

EMICO HOLDINGS BERHAD

Registration No Company No. 199101020015 (230326-D)

(Incorporated in Malaysia)

Key matters deliberated during the 31st 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, 14 September 2023 at 11.00 a.m.

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

No.	Questions	Company's response																		
1	<p><u>Operations & Financial Matters</u></p> <p><u>Financial Performance</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">FY2019 RM'000</th> <th style="text-align: center;">FY2020 RM'000</th> <th style="text-align: center;">FY2021 RM'000</th> <th style="text-align: center;">FY2022 RM'000</th> <th style="text-align: center;">FY2023 RM'000</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: center;">52,276</td> <td style="text-align: center;">52,629</td> <td style="text-align: center;">34,040</td> <td style="text-align: center;">39,545</td> <td style="text-align: center;">61,202</td> </tr> <tr> <td>Net Profit/(Loss)</td> <td style="text-align: center;">1,472</td> <td style="text-align: center;">244</td> <td style="text-align: center;">(2,379)</td> <td style="text-align: center;">(1,166)</td> <td style="text-align: center;">587</td> </tr> </tbody> </table> <p>(Source: Page 21 of the Annual Report 2023/AR2023)</p> <p>As reported above, Emico recorded the highest revenue since FY2019 and the first profit since FY2021. The surge in sales (revenue) was primarily driven by the rising demand for trophy and award products, as well as contract manufacturing (Page 22 of AR2023).</p>		FY2019 RM'000	FY2020 RM'000	FY2021 RM'000	FY2022 RM'000	FY2023 RM'000	Revenue	52,276	52,629	34,040	39,545	61,202	Net Profit/(Loss)	1,472	244	(2,379)	(1,166)	587	
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	a) Is the good performance sustainable?	The group will strive to sustain and achieve a good result for FY2024.																		
	b) What is the latest outlook of the Group's business for FY2024, especially from the consumer products division's trophy and contract manufacturing business?	<p>The outlook for the Group's business is expected to remain stable but challenging, primarily due to the following factors:</p> <ul style="list-style-type: none"> a) Anticipated growth in school, social, and corporate events during FY2024; and b) Anticipated increase in production costs due to inflation. <p>To address these challenges, the Group will implement the following strategies:</p> <ul style="list-style-type: none"> a) Introducing new trophy products; b) Actively participating in gift fairs and exhibitions to promote our products, as well as to recruit new agents and distributors, with the aim of increasing sales; 																		

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		<p>c) Streamlining processes and adopting a lean manufacturing concept to enhance efficiency, reduce production lead times, and lower costs, thereby enhancing competitiveness; and</p> <p>d) Expanding distribution channels further in Malaysia and Thailand to boost sales.</p>
2	<p>There is a significant increase in other benefits under the employee benefits expense amounting to RM1,449,728 in FY2023 compared to RM431,554 in FY2022 (Page 109 of AR2023). This represents an increase of RM1,018,174 or 235.93%.</p> <p>What is the nature of this increase in other benefits? What are the reasons for the significant increase in these benefits?</p>	<p>The rise in other benefits was attributed to the following factors: -</p> <p>a) Additional recruitment expenses for foreign workers.</p> <p>b) Additional training fees for staff upskilling, i.e. lean manufacturing methodologies and other training programs</p> <p>c) 50th anniversary celebration expenses.</p> <p>d) To improve staff welfare.</p>
3	<p>Other expenses increased to RM5,800,539 in FY2023 from RM3,740,997 in FY2022 (Page 63 of AR2023). This represents an increase of RM2,059,542 or 55.05%.</p> <p>What are the reasons for the increase in other expenses in FY2023? Are these expenses expected to remain at the same level or higher in FY2024?</p>	<p>The Group's revenue in FY2023 was RM61.20 million, compared to RM39.55 million in FY2022, reflecting an increase of 54.74%. This increase is in line with the 55.05% increase in other expenses.</p> <p>We will make out best effort to control expenses prudently.</p>
4	<p><u>Property Development Division</u></p> <p>a) Despite recording a higher revenue of RM2,118,100 in FY2023 (FY2022: RM1,147,016), the division recorded a lower profit of RM487,236 (FY2022: RM983,296) (Pages 73-74 of AR2023).</p> <p>What are the main reasons for achieving the lower profit in FY2023?</p>	<p>The property development division recorded a higher profit in FY2022 due to the reversal of foreseeable loss on properties under development of RM1,661,000 (Refer to Page 68). This income is not recurring.</p>
	<p>b) What are the current sales of the double-storey terrace houses in Bandar Mutiara Township, Taman Batik Sungai Petani, Kedah, and Belize Apartments in Taman Simfoni, Langkawi? What are the targeted sales for the remaining unsold completed units in FY2024?</p>	<p>There were no sales generated by this division during the period from 1 April 2023 to 30 June 2023.</p> <p>Our target is to sell the remaining unsold completed units during FY2024.</p>

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5	<p data-bbox="277 304 565 333"><u>Corporate Governance</u></p> <p data-bbox="277 367 967 464">The Group has departed from applying Practice 5.2 of the Malaysian Code on Corporate Governance (“MCCG”) (Page 20 of CG Report).</p> <p data-bbox="277 499 967 596">Practice 5.2 of MCCG states that at least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.</p> <p data-bbox="277 632 967 800">This practice explains that Board composition should support objective and independent deliberation, review and decision-making. A board comprising a majority of independent directors allows for more effective oversight of management (Guidance/G5.2 of MCCG).</p> <p data-bbox="277 835 472 865">Please take note.</p>	<p data-bbox="997 331 1438 361">We take note on the recommendation.</p>