

ESTHETICS INTERNATIONAL GROUP BERHAD

(Company No: 408061-P)

(Incorporated in Malaysia)

MINUTES of the Twenty-Fifth Annual General Meeting of Esthetics International Group Berhad (“EIGB” or “the Company”) held on a fully virtual basis via Remote Participation and Voting facilities (“RPV”) from the online meeting platform provided by Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”) at <https://tiih.online> on Wednesday, 28 September 2022 at 2.30 p.m.

PRESENT: Mr. Chieng Ing Huong (Chairman)
Mr. Roderick Chieng Ngee Kai
Mr. Brian Chieng Ngee Wen
Ms. Janet Chieng Ling Min
Dato’ Chan Choun Sien
Dato’ Dr. Noor Zalmy Azizan Binti Mohd Ali Azizan
Ms. Corina Loi Wei Sin
Ms. Rosie Hong May Kwee

together with a quorum of shareholders

IN ATTENDANCE: Lee Wai Ngan (Secretary)

1.0 COMMENCEMENT

- 1.1 Mr. Chieng Ing Huong took the Chair and called the meeting to order at 2.30 p.m. The Secretary had confirmed that a quorum was present.
- 1.2 The Chairman welcomed shareholders to the Twenty-Fifth Annual General Meeting (“25th AGM”) of the Company. The meeting noted that since the 25th AGM was conducted in a fully virtual environment following the Securities Commission Malaysia Guidance on the Conduct of General Meetings for Listed Issuers (“SC Guidance”), all meeting participants including the Chairman of the meeting, board members, senior management and members were required to participate in the meeting via online.
- 1.3 The Chairman introduced the members of the Board to the shareholders present.
- 1.4 The Chairman then informed the members that pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the resolutions set out in the Notice of the 25th AGM dated 29 July 2022 would be put to vote by way of a poll. For this purpose, Tricor Investor & Issuing House Services Sdn Bhd had been appointed as the Poll Administrator to facilitate the online voting process and Asia Securities Sdn. Berhad had been appointed as the Independent Scrutineers to verify the poll results for the 25th AGM.
- 1.5 The members and proxy-holders who were attending the AGM remotely were informed that they may use the query box facility under the Remote Participation and Voting (“RPV”) facility to transmit their questions in real time during the AGM. Questions posted in the query box will be moderated to avoid repetition.

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The members were also informed that the online remote voting was accessible from the start of the 25th AGM until such time to be announced later.

- 1.6 Tricor investor & Issuing House Services Sdn Bhd, the Poll Administrator, briefed the Meeting on the E-Polling procedures via a video presentation.

2.0 NOTICE

- 2.1 The notice convening the meeting was taken as read.

3.0 PRESENTATION BY MR. RODERICK CHIENG, GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

- 3.1 Mr Roderick Chieng made a presentation to the shareholders giving a brief review of the financial results of the Group for the year ended 31 March 2022 and an overview of the performance of the Group in Malaysia and regionally.

4.0 AUDITED FINANCIAL STATEMENTS

- 4.1 The audited financial statements of the Company for the financial year ended 31 March 2022 together with the reports of the Directors and Auditors thereon had been circulated to all members within the prescribed period and were tabled for the meeting's consideration.

- 4.2 Pursuant to Section 340(1)(a) of the Companies Act 2016, the Directors were only required to lay before the shareholders the audited financial statements. The audited financial statements do not require a formal approval and hence, are not put forward for voting.

5.0 FINAL SINGLE-TIER DIVIDEND [Resolution 1]

- 5.1 Resolution 1 was with regard to the payment of a final single-tier dividend of 0.50 sen per ordinary share in respect of the financial year ended 31 March 2022.

6.0 RE-ELECTION OF DIRECTORS

- 6.1 **Mr. Roderick Chieng Ngee Kai [Resolution 2]**

Mr. Roderick Chieng Ngee Kai retired by rotation as a Director at the 25th AGM in accordance with Article 103 of the Company's Constitution and, being eligible, had offered himself for re-election.

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6.2 Ms. Hong May Kwee [Resolution 3]

Ms. Hong May Kwee retired by rotation as a Director at the 25th AGM in accordance with Article 103 of the Company's Constitution and, being eligible, had offered herself for re-election.

6.3 Ms. Loi Wei Sin [Resolution 4]

Ms. Loi Wei Sin retired by rotation as a Director at the 25th AGM in accordance with Article 103 of the Company's Constitution and, being eligible, had offered herself for re-election.

7.0 DIRECTORS' FEES [Resolution 5]

7.1 Resolution 5 was with regard to the payment of Directors' fees of RM156,000 for the financial year ended 31 March 2022. The interested Directors abstained from voting on this resolution.

8.0 PAYMENT OF DIRECTORS' BENEFITS [Resolution 6]

8.1 Resolution 6 was with regard to the payment of Directors' benefits in accordance with section 230(1) of the Companies Act 2016 up to an amount of RM304,000 from 29 September 2022 until the next AGM of the Company in 2023. The interested Directors abstained from voting on this resolution.

9.0 RE-APPOINTMENT OF AUDITORS [Resolution 7]

9.1 Resolution 7 tabled to the members was with regard to the re-appointment of Baker Tilly Monteiro Heng PLT as the Auditors of the Company for the ensuing year to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors. Baker Tilly Monteiro Heng PLT have indicated their willingness to accept re-appointment.

10.0 OTHER BUSINESS

10.1 The Company Secretary had confirmed that there were no other ordinary business to be transacted of which due notice has been given.

SPECIAL BUSINESS

11.0 AUTHORITY UNDER SECTION 75 AND 76 OF THE COMPANIES ACT, 2016 [Resolution 8]

11.1 Resolution 8 was with regard to the authority under Section 75 and 76 of the Companies Act 2016 for the Directors to issue shares.

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12.0 QUESTIONS FROM MEMBERS

12.1 Having dealt with all items on the Agenda, Mr. Roderick Chieng, the Group Managing Director and Chief Executive Office proceeded to address questions received from the Minority Shareholders Watchdog Group and from members submitted via the RPV before the Meeting and via the online query box during the Meeting and noted as follows:

- (i) MSWG Question 1:
With the opening of the economy, will the Company return to profitability in FYE 2023?

The Company hopes to return to profitability in FYE 2023. This will be dependent on various other factors such as consumer sentiment, rising interest rates, etc. and will also be impacted by foreign exchange. 1Q2023 performance for the Group was impacted by salon closures in Hong Kong.

- (ii) MSWG Question 2:
a) How has the business been for the newly opened outlets?
b) How many outlets were closed during the rationalisation and what was the loss suffered by the Company due the closures?

Response at new locations were encouraging due to strategic locations. There was a net reduction of seven outlets but there was minimal loss from the rationalization of these outlets which were mainly consignment retail counters.

- (iii) MSWG Question 3:
a) What is the amount allocated for capital expenditure in FYE 2023 and how will it be financed?
b) What will the capital expenditure allocated for FYE 2023 be spent on?
c) The amount of capital expenditure of RM1.3 million in FYE 2022 appears rather small. Is it sufficient to fuel future growth?

Historically, capital expenditure (capex) is in the range of RM2mil to RM4mil. For FYE 2023, capex is expected within this range and will be financed from existing cash resources. Capex is mainly for new corporate outlets and this will depend on timing and availability of suitable outlets. The capex of RM1.3mil in FYE 2022 was lower than normal because of delays due to closures under the MCO.

- (iv) MSWG Question 4:
Distribution Expenses increased in FYE 2022 to RM21.5 million from RM19.9 million in FYE 2021. This was despite the lower revenue recorded by the Company in FYE 2022. (Page 67 of AR 2022). Please explain the reasons for the increase.

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This was primarily due to higher staff cost in FYE2022 with lesser government concession vs FYE 2021. The Group wanted to maintain and strengthen the team as much as possible so as to be in a better position for the long term.

(v) MSWG Question 5:

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

Does the Company plan to apply Practice 1.4, and if yes, by when?

As mentioned in the Corporate Governance Report, the Board considers Mr Eddy Chieng Ing Huong to be the best person to be in the Remuneration Committee given his relevant entrepreneurial experience. The other two members of the Remuneration Committee are Dato' Chan Choun Sien, who is the Senior Independent Director, and Dato' Dr Noor Zalmy Azizan binti Mohd. Ali Azizan, Independent Director.

(vi) Question: What is the overall outlook of the industry particularly where the group is operating?

Overall the outlook is positive over the longer term.

(vii) Question: Where do you see sales or turnover trending in the next 12 to 24 months?

The management anticipates some recovery in sales in the next 12 to 24 months, subject to circumstances that are beyond the management's control.

(viii) Question: What part of the business is giving you the most trouble now?

The external macroeconomic uncertainties, particularly the rising USD. There is also uncertainty regarding consumer sentiment.

(ix) Question: What is the percentage of revenue contribution from professional services and distribution of:

- a) International brands – Dermalogica, Davines professional haircare, Jane Iredale makeup, Tisserand Aromatherapy & Depileve professional waxing products;
- b) Own brand – Bioxil innertreats supplements; and
- c) FMCG – Clinelle, Nurish Organiq and Herbacin personal care products

EIG has been the exclusive distributor of Dermalogica for over 28 years. As for the other brands, they are contributing very materially to the Group's revenue. The Group is also excited of with Jane Iredale which has just been launched and looking forward to contribution from the brand.

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- (x) Question: What is the contract period for distributorship of each internal brand, and when will the contracts be due for renewal?

The Distribution Agreements signed by the Group are typically longer than for smaller distributors. The Group is always looking to build long term relationships with all brand principals.

- (xi) Question: The Group's exposure to foreign exchange is significant. What are the measures in place to mitigate the impact of the weakening Malaysian Ringgit on the bottom line of the Group?

The Group is looking to mitigate the exposure by managing promotions as well as growing through new and existing customers to offset higher costs.

- (xii) Question: The revenue of the Group is rather flat over the years. What could be the new revenue sources for the Group or what could be done to grow the current sources of revenue?

For corporate outlets, the Group will continue to look to expand to new locations and is constantly evaluating other key locations. The management is also looking to introduce more innovative services and skin health solutions. As for other measures, the Group will grow topline by continuing to introduce new brands and new channels of distribution.

- (xiii) Question: The Group has a high gross margin of above 50% but the net profit margin (PBT) is relatively low at below 5%. What could be done to minimize the distribution and administrative expenses with no negative impact on the revenue and thus improve the net profit margin?

The Group had been investing to build up the infrastructure and scale up the topline to help performance over the longer term. This will help to defray distribution and administrative expenses and contribute to the bottom line in the future.

- (xiv) Question: Are the Company's operations in Hong Kong impacted by the Covid regulations? How is the current situation now? Has the situation improved?

The Company's operations had been impacted in Hong Kong with closure of salons from 7 January to 20 April 2022. Salons are now all open and there is no more quarantine. The situation is improving and the management expect business to continue to pick up in Hong Kong.

- (xv) Question: As a shareholder, thank you for dividends. However, considering the company's short term borrowings and leases as well as the rising interest rates globally, would it be more prudent to pare down borrowings and potentially earn more in interests considering the company's relatively high cash position?

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The Group's borrowings are for part purchase of offices in Singapore and Hong Kong. Although they are classified as short term, they are basically for long term assets. The management will continue to be mindful and monitor and adjust as needed over time.

- (xvi) Question: Will the management consider reaching out to retail platforms like "Stockbit Malaysia" to do a retail live session to raise more awareness about the business and prospects of the company?

The Group is currently focusing on building foundation, operations and infrastructure for the business.

- (xvii) Question: Why is the Chairman holding an executive position as an Executive Chairman?

The Chairman does play an active role in providing strategic leadership and guidance. He is also involved in a lot of key relationships with principals and various stakeholders.

- (xviii) As for questions from shareholders on vouchers, registered shareholders attending the AGM will be receiving emails with vouchers to try some of the products of the Company.

13.0 POLLING

- 13.1 After the completion of the Question and Answer sessions, the Chairman directed that the meeting proceed with the E-Polling. As informed earlier, members and proxy-holders were allowed to submit their votes right after the commencement of the Meeting. In order to facilitate the voting of members and proxies who have yet to cast their votes, the Chairman allowed 10 minutes for the conduct of online voting before declaring the close of the voting session.

- 13.2 After the voting session was declared close at 3.33 pm, the Meeting adjourned for approximately 20 minutes or until the Scrutineers had completed the verification of the results of the votes.

14.0 ANNOUNCEMENT OF RESULTS

- 14.1 The Meeting resumed at 3.46 pm when the Scrutineers presented the results to the Chairman. The results of the voting by poll, per appendix A attached to this minutes, were presented to the members and duly noted by the Meeting.

- 14.2 Based on the results of the voting, the Chairman declared that all the resolutions tabled at the Meeting were duly passed.

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15.0 CLOSE OF MEETING

- 15.1 There being no further business to discuss, the meeting closed with a vote of thanks to the Chairman.