RHONG KHEN INTERNATIONAL BERHAD (199401017151)
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27 November 2025

Minority Shareholders Watch Group
(Badan Pengawas Pemegang Saham Minoriti Berhad)
23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attn: Dr. Ismet Yusoff (Chief Executive Officer)

31st Annual General Meeting ("31st AGM") of Rhong Khen International Berhad ("the Group" or "the Company" or "RKIB") to be held on Thursday, 27 November 2025

Reference is made to your letter (Reference number: MSWG-CM-07-49/25) dated 21st November 2025.

Refer below for replies to your queries.

Operational & Financial Matters

Question #1

Question:

Financial Performance

Five Years Financial Highlights	2025 RM'000	2024 RM'000	2023 RM'000	2022 RM'000	2021 RM'000
Revenue	515,924	521,624	649,423	756,324	911,943
Profit for the year	10,190	11,232	21,855	35,524	53,791

(Page 3 of the Annual Report (AR) 2025)

As reported above, given the 5-year declining revenue trend from RM911.9 million in FY2021 to RM515.9 million in FY2025, a 43.4% decline, and profit reduction from RM53.8 million to RM10.2 million over the same period, what specific strategic initiatives beyond cost control measures and enhanced production efficiency (Page 6 of AR 2025) is the Group implementing to reverse this deteriorating performance?

Reply:

The drop in revenue was mainly due to overall decrease in demand in US and increase in number of competitors. The Group has implemented several

	key initiatives aimed at strengthening its profitability and long-term sustainability: (i) Develop flexible profit margin and pricing strategies to compete for orders; (ii) Streamlining and upgrading production facility to enhance production efficiency and optimise workforce requirements; (iii) Continuous development of new products and designs to meet evolving customer needs; and (iv) To reduce the concentration on US market by diversification into other segments and markets.
Operational & Financial Matters **Question #2**	**<u>Question:</u>** Higher manufacturing costs were recorded by Malaysia operations due to reduced production output stemming from lower order volumes and increased in labour costs following the implementation of a higher minimum wage rate effective 1 February 2025 (Page 7 of AR 2025). (a) With Malaysia operations experiencing reduced production output due to the abovementioned factors, how does the Group plan to optimise the utilisation of RKIB's three Malaysian factories and 4,000-strong workforce (Page 4 of AR2025) to restore profitability to sustainable levels? (b) What are the Group's previous and current utilisation rates for the Malaysian factories? **<u>Reply for Question 2 (a):</u>** As at 30 June 2025, the Group's manufacturing facilities in Malaysia employed approximately 1,200 workers. Over the past two financial years, the Group has undertaken continuous upgrades of its production lines, incorporating advanced and automated machinery. These investments are part of a broader strategy to enhance production efficiency, reduce operational costs, gradually lessen reliance on manual labour and dependency on subcontractors. **<u>Reply for Question 2 (b):</u>** Current utilisation rate of Malaysia factories is about 50% to 70%, compared to full capacity (100%) in FY2021.

Operational & Financial Matters **Question #3**	**<u>Question:</u>** US Tariff Exposure and Impact & Geographical Diversification Strategy (a) Given that the US market appears to be the Group's largest revenue source (Page 110 of AR 2025), can the management quantify the Group's specific tariff exposure and its expected full-year FY2026 impact and provide a detailed mitigation roadmap, if any, beyond the mentioned comprehensive measures (Page 149 of AR 2025)? (b) What concrete steps are being taken to diversify the Group's customer base geographically (Page 110 of AR 2025) and reduce over-dependence on the volatile US furniture market? **<u>Reply for Question 3 (a):</u>** The Group anticipates that the overall impact of this tariff will be minimal and manageable. The tariff may contribute positively for FY2026. However, continuous efforts and initiatives, including the upgrading of production facilities, product innovation, and diversification into new markets, as outlined earlier, are ongoing. These measures reinforce the Group's resilience and position it to navigate uncertainties effectively while sustaining long-term profitability. **<u>Reply for Question 3 (b):</u>** At present most of the major furniture markets in the world are volatile. The Group is pursuing geographic diversification to reduce reliance on the US market and enhance its global presence. In line with this strategy, the Group is developing region-specific product lines tailored to the preferences of customers in different markets, ensuring relevance and competitiveness and building long-term customer relationships outside the US through strategic partnership.
Operational & Financial Matters **Question #4**	**<u>Question:</u>** Working Capital & Cash Flow Management (a) Trade receivables increased by RM4.3 million (Page 124 of AR 2025) while inventories grew slightly by RM1.4 million (Page 123 of AR 2025) despite declining sales. What specific measures are being implemented to optimise inventory levels and accelerate receivables collection to improve cash conversion cycles?

(b) Operating cash flows dropped dramatically from RM54.8 million (FY2024) to RM11.6 million (FY2025), a 78.8% decline (Page 92 of AR 2025). With cash and cash equivalents decreasing by RM31.8 million to RM140.2 million (FY2025) from RM172.0 million (FY2024) (Page 93 of AR 2025), how does the Board ensure adequate liquidity for operations and any capital investments?

Reply for Question 4 (a):

The increase in trade receivables and inventories is minimal and mainly due to current marketing strategies by the Group to compete for orders. We provide better credit terms and innovative supply chain management for our established and strategic customers. However, the Group continues to actively monitor inventories and receivables aging to ensure efficient working capital management. Purchases are aligned with demand forecasts to avoid excess stock, while receivables are closely tracked to mitigate overdue balances. To accelerate collections, the Group offers early payment incentives and maintains proactive engagement with customers.

Reply for Question 4 (b):

Operating cash flows of the Group declined substantially during the financial year, primarily attributable to changes in working capital. Cash and cash equivalents decreased by RM31.8 million, of which RM20.3 million was due to the effects of exchange rate fluctuations. Despite these movements, the Group's current level of cash remains comfortable and healthy and are adequate to support ongoing operations and planned capital investments.

Thank you.

Yours sincerely,
Rhong Khen International Berhad

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Name: Lin, Chin-Hung
Designation: Managing Director