

JOHAN HOLDINGS BERHAD

Registration No. 192001000038 (314-K)

MINUTES of the Ninety-Seventh Annual General Meeting of Johan Holdings Berhad (“Johan” or “the Company”) conducted virtually on Wednesday, 11 January 2023 at 11:00 a.m. from the Broadcast Venue at Boardroom of Johan Holdings Berhad, 11th Floor, Wisma E&C, No. 2 Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur and via our Share Registrar’s online meeting platform at www.johanmanagement.com.my

AT THE BROADCAST VENUE

Chairman of the Board:

Tan Sri Dato' Tan Kay Hock

Company Secretary:

Mr Teh Yong Fah

Poll Administrator – Propoll Solutions Sdn Bhd:

Mr Lai Chi Kang

Mr Danny Yap Kee Kong

Independent Scrutineer – Symphony Corporate Services Sdn Bhd:

Mr Eric Tan Kai Meng

VIA VIDEO CONFERENCE

Board of Directors:

Puan Sri Datin Tan Swee Bee (“Puan Sri Datin Tan”)

Dato’ Ahmad Khairummuzammil Bin Mohd Yusoff (Dato’ Ahmad K.)

Tan Sri Dato’ Seri Dr Ting Chew Peh

Mr. Ooi Teng Chew

Management Staff:

Mr Sia Chin Yap

- General Manager, Operations

Mr Lee Teck Siong

- Senior Manager – Finance

Mr Choo Chin Yoon

- Senior Manager – Group Accountant
& Treasurer

Mr Choong Teng Fei

- Manager – Finance

Mr Phoon Hee Yau

- Director of Dynacare Sdn Bhd

Mr Tio Yit Ching

- Director of Dynacare Sdn Bhd

Auditors – Baker Tilly Monteiro Heng PLT:

Mr Ng Zu Wei

Mr Ho Lee Sien

Ms Noor Shuhada Binti Zumiri

Assistant Company Secretary:

Ms Gan Lee Mei

The attendance of shareholders, corporate representatives and proxies via the online meeting platform at www.johanmanagement.com.my using Remote Participation and Voting (“RPV”) facilities was as per the attendance list.

1. CHAIRMAN

Tan Sri Dato' Tan Kay Hock presided as Chairman of the Ninety-Seventh Annual General Meeting ("97th AGM" or "the Meeting") of Johan Holdings Berhad ("Johan" or "the Company").

The Chairman, on behalf of the Board of Directors ("the Board"), welcomed the shareholders, proxies and corporate representative present to the 97th AGM of the Company ("Members"). The Chairman informed the Members that all the other Board members, the Company Secretary, representatives from the External Auditors and the key management personnel were also in attendance via video conference.

2. QUORUM AND NOTICE OF MEETING

The requisite quorum being present, the Chairman called the meeting to order. The Chairman informed that the notice convening the 97th AGM of the Company was disseminated electronically on 30 November 2022 and available on the Company's website. The notice of the 97th AGM was also advertised in The Star newspaper on 30 November 2022. With the permission from the Members, the notice convening the 97th AGM was taken as read.

3. POLL VOTING AND MEETING PROCEDURES

The Chairman informed the Members that all the Resolutions as set out in the Notice of 97th AGM would be voted by poll in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The polling would be conducted electronically via the RPV facility provided by Propoll Solutions Sdn Bhd, the Poll Administrator. Symphony Corporate Services Sdn Bhd was the appointed Scrutineers to verify the poll results.

The Chairman reported that the Company had received eleven (11) proxy forms from shareholders, out of which nine (9) proxy forms were from shareholders holding a total of 730,005,034 ordinary shares, representing 62.5% of the total issued shares of the Company, appointed the Chairman of the Meeting to vote in favour of all the six (6) Ordinary Resolutions to be considered at this Meeting. One (1) shareholder holding 100,000,000 shares has appointed Puan Sri Datin Tan as proxy to vote in favour of all the six (6) Ordinary Resolutions to be considered at this Meeting.

A short video to explain the electronic polling process and how the Members can access the online voting platform to cast their votes was presented during the Meeting.

4. CHAIRMAN ADDRESS

The Chairman reported that during the financial year under review (“FY2021/22”), Johan Holdings Berhad Group (“the Group”) operated under immense difficulties as a result of the restrictions caused by the Covid -19 pandemic. The Group began to emerge from the very difficult operating environment only from the beginning of 2022 with the gradual lifting of these restrictions.

The Chairman reported that for FY2021/22, the Group recorded revenue of RM22.036 million, and recorded loss before tax of RM16.91 million, mainly attributed to loss of RM12.89 million by Dynacare Sdn Bhd (“Dynacare”), the glove manufacturing subsidiary of Johan.

The Chairman reported that Dynacare, a start-up business from the ground, only began commercial production for its 1st Dipping line at end November 2021. The 2nd Dipping line was only handed over for commercial production on 18 March 2022. At end of FY 2021/22, Dynacare’s production from just these 2 lines were low with high operating costs. However, since end of 2021, the glove industry underwent industry-wide headwinds caused by an acute oversupply and margin compression. In January 2022, average selling price (“ASP”) was at a high of US\$38.9/1000 pieces and to a low of US\$17/1000 pieces in July 2022. Currently, the ASP is at US\$15/1000 pieces.

The management remained cautious over the challenging glove industry outlook. Going forward, the management will manage the production level based on demand and sales going forward and had also implemented various cost savings measures.

The Chairman then proceeded to deal with the business of the Meeting. The Chairman informed the Members that they could raise their questions on the matters related to the Agenda of the Meeting via the Question-and-Answer column. The Board and the Management would endeavour to address all the relevant questions at the Meeting. The Chairman announced that the voting session was opened for Members to cast their votes.

5. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2022 AND THE REPORTS OF THE DIRECTORS AND AUDITORS

The audited financial statements of the Company for the financial year ended 31 July 2022 and the Reports of the Directors and Auditors thereon as incorporated in the Annual Report were tabled. No voting by Members is required for this Agenda item.

It was recorded that the audited financial statements of the Company for the financial year ended 31 July 2022 and the Report of Directors and Auditors thereon had been duly tabled and received by the Shareholders.

The Chairman proceeded to deal with the next item on the Agenda.

6. RE-ELECTION OF DIRECTORS RETIRING BY ROTATION

- (i) Under Agenda 2(i)(a), the Chairman informed the Members that he will retire by rotation at the Meeting and Dato' Ahmad K. was invited to table the Ordinary Resolution 1 at the Meeting.

Dato' Ahmad K. tabled Ordinary Resolution 1 to the vote by poll:

“That Tan Sri Dato' Tan Kay Hock, who retires by rotation pursuant to Clause 90 of the Constitution of the Company and being eligible, be re-elected as Director of the Company”

- (ii) Under Agenda 2(i)(b), the Chairman tabled Ordinary Resolution 2 to the vote by poll:

“That Dato' Ahmad K., who retires by rotation pursuant to Clause 90 of the Constitution of the Company and being eligible, be re-elected as Director of the Company”.

7. RETIEMENT OF DIRECTORS

Under Agenda 2(ii)(a), the Chairman reported that Tan Sri Dato' Seri Dr. Ting Chew Peh, who had served as a non-Executive Director for a tenure of more than nineteen (19) years, has elected to retire as a Director and shall hold office until the conclusion of the Meeting.

Under Agenda 2(ii)(b), the Chairman reported that Mr. Ooi Teng Chew, who had served as an Independent Director for more than thirteen (13) years, has elected to retire as a Director and shall hold office until the conclusion of the Meeting.

No resolution is required for voting in respect of their retirement as Directors of the Company.

It was recorded that the retirement of Tan Sri Dato' Seri Dr. Ting Chew Peh and Mr. Ooi Teng Chew as Directors of the Company at the conclusion of the 97th AGM of the Company held on 11 January 2023 be noted. The Board placed on record its appreciation for their valuable advice and contribution throughout their tenure of service to the Group and to wished them well in their future endeavours.

8. DIRECTORS' FEES AND BENEFITS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2023

Under Agenda 3, the Chairman tabled Ordinary Resolution 3 to the vote by poll:

“To approve the payment of Directors’ fees and benefits of up to RM169,000 to Non-Executive Directors for the financial year ending 31 July 2023.”

9. RE-APPOINTMENT OF AUDITORS

Under Agenda 4, the Chairman tabled Ordinary Resolution 4 to the vote by poll:

“To re-appoint Baker Tilly Monteiro Heng PLT as external Auditors of the Company for the financial year ending 31 July 2023 and to authorise the Directors to fix their remuneration.”

Baker Tilly Monteiro Heng PLT, the retiring auditors, have expressed their willingness to continue in office.

10. RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTOR

As Special Business, under Agenda 5, the Chairman tabled Ordinary Resolution 5 to the vote by poll:

“THAT approval be and is hereby given to Dato’ Ahmad K., who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director.”

The justification to retain Dato’ Ahmad K. as Independent Non-Executive Director of the Company was set out in the Explanatory Note 3 of the Notice of the 97th AGM.

11. AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

As Special Business under Agenda 6, Ordinary Resolution 6 as set out in the Notice of 97th AGM is to authorise the Directors under a general mandate to allot and issue additional shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016.

The general mandate sought for issuance of up to 10% of the total number of issued shares of the Company is a renewal to the general mandate which was approved by shareholders at the AGM held last year. The Company has not issued any new shares under this general mandate which will lapse at the conclusion of the 97th AGM. The general mandate is to provide flexibility to the Company for any possible fund raising exercises including but not limited to placement of shares for purposes of funding future investment, working capital and/or acquisitions.

With the permission from the Members, the Ordinary Resolution 6, the full text of which was set out in the Notice of 97th AGM was taken as read. the Chairman tabled Ordinary Resolution 6 to the vote by poll.

12. OTHER ORDINARY BUSINESS

The Chairman informed the Members that the Secretary has confirmed that no notice of resolution has been received to transact any other ordinary business of the Company.

13. QUESTIONS AND ANSWERS (“Q&A”)

The Chairman proceeded to Q & A session. The questions received from the Members prior to the Meeting and the Company’s replies, were presented via slides presentation at the Meeting. The Q&A were set out in the annexure I attached.

14. POLL VOTING

There were no further questions raised, the Chairman proceeded with the voting session. The Members who have not casted their votes, were allocated another five (5) minutes time to submit their votes.

The Chairman announced the closure of the voting session and declared that the Meeting be immediately adjourned to enable the poll administrator and independent scrutineers to count the votes and verify the poll results.

15. DECLARATION OF POLL RESULTS

The Chairman called the Meeting to order for the declaration of results.

The Chairman informed the Members that the poll result had been validated by the independent scrutineers. The poll result were as follows:-

	FOR			AGAINST		
	No. Shareholders	No. of shares	%	No. Shareholders	No. of shares	%
<u>Ordinary Resolution 1</u> Re-election of Tan Sri Dato’ Tan Kay Hock as a Director	19	830,520,132	99.989026	2	91,150	0.010974
<u>Ordinary Resolution 2</u> Re-election of Dato’ Ahamd K. as a Director	16	830,519,832	99.988990	5	91,450	0.011010

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	FOR			AGAINST		
	No. Shareholders	No. of shares	%	No. Shareholders	No. of shares	%
<u>Ordinary Resolution 3</u> Approval of payment of Directors' fees and benefits to Non-Executive Directors for the financial year ending 31 July 2023	14	830,513,832	99.988268	7	97,450	0.011732
<u>Ordinary Resolution 4</u> Re-appointment of Baker Tilly Monteiro Heng PLT as the Company's External Auditors for the financial year ending 31 July 2023 and to authorise the Board of Directors to fix their remuneration	19	830,520,132	99.989026	2	91,150	0.010974
<u>Ordinary Resolution 5</u> Retention of Independent Non-Executive Director - Dato' Ahmad K.	16	830,519,832	99.988990	5	91,450	0.011010
<u>Ordinary Resolution 6</u> Authorisation for Directors to allot shares	17	830,519,932	99.989002	4	91,350	0.010998

The Chairman declared that all the six (6) Ordinary Resolutions as tabled and voted at the Meeting as duly carried.

16. CLOSURE OF MEETING

There being no other business to transact, the Chairman thanked the Members for their participation at the Meeting and declared the meeting closed at 11.39 a.m.

Confirmed as the correct record
of proceedings thereat,

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CHAIRMAN

Dated : 11 January 2023

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Operational & Financial Matters

1. For FY2022, Johan recorded a revenue of RM22.04 million and a net loss of RM16.94 million. As a perspective, it posted a revenue of RM49.11 million and a net profit of RM161.06 million in the 18-month financial period ended 31 July 2021.

However, the profit recorded in FPE2021 was mainly due to the one-off gain from the disposal of card businesses; otherwise, it would have registered a loss of RM39.16 million from continuing operations.

In addition, Johan posted losses from continuing operations in three of the past five financial periods (page 29 of AR2022).

As of 31 July 2022, the Company's total shareholders' equity amounted to RM228.99 million against total share capital of RM413.67 million, representing an equity-to-capital ratio of 55.33%.

- a) When will the Group turn around and become profitable? What measures are being put in place to turn around the loss-making businesses?

Reply:-

The Group will be profitable when the glove manufacturing business and the hospitality business are profitable.

- b) With the healthcare (gloves manufacturing) division expected to face headwinds in 2023, how will the hospitality and trading division lift Johan's overall financial performance?

Reply:-

Hospitality

With the relaxation of Covid restrictions our Resort Hotel has since experienced increasing sales and higher occupancy. The continuous improvement in the facilities and services have improved our ARR. The Management is optimistic of improving performance of this business going forward.

General Trading

The general trading business is highly competitive with low margins. This was affected by unfavourable forex movements.

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2. The healthcare division primarily consists of glove manufacturing activities (via 60%-owned subsidiary Dynacare Sdn Bhd) and posted a pre-tax loss of RM12.89 million against a revenue of RM505,000.

Meanwhile, the glove industry is grappling with an oversupply situation and declining average selling prices. The pricing and margin compression are expected to persist into FY2023 due to overstocking by customers and inventory adjustment (page 7 of AR2022).

- a) In the preceding AGM held on 20 January 2022, Johan expected the healthcare business (gloves) would be a key financial driver in FY2022. However, the financial result of the division was lacklustre in FY2022.

What are the strategies to improve the financial performance of the healthcare business amid stiff competition and oversupply? When will the healthcare division turn around and start registering operating profit?

Reply:-

This first line of the glove factory was only commissioned in October 2021 and by the financial year end of 31st July 2022 only two lines were commissioned. As this is a start up with low capacity and high operating cost, the revenue and losses are not representative.

With the worldwide over supply, the near term outlook remains challenging. The worldwide demand for glove is beyond our control. However, we remain optimistic of the long term viability.

The Company will place greater emphasis on cost management and operational efficiencies.

- b) What are Johan's total gloves manufacturing capacity and the average utilisation rate?

Reply:-

With 2 dipping lines operating, the capacity is about 500 Million pieces of glove per annum. The utilisation rate is dependent upon customers' order received.

- c) The year 2022 was challenging for glovemakers due to escalating operating costs on the back of global supply chain disruptions, increased natural gas tariffs and the implementation of minimum wage.

Has the Group seen any sign of re-stocking activities by glove distributors? Has the Group secured any long-term contracts to supply gloves to clients?

Reply:-

The market consolidation is expected to take some time and there is no urgency for the time being for customers to place long term orders in light of the excess capacity in the glove industry.

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3. The Other Investments consist of investments in the quoted shares of George Kent (Malaysia) Berhad. As of 31 July 2022, the market value of Johan's Other Investments declined by 23.56% to RM12.62 million compared to RM16.51 million in FPE2021. As a result, the Company recognised a fair value loss of RM3.89 million.

The value of Johan's investments in George Kent has declined since FY2018, with substantial fair value loss recorded (refer to the table below).

As of	Market value (RM million)	Fair value loss recognised (RM million)
FYE 31 January 2018	90.11	-
FYE 31 January 2019	25.48	64.63
FYE 31 January 2020	20.52	4.95
18-month FPE 31 July 2021	16.51	4.01
FYE 31 July 2022	12.62	3.89

Source: Johan's Annual Report 2018 - 2022

- a) Why does Johan remain invested in George Kent despite the persistently declining market value?
- b) What is the objective of investing in these securities? How do equity investments fulfil Johan's long-term business objectives and shareholders' interests?

Reply:-

The investment in GKM shares is a long term investment which has performed well as a core investment. As a long term investment the management does not trade. This investment cost the Company RM7.44 million in 2010 and over the years it has received RM11.65 million in dividend income. It has more than recovered our initial investment and continues to pay dividends. The share price has declined in tandem with the prices of other counters in this bearish market.

4. As external auditor Baker Tilly Monteiro Heng PLT highlighted, the Group has significant balances of property, plant and equipment (PP&E) relating to the glove manufacturing operation. The auditor added that the current weak market sentiment and persisting imbalances in demand-supply dynamics in the glove industry have led to a risk of impairing PP&E relating to the glove manufacturing operation (Key Audit Matters, page 162 of AR2022).

- a) What is the ratio of PP&E related to the glove manufacturing activities of the Group's total PP&E?

Reply:-

As at 31 July 2022, PP&E related to the glove manufacturing activities is about 48.8% of the Groups total PP&E.

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- b) The impairment assessment to estimate the recoverable amount of these assets involved significant management judgment.

Please further elaborate on the audit procedures for the impairment testing on PP&E in terms of methodology and method used and key assumptions/estimates used by the Management in impairment assessment.

Reply:-

The audit procedures were disclosed in Independent Auditors' Report on page 162.

- c) Should current unfavourable market conditions persist, what is the likelihood of impairing glove-related PP&E in FY2023?

Reply:-

The impairment assessment, if any, will be conducted in accordance to the Accounting Standard and subject to review by the Auditor upon statutory audit review. It is premature to determine the likelihood now.

Corporate Governance Matters

1. The total remuneration received by chairman and chief executive Tan Sri Dato' Tan Kay Hock and group managing director Puan Sri Datin Tan Swee Bee have increased to RM1.35 million (FPE2021: RM810,000) and RM855,000 (FPE2021: RM617,000) respectively in FY2022 (page 36 of AR2022 and page 30 of AR2021).

The sharp increase was mainly due to higher salaries and other emoluments received.

If we extrapolate the remuneration received by Tan Sri and Puan Sri during the 18-month FPE2021, their remuneration in the preceding 12 months (before FY2022) would have amounted to RM540,000 and RM411,240, representing a 150% and 108% increase compared to FY2022.

- a) What are the justifications for the substantial increase in their total remuneration given Johan's loss-making performance?

Reply:-

The comparison of remuneration for FY2021 and FY2022 has been taken out of context. The total remuneration of directors including salaries to Tan Sri Tan and Puan Sri Tan was FY2017 : RM2.234M; FY2018 : RM2.335M; FY2019 : RM2.310M. The total remuneration dropped for FY2020 and FY2021 as Tan Sri Tan and Puan Sri Tan took a voluntary 50% salary reduction effective March 2019 and an additional 10% reduction effective April 2020. The Remuneration Committee reinstated the reductions in FY2022. In fact, for the past 6 years total remuneration has remained stagnant.

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b) What is the breakdown of the salaries and other emoluments received by the two EDs?

Reply:-

As far as EDs are concerned, the disclosure under "Salaries and Other Emoluments" referred to salary. Other emoluments was related to Non-Executive Directors' remuneration.

2. As of 31 July 2022, Johan's board comprises two long-serving independent non-executive directors (INEDs), namely Mr Ooi Teng Chew and Dato' Ahmad Khairummuzammil Mohd Yusoff with tenure of 13 and 17 years, respectively.

Upon the conclusion of this AGM, Ooi will retire as a director of the Company, while Dato' Ahmad Khairummuzammil will continue to serve the Board as an INED.

To strengthen board independence, Bursa Malaysia amended the Listing Requirements to limit the tenure of an ID to not more than a cumulative tenure of 12 years. All long-serving independent directors impacted by this enhancement must resign or be re-designated as non-independent directors by 1 June 2023.

How is the progress in identifying new INEDs to replace the two long-serving INEDs? How many candidates are shortlisted by the Nomination Committee? What are the sources utilised to identify these candidates?

Reply:-

The Nomination Committee (NC) has interviewed and assessed two suitable and qualified candidates to fill the vacancy of Independent Non-Executive Directors (INEDs) and had accordingly recommended both of them to be appointed as INEDs on the Board of Johan Holdings Berhad. At the appropriate time after the conclusion of this AGM, the Board will convene a meeting to consider the NC's recommendation.