

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

**SUMMARY OF KEY MATTERS DISCUSSED DURING THE 26th AGM
HELD ON TUESDAY, 26 OCTOBER 2021 AT 10.00 A.M.**

Mr. Guan Kok Beng (“the Chairman”) chaired the Twenty Sixth (26th) Annual General Meeting (“AGM”) of Eurospan Holdings Berhad (“the Company”) which was held on a fully virtual basis and entirely via remote participation and voting through the online meeting platform provided by Digerati Technologies Sdn Bhd at <https://agm.digerati.com.my/pasb-online>. (Domain Registration No. D1A119533), Malaysia. The Chairman called the meeting to order at 10.00 a.m. after the Secretary confirmed that the requisite quorum was present pursuant to Clause 94 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 15 October 2021 wherein MSWG sought clarification on certain matters and the Company has replied to MSWG accordingly. 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. For FYE 2021, the Company recorded revenue of RM52.58 million and a profit before tax of RM4.10 million as compared to the revenue of RM47.05 million and a loss before tax of RM2.18 million reported in FYE 2020.

The Company attributed the better performance due to better product mix and lower selling and distribution expenses as well as lower administrative expenses during the financial year ended 31 May 2021. (Page 4 of AR 2021)

As the Company’s products are exclusively for the export markets and with the escalation in shipping costs during the pandemic, please explain how the Company managed to bring down its distribution costs?

A1. Selling and distribution expenses mainly include of entertainment expenses, handling & forwarding charges, sales commission and exhibition expenses. The decrease in selling and distribution expenses in FYE2021 was mainly due to no exhibition expenses incurred as the Group did not participate in any trade exhibition during the Covid-19 pandemic.

The increase in shipping costs did not lead to an increase in selling and distribution expenses as freight costs for export sales were borne by the Group’s customers as most of the exports were on free on board (“FOB”) term.

Q2. The Company had set aside RM2.17 million for capital expenditure for FYE 2021. (Page 5 of AR 2021)

- a) What is the planned capital expenditure for FYE 2022?
- b) What will this capital expenditure be utilised for?

A2. For FYE2022, the Company had set a budget of RM4.5 million for capital expenditure mainly for acquisition of factory equipment and plant & machineries. The planned expenditure is with the intention to automate certain manufacturing processes to scale-down labour intensive processes.

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Q3. The Company has significance reliance on labour to manufacture its products.

- a) What is the ratio of foreign labour to its total workforce currently?
- b) As the Government imposes stricter rules and regulations for the hiring of foreign labour, what are the Company's plans to mitigate the situation?

A3. Currently, the percentage of foreign labour to the Company's total workforce is 41%.

Moving forward, the Company is exploring in hiring more local workforce. Also, already in the pipeline of the Company's plan is to automate certain of its manufacturing processes. The move will not only to improve the productivity but also to overcome the stricter rules and regulations for hiring of foreign labour imposed by the Government.

Q4. Other Income of the Company rose significantly from RM1.03 million in FYE 2020 to RM1.96 million in FYE 2021. (Page 37 of AR 2021)

What were the reasons for the increase? Is this income expected to recur in FYE 2022?

A4. For FYE2021, the increase in other income by approximately RM0.93 million when compared to FYE2020 was mainly due to fair value gain on derivative financial instruments for FYE2021 as opposed to fair value loss on derivative financial instruments for FYE2020.

The derivative financial instruments comprised of forward foreign exchange contracts entered into with licensed banks to hedge part of the Group's sales and purchases from foreign exchange rate movements.

The Group will continue to hedge part of its trade receivables and trade payables from foreign exchange rate movements. Future gain or loss on derivative financial instruments will be dependent on whether the movements in foreign exchange rate during the reporting period are favourable or otherwise for the Group.

Corporate Governance Matters

Q1. Practice 1.3 of Code of Corporate Governance stipulates that the Chairman and CEO positions should be held by different individuals.

The separation of the positions of Chairman and CEO promotes accountability and facilitates the division of responsibilities between the two roles. The responsibilities of the Chairman should include leading the Board in collective oversight of the management while the CEO focuses on the business and day to day management of the Company.

Please note that the Company has not applied this practice. Does the Company intend to apply this Practice and if yes, by when?

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- A1. We noted the comments from MSWG. We wish to state that major decisions in our Board are dependent on the consensus of the Executive Directors and Independent Non-Executive Directors jointly. In addition, three out of the six board members are Independent Non-Executive Directors and they 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.**

Although the Executive Chairman is involved in the management of the Group's business, his main focus is on providing strategic direction for the Group while the Executive Directors focus on running the day to day operations.

As such, we are of the opinion that no single person has excessive power over decision making and thus, the separation of positions of the Chairman and CEO is not deemed necessary at this juncture.

- Q2. The total fee for the internal audit function of the Company during FYE 2021 was RM 16,000. (Page 21 of AR 2020)**
- a) Given that the fee is rather small (approximately RM1,333.00 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?
 - b) What were the areas covered by the internal auditors during FYE 2020?
 - c) How many internal audit reports were issued during FYE 2021?

- A2. The internal audit function is outsourced to a professional firm. The total fee of RM16,000 was fees paid to the professional firm for carrying out internal audit review in FYE 2021. The scope of internal audit work was included in the FYE 2021 Internal Audit Plan which has been approved by the Audit Committee. In approving the Internal Audit Plan, the Audit Committee has taken into consideration the adequacy of the plan in relation to the size of the business operations, the effectiveness of the internal controls of the Group and the results of previous internal audits.**

During FYE 2021, the internal auditors covered two areas and issued two audit reports covering the areas of information technology and inventory management.

The Chairman informed that the Company has received three questions from a shareholder, Mr. Teo Boo Tong, prior to the meeting. The Chairman read out the questions posted by the shareholders as well as the Company's replies as set out below. The questions and replies were also displayed on screen for ease of reading for all present.

- Q1. Any consideration of share split, bonus and or free warrant based on company market shares only RM44.42 million cum special dividend to reward to royalty minority shareholders.**

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A1. We will make necessary announcement immediately should we decide to propose any.

Q2. Any treasury shares held by company? Will company to purchase share buy back?

A2. Eurospan has no treasury shares. Since we do not have shareholders' approval on share buyback, we will not conduct any share buyback.

Q3. Any plans by company to explore and venture into similar or other type of business including IT?

A3. We remain focused on our core business of furniture manufacturing and will explore the opportunity to expand our furniture products. Nevertheless, we have no plan to venture into other type of business in the foreseeable future

Agenda 1

Audited Financial Statements for the financial year ended 31 May 2021 together with the Reports of the Directors and Auditors thereon.

The Chairman tabled the Audited Financial Statements for the year ended 31 May 2021 together with the Reports of the Directors and Auditors thereon which had been made available 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.

There being no further question from the shareholders, it was noted that the Audited Financial Statements for the year ended 31 May 2021 together with the Reports of the Directors and Auditors thereon have been laid before the shareholders at the 26th AGM.

Agenda 2 to 6

There was no question raised by any member for Agenda 2 to 6.

Voting and Poll Results

The following resolutions tabled at the 26th 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 2021. | 23,517,403 | 99.9911 | 2,100 | 0.0089 | Carried |

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| | | | | | |
|--|------------|---------|-------|--------|---------|
| <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 26 October 2021 until the next AGM of the Company. | 23,513,403 | 99.9741 | 6,100 | 0.0259 | Carried |
| <u>Ordinary Resolution 3</u> To re-elect Mr. Guan Kok Beng, who retires pursuant to Clauses 140 and 154 of the Company's Constitution, as a Director of the Company. | 23,513,403 | 99.9741 | 6,100 | 0.0259 | Carried |
| <u>Ordinary Resolution 4</u> To re-elect Mr. Sim Yee Fuan, who retires pursuant to Clause 140 of the Company's Constitution, as a Director of the Company. | 23,517,403 | 99.9911 | 2,100 | 0.0089 | Carried |
| <u>Ordinary Resolution 5</u> To re-appoint Messrs Grant Thornton as the Company's Auditors and to authorize the Directors to fix the Auditors' remuneration. | 23,517,403 | 99.9911 | 2,100 | 0.0089 | Carried |
| <u>Ordinary Resolution 6</u> To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company. | 23,513,403 | 99.9741 | 6,100 | 0.0259 | Carried |

Close of Meeting

The Meeting ended at 10.45 a.m.