on-year decline in revenue to RM10.2 million. (page 9 of Q1FY2024 report)</p> <p>a) What are the reasons for the significant fall in revenue for the first quarter of FY2024?</p>
Response	<p>The adverse impact from the external factor as outline in 2(a) above continues in 1Q FY2024. As reported by our Central Bank, Malaysia’s economic growth for the second quarter of 2023 was the slowest in nearly two years as quarterly annual growth came in at 2.9% only.</p>

MSWG Q&A – Operational & Financial Matters



Question	b) What is the outlook for the remaining of FY2024?
Response	<p>We believe that the economy condition will remain challenging as evidenced by the release of all recent economic data. Being the manufacturer of consumer products, this will have a negative impact on our business. However, we are optimistic that the core operating result for the Group will remain profitable as we maintain our competitiveness in the industry. Our adoption of lean manufacturing approach coupled with our strong financial position will enable us to compete effectively in the market.</p>

Question	4. Practice 1.3 of the Malaysian Code of Corporate Governance stipulates that the positions of Chairman and CEO should be held by different individuals. For FY2023, the Company did not apply Practice 1.3. Both the positions of the Board Chairman and the CEO are held by Dato' Lim Soon Huat. Does the Company intend to apply Practice 1.3, and if yes, by when?
Response	<p>The Board noted the recommendation for the positions of Chairman and CEO to be held by different individuals.</p> <p>The presence of $\frac{3}{4}$ majority of Independent Directors on the current Board will provide a strong check and balance mechanism. The majority of Independent Directors have also acted as Directors in other public listed companies. The Board could rely on their extensive experience and knowledge to ensure the exercise of independent judgement.</p>

Question	4. Practice 1.3 of the Malaysian Code of Corporate Governance stipulates that the positions of Chairman and CEO should be held by different individuals. For FY2023, the Company did not apply Practice 1.3. Both the positions of the Board Chairman and the CEO are held by Dato' Lim Soon Huat. Does the Company intend to apply Practice 1.3, and if yes, by when?
Response (cont'd)	In addition, during the decision making process, proposals are being thoroughly deliberated and considered and is a collective decision making of the majority view of the Board whereby no single Board member can dominate the decision making process. In view of the extensive experience of Dato' Lim Soon Huat in managing the Group's business, the Board could benefit from a knowledgeable Chairman in providing timely updates and guidance when deliberating on key issues or during discussions on latest developments.

Shareholder Q&A – Tan Ching Yuew



Question	1. Noted a year-on-year 40% decline in administrative expenses compared to financial year ended 31 March 2022 (“FY2022”). Please elaborate on the huge decline.
Response	Freight transport was RM60,000 a container in FY2022. The freight cost has shrunk to 10% that is RM6,000 per container.

Shareholder Q&A – Tan Ching Yuew



Question	2. Is it correct that management categorised freight costs under administrative expenses rather than as sales and distribution costs?
Response	Yes, that is correct.

Shareholder Q&A – Tan Ching Yuew



Question	3. Are most of the products sold manufactured in Malaysia?
Response	<p>There is a mix.</p> <p>The primary manufacturing plant in Malaysia produces products on knock-down / component basis for onward assembly and sale in UK and Europe.</p>