

FOCUS LUMBER BERHAD (188710-V)

(Incorporated in Malaysia)

**QUESTIONS RAISED BY THE SHAREHOLDERS/PROXIES AT THE EXTRAORDINARY
GENERAL MEETING HELD ON 4 JUNE 2018**

Q1. The employees and Directors of Focus Lumber Group will be eligible for participation in the proposed Employees' Share Option Scheme ("ESOS Options") to subscribe for a number of the Company shares at the prescribed price. However, the existing shareholders of the Company will suffer loss as the existing shareholders' shareholding will be diluted when the employees or holders of ESOS Options exercise their options. Since the Company has a strong cash flow, the Company should consider distributing bonus shares or warrant to the shareholders to allow the existing shareholders to benefit and participate in the Company's development and profitability. With this, the shareholders' investment in the Company will not be diluted so much.

As such, the Company should distribute the bonus shares first and defer the Proposed ESOS scheme to July or August 2018 after the second quarterly financial results are released. The shareholders will support the Proposed ESOS scheme, if the Company distributes the bonus shares and achieves good results in the second quarter.

Based on the effects of the proposed ESOS disclosed on page 7 of the Circular, the expense arising from the granting of ESOS Options will be charged to the profit and loss account under Malaysian Financial Reporting Standards 2. How much is the cost to be charged to the profit and loss account? Will the impact be derived from the share price or net assets of the Company?

FOCUS LUMBER BERHAD (188710-V)
MINUTES OF EXTRAORDINARY GENERAL MEETING HELD ON 4 JUNE 2018

- A1. The purpose of the Proposed ESOS Options is to reward the employees of the Company. Whether the Company distributes the bonus shares or warrant before or after the proposed ESOS, the dilution of the shareholders' investment will be the same. The Company also rewards its shareholders through the payment of dividend. The Company has normally declared one interim dividend in a year as the Company needs to manage the cash flow for future capital expenditures and contingencies.

Resolution 1 of the meeting is mainly on the proposed establishment of an ESOS scheme, whilst Resolutions 2 to 7 are the proposed allocation of ESOS Options to the respective Directors of the Company. Therefore, the interested Directors will abstain from voting on the resolution pertaining to their respective allocations as well as allocation to persons connected to them.

The Board of Directors notes the shareholders' concern and has decided to withdraw Resolutions 2 to 7 for the proposed allocation of ESOS options to the respective Directors. Since the ESOS options are for the employees' benefits, the Company will proceed to seek shareholders' approval on Resolution 1 for the proposed establishment of an ESOS scheme for the Company to grant the options to the eligible employees.

The potential impact of the recognition of the said expenses on the earning per share is difficult to determine at this juncture. The potential impact is dependent on the option price offered to the employees and also the number of shares exercised by the employees. The fair value of the ESOS Options is calculated based on binomial option pricing model and determined after taking into consideration the historical volatility of the Company's shares, the risk-free rate, the exercise price payable upon exercise of the ESOS Options and the time expiry of the ESOS Options.

FOCUS LUMBER BERHAD (188710-V)
MINUTES OF EXTRAORDINARY GENERAL MEETING HELD ON 4 JUNE 2018

Q2. If the Company's share price and profit have dropped, it will not be the right time for the Company to issue bonus shares as it will further dilute the shareholders' investment.

A2. The Board notes the shareholders' comments.