

**SUMMARY OF KEY MATTERS DISCUSSED AT THE 24<sup>TH</sup> ANNUAL GENERAL MEETING (“AGM”) OF EUPE CORPORATION BERHAD (“EUPE” OR “THE COMPANY”) CONDUCTED FULLY VIRTUAL FROM THE BROADCAST VENUE AT 5<sup>TH</sup> FLOOR, WISMA RIA, TAMAN RIA, 08000 SUNGAI PETANI, KEDAH DARUL AMAN (“BROADCAST VENUE”) ON TUESDAY, 18 AUGUST 2020 AT 11:00 A.M.**

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**CHAIRMAN OF MEETING**

Datuk Tan Hiang Joo (“Datuk Chairman”)

**WELCOME ADDRESS BY CHAIRMAN OF MEETING**

Datuk Chairman welcomed the members and attendees to the 24<sup>th</sup> AGM of the Company. Thereafter, he introduced the Board members, the Chief Financial Officer (“CFO”), the Company Secretary and the External Auditors to the shareholders.

**NOTICE OF MEETING**

The notice of 24<sup>th</sup> AGM dated 25 June 2020 (“the Notice”), having been circulated to the shareholders within the prescribed period, was taken as read with the consent of the shareholders and proxies present.

**QUORUM**

Datuk Chairman informed that for a fully virtual general meeting, the quorum shall be determined by the number of members who logged-in at the commencement of the meeting.

There being a quorum, Datuk Chairman called the Meeting to order.

**POLLING AND ADMINISTRATIVE MATTERS**

Datuk Chairman informed that pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), all resolutions set out in the Notice must be voted by poll, which would be conducted after all items on the Agenda have been dealt with.

The Company had appointed Mega Corporate Services Sdn Bhd (“Mega Corp”) as Poll Administrator to conduct poll voting process electronically and Cygnus IT Solutions PLT as independent scrutineer to verify the poll results.

Mega Corp then briefed the shareholders and proxies on the polling procedures and steps to pose questions.

**CORPORATE PRESENTATION**

At the invitation of Datuk Chairman, Dato’ Beh Huck Lee, the Group Managing Director (“Dato’ MD”) gave a short presentation on the overview of the Group’s business operations covering current year financial performance, projects’ key milestones, impacts of Covid-19 and the Group’s focus for the financial years (“FY”) 2020 and 2021.

Thereafter, Mr Ng Kee Chye, the CFO, presented the Group's business overview and achievements, financial overview on the Group's performances and financial positions for the past 5 years as well as the Group's strategy and future plan.

Datuk Chairman informed that the Company had received some questions from the Minority Shareholder Watch Group ("MSWG") which the Company has replied to MSWG in writing.

The CFO then presented the Company's responses to the queries raised by MSWG for the interest of the shareholders, as detailed below:

### **Preface**

Before responding to MSWG's questions individually, it is important to outline the Group's growth strategy in order to place the Group's focus on affordability and its relevance to MSWG's questions pertaining to financial numbers and strategy, the main theme of MSWG's questions, into a proper context.

As a Group, Eupe decided at the outset of Eupe's entry into the Klang Valley market that Eupe's key point of differentiation would comprise two closely related key elements. They are:

- i. differentiated, iconic architectural design and a distinctive lifestyle offering, and
- ii. pricing our property products as competitively as possible.

Eupe has distilled this approach into what the Group calls Eupe's *Shared Valued* approach, in which Eupe states that the Group is committed to giving its buyers 'more for less'. While a surface reading might suggest this approach might compromise the Group's returns, Eupe can assure all its stakeholders that this is not the case, either in intention or practice.

It is important to note that *Shared Value* approach is not aimed pursuing price leadership in itself. While some of Eupe's products are priced lower than its competitors – in some cases significantly (for example, Parc3 was selling at a price close to the sub-sale price of mass housing next to the project), again this does not reflect simply wanting to undercut its competitors on price.

Combining affordability with quality, in Eupe's view, is increasingly important in the current economic climate, where buyers are placing an increasing premium of products that innovatively combine quality and affordability. But like all businesses, Eupe is sensitive to current market conditions and will not price its products overly aggressive in terms of affordability in pursuing the Group's product differentiation strategy.

Rather Eupe's focus is to build market share in a sustainable way through the combination of quality and price which together, provides Eupe's buyers with a compelling value proposition. In this way, the Group seeks to build a loyal and growing base of followers, which in turn underpins a healthy and sustainable profit for the Group.

With this in mind, Eupe's responses to MSWG's specific queries are as follows:-

## Strategic and Financial Matters

Q1. In the Chairman's statement, it was mentioned that as the market conditions are likely to become even more challenging in the foreseeable future, the Group's very competitive property offering will stand it in good stead as the buyers become more attracted to products that are both highly differentiated, yet affordable. (Page 3 Annual Report)

- (a) In terms of affordability, how much lower are the Group's property offerings compared to its competitors by way of percentages?

Response from the Company:

The Group develops various types of properties, including mass township developments in Northern region, whereas for Central region, the Group focuses only on high-rise developments. Therefore, it is not possible to provide an average percentage comparison in terms of how Eupe's products compare across what is a relatively broad market offering. Suffice to say, Eupe's benchmark is to offer a level of quality design, lifestyle and location with each of the projects that is as competitively price as possible with comparable offerings in the market.

- (b) What are the Group competitive advantages over its competitors as the Group can offer very competitive property offering?

Response from the Company:

As stated above, the Group believes its competitive advantage lies in its two-pronged *Shared Value* approach. While many of its competitors focus largely on one or the other in terms of the quality of design and lifestyle at the expense of affordability, or affordability at the expense of quality. The Group seeks to strive a more attractive and compelling balance between the two that will generate and sustain market share and returns for its shareholders.

- (c) Is the Group's competitive property offering at the expense of the profit margin? If yes, please explain by how much?

Response from the Company:

No, as discussed above, Eupe's approach with each project is to carefully combine a compelling offering based on quality and affordability. The Group does not believe a sustainable business strategy that involves chasing short-term profit at the expense of the buyers. Again, Eupe's philosophy of *Shared Value* means to take less, so that Eupe can give its buyers more through creation of long-term value for them, and by extension of the shareholders of the Company.

- (d) Can the Group's very competitive property offerings sustain the Group's profitability in the long run?

Response from the Company:

Eupe's commitment is to create sustainable returns for its shareholders. As explained in Question 1(c) above, the Group is committed to the philosophy of *Shared Value*. In this way, the Group strives to gain a following of loyal buyers and supporters who can both underpin and share in Eupe's long-term growth and financial success.

Q2. Other Receivables increased substantially from RM11.8 million in FY2019 to RM22.2 million in FY2020, an increase of RM10.4 million or 88.2%. (Page 107 of Annual Report).

- (a) Please provide an aging breakdown of the Other Receivables for both FY2020 and FY2019?

Response from the Company:

The breakdown of the Other Receivables for both FY2020 and FY2019 was as below:

<b>Other Receivables (in RM million)</b>	<b>FY2020</b>	<b>FY2019</b>
Joint venture partner's portion of repayment for a term loan facility	10.0	-
Deposit paid for a land acquisition yet to be completed	2.9	-
Amount recoverable from sub-contractors	3.3	5.4
Loan to an oversea joint venture project	2.9	3.1
Stakeholder sum – strata title survey and Integrated Water Supply Scheme (IWSS)	1.8	2.3
Other sundry debtors	1.2	1.0
	<b>22.2</b>	<b>11.8</b>

- (b) What are the reasons that caused the Other Receivables to increase substantially?

Response from the Company:

The increase of Other Receivables was due to an amount of RM10.0 million being the joint venture ("JV") partner's portion (for Novum project) of repayment for a term loan facility that the Novum's JV Company has paid. The said term loan facility was obtained to bridge-finance the construction of Novum project.

Further, the increase in Other Receivables was due to a deposit of RM2.9 million paid for a land acquisition. The said transaction is expected to complete soon.

- (c) What is the amount of Other Receivables as at March 2020?

Response from the Company:

The Other Receivables balance as at March 2020 and May 2020 was RM22.0 million and RM22.1 million respectively.

Q3. The Group managed to sell only RM1.1 million completed properties in FY2020 as compared to RM11.0 million in FY2019. As a result of the slow sales of completed properties, the value of completed properties increased to RM17.5 million in FY2020 from RM15.2 million in FY2019, an increase of 7.6%. (Pages 101 and 117 of Annual Report)

- (a) What were the reasons for the higher sales of completed properties in FY2019 and the lower sales in FY2020?

Response from the Company:

The higher sales recorded in FY2019 was mainly due to sales of bungalow houses and shop lots with much higher sales value, whereas for FY2020, sales were mainly from terraced houses.

- (b) What are the difficulties faced by the Group in selling the completed properties in FY2020 as compared to FY2019?

Response from the Company:

The slowdown in the sales of completed properties in FY2020 was in line with the softening of market conditions faced by the entire property market throughout Malaysia since 2019.

- (c) Where are the completed properties located? What are their respective values?

Response from the Company:

The completed properties are located within Sungai Petani, Kedah. Their total carrying amount as at 29 February 2020 was RM17.5 million which is in compliance with the approved financial reporting standard where the completed properties are stated at the lower of cost and net realisable value.

- (d) What are the measures that the Company has taken to clear the increasing value of completed properties in FY2019 and FY2020?

Response from the Company:

The Group has from time to time embarked on relevant marketing campaigns with suitable promotional packages to clear completed properties and these efforts will continue going forward. As for the increasing value of completed properties in FY2020, this was solely due to a completed project in Sungai Petani during FY2020.

## **Corporate Governance**

- Q1. Ordinary Resolution 9 is the proposed gratuity payment of RM30,000 to Dato' Paduka Haji Ismail bin Haji Shafie, an Independent Non-Executive Director ("INED").

MSWG does not advocate gratuity payments to INEDs as this will create a precedent to pay long serving INEDs when they retire or resign from their positions. INEDs should be paid reasonable fees and other remuneration. Gratuity payments should be reserved for Executive Directors.

- (a) Has the Board paid any gratuity payment to any retired INED previously?

Response from the Company:

This will be the first time the Board is paying a gratuity to a retired INED.

- (b) What is the basis of the gratuity payment?

Response from the Company:

The gratuity payment was a token of appreciation to Dato' Paduka Haji Ismail for his long service and dedication.

Dato' Paduka Haji Ismail was in the office for 9 years and 4 months, where he was first appointed as INED of the Company on 24 September 2010. He was subsequently appointed as a member of Risk Management and Audit Committee on 28 January 2011 and was designated as Senior INED on 25 January 2018.

## **AGENDA OF THE MEETING AND POLL RESULTS**

For Agenda 1, Datuk Chairman informed that the Audited Financial Statements ("AFS") FY2020 were meant for discussion only as Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders. Hence, it was not put forward for voting.

Datuk Chairman invited questions from shareholders in respect of the AFS FY2020. All questions posed by the shareholders or proxies, as detailed below were responded by Dato' MD and CFO succinctly:

1. Impact of Covid-19 on the market as well as Eupe's business and how Eupe sustains its business and profitability moving forward.

*[Questions posed by En. Wan Mohd Rushdi W.A. Lah, Mr Lew Tuck Wai and Mr Gan Kok Seng]*

Eupe's response:

The outbreak of Covid-19 pandemic has brought many uncertainties and challenges to local property market. However, the Management was not able to predict the severity level brought by Covid-19 on the property developer industry.

Nevertheless, with the sales take-up rate track records and business strategies adopted by the Group, the Management is confident that the business and profitability of the Group will remain resilient and sustainable at least for the next 2 to 5 years.

2. Timing to launch new project, Est8@Seputeh.

*[Questions posed by Mr Gan Kok Seng, Mr Lew Tuck Wai and Mr Kan Chee Kong]*

Eupe's response:

Management has been contemplating when to launch Est8@Seputeh, the Group's 3rd project in Klang Valley. Est8@Seputeh is situated at a prime location and the price to be offered will provide its prospective buyers value for money.

With the outbreak of Covid-19, Est8@Seputeh will focus on sustainable eco-design to create a long-term healthy and sustainable living environment for residents.

Est8@Seputeh will soon be opening for pre-launch registration. Management expects to launch the project during the first half of 2021.

3. Does the Board have intention to implement a Dividend Policy in the coming years?  
*[Question posed by Mr Lee Ee Jen]*

Eupe's response:

The Management endeavours to deliver greater shareholders' value in the following ways:

- (i) Maximising Group's revenue and profitability;
- (ii) Rewarding shareholders by means of dividend pay-out; and
- (iii) Building a strong brand of Eupe and increase market share.

The Board has decided not to implement a fixed dividend pay-out ratio policy at this moment, instead the Group shall plan and conserve its cash for operation needs in view of the current weak market sentiment, aimed to achieve a sustainable performance growth or new business opportunity which in turn deliver higher value of return to shareholders, which can be in the form of dividend, even during challenging time.

4. Concern over weak performance in certain division, in particular, hospitality division and property division of Northern region during this challenging time.  
*[Question posed by Mr Lew Tuck Wai]*

Eupe's response:

Management has been continuously looking into ways to improve financial performance and efficiency of both divisions. Various steps and measures had been taken and had effectively improved its efficiency throughout the implementation period. However, the aforesaid improvement will not immediately translate into the profitability of the two divisions.

5. Key strategy focus moving forward.  
*[Question posed by Mr Poravi A/L S P Sithambaram Pillay]*

Eupe's response:

In ensuring strong performance of the Group, the Management has been focusing on developing a workforce that equipped with positive culture and constructive attitudes, promoting high productivity and business sustainability.

In addition, the Group has adopted a relatively longer-term ambitions and strong commitment to execute and drive the results of the Group to the next level, with the support of the right talents.

6. Concern over there is no correlation between Eupe's share price (i.e. RM0.56 per share) and the Company's net assets per share (i.e. RM2.75).  
*[Question posed by Mr Neo Eng Hui]*

Eupe's response

The CFO acknowledged the gap and highlighted that the Company's net assets per share of RM2.75 was well-reflected in the Group's strong Balance Sheet. He further informed that the Company has, in the pipeline, a corporate exercise with the objective of correlating the net assets per share of the Company with its share price, pending the right moment for it to be carried out. The Company will make the necessary announcement in relation to the corporate exercise in due course.

Dato' MD added that the stock market performance is very much dependent on market sentiment. The Management will instead continue to focus on the Group's strengths and resources in order to meet resilience results and at the same time, to strive for the Group's success as to enhance shareholder's value. Dato' MD also expressed his gratitude to shareholders for their encouraging feedbacks and recognition to the Management.

There being no further questions, Datuk Chairman declared that the AFS be properly laid and received by the shareholders.

Thereafter, the Datuk Chairman went through each of the motions set out in the Notice.

Datuk Chairman also informed that the Company did not receive any notice from shareholders for other business to be transacted at this meeting in accordance with the Constitution of the Company and the Companies Act 2016.

The resolutions set out in the Notice were put to vote by way of poll. Datuk Chairman announced the results of the poll and declared that all the resolutions set out therein were duly passed by the shareholders and proxies present.

#### **CONCLUSION OF MEETING**

There being no other matters, the Meeting concluded at 12.50 p.m. with a vote of thanks to the Chair.