

**FOCUS LUMBER BERHAD**  
**[Registration No. 198901011405 (188710-V)]**  
(Incorporated in Malaysia)

**QUESTIONS AND ANSWERS SESSION AT THE THIRTY- FOURTH ANNUAL GENERAL MEETING (“34<sup>TH</sup> AGM”) OF THE COMPANY HELD ON FRIDAY, 24 MAY 2024 AT 10.00 A.M.**

**Q1 Kindly consider distributing door gift to delight shareholders.**

*A1 The Company does not practice the distribution of door gift to shareholders who participated in the Annual General Meeting. The Company believes in rewarding the shareholders through the distribution of dividend.*

**Q2 What is the business outlook for tree rehabilitation and harvesting? Will revenue be generated through replanting or log sales? What is the execution schedule and timeline for this new business?**

*A2 The Board is optimistic that the Industrial Tree Planting business will contribute positively to the Group’s performance in the long run. Natural timbers which are not suitable for plywood manufacturing will be sold and contributed to the Group’s revenue. Other logs which are used in the production of plywood is expected to reduce the production cost.*

*Currently, the Company is in the midst of preparing the Plantation Development Plan (“PDP”) and completing the Environment Impact Assessment. Based on the Company’s announcement, the operation is expected to commence within 12 months, i.e., October 2024. The Company will make an additional announcement with a new timeframe if the operation could not commence on time.*

**Q3 Please share additional information on the rights to harvest timber on the 5,000 hectares at Sungai Pinangah. Information like if we can immediately start to harvest timber or need to plant; once harvested, how long is the wait to next harvest; rough % reduction in cost of sales for the group. Will we be selling the timber from there to others or just sufficient for our needs. Any other information that might be interesting for shareholders.**

*A3 There are natural timbers at the concession area to be harvested before the replanting work could commence. The Company is in the midst of preparing the PDP and expect a gestation period of 10 to 15 years. At present, the Company could only estimate that the cost of sales will reduce but could not estimate the actual percentage of reduction. The natural timbers which are not suitable for plywood manufacturing would be sold to others while the remaining timber would be kept and prioritised for plywood production purpose.*

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- Q4** (1) what is the US plywood demand outlook on 2024? Will it better than 2023?  
(2) We will continue adjusting our monthly production volume considering the sluggish recovery of plywood demand from US. Apart from that, we will continue supplying to Thailand which offers better pricing as compared to the other Asian countries (page 14, AR 2023). Currently how much of revenue contribute by Thailand market?  
(3) Will this year company expected earning (2024) better than last year (2023)?

*A4 The Company anticipated the recovery of demand for plywood would remain sluggish although the delivery of the Recreational Vehicle (“RV”) had improved month-over-month in 2024. Barring unforeseen circumstances, the Company expected the demand outlook would improve slightly compared with 2023.*

*The Company will continue supplying products to Thailand in 2024 and the percentage of contribution is similar with previous year mainly due to the demand from the United States (“US”) is improving.*

*Currently, it is premature to determine which year is doing better as the Company is still in the stage of adjusting the production volume in order to manage the inventory level.*

- Q5** **So far, our company has lost money for the last 5 quarters because we are too dependent on a few wood products i.e., plywood and veneer which are affected by the drop in selling prices and volume plus the changing market conditions. How do the company plan to overcome these challenges?**

*A5 The Company will continue implementing the necessary cost cutting measures and enhance the production efficiency to reduce the production unit cost. The Company would also focuses in securing more sales orders so that the production volume could increase gradually in order to achieve economies of scale.*

- Q6** **Has more orders been received from our US customers and will 2024 be a profitable year for our business.**

*A6 The Company had received more orders, but the increase is not significant due to the uncertainty on the overall economy. The increase was reflected through the improvement in the revenue every quarter since Quarter 1 of 2023. The Company was hopeful that the Group could turnaround as soon as possible, but it was very much depending on the recovery of the demand for plywood globally, particularly, the United States of America (“US”).*

- Q7** **Has the company considered diversifying into other wood products such as flooring, picture frame, pallets, wooden signs which are more stable in pricing?**

*A7 At present, the Company would be focusing mainly on the production of plywood and the management of the Industrial Tree Planting Project. The Company may*

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*consider to diversify in other wood production business if such business opportunity arose if it is viable for the Company to engage in such diversification.*

- Q8**
- (1) Industrial tree planting project**
    - (a) Expected manpower recruitment & the Capex Requirement?**
    - (b) Breakeven timeline & the expected financial impact?**
  
  - (2) US Market Development**
    - (a) Latest status**
    - (b) Ratio of RV vs Housing Segment & any difference in their profit margin?**
  
  - (3) FG net realisable Value (15.7M)**
    - (a) Potential of further impairment?**
  
  - (4) Capex**
    - (a) Details ^ Purpose of FY23 Capex (Factory & Office Building 2.2M)**
    - (b) FY 24 Capex requirement?**
  
  - (5) Other Op Exp**
    - (a) The key items in this category?**
- A8**
- 1(a) *The Company is still in the midst of preparing the PDP. The expected manpower recruitment and capex requirements would only available upon the completion of the PDP.*
  
  - 1(b) *The estimated gestation period for the planting of industrial trees was 10 to 15 years. The Company anticipated that there would be no significant impact on the financial aspect as currently, the Group has strong financial and cash position.*
  
  - 2. *The demand in the US market is improving, but at a slow pace. The Company would prioritise the sales to the RV sector as the selling price of plywood to the RV sector could command better margin.*
  
  - 3. *Selling price of plywood had been stabilised but there is a possibility that inventory would need to be impaired further if the selling price decrease and the US dollar is weakened.*
  
  - 4(a). *The capital expenditure (“Capex”) for the factory and building were mainly for the repair and construction of drainage surrounding the factory area to prevent soil erosion, as well as construction of timber rack at the log yard area to preserve the quality of logs during the transportation.*
  
  - 4(b). *For approved Capex for 2024, kindly refer to page 97 in the Annual Report 2023 under Note 32 (a) capital commitments.*
  
  - 5. *The key item in the other operating expenses was the impairment of property, plant and equipment of RM1.55 million as proposed by the auditor.*

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- Q9** In relation to the Industrial Tree Planting Agreement with RBSB:  
**(1) When will the environmental impact assessment is expected to be completed and expected submission to the relevant authorities?**  
**(2) How much has the Company incurred so far in this investment?**  
**(3) Expected expenditure to be incurred for FY2024?**
- A9**
- 1. The Environmental Impact Assessment (“EIA”) will only be completed upon the completion of PDP and approved by the relevant authorities. Currently, the Company expected that the operation could commence according to the estimated timeframe as announced. Barring unforeseen circumstances, the relevant announcement in relation to the update of timeline will be made to Bursa Malaysia Securities Berhad (“Bursa Securities”) if the operation could not commence as scheduled.*
  - 2. The Company had incurred more than RM1.0 million on the advisory and professional fee in relation to concession acquisition, boundary demarcation, standing trees assessment, environment impact assessment, preparation of plantation development plan.*
- Q10** **The Group reported a negative cash from operating activities amounted to (RM22.982 million) in FY2023.**  
**(1) What are the steps taken to improve the cashflows from operations in FY2024?**  
**(2) Based on the operating results up to 31 March 2024, will the Group be able to report a profit for FY2024?**
- 1. The Company is controlling the production volume to manage the inventory level. The reduction in inventory will be converted to cash and cash equivalents.*
  - 2. The prospect of the Group in the remaining period of year 2024 would be disclosed in the First Quarter Financial Results after it is approved by the Board of Directors.*
- Q11** **The sales volume to the US has reduced from 63% in FY2022 to 53% in FY2023. Focus Lumber is very dependent on the US market in particular in the RV sector. What are the steps taken by the Board and Management to mitigate the risk of high dependency on the US and RV sector?**
- A11** *The Company had diverted more of its sales towards the Asia region, such as Taiwan and Thailand to fill the gap when the market of RV is less favourable.*
- Q12** **In past AGM, shareholders have raised concerns on the availability of log supplies at competitive prices for the Company's operations in view of the increasingly stringent conditions for the extraction of logs in Sabah & Sarawak. Please provide an update on this issue and what are the steps taken by the Company to ensure the log supply are available at reasonable prices.**
- A12** *At present, there was no logs supply issue in Sabah as the demand for plywood is weak. In future, the Company would be able to better manage the flow of logs*

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*supplies at a lower cost when the Company's Industrial Tree Planting operation commences.*

**Q13** How's the business environment in the first 5 months of year 2024? Any improvement so far as compared to last year? What is the outlook for the panel plywood industry?

*A13* The demand for plywood had increased since the first half of 2023 but at a very slow pace. Sales had increased since 1<sup>st</sup> Quarter 2023. The Company remain cautious on the outlook for the panel and plywood industry until there is an obvious recovery in the demand of plywood in the US.

**Q14** In management point of view, how will be the sales volume for this year? Could it be better or lower? For comparison, year 2023 shipments were 25,000 metre cube, year 2022 shipments were about 35,000 metre cube, while year 2021 shipments were about 45,000 metre cube.

*A14* Based on the current market trend, the Company anticipated that sales volume for 2024 will be higher than 2023.

**Q15** Given the softness in global economy, what is the action or strategy taken to mitigate the negative impact of financial result? When can shareholder expect a turnaround?

*A15* The Group will continue to implement certain cost cutting measures, improving production recovery so that the impact to financial result will be minimised. The turnaround of the Group will be largely dependent on the market condition, particularly in US as high interest rate situation will continue to affect the demand of plywood.

**Q16** Just to understand more about the business. How sustainable is the Group's plywood business in long run? I understand that RV is not an essential or necessity products, the demand is very much subject to the cost of living. What is the major factor that affecting your sales? I hope the management can enlighten me and strengthen my confidence in investing Focus Lumber.

*A16* The signing of Industrial Tree Planting Agreement with Rakyat Berjaya Sdn Bhd is a game changer in relation to the sustainability of this business. The Company could manage the availability and cost of the raw materials in a better manner. Sales may be diverted to other sectors at a lower selling price when the production cost is lower.

**Q17** Could the management explain more on the implementation of the replanting programme with the Sabah government. Besides ESG concern, does the management feel that there are other difficulties in exporting to the EU? Compared to US clients, what is stopping EU from commanding higher selling prices for us

*A17* The Company expected that the Environmental, Social and Governance ("ESG") related issues would be the main obstacle for the Company to sell to European

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*Union (“EU”) region and the Board would focus on improving the Group’s ESG areas. The Company would conduct the Greenhouse Gases (“GHG”) emission assessment, and also considering quantifying the carbon footprint for the Company’s products. The Company anticipated that it will be an added advantage to explore new market in EU in the future.*

**Q18**      **Given that the company has not been doing very well recently and 2024 recovery is looking sluggish. Will the directors, especially executive directors, consider a reduction in compensation till things turn around?**

*A18*      *The remuneration package of the executive directors comprise of fixed and variable portion. The variable portion is largely dependent on the performance of the Group against the annual target.*

**Q19**      **Any plan to pay final dividend for FY2023?**

*A19*      *Distribution of dividend is at the discretion of the Board and announcement will be made accordingly when such distribution has been approved by the Board.*

On the request for printed Annual Report, Shareholders could submit the request to the Company’s Share Registrar for the printed Annual Report.