

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

**QUESTIONS AND ANSWERS SESSION AT THE THIRTY-THIRD ANNUAL GENERAL MEETING (“33<sup>RD</sup> AGM”) OF THE COMPANY HELD ON FRIDAY, 19 MAY 2023 AT 2.00 P.M.**

**Q1 Will Year 2023 be a better year than 2022 or worse because of new challenges?**

*A1 Based on the current global market condition, it would be overly ambitious to expect Year 2023 to be better than 2022, where the Company had reported a net profit of approximately RM27.0 million in 2022. The current year performance would be very much depending on the recovery of the United States (“US”) housing and Recreational Vehicle (“RV”) sectors. The Company foresaw an increase of demand for plywood in 2023, but the demand would not be as high as past years.*

**Q2 Is the Company too dependent on just few wood products? Although the Company is well run and in a strong financial position, the Company is too dependent on plywood and veneer which can be cyclical in nature. Perhaps the Company should consider diversifying into other wood products e.g. flooring, picture frames, pallets, etc that are more consistent in sales. Inconsistent performance, where some quarters are profitable while other quarters are loss making, is not what shareholders desire in a listed company.**

*A2 The Board agreed that the Company’s performance was too cyclical and dependent on plywood only. The Company would consider various business opportunities and diversify or expand business whenever it was feasible. The Board also noted on the concern of the shareholders and hope to be able to diversify products and had a more consistent performance in the future.*

**Q3 In the Management Discussion and Analysis on page 15 or the Annual Report 2022, Management states that RV shipments are expected to decline in the 1st half of 2023. The Q1 2023 Results which was released on earlier of the day, showed the steep drop in the Company’s results.**

**(1) Did the Management explored other alternative markets as the US economy was already showing signs of declining in its demand for the past 6 to 12 months?**

**(2) Are the RV orders sufficient to generate positive results in Q2 2023?**

*A3 The Company also supply its products to other countries such as Korea, Hong Kong, Taiwan, etc. However, the selling price to those countries were not so profitable. When US market is down, other manufacturers were also diverting their sales to other countries. As a result, there were more supply than demand and business became more challenging.*

*Based on the current orders in hand, it would be difficult for the Company to generate a positive result. However, the Company was not able to predict the RV market in US especially for the second half of 2023.*

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**Q4** How was the business environment in the first 5 months of 2023? Is there any improvement compared to last year? What is the outlook for the panel plywood industry?

*A4* The business environment for the first 5 months of 2023 was slightly better than the second half of 2022. The Company was expecting an improvement in sales for the second half of 2023. However, it was difficult to predict the market until more clarity from the US market, especially in housing and RV sector.

**Q5** How will be the sales volume for this year in the management point of view? Could it be better or lower? For comparison, year 2022 shipments were 35,000m<sup>3</sup> while year 2021 shipments were about 45,000m<sup>3</sup>.

*A5* The Company was unable to predict the sales volume for 2023 at this juncture as 2023 would be a challenging year for plywood business.

**Q6** It was stated that the price of plywood had dropped quite substantially in latest quarterly report. What is the percentage of the price decline as compared to last year or the peak? What is the evidence that make the management thought that the bottom had been found in Q1 this year?

*A6* The price of plywood dropped about 20-40%. The current price had remained at the same level for the past few months as the Company believed that most manufacturers could not reduce the price further. Further reduction of price would cause higher loss, thus curtailment would be more reasonable to achieve an equilibrium of supply and demand.

**Q7** Given the softness in global economy, what is the action or strategy taken to mitigate the negative impact of financial result?

*A7* The Company had secured more orders from Asia countries to keep the production running. The Company endeavour to secure more orders for high price products from Thailand and Japan to minimise the negative impact. Besides, the Company hope to secure more orders from UK and Australia.

**Q8** The Group currently has about RM120.0 million in cash and investment on hand. What is the management plan to deploy the cash to create value for shareholders? Any plan to increase the dividend payout this year?

*A8* The cash in hand would be used for business diversification when opportunities arise. The Company would continue with the dividend payment practice in the past which the dividend payment was consistent with the financial result announced and global economy.

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**Q9** What is the company's future outlook? When can the shareholders attend physical meeting?

A9 *The Board is cautious with the business outlook for 2023 and hope to see recovery in the second half of 2023. At the moment, the Company has no plan to conduct physical meeting. This was to comply with the best practice of Malaysian Code on Corporate Governance.*

**Q10** What is the cost component breakdown for last year such as raw materials, labor, shipping fees etc? Does the management foresee the cost of doing business to continue increase in 2023?

A10 *There is not material variance in relation to the cost breakdown of this year and last year. The main problem facing by the Company currently was the soft demand which cause the cost per unit higher due to lower production volume.*

**Q11** Does the Board has any diversification plan for the Company?

A11 *The Board would consider any diversification opportunity, but we have to perform feasibility study and ensure that the business will be a successful one before invest the cash for the diversification.*

**Q12** In the FY2017 Annual Report, Korean market contributed RM33.947 million to the Group's Revenue and was the 2nd largest contributor. However, the figure decreased to RM9.385 million in FY2022. Similarly, shipment to Japan also decreased. Can the Board and Management explain the concentration in US market and as such resulted steep drop in Revenue in FY2022 and 1Q2023? A more diversified market would help to cushion the decline in US orders.

A12 *The Company always focus on selling products to the customers who offer the best price so that the Company could achieved the highest profit. A significant drop in sales from Korea market from 2017 to 2022 was due to the discontinued purchase of the core veneer sheets from the Company. The current market slowdown was affected by the global weak demand and not just from US market. The Company was currently addressing the issue and selling to other countries at better price.*

**Q13** As the financial result had dropped tremendously and turned into red, can the management share why the Group is still cautiously optimistic with the current year performance as stated in latest Q12023 result?

A13 *Based on the data from US housing sector and feedback from the customers, the demand was expected to improve in the second half of 2023.*

**Q14** May I know will the Company increase the dividend yield in the future?

A14 *It is possible but it will be depending on the performance of the Group and align with the dividend policy.*

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**Q15** How sustainable is the Group's plywood business in the 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 the sales? I hope the management can enlighten me and strengthen my confidence in investing Focus Lumber.

*A15 Form the Company's view, the timber industry which comprises plywood is sustainable in the long run as the demand for wood and plywood continue to grow year-on-year, based on the forecast published by certain agency. The demand for wood and plywood is deemed sustainable from the current trend of mass timber building. RV is a lifestyle product and the demand for RVs will be affected during market slowdown. However, whilst most of our thin plywood is used in RV sector, our plywood is also sold to home decorating industry, furniture industry and house construction industry. The current market slowdown is a global issue and not confined to specific regions. Similarly, weak demands and competitive price are also being experienced in the UK and Asia markets. This is indirectly attributable to the effect of pandemic which caused the supply disruption, high inflation and consequently rates hike by respective countries. Although the market is slow but the Board believes the Company will weather and navigate through this hard time which is cyclical. The Board also believe that the market demand for RV in the US will continue to increase post pandemic with an upsurge of first time RV buyers.*

**Q16** It was regularly stated that the key risk factor of the operation was shortage and irregular supply of log for the Company's factories in the past annual reports. Please provide an update on the status of log supply, pricing etc and its impact on the Company's operations.

*A16 Given the current weak demand of plywood, logs supply is not an issue and will not impact our company's operation for the time being as the Company had moderated the production volume. In addition, the price of logs is also slightly lower as compared to year 2022.*

**Q17** Does the Company have plan to conduct hybrid shareholders' meeting next year?

*A17 The Board has no such plan at this moment.*

**Q18** (1) Rubber wood in Thailand is cheaper, it that the reason why evergreen want to focus on Thailand as a manufacturing hub?  
(2) Asia plywood price for Quarter 1 2023 is higher than USA. May I know how much higher?  
(3) Is the price different between Quarter 1 and Quarter 2 2023 going forward is narrowing?

*A18 The Board will not comment on the Evergreen's strategy on manufacturing hub. Rubber wood is not a suitable raw material for production of good quality plywood. The Company will focus on higher price orders in Asia markets this*

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*year because the demand from the US is currently weak. This does not mean the price in US is lower than Asia. Basically, market price of plywood from US is still better than Asia but the demand and orders are too low. Therefore, the Company has to sell to other markets in order to keep the factory running. The Company will review and if possible, increase the average selling price of our products by focusing in Asia who can offer us better price as certain markets such as Korea and Taiwan are not keen on taking our plywood at higher price. US market still generates higher margin for our plywood sales.*

**Q19**      **The Inventories of Finished Goods increased substantially to RM27.315 million (FY2021: RM12.507 million) (referring to Page 96 of Note 18 of AR2022).**

- (1) What are the reasons for the substantial increase in Finished Goods in FY2022?**
- (2) Had the value of the Finished Goods reduced as at 31 March 2023?**
- (3) Inventories increased further to RM46.9 million as at 31 March 2023. Please explain why.**

*A19*      *In 2021, the inventory depleted to a lower level due to two break bulk shipments in December 2021. As demand for our products was still strong in early 2022, the Company had to stock-up the inventory to cater for such orders. However, our customers hold back our shipments in the second half of 2022 due to various reasons. As such, this resulted in substantial increase in our inventory as at 31 December 2022 compared to previous year. The value of finished goods as at 31 March 2023 increased by approximately RM3.5 million due to further weakening of demand for plywood at an agreeable selling.*

**Q20**      **(1) Does the Company encountering any labour Issues?**  
**(2) What is the trend of raw material prices in the next 6 months?**

*A20*      *Given the current market condition with weak demand of plywood, the Company do not foresee any manpower issue and supply and prices of raw material for the next six months.*

**Q21**      **The sales revenue of Q42022 and 1Q2023 of the Group dropped below RM10.0 million per quarter. The Group had never experience 2 consecutive quarters of below RM10.0 million. The inventory is still high above RM40.0 million for Q12023, does the Company missed any delay shipment?**

*A21*      *As mentioned earlier, the Company is facing a weak demand of plywood globally, particularly from the US. The Company did not miss any shipment during that period. There wasn't any bulk carrier being arranged to carry our products to the US since July 2022 because some buyers from US had requested us to hold back the shipment. Albeit that orders are seen to be returning, the Group is still approaching the increasing orders with caution and with the intention of lowering our stock-carry first.*

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**Q22** Any action taken by the Company to increase the revenue due to slowdown from the main market in US?

*A22 The Company is focusing more on Asia markets right now while US market is recovering. We also sell to customers at UK and Australia but the prices and demand of plywood are depressed. However, the Company is constantly looking for new buyers other than the US market.*

**Q23** The Q12023 results had dropped significantly. Please explain

*A23 Poor demand of plywood globally since the second half of year 2022 resulted in poor financial performance since Q4 2022.*

**Q24** Are the board members getting any allowance for attending today's meeting?

*A24 Yes, Board members get allowance by each meeting day.*

**A few shareholders had requested for the Company to give e-wallet or e-voucher to attendees.**

*The Company noted on the request for the e-wallet or e-voucher, however, the Company believes in rewarding the shareholders through distribution of dividend.*

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