

EMICO HOLDINGS BERHAD

Registration No Company No. 199101020015 (230326-D)
(Incorporated in Malaysia)

Key matters deliberated during the 33rd Annual General Meeting of the Company held at The Conference Room of Emico Holdings Berhad at 18, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Penang on Thursday, 11 September 2025 at 11.00 a.m.

Below are the questions raised by the Minority Shareholders Watch Group (MSWG) in relation to operations & financial matters and sustainability matters during the AGM.

No.	Questions	Company's response
1.	<p><u>Operations & Financial Matters</u></p> <p>The Company has experienced a financial reversal, changing from a profit before tax of RM5.52 million in FY2024 to a loss before tax (LBT) of RM0.31 million in FY2025, representing a deterioration of RM5.83 million or 106% (Page 82 of the Annual Report (AR) 2025). The LBT was primarily due to a decline in Group revenue, driven by softer demand for trophy and award products and reduced sales from the Trading Division. The weakening of the US Dollar against the Malaysian Ringgit further impacted profit margin, particularly on export sales (Page 13 of AR 2025).</p> <p>Considering the significant profit deterioration of RM5.83 million, what specific remedial actions beyond the mentioned "targeted cost optimisation measures, etc." (Page 10 of AR 2025) is management implementing to restore profitability? What is the latest outlook for Emico's financial performance in FY2026?</p>	<p>In addition to cost optimisation, the Group has undertaken the following initiatives to restore profitability:</p> <ol style="list-style-type: none"> 1. Strengthening sales of completed properties through intensified marketing campaigns, including digital channels. 2. Expanding sales of trophy and award products through targeted marketing campaigns, including digital platforms. 3. Improving productivity with the installation of a UV spraying line to increase efficiency and reduce production costs. 4. Introducing new trophy product designs to meet evolving market demand and remain competitive in both local and export markets. 5. Implementing strategic pricing and discount programs, including bulk purchase and low-season discounts <p>For the quarter ended 30 June 2025, the Group recorded a profit before tax of RM1.303 million, contributed by the manufacturing and trading division (RM0.21 million) and the property development division (RM1.17 million). For the remaining period of FY2026, despite headwinds in both local and overseas markets as well as global economic uncertainties, the Group remains committed to executing its strategies and is determined to achieve its planned results.</p>

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2.	<p>Ongoing trade tensions between the US and China have accelerated a realignment of global supply chains, creating favourable opportunities for the Group to expand its market share in the trophy export segment, particularly in the US and Canada. This shift positions the Group as a competitive and reliable alternative supplier in these key markets. Emico is currently in active discussions with prospective international customers, highlighting its manufacturing capabilities and quality standards. These collaborations, once finalised, are expected to drive organic sales growth and improve utilisation of its existing production capacity (Page 16 of AR 2025).</p> <p>a) How is the Group precisely leveraging the US-China trade tensions to differentiate itself from competitors, and what measurable market share gains are projected in the trophy export segment over the next 2-3 years?</p> <p>b) What is the current utilisation rate and targeted utilisation rate of Emico's production capacity, and does it have all that it takes or the readiness to meet the anticipated demand from these new international partnerships without compromising existing operations?</p>	<p>Emico is one of the world's leading plastic trophy manufacturers and the only major supplier located outside China, which gives us a clear competitive edge. With the ongoing US-China trade tensions, buyers are actively diversifying their supply chains. Malaysia's tariff rate of 19% is one of the lowest in Southeast Asia and further enhances our competitiveness in the US market.</p> <p>Over the next 2 to 3 years, the Group is targeting sales growth of approximately 24% in the US, 20% in Southeast Asia, 17% in Australia, 15% in Europe, and 14% in the UK.</p> <p>Our plastic injection and chroming processes currently operate at utilisation rates of about 40% and 50% respectively.</p> <p>To prepare for growth, we have expanded our facilities and installed a UV spraying line, which increases efficiency, capacity, and quality. We are therefore well-positioned to accommodate additional demand from new international customers while maintaining existing operations.</p> <p>Further, ongoing process improvements, automation investments, and workforce upskilling continue to enhance our ability to deliver our products consistently and reliably.</p>

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	c) What is the timeline and conversion probability for the ongoing discussions with prospective international customers, and what revenue impact are these potential collaborations expected to generate in the short and medium term?	<p>The typical timeline to secure a new international customer ranges from 3 to 6 months, covering product offerings, sample delivery, production lead time, and shipping. Based on our past track record, the Group has consistently demonstrated a high probability of converting prospective customers into confirmed orders.</p> <p>We have already secured a new US-based customer, with the first delivery scheduled for October 2025. Concurrently, we continue to engage other prospective customers by offering attractive and competitively priced products.</p>
3.	<p>Page 89 of AR 2025 shows that negative operating cash flows amount to RM4.66 million. The Company states on page 15 of AR 2025 that "Financial and cash flow risks are mitigated by maintaining sufficient cash reserves and ensuring the availability of credit facilities from financial institutions." Despite this stated approach, cash decreased from RM7.41 million in FY2024 to RM2.14 million (Page 80 of AR 2025).</p> <p>What measures are being taken to improve working capital management, and what is the minimum cash level the Company considers safe for operations?</p>	<p>The negative operating cash flows in FY2025 were mainly due to higher working capital needs, including RM5.3 million in property development costs for Platinum Commercial Centre, which were self-financed to reduce borrowing costs. In addition, the Group maintained higher trophy inventories to support anticipated demand and ensure timely delivery.</p> <p>As at the last financial year end, the Group had RM8.2 million in unutilised credit facilities (term loan, overdraft, and banker's acceptance), available to support working capital requirements.</p> <p>Measures implemented to improve cash flows include:</p> <ol style="list-style-type: none">1. Optimising inventory levels to match forecasted orders and avoid excess stock.2. Accelerating sales of completed properties through targeted marketing, including social media campaigns.3. Enhancing receivables management to shorten the cash conversion cycle.

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		<p>4. Improving inventory controls to align purchases strictly with operational needs.</p> <p>As of 30 June 2025, the Group's total working capital and Cash & cash equivalents were at RM45.29m and RM2.64m respectively.</p>
4.	<p><u>Sustainability Matters</u></p> <p>With a firm commitment to sustainability, the Group has strategically invested in various initiatives to promote environmental stewardship and responsible conduct. A primary focus area for EMICO lies in environmental protection, where substantial resources have been allocated to mitigate its ecological footprint and advocate for sustainable practices. This encompasses adopting energy-efficient technologies, optimising waste management protocols, and integrating solar energy solutions (Page 27 of AR 2025).</p> <p>a) What percentage of capital expenditure is allocated for each of the abovementioned sustainability initiatives in the next two financial years?</p> <p>b) What specific, measurable KPIs will the Company use to track the success of each of the initiatives?</p>	<p>For FY2026, approximately 20% of capital expenditure has been allocated for sustainability related initiatives. Future machinery purchases will also incorporate sustainability features such as energy efficiency and resource optimisation. The capital expenditure plan for FY2027 is under review.</p> <p>The Group has established measurable KPIs, as disclosed in our Sustainability Report, to monitor and evaluate progress. These include metrics on energy efficiency, waste reduction, and renewable energy adoption, including the use of recycled materials in production and the installation of solar systems in both manufacturing plants.</p>