

EUROSPAN HOLDINGS BERHAD (351927-M)
(Incorporated in Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED DURING THE 24th AGM
HELD ON TUESDAY, 29 OCTOBER 2019 AT 10.00 A.M.**

Mr. Guan Kok Beng (“the Chairman”) chaired the Twenty Fourth (24th) Annual General Meeting (“AGM”) of Eurospan Holdings Berhad (“the Company”). The Chairman called the meeting to order at 10.00 a.m. after the Secretary confirmed that the requisite quorum was present pursuant to Article 83 of the Company’s Constitution.

The Chairman informed the members present that the Company had received a letter from Minority Shareholders Watch Group (“MSWG”) dated 16 October 2019 wherein MSWG sought clarification on certain matters. The said letter and the Company’s replies will be presented under Agenda 1.

Agenda 1

Audited Financial Statements for the financial year ended 31 May 2019 together with the Reports of the Directors and Auditors thereon.

The Chairman tabled the Audited Financial Statements for the year ended 31 May 2019 together with the Reports of the Directors and Auditors thereon which had been sent to all the shareholders in accordance with the Company’s Constitution.

The Chairman informed the members present that the Agenda 1 was intended for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require that the Audited Financial Statements be formally approved by the shareholders and hence, it was not put forward for voting.

The Secretary read out the questions from MSWG and the Company’s replies as set out below. The questions and replies were also projected on screen for ease of reading for all present.

Strategy & Financial Matters

- Q1. Gratuity benefit for directors of the Company has increased by about seven times to RM961,578 in FY2019, compared to RM120,013 in FY2018 (page 75 of AR2019). Why was there a sharp increase in gratuity benefit?
- A1. Malaysian Financial Reporting Standard (MFRS) 119 required us to re-measure the gratuity benefit of director periodically, which we carry out every 3 years. In compliance with the requirements of MFRS 119, an actuarial valuation report was prepared by an independent professional actuary to re-measure the gratuity benefit. According to the actuarial valuation report, there was under-provision of gratuity benefit for the previous 3 years i.e. FY2016 to FY2018 of RM777,547 which were due to the change of assumptions made by the actuary. If under provision of RM777,547 were taken out, the gratuity benefit provision for FY2019 would be RM184,031 or an increase of RM64,018 as compared to FY2018 of RM120,013.
- Q2. The Company has been suffering losses for the past two years. Its net loss had widened to RM4 million from RM1.33 million the year before (page 38 of AR2019). What is the plan to bring the Company back to profitability?
- A2. We have carried out the following plans in order to bring the Company back to profitability:
- i) To reduce the material cost by importing furniture parts from China which is cheaper as compared to processing internally or sourced locally;
 - ii) To further automate certain manufacturing processes in order to reduce the reliance on foreign workers as one of the measures to reduce the production costs and improve productivity;
 - iii) Continue to expand our product range and providing good quality products at competitive price to meet the needs of customers.

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- Q3. Notwithstanding the shorter trade receivables turnover period recorded (page 5 of AR2019), the inventories turnover and cash conversion cycle have increased substantially, suggesting a longer period required to sell inventory and convert it into cash. How does the Company intend to improve the cash conversion cycle and inventories turnover?
- A3. The increase in inventories turnover period from 82 days in FY2018 to 147 days in FY2019 were caused by the decrease in revenue coupled with the increase in inventories in FY2019. The increase in inventories was mainly due to the followings factors:
- i) The delay in shipment of finished goods close to RM2.0m. This delay has since been delivered to customers in 1st quarter of FY2020.
 - ii) The increase in raw material inventories as the purchase of Beech wood was committed earlier. Also, as this Beech wood was imported from Europe, we have to keep sufficient stock to avoid any delay in delivery from Europe.

We endeavor to improve our revenue as well as reduce our inventories in order to improve the cash conversion cycle and inventories turnover period.

Corporate Governance Matters

- Q1. Practice 1.3: The positions of Chairman and CEO are held by different individuals Eurospan's response: Departure

Although this is not in compliance with the recommendations of the MCCG 2017, the Board is of the opinion that no single person has excessive powers of decision as;

- a) Board decisions are dependent on the consensus of the Directors, who take an active interest in all major and strategic decisions of the Group; and
- b) Three of the six Board members are independent Non-Executive Directors and they supply a strong independent element to the decision-making process.

MSWG's comment: The separation of the positions of the Chairman and CEO promotes accountability and facilitates division of responsibilities between the two roles. The responsibilities of the Chairman should include leading the Board in its collective oversight of management, while the CEO focuses on the business and day-to-day management of the Company. This division should be clearly defined in the board charter.

- A1. We noted the comments from MSWG. We wish to state that our Board decisions are dependent on the consensus of the Executive Directors and Independent Non-Executive Directors. In addition to that, the Independent Non-Executive Directors supply a strong independent element to the decision-making process with the support of sub-committees namely Audit Committee, Nominating Committee and Remuneration Committee which are all chaired by Independent Non-Executive Director. As such, we are of the opinion that no single person has excessive power of the decision, thus, the separation of position of the Chairman and CEO is not deemed necessary at this juncture.
- Q2. Despite the widening net loss of the Company in FY2019, the Chairman and Managing Director Mr. Guan Kok Beng received higher other emoluments of RM1.37 million compared to RM542,000 in FY2018 (page 22 of Corporate Governance Report (CGR) FY2019 and page 16 of AR2018). What is the justification for Mr. Guan to receive higher emoluments in FY2019?
- A2. The higher other emoluments for Mr. Guan Kok Beng in FY2019 was mainly due to under provision of gratuity benefit of RM777,547 for FY2016 to FY2018 as explained in A1 under Strategy & Financial Matters.

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Q3. Referring to Practice 10.1 and 10.2 of Malaysian Code on Corporate Governance (MCCG) (page 34 & 35 of the CGR FY2019), the Company did not disclose the name of the professional service firm and the person responsible for the internal audit function. Please take note.

A3. We take note and shall disclose in our next Annual Report. For your information, our internal audit is being out-sourced to Tan Yen Yeow & Company.

Q4. Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (MMLR) requires companies to publish the summary of Key Matters Discussed at the previous AGM onto the Company's website.

As at 14 October 2019, the Key Matters Discussed of AGM 2018 was not available on the Company's website (<http://www.eurospan.com.my/>).

A4. There was no question being raised for discussion by our shareholder at the last AGM. For good corporate governance, we have on 25th October 2019 published a summary of our last AGM's proceedings on the Company's website.

Q5. On Practice 6.2 of MCCG (page 20 of the CGR), the written Terms and Reference for the Remuneration Committee was not available on the Company's website when accessed on 14 October 2019. Please take note.

A5. It was inadvertently omitted and duly posted on 25th October 2019.

Mr. Lee Chee Meng from MSWG posed two more questions as follows:

Q1. What was the name of the firm of the professional actuary engaged by the Company to carry out the actuarial valuation report to re-measure the gratuity benefit?

A1. The name of the independent professional actuary was Actuarial Partners.

Q2. Which assumptions caused the increase in the under-provision in the gratuity benefit?

A2. The principal assumptions used for the purposes of the actuarial valuations were set out in note 12 to the Audited Financial Statements for the year ended 31 May 2019.

Mr. Lee Chee Meng thanked the Board for the replies. He noted that currently, the retirement benefit was applicable only for the Chairman and he suggested that the Company may consider to extend it to other Directors of the Company when the Company's financial strength improves in the future.

There being no further question from the shareholders, it was noted that the Audited Financial Statements for the year ended 31 May 2019 together with the Reports of the Directors and Auditors thereon have been laid before the shareholders at the 24th AGM.

Agenda 2 to 7

There was no question raised by any member for Agenda 2 to 7.

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Voting and Poll Results

The following resolutions tabled at the 24th AGM of the Company which were voted by way of poll were duly passed by the shareholders. The results of the polling were as follows:-

Resolutions	Vote For		Vote Against		Results
	No. of shares	Percentage (%)	No. of shares	Percentage (%)	
<u>Ordinary Resolution 1</u> To approve the payment of Directors' fees of RM323,000 to Directors of the Company and its subsidiaries for the financial year ended 31 May 2019.	23,203,700	99.99	2,000	0.01	Carried
<u>Ordinary Resolution 2</u> To approve the payment of benefits other than Directors' fee of up to RM21,000 to the Directors of the Company from 30 October 2019 until the next AGM of the Company.	23,203,700	99.99	2,000	0.01	Carried
<u>Ordinary Resolution 3</u> To re-elect Mr. Sim Yee Fuan, who retires pursuant to Article 126 of the Company's Constitution, as a Director of the Company.	23,203,700	99.99	2,000	0.01	Carried
<u>Ordinary Resolution 4</u> To re-appoint Messrs Grant Thornton as the Company's Auditors and to authorize the Directors to fix the Auditors' remuneration.	23,203,700	99.99	2,000	0.01	Carried
<u>Ordinary Resolution 5</u> To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	23,203,700	99.99	2,000	0.01	Carried
<u>Special Resolution 1</u> To approve the proposed adoption of new Constitution.	23,203,700	99.99	2,000	0.01	Carried

Close of Meeting

As there were no other matters, the Meeting ended at 10.45 a.m. with a vote of thanks to the Chair.