

APPENDIX 1 OF THE MINUTES OF THE 29TH ANNUAL GENERAL MEETING HELD ON 9 DECEMBER 2024
- QUESTIONS RECEIVED FROM MSWG ALONG WITH THE REPOSSES FROM THE BOARD

A. OPERATIONAL & FINANCIAL MATTERS

1. On the retail front, the Group continues to advance despite a tough economic environment. The retail sector's dynamic nature necessitates ongoing efforts to attract and retain customers for sustained growth. The Group has thoroughly evaluated the risks and vulnerabilities associated with the evolving market conditions and consumer behavior changes brought about by the global pandemic. In response, proactive measures have been implemented to address and mitigate the impact of these challenges on business operations and financial performance (Page 7 of the Annual Report (AR) 2024).

What proactive measures has MESB implemented to address and mitigate the challenges on retail operations and financial performance? How effective are these measures so far?

Answer:

In today's highly competitive and dynamic market, customer retention is paramount. To achieve this, our merchandising team is diligently focusing on optimizing product sourcing and enhancing the overall value proposition. We are in the process of curating a new collection that is carefully aligned with the prevailing market trends and evolving customer preferences. While the full impact of these efforts may take time to materialize, our team remains committed to ongoing research and continual improvements in sourcing. This strategic focus is designed to drive improved sales performance, thereby delivering positive impact on our financial results.

2. Since the completion of the acquisitions of three waste recycling companies, namely N.U. Recycle Sdn Bhd, Formidex Sdn Bhd, and Waier Trading Sdn Bhd (collectively the "Recycling Subsidiaries") in June 2023, MESB has expanded from its original apparel and leather products retail operations into waste recycling business ("Recycling Business") which has since emerged as the core business of the Group.

The Group is well-positioned to capitalise on the growth opportunities within Malaysia's recycling industry (Page 4 of the AR 2024).

- a) What is the current performance of the abovementioned subsidiaries?

Answer:

Recycling Subsidiaries are contributing RM7.45 million, representing 72% of the Group's total Profit After Tax attributable to the owners of the Company, amounting to RM10.31 million for FY2024. It is a significant improvement as compared to FY2023 where Recycling Subsidiaries only contributed RM0.58 million, representing 5% of the Group's total Profit After Tax attributable to the owners of the Company, amounting to RM12.19 million.

- b) Please share the latest initiatives the Group has taken to capitalise on the growth opportunities within the recycling industry.

Answer:

The Group has been making continuous effort to ensure the recycled materials meet customer expectations and maintain customer satisfaction.

Besides, the Group is actively collaborating with other stakeholders in organising awareness campaigns for the community by highlighting positive impact of waste management to our environment, and at the same time aiming to grow customer base and market share in the recycling industry.

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B. SUSTAINABILITY MATTERS

3. Energy Management

In FY2024, MESB's total energy consumption was 730.8 megawatts (MW), an increase from the previous year's 609.0 MW (Page 27 of AR 2024).

a) **What were the reasons for the Company's energy consumption increase in FY2024?**

Answer:

The increase in the energy consumption in FY2024 was mainly due to heightened business activities and unavailability of data from its wholly-owned subsidiary, MESB Resources Sdn Bhd for FY2022 and FY2023.

b) **As higher energy consumption can increase a company's carbon footprint, how does MESB intend to reduce it and optimise its energy consumption?**

Answer:

MESB is taking several proactive measures to reduce energy consumption and its carbon footprint, which will have a significant impact. Here's how these efforts fit into their broader sustainability strategy:

Employee Engagement and Energy-Saving Practices: By encouraging employees to adopt energy-saving habits, such as turning off equipment when not in use, MESB is fostering a culture of energy efficiency. These small actions, combined with sustainability awareness initiatives, can lead to collective energy savings across the company.

Monitoring and Evaluating Energy Usage: MESB closely monitors its energy bills on a monthly basis to track and analyze consumption patterns. This regular monitoring helps identify opportunities for improvement and allows the company to implement targeted solutions for optimizing energy use, leading to more informed decisions on energy management.

Installation of Solar Panels: The recent installation of solar panels is a significant step toward using renewable energy. Over time, as the solar panels start powering the company's operations, MESB will see reductions in electricity costs and carbon emissions, contributing to long-term sustainability goals.

Anticipated Energy Reductions: With the solar panels in place, MESB can expect a reduction in its energy consumption and costs in the near future. This shift to cleaner energy will not only support environmental goals but also improve operational efficiency and reduce long-term energy expenses.

Through these combined efforts, MESB is positioning itself to achieve greater energy efficiency and a lower carbon footprint, while also fostering a culture of sustainability and innovation within the organization.

4. Water Management

Due to heightened business activities, the Company's water usage increased from 13.9ML in 2022 to 15.1ML in 2024 (Page 28 of AR2024).

Given the Company's increasing business activities, which areas can potentially present opportunities for better management, cost savings, and improvement in terms of water usage?

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Answer:

Employee Engagement and Awareness: Training employees on water-saving practices, such as turning off taps when not in use, fixing leaks, and using efficient equipment, can significantly reduce water consumption. By encouraging employee participation, MESB can build a culture of sustainability where everyone plays a role in conserving water.

Leak Detection and Maintenance: Regularly inspecting and maintaining plumbing systems and equipment helps prevent leaks and water wastage.

Water Usage Audits: Regular water audits help assess how water is used and identify areas for improvement. MESB can use the audit results to set specific goals for reducing water consumption, ensuring ongoing progress in water management and sustainability.

C. CORPORATE GOVERNANCE MATTERS

5. The Company is tabling Ordinary Resolution 9 to approve the retention of Mr. Lee Kok Heng as an Independent Non-Executive Director (INED) (Notice of 29th AGM). He was appointed to the Board as an INED on 25 November 2015 (Page 44 of AR 2024). Hence, he has served as an INED of the Company for more than 9 years.

As his tenure exceeded 9 years and is approaching the tenure limit of 12 years, what is the Company's plan for succession?

Answer:

The Nomination and Remuneration Committee ("NRC"), together with the Board of Directors ("Board"), are aware of Practice 5.3 of the Malaysian Code on Corporate Governance 2021 ("MCCG") and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the tenure limit of 12 years for an independent director. The Company will continue to look for suitable candidate who understands our core business, and will give due consideration on the skills, experience, knowledge, gender and commitment.

6. Practice 1.4 of Malaysian Code on Corporate Governance (MCCG) states that the Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee.

Company's response: Departure. The Chairman of the Board, Mr. Chua Jin Kau is not a member of the ARMC and NRC. He was invited to the ARMC and NRC Meetings to provide inputs for matters discussed during the meetings. However, he did not participate in the decision-making of the proposals and matters tabled for approval during the ARMC and NRC Meetings (Page 6 of CG Report 2024).

MSWG's comment: The Chairman of the board should not be involved in these Board committees to ensure a check and balance and objective review by the Board (Guidance/G1.4 of MCCG). Particularly, given that the board is an executive chairman, he should not be present at the ARC and NRC meetings where the composition of the board is solely non-executive directors.

Answer:

Mr. Chua Jin Kau, who is an Executive Chairman, is not a member of the Audit and Risk Management Committee ("ARMC") and NRC. Mr. Chua was invited to join the ARMC and NRC meetings in 2023 to facilitate the efficient use of directors' time without needing to repeat discussions held during Board Committee meetings at the Board meeting. However, the Board took cognizance of the importance of ensuring check and balance as well as objective review by the Board. Commencing 2024, Mr. Chua has excluded himself from attending all Board Committee meetings. The Company will continue to observe this best practice to ensure adherence to the best practices of MCCG by the Company.