

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

SUMMARY OF KEY MATTERS DISCUSSED DURING THE TWENTY SEVENTH ANNUAL GENERAL MEETING OF EUROSPAN HOLDINGS BERHAD DULY CONVENED AND HELD AT ANGIER & BORDEN, LEVEL 4, THE PRESTIGE HOTEL, 8 GAT LEBUH GEREJA, 10300 GEORGETOWN, PENANG ON WEDNESDAY, 19 OCTOBER 2022 AT 10.00 A.M.

Mr. Guan Kok Beng (“the Chairman”) chaired the Twenty Seventh (27th) 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 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 12 October 2022 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. The Company incurred a loss before tax of RM5.3 million in FYE 2022 compared to a profit before tax of RM4.1 million in FYE 2021. The Company had attributed the loss it suffered in FYE 2022 to plant shutdowns during the MCO which had disrupted production.

What are the Company’s plans to return to profitability in FYE 2023?

A1. As mentioned, the Company incurred a loss before tax of RM5.3 million in FYE 2022 was mainly due to the disruption of production during the CMCO. The Company continues to explore more new export sales as well as working towards cost controlling strategies, enhancing production efficiency and effective cost management across all functions in order to improve the performance for FYE 2023.

Q2. The Company’s products, which are mainly exported, have met the stringent standards set by overseas buyers. To maintain its high quality, the Company has to continuously invest in Research & Development. (R&D)

a) What was the R&D expense in FYE 2022?

b) How much has the Company allocated for R&D for FYE 2023?

A2. The R&D expense in FYE 2022 of RM307k mainly comprised of R&D staff payroll and material consumed during the process of R&D. For FYE 2023, the Company has allocated a budget of RM300k for R&D, which mainly consist of payroll and material cost.

Q3. The Company has a reliance to foreign labour to conduct its business. Although the Company has embraced more automation in recent years, its dependence on foreign labour is still significant.

a) What is the ratio of foreign labour to local workers in FYE 2022?

b) Given that the Malaysian Government made it more cumbersome to hire foreign labour, what are the Company’s plans to mitigate the requirements for foreign labour in the long term?

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A3. Currently, the percentage of foreign labour to the Company's total workforce is 36%, a decrease by 5% as compared to FYE 2021.

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 reduce the dependance on foreign labour.

Q4. Other Operating Expenses increased significantly from RM836k in FYE 2021 to RM1.7 million in FYE 2022. (Page 39 of AR 2022)

What were the reasons for the sharp increase?

A4. For FYE2022, the increase in other operating expenses by approximately RM0.87million when compared to FYE2021 was mainly due to fair value loss on derivative financial instruments for FYE2022 as opposed to fair value gain on derivative financial instruments for FYE2021.

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

Nevertheless, the Group will continue to hedge part of its trade receivables from foreign exchange rate movements. Future gain or loss on derivative financial instruments will be subject to fluctuation of foreign exchange rate during the reporting period.

Corporate Governance Matters

Q1. The total fee for the internal audit function of the Company during FYE 2022 was RM 16,000. (Page 23 of AR 2022). (The revenue of the Company is RM54 million in FYE 2022).

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 are the areas covered by the internal auditors during FYE 2022?

c) How many internal audit reports were issued during FYE 2022?

A1. The internal audit function is outsourced to a professional firm with a fee to be mutually agreed upon and to be based on the scope of internal work to be carried out as more stipulated in the Internal Audit Plan.

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 2022, the internal auditors covered two areas and two audit reports were issued, covering the areas of Compliance with Guidelines on Adequate Procedures pursuant to Section 17A of the MACC Act and Sales and Receivable.

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Agenda 1

Audited Financial Statements for the financial year ended 31 May 2022 together with the Reports of the Directors and Auditors thereon.

The Chairman tabled the Audited Financial Statements for the year ended 31 May 2022 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.

En. Wan Mohd Rushdi Bin W.A.Lah, a shareholder, posed the following question and the Chairman replied as follows:-

Question 1

What is your projection for the business operation? With the appreciation of United States Dollar ("USD") against the Ringgit Malaysia ("RM"), what is the impact to the group?

Answer : The appreciation of USD against RM will definitely benefit export orientated companies. However, worldwide, current orders are slow. Many events like war and the impact of rising inflation affect incoming orders. It is difficult to foresee what is going to happen for the coming year. Even though the strong USD will benefit export oriented companies, the Company will only benefit if it manages to secure the orders from its customers.

There being no further questions from the shareholders, it was noted that the Audited Financial Statements for the year ended 31 May 2022 together with the Reports of the Directors and Auditors thereon have been laid before the shareholders at the 27th AGM.

Agenda 2 to 8

There was no question raised by any member for Agenda 2 to 8.

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Voting and Poll Results

The following resolutions tabled at the 27th 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 2022.	23,512,400	99.9996	100	0.0004	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 20 October 2022 until the next AGM of the Company.	23,512,400	99.9996	100	0.0004	Carried
<u>Ordinary Resolution 3</u> To re-elect Mr. Guan Shaw Yin, who retires pursuant to Clauses 140 and 154 of the Company's Constitution, as a Director of the Company.	23,512,500	100.0000	0	0.0000	Carried
<u>Ordinary Resolution 4</u> To re-elect Mr. Guan Shaw Kee, who retires pursuant to Clauses 140 and 154 of the Company's Constitution, as a Director of the Company.	23,512,400	99.9996	100	0.0004	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.	23,512,500	100.0000	0	0.0000	Carried
<u>Ordinary Resolution 6</u> To authorise Mr. Sim Yee Fuan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Non-Executive Director of the Company.	18,511,200	Tier 1 100.0000	0	0.0000	Carried
	5,001,200	Tier 2 99.9980	100	0.0020	
<u>Ordinary Resolution 7</u> To empower the Directors to issue and allot shares up to 10% of the total number of issued shares of the Company.	23,512,500	100.0000	0	0.0000	Carried

Close of Meeting

The Meeting ended at 10.56 a.m.