KEIN HING INTERNATIONAL BERHAD
(Company No. 616056-T)
(Incorporated in Malaysia)

KEY MATTERS DICUSSED AT THE FOURTEENTH ANNUAL GENERAL MEETING HELD AT FACTORY B, LOT 1863 AND 1864, JALAN KOLEJ, 43300 SERI KEMBANGAN, SELANGOR DARUL EHSAN ON TUESDAY, 17 OCTOBER 2017 AT 10.00 A.M.

The following Key Matters were discussed at the Fourteenth Annual General Meeting ("14th AGM")

(a) Audited Financial Statements

(i) Status of the construction of the new factory in Vietnam.

- The Members were informed that the new factory in Vietnam was being constructed for the Company's wholly – owned subsidiary, Kein Hing Thai Nguyen (Vietnam) Co., Ltd ("KHTV") and was originally expected to be completed by October 2017. Since the Annual Report 2017 was sent on 24 August 2017, construction work had stopped due to heavy rain and floods. Typhoons which were currently approaching Vietnam might further delay the construction and increase the final construction cost. However, the Members were informed that this contingency cost had been factored in the bills of quantities.
- In reply to a question as to why the construction cost per square feet was high, it was pointed out that the construction cost per square feet included infrastructure cost for a 3 – storey building but only one floor was being built under Phase 1 currently.

(ii) Drop in revenue of tooling/moulds

There was a substantial drop in revenue from the sales of tooling/moulds from RM15,846,841 in last financial year to RM8,679,732. It was explained that the spike in revenue from the sales of tooling/moulds last financial year was mainly due to a one-off tooling sales of approximately RM7 million to a customer in Vietnam.

(iii) Tax Incentive

The Members were informed that the Company has tax incentives in the form of reinvestment allowance ("RA") for three years on new machines acquired. The RA will expire in Year of Assessment 2018.

(iv) Cash and Bank Balances

A member suggested that the Cash and Bank Balances which amounted to RM33 million should be placed in money market to earn higher interest. However, the member was informed that the Group had very prudent cash management which would use the uncommitted cash reserve available at any time to repay loan arising from the acquisition of machines, construction of new factories, funding new factory expenses and working capital requirements. It was also explained that the Group's core business was manufacturing and not dealing in financial instruments and the money market. A Member agreed with Management that the Company should not act like a banker and advised the Company to concentrate on its core business of manufacturing.

(v) Status of Sanko Kein Hing Sdn. Bhd. ("SKH")

In response to a Members's question on the inclusion of SKH as a key audit matter in the Audit Report, Members were informed that the losses of SKH, a subsidiary of the

Company in the previous years were disappointing. Management admitted that the performance of SKH was not as good as initially forecasted, but was expected to be turning around in the financial year ending 30 April 2018 and going forward.

(vi) Expected Performance in FY2018.

- Two questions were raised on the expected performance of the Group in FY2018. The Members were informed that the construction of the new factories and the long gestation periods for the new factories to reach their optimal production and sales would affect the Groups' profit.
- In connection to this, it was also explained that the Vietnamese authorities did not allow the Company's land to remain vacant for more than two years. That was why the Company had started constructing the new factories in Vietnam. Production in Vietnam would go up in future while the production in Malaysia would drop. Moreover, the industry the Group is in generally has long gestation period of at least one to two years.
- Other things being equal, profit in FY2018 is expected to be subdued.

(vii) Wage Increase
In reply to a question whether Management saw the wage increase in Vietnam coming, Management said that it was aware that wage increase in Vietnam would happen, but it was still a better place to be in then. Similarly, it was pointed out that Myanmar which is not a favourable place to do business now may be the next good place to do business in future until it is subject to wage inflation pressure. Automation in factories may be a solution to circumvent wage increase, but the cost will rise if the Company did not have any business. Wage increase will continue to be the norm and business will be negatively impacted.

(viii) Dividends

- A Member said that he was happy with his investment in the Company even though the dividend and the share price were not positive. He felt that a dividend yield of 1.9% was rather low and suggested that this had affected the share price. He asked about the prospect of getting 3% dividend. In reply, the Members were informed that the Company would be more than happy to pay 3% dividend if it had the profit and cash flow.

- The Member also suggested that the Company should have more exposure to institutional investors. This was duly noted by the Board.

(ix) Recurrent Related Party Transaction
A Member asked how the rental paid to the related party was checked to ensure that the rental paid was fair. The Members were informed that according to real estates' websites the rental paid to the related party was considered low compared to rental of similar properties in the same area. Alternatively, the Members were informed that the related party could dispose of his property at a fair and reasonable price to the Company, and thereafter, there will be no more recurrent related party transaction.