

SUMMARY OF KEY MATTERS DISCUSSED AT THE 30TH ANNUAL GENERAL MEETING HELD ON MONDAY, 29 AUGUST 2022

At the 30th Annual General Meeting of Dominant Enterprise Berhad held on 29 August 2022, all the resolutions as set out in Notice of the 30th Annual General Meeting dated 29 July 2022 were duly passed by way of poll by the shareholders and proxies present thereat.

During the AGM, the Chairman had informed the members present that the Company and the Board had received a letter dated 12 August 2022 from the Minority Shareholder Watch Group (“MSWG”) raising questions in relation to the Operation & Financial and Sustainability matters of the Group.

The Chairman invited the Managing Director, Mr. Owee Geok Choon (“Mr. Owee”) to read the questions and the Board’s corresponding replies for the MSWG. The questions and replies were also projected to the members simultaneously. The corresponding replies by the Board to the Shareholder were set out below: -

1. Operation & Financial Matters

Despite the uncertainty and disruptions resulting from the COVID-19 pandemic, the Group achieved a commendable result in FY2022, recording an operating profit of RM56.8 million (FY2021: RM29.6 million), representing an increase of RM27.2 million or 91.9%. The Group received net insurance compensation amounting to RM10.6 million during the financial year from the fire incident in its Muar warehouse in January 2021.

Excluding the net insurance compensation, Dominant would still have a commendable operating profit of RM46.2 million, a year-on-year increase of RM16.6 million or 56.1% (Page 12 of the Annual Report 2022).

(a) Is the good performance sustainable in FY2023?

The Company’s response:

The Group expects FY2023 to be more challenging for the Group. The current weakening global economy means that demand will fall, and we expect a slowdown in the furniture industry. A weakening ringgit and rising interest rate are also challenges for the Group.

However, the Group have identified areas where growth is still expected, such as packing/racking industry and we will focus more on these industries. At the same time, the Group are exploring the construction of more warehouses to rent out to generate stable income stream for the Group.

(b) What competitive advantages does the Group have over its peers in the market?

The Company’s response:

Having a nationwide coverage with 12 branches across Malaysia, as well as overseas operations in Singapore, Thailand, Australia and Vietnam, is one major advantage the Group has over our peers. This allows the Group to reach out to a wider customer base and to provide faster delivery service to the customers. The Group is able to share any market information effectively across the Group to react in a timely manner to any market changes.

At the same time, economies of scale are achieved as the Group is able to enjoy bulk discount on purchases.

Having a diverse source of supplies is another advantage the Group has, especially during these uncertain times, as this allows to have a flexible supply chain strategy.

2. Container shortage which is disrupting global supply chain is one of the Group's risks. Freight charges are expected to continue to trend upwards, with longer delays in transportation. This problem is exacerbated by China's "zero-COVID" strategy, as activities in various parts in China slow down, due to lockdowns imposed to curb the spread of COVID-19.

To mitigate the risk, the Group has, and will continue to develop diverse source of supply from various countries. At the same time, to counter the longer lead time required for us to receive our imported inventories, inventory management is critical as the Group increases its stockholdings in order to meet our customers' needs (Page 14 of the Annual Report 2022).

- (a) To what extent will the expected increase in freight charges impact the Group's business operation adversely?

The Company's response:

Increase in freight charges increases the costs of our stocks. This will result in lowering our profit margins if the increased costs cannot be passed down to the customers.

Freight charges have been volatile and the Group expect it to remain so. Hence, we need to be agile in our pricing strategies.

- (b) What is the progress of developing diverse sources of supply from various countries? Has the Group managed to source those supplies and achieve the desired objective of developing a diverse source of supply?

The Company's response:

Having a diverse source of suppliers has always been the Group's strategy and this has definitely paid off since Covid hit the Group. The Group has continuously developed new suppliers even during the midst of the pandemic, and now that borders have opened, we expect even more activities in this area.

- (c) As the Group increases its stockholdings, does it have enough space to warehouse the inventories? What is the current warehouse storage capacity?

The Company's response:

The Group is constantly assessing the capacity of each branch to make sure that the Group is able to service customers well. One major advantage the Group has is that our nationwide branches are able to support each other, and this includes warehousing space. The Group's practice has always been to plan ahead for any expansion, and part of that planning would consider our storage capacity.

The Group's current total warehousing storage capacity in Malaysia is approximately 77,000 sqm.

- (d) How efficiently is Dominant using its entire warehouse space? What is the current warehouse space utilisation rate and expected utilisation rate in FY2023?

The Company's response:

Current warehouse space utilisation is 85% and we expect this to be stable for the next 1-2 years.

3. **Expansion in overseas operations**

The Group currently has subsidiary presence in Malaysia, Singapore, Australia, Thailand and Vietnam. The Group will replicate its successful business model in Malaysia to its overseas operations, and aims to strengthen its footprint in all these countries through increased production capability, introduction of new products to the markets and developing new industries (Page 14 of the Annual Report 2022).

- (a) Has the Group commenced the business expansion in overseas operations? If so, what is the progress of the expansion exercise in the abovementioned overseas operations?

The Company's response:

The Group managed to set up a new branch in Chonburi, Thailand in the last financial year despite borders restrictions. This new branch is on track in its targets. Once operations in this branch stabilises, we hope to copy the success story of Chonburi to set up a third branch in Thailand. Now that travel restrictions have eased, the Group will start exploring expanding overseas more actively.

- (b) What is the funding requirement for the expansion exercise? How much has the Group invested in this expansion exercise, to-date?

The Company's response:

The Group carries out detailed planning in advance for any expansion and this would include the funding required. CAPEX incurred for the additional branch in Chonburi is approximately RM400,000 (forklift, office renovation, etc). Most of the operation costs are variable costs such as rental expense, staff costs, etc. The expectation of the Group is that a new branch should be financially self-sufficient within 2-3 years.

- (c) What are the new products to be introduced to the overseas markets? What new industries does the Group intend to develop in the targeted countries?

The Company's response:

Like in Malaysia, the Group is looking at developing industries where growth is still expected like packing/racking industry. For this, the Group is starting to bring in more packing/racking specific products such as laminated veneer lumber ("LVL") into these markets.

At the same time, we are also looking at developing niche products like those used for container flooring.

- (d) As any business expansion requires solid planning, accurate assumptions, and a set of goal targets such as business growth, profitability, etc., how has the Group planned to ensure that this expansion exercise will be profitable and sustainable?

The Company's response:

Prior to expanding in any markets, the Group carries out detailed analysis of the market. This includes gathering of information, such as market size, types of products to offer to the market, prices, etc. from our staff, suppliers, customers and even competitors. At the same time, we also speak with bankers, regulatory bodies, lawyers and other external parties to ensure that all regulations and administrative issues are ironed out before operations start.

4. **Sustainability Matters**

As mentioned in Question 1, the Company experienced a fire incident in its Muar warehouse.

What caused the incident? What steps have been taken to ensure that such incidents will not recur and disrupt the Company's business operations in the future?

The Company's response:

The fire was caused by sparks from the sanding machine.

Since the incident, the Group has reviewed again its SOP to ensure that controls are in place to minimise the risk of such incidents happening again. All staff and security guards have also been retrained on the procedures to follow, and all fire-fighting systems and CCTVs in all our warehouses have been re-looked at to ensure that they are functioning well.

The following are the key questions that were raised from the floor, which were responded and addressed by the Board:-

Questions raised by Mr. Puan Hoe Bee:

1. Any plan to capitalize the distributable retained earnings in a form of share as a reward to the Shareholders? (Page 97, note 18 of the Annual Report 2022)

The Company's response:

At the moment, the Group has not explored this topic. Will look into it in due course.

2. Any show room available for the one-stop shop service? (Page 15 of the Annual Report 2022)

The Company's response:

The Group has not changed its overall marketing strategy. Currently, the main customers of the Group remain as dealers and wholesalers, not so much of end users. Customers are welcome to view the products at the warehouse.

Additionally, the Group has been actively sending out product samples to potential customers whenever a new product is launched. Also, the Group participates in

exhibitions to showcase its products to all related industries and parties. In a nutshell, with the current marketing strategy, a show room is not required at the moment.

3. What are the non-allowable expenses, please elaborate. (Page 107 of the Annual Report 2022)

The Company's response:

Non-allowable expenses include professional fee incurred for the new bank loans, depreciation of non-qualifying assets, unrealised forex loss, general provision of debts and inventories.

4. There was only a 6.9% increase in Malaysia, a 57% increase in Australia, and a 34.79 % increase in Asia in regard to the revenue. What is the reason for the decrease of revenue from Others market of 7.8% as compared to last financial year. (Page 115, Note 34 of the Annual Report 2022)

The Company's response:

Other markets include Pacific Island countries, European countries, and the drop in sales is due to the closure of the borders.

Questions raised by Ms. Chong Sui San:

5. What is the reason for the Group's growth in the packing / racking productions during the Covid-19 crisis?

The Company's response:

Management accepted the crisis as opportunities for the Group. During the financial period, online sales had increased significantly due to the Covid pandemic, resulting in the growth of racking and packing industries. This in turn increased the Group's demand for packing and racking materials.

6. What is the area of future growth?

The Company's response:

Furniture industry has been slowing down for the past 2-3 months. The Group, however, is of the view that furniture industry still has a lot of potential and opportunities in Malaysia, especially for panel furniture segment that does not require a lot of labour.

For the rest of the items on the Agendas, there were no questions raised by the shareholders and proxies at the 30th Annual General Meeting of the Company.