



潮源利機構有限公司
TEO GUAN LEE CORPORATION BERHAD (283710-A)

Plot 28, Lorong Perusahaan Maju 4, Prai Industrial Estate, 13600 Prai, Penang, Malaysia. * Tel: 04-5076228 * Fax: 04-5079228

Your Ref:

Our Ref:

20 November 2023

MINORITY SHAREHOLDERS WATCH GROUP
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan ismail
50250 Kuala Lumpur.

For the attention of: Mr Devanesan Evanson

Dear Sir,

Teo Guan Lee Corporation Bhd 30th Annual General Meeting (“AGM”) to be held on 24TH November 2023.

We refer to your letter dated 14 November 2023 and append herewith our responses to your questions.

Operational and Financial Matters

a) Kiki Lala, Cuddles and Pronic contributed 66.12% of total revenue for year ended 30 June 2023 as compared to 65.94% of total revenue for year ended 30 June 2022.

Kiki Lala registered a slight decline of 5.47% for current year whereas Cuddles and Pronic registered a slight increase of 2.34% and 7.95% respectively.

b) ‘Kiko’ has been a premium brand targeting the middle and upper market children apparel segment for over 2 decades and will complement Kiki Lala which is targeted at the mass middle market.

Although we are anticipating the current consumer market to be challenging due to the rising inflation, we strongly believe that Kiko will be able to generate positive performance.

Kiko will be carrying a full range of apparels with better quality materials, better finishing and more trendy designs and will be available in premium department stores.

However, Kiki Lala will remain our leading contributor to our group revenue.

2) The concessionaire commissions are commissions we pay to our customers i.e.: Parkson, Aeon, Sogo, Pacific and other retailers for consigning our apparels at their premises. For the licensed brands, we pay a royalty sum on total revenue for using the licensed brands.

3) We strongly believe the local retail environment would remain robust as Malaysians continue to enjoy shopping in shopping malls and spending their weekends at the malls. Nevertheless, we are currently engaging with some service providers to conduct activities on social medias to create more awareness of our brands and expand our online shopping platforms.

4) Our investments in industrial lots contributed the highest rental income and we will continue to identify further investments in this category if there is a good investment opportunity.

5) Other operating income dropped from RM5.6 Million to RM2.0 Million due to the absence of one off gain on disposal of fixed assets of RM2.368 Million and Prihatin wages subsidy of RM1.82 Million.

6) The business of the apparel industry is volatile with constant changes in consumer demand in terms of taste and trends.

Inventory write down is common in the apparel industry as we must ensure that our inventories are valued at lower of cost and net realizable value.

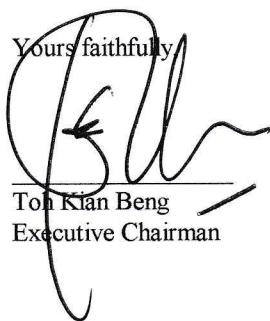
After each festive period and from time to time, we will assess the saleability of our inventories and mark down inventories which are slow moving to ensure that stocks are not obsolete and that we have a healthy inventory turnover. Based on our previous records, a mark down of RM3m to RM4m is expected annually.

Corporate Governance Matters

1) The process of identifying a suitable female candidate on the Board is ongoing and we will address the shortfall when there is a suitable candidate.

We hope the above answers your questions and we are happy to provide any further information if the need arises.

Thank you.

Yours faithfully,

Toh Kian Beng
Executive Chairman