

EMICO HOLDINGS BERHAD

Registration No Company No. 199101020015 (230326-D)

(Incorporated in Malaysia)

Key matters deliberated during the 28th 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 Monday, 21 September 2020 at 11.00 a.m.

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

No.	Questions	Company's response
1	<p><u>Strategy & Financial Matters</u></p> <p>The Company posted profit after tax of RM244k for FYE 2020 compared to RM 1.47 million in FYE 2019 which translates to a decline of more than 500%. As one of the biggest plastic trophy manufacturers in the world, the company reported that 50% of its FYE 2020 revenue or RM26.5 million was derived from the trophy business. (Page 13 of AR 2020).</p>	
	<p>a) What are the Company's plans to reduce its dependence on the trophy business which has been severely affected by the Covid-19 pandemic as events are being curtailed on a massive scale thus slashing demand for trophies?</p>	<p>Although we understand that Covid-19 pandemic has affected the demand for trophies due to the massive curtailment of sports and related activities, however, we are still positive that the curtailment of activities is only temporary for the year 2020 and we anticipate more sports and activities events will be restarting by next year although at a different pace. Being one of the biggest plastic trophy producers in the world supplying to more than 500 customers, we have not heard and seen any customers closing down their businesses during this period. Therefore, we are confident that our customers are just like us waiting for the reopening of events and activities to resume their businesses.</p>
	<p>b) In FYE 2020, 50% of the Company's revenue came from the European market. Given that European businesses had been hit adversely by the pandemic, what are the Company's plans of looking for alternative markets?</p>	<p>As explained in para (a) above, we are confident that the European market will recover by next year although the pace may be slower. However, the pandemic affected every corner of the world hence other alternative new markets will be equally affected. Nevertheless, we are constantly exploring new potential markets internationally to increase our customer base.</p>

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2	The Company's Medical Rehabilitation Products Unit was granted permission by the authorities to operate from 9 April 2020 despite the Movement Control Order (MCO) being enforced by the government from 18 March 2020 (Page 16 of AR 2020).	
	a) What is the outlook for this unit given the heightened awareness on healthcare during the current pandemic?	The medical rehabilitation products that we produced are Original Equipment Manufacturer (OEM) products for our Swedish customer. We have secured orders for year 2020 and expecting an increase of orders for year 2021. Thus, we are confident that the outlook for OEM business remains positive despite the global pandemic.
	b) What is the expected capex for this unit for FYE 21?	
3	The Company's workforce comprises around 35% of foreigners for FYE 2020. (Page 22 of AR 2020)	
	a) Given the Government's policy of reducing the usage of foreign manpower, what are the steps taken by the Company to lower its percentage of foreign labour?	We are aware of the Government's policies in reducing reliance on foreign workers, hence we have started investing in automation by embarking of Industrial 4.0 such as robotics, conveyor systems and upgrading to the latest ERP system to reduce the usage of foreign manpower whilst increasing the overall efficiency and productivity.
	b) Does the Company have any plans of retrenching its staff given the slowing economy and waning demand for its products?	The Company focuses on retraining and reskilling our staff rather than retrenchment. Due to the lower demand of trophy products, we have carried out an internal restructuring exercise to lower the overall operating costs and continue to monitor the situation closely.

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1	<p><u>Corporate Governance Matters</u></p> <p>The total fee for the internal audit function of the Company during FYE 2020 was RM 23,000. (Page 28 of AR 2020)</p>	
	a) Given that the fee is rather small (approximately RM1,900 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?	The Audit Committee reviews and approves the annual internal audit plan. It will also review the effectiveness of the audit process, resources requirement and overall performance of Internal Auditor. The reports on findings and recommendations presented by the Internal Auditor will be reviewed by the Audit Committee to rectify any weaknesses and to recommend for further improvements. The Audit Committee is of the view that the level of work done by the Internal Auditor commensurate with the annual audit fee paid.
	b) What are the areas covered by the internal auditors during FYE 2020?	The areas covered by the Internal Auditors for FYE 2020 are as follows:- i) Q1 - Managing Contract Manufacturing Sales (OEM division) ii) Q2 Office Management of Property Development division iii) Q3 - Procurement Department
	c) How many internal audit reports were issued during FYE 2020?	3 (three) Audit reports were issued during FYE2020 and presented to the Audit Committee during the quarterly Audit and Risk Management Committee meetings.
2	<p>Para 9.21(2)(b) of the MMLR requires a public listed company to publish a summary of the key matters discussed at the AGM on its website. As of 14 September 2020, the company has not yet published the key matters discussed at its 27th AGM held on 16 August 2019.</p> <p>Please provide an explanation for this non-compliance with the MMLR?</p>	Even though there were not many key matters being discussed during the 27th AGM held on 16 August 2019 except all resolutions were presented and adopted. However, we take note of the non-compliance under Para 9.21 (2)(b) of the MMLR and we will ensure compliance after the upcoming 28th AGM to be held on 21st Sept 2020.