

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever, arising from or in reliance upon the whole or any part of the contents of this circular.

In line with the provisions of Practice Note 18/2005 on Perusal of Draft Circulars and Other Documents, Bursa has not perused Section B of this Circular pertaining to the Proposed Share Buy-back, as the subject transaction fall under the category of Exempt Circular as outlined in the aforesaid Practice Note.



LAY HONG BERHAD

Registration No: 198301011738 (107129-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The ordinary resolution in respect of the above proposal will be tabled at the Fortieth (40th) Annual General Meeting of the Company. Notice of the said meeting, together with the Form of Proxy, are set out in the Annual Report of the Company for the financial year ended 31 March 2024 despatched with this Circular.

The Form of Proxy should be completed and returned in accordance with the instructions therein.

Last day, date and time for lodging the Form of Proxy : 25 September 2024 at 11.00 a.m.

Day, date and time of Annual General Meeting : Fully virtual basis via online meeting platform of Securities Services e-Portal at <https://sssb.net.my/> provided by SS E Solutions Sdn. Bhd. in Malaysia on Friday, 27 September 2024 at 11.00 a.m.

This Circular is dated 31 July 2024

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016 of Malaysia
AGM	:	Annual General Meeting
Board	:	Board of Directors of LHB
Bursa	:	Bursa Malaysia Securities Berhad
Circular	:	Circular to Shareholders dated 31 July 2024 in relation to Proposed Renewal of Authority for Share Buy-back
LHB or the Company	:	Lay Hong Berhad
LHB Group or Group	:	LHB and its subsidiary companies, collectively
Listing Requirements	:	The Listing Requirements of the Bursa
LPD	:	19 July 2024, being the latest practicable date prior to the printing of this Circular
Major Shareholder	:	<p>A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:</p> <p>(a) 10% or more of the total number of voting shares in the Company; or</p> <p>(b) 5% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company.</p> <p>For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act.</p> <p>A Major Shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the Company, or any other corporation which is its subsidiary or holding company</p>
NA	:	Net assets
Proposed Renewal of Authority for Share Buy-back	:	The proposal to enable LHB to purchase shares of up to ten percent (10%) of its issued and paid-up share capital
RM	:	Ringgit Malaysia, being the lawful currency of Malaysia
Substantial Shareholder	:	A person who has interest in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares is not less than five per centum (5%) of the aggregate of the nominal amounts of all the voting shares in the company



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(Incorporated in Malaysia)

Registered Office

A3-3-8, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
W.P. Kuala Lumpur

31 July 2024

Board of Directors

Dato' Yap Hoong Chai (Executive Chairman)
Dato' Yeap Weng Hong (Executive Director)
Dato' Yap Chor How (Executive Director)
Mr Ng Kim Tian (Executive Director)
Mr Tan Chee Hau (Independent Non-Executive Director)
Mr Wong Soo Thiam (Independent Non-Executive Director)
Madam Tham Wei Mei (Independent Non-Executive Director)
Mr Yeap Fock Hoong (Non-Independent Non-Executive Director)

To the Shareholders of LHB,

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

1. INTRODUCTION

At the last AGM of the Company held on 27 September 2023, the shareholders of the Company had approved the mandate for the Company to purchase up to 10% of the issued share capital of LHB. The shareholders' approval for the Company to purchase its own shares is subject to annual renewal and will lapse at the conclusion of the forthcoming 40th AGM of the Company unless such authority is renewed by an ordinary resolution passed by the shareholders.

On 24 June 2024, the Company had announced the intention to seek the approval of shareholders at the 40th AGM for a proposed renewal of the existing authority for the Company to purchase up to 10% of its total number of issued shares as quoted on Bursa Malaysia Securities Berhad as at the point of purchase.

The purpose of this Circular is to provide you with the relevant information of the Proposed Renewal of Authority for Share Buy-Back and to seek your approval on the ordinary resolution pertaining to the Proposed Renewal of Authority for Share Buy-Back to be tabled at the forthcoming AGM, which will be held on a fully virtual basis via online meeting platform of Securities Services e-Portal at <https://sshbsb.net.my/> provided by SS E Solutions Sdn. Bhd. in Malaysia on Friday, 27 September 2024 at 11.00 a.m. The notice of the AGM together with the Form of Proxy is enclosed in the Annual Report of the Company for the financial year ended 31 March 2024.

SHAREHOLDERS OF LHB ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK AT THE FORTHCOMING AGM.

2. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

2.1 DETAILS

The Board proposes to seek approval from the shareholders for renewal of the authority for the Company to purchase its own Shares for an aggregate amount of up to ten percent (10%) of the issued share capital at any point in time.

For illustrative purposes, as at LPD, the issued share capital of LHB stood at RM177,747,676 comprising 755,557,470 ordinary shares. Assuming no further LHB Shares are issued, the maximum number of shares that can be purchased pursuant to the Proposed Renewal of Authority for Share Buy-back is 75,555,747 LHB Shares.

The Proposed Renewal of Authority for Share Buy-back, once approved by the shareholders, shall take effect from the passing of the ordinary resolution pertaining thereto at the forthcoming AGM and shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the general meeting at which such resolution is passed, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first.

The Proposed Renewal of Authority for Share Buy-back does not impose an obligation on the Company to purchase its own Shares. Rather, it will allow the Board to exercise the power of the Company to purchase its own Shares at any time within the abovementioned time period.

2.1.1 Maximum Amount of Funds to Be Allocated and The Source of Funds

The Listing Requirements stipulate that the proposed purchase by a listed company of its own shares must be made wholly out of retained profits of the listed company. Therefore, the maximum amount of funds to be allocated for the Proposed Renewal of Authority for Share Buy-back shall not exceed the amount stated in the retained profits of the Company.

The Proposed Renewal of Authority for Share Buy-back will be funded by internally generated funds and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on, amongst others, the availability of internally generated funds, actual number of LHB Shares to be purchased and other relevant factors. The actual number of LHB Shares to be purchased and/or held, and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock markets as well as the retained profits and financial resources available to the Company. In the event that the Proposed Renewal of Authority for Share Buy-back is to be partly financed by external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment will not have a material effect on the cash flow of the Group.

2.1.2 Treatment of The Purchased LHB Shares

The purchased shares may be cancelled or retained as treasury shares or a combination of both. An announcement will be made to Bursa on whether the purchased shares will be cancelled or retained as treasury shares or a combination of both in due course. The purchased shares held as treasury shares, may either be

cancelled, distributed as share dividends or resold by the Company on Bursa, or a combination of the above, depending on the availability of, amongst others, the retained profits and/or share premium of the Company. The distribution of treasury shares as share dividends will be applied as a reduction of the retained profits Company.

The Board may decide to hold the purchased shares as treasury shares if it is of the opinion that in the foreseeable future, there is strong potential for these shares to be resold at a gain, thus adding value for the shareholders. Conversely, the Company may decide to cancel the purchased shares if it is of the opinion that it no longer requires the funds. The Company may also distribute the treasury shares as share dividends, which can serve to reward shareholders.

While the purchased shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions and otherwise are suspended. The treasury shares shall also not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purpose including substantial shareholding, takeovers, notices, the requisition of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

2.1.3 Purchase / Resale Price

In accordance with Paragraph 12.09 of the Listing Requirements, LHB will not purchase its own shares or hold any of its own shares as treasury shares if this results in the aggregate shares purchased or held to exceed 10% of the issued and paid-up share capital of the Company.

In accordance with Paragraph 12.17 of the Bursa Listing Requirements, the Company may only purchase its own Shares at a price which is not more than fifteen percent (15%) above the weighted average market price of LHB Shares for the five (5) market days immediately before the purchase(s).

In the case of a resale of treasury shares, pursuant to Paragraph 12.18 of the Bursa Listing Requirements, the Company may only resell the treasury shares on Bursa at a price which is: -

- (a) a price which is not less than the weighted average market price for the shares for the 5 market days immediately before the resale or transfer; or
- (b) a discounted price of not more than 5% to the weighted average market price for the shares for the 5 market days immediately before the resale or transfer provided that -
 - (i) the resale or transfer takes place not earlier than 30 days from the date of purchase; and
 - (ii) the resale or transfer price is not less than the cost of purchase of the shares being resold or transferred.

2.2 RATIONALE

The Proposed Renewal of Authority for Share Buy-back will enable LHB to utilise its surplus financial resources to purchase its own shares as and when the Board deems fit, during the tenure in which the authority granted is in effect.

The purchased shares may be held as treasury shares and resold on Bursa with the opportunity of realising potential capital gains. Alternatively, the treasury shares may also be distributed as share dividends to reward shareholders.

2.3 RISK FACTORS

The Proposed Renewal of Authority for Share Buy-back may result in the LHB Group foregoing other investment opportunities that may emerge in the future and may also reduce the amount of resources available for distribution in the form of dividends to shareholders of LHB. However, the financial resources of the LHB Group may recover and increase upon the reselling of the purchased shares held as treasury shares.

Nevertheless, the Board will be mindful of the interests of LHB and its shareholders in undertaking the Proposed Renewal of Authority for Share Buy-back.

2.4 EFFECTS

(a) Share capital

In the event that the maximum number of shares authorised under the Proposed Renewal of Authority for Share Buy-back are purchased and cancelled, the issued share capital of LHB as at LPD will decrease from 755,557,470 shares to 680,001,723 shares. However, if all the shares so purchased are retained as treasury shares, the share capital of LHB would not be affected, although substantially all rights attached to the shares held as treasury shares would be suspended.

(b) NA

The effect of the Proposed Renewal of Authority for Share Buy-back on the NA per share of the LHB Group is dependent on the purchase prices of the shares. The shares purchased would reduce the NA per share of the LHB Group if the purchase price exceeds the NA per share at the relevant point in time. Conversely, the NA per share of the LHB Group would increase if the purchase price is less than the NA per share at the relevant point in time.

(c) Working capital

The Proposed Renewal of Authority for Share Buy-back will result in an outflow of cash and thereby reduce the working capital of the LHB Group, the quantum of which is dependent on the purchase prices of the LHB shares and the number of shares purchased. Nevertheless, the Board is mindful of the interests of the shareholders when undertaking the Proposed Renewal of Authority for Share Buy-back and will assess the working capital needs of the LHB Group prior to any purchase of the Shares. In the event the Company purchases its own shares using external borrowings, the Company will ensure that it has sufficient funds to repay the external borrowings.

(d) Earnings

The effect of the Proposed Renewal of Authority for Share Buy-back on the EPS of the LHB Group is dependent on the purchase prices of the shares and the effective funding cost and/or interest income foregone to the Company thereof. For instance, the share buy back will increase the EPS of the LHB Group if the effective funding cost and/or interest income foregone to the Company attributable to every purchased share is lower than the EPS of the LHB Group and vice versa.

(e) **Dividends**

Assuming that the Proposed Renewal of Authority for Share Buy-back is implemented in full and the dividend quantum is maintained at the previous financial years' dividend quantum, the share buy back will have the effect of increasing the dividend rate per share as a result of a decrease in the number of LHB shares which are entitled to participate in the dividends.

(f) **Substantial shareholders' and Directors' shareholdings**

The effects of the Proposed Renewal of Authority for Share Buy-back on the shareholdings of substantial shareholders and Directors based on the Register of Substantial Shareholders and the Register of Directors' Shareholdings respectively as at 19 July 2024 are as follows:

<-----No. of LHB shares ----->								
Substantial shareholders	Before the Proposed Share Buy-back				After the Proposed Share Buy-back			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Dato' Yap Hoong Chai	56,896,700	7.53	185,789,800 ⁽¹⁾	24.59	56,896,700	8.37	185,789,800 ⁽¹⁾	27.32
Innofarm Sdn Bhd	185,789,800	24.59	-	-	185,789,800	27.32	-	-
NH Foods Ltd	98,651,000	13.06	-	-	98,651,000	14.51	-	-
Directors								
Dato' Yap Hoong Chai	56,896,700	7.53	220,504,660 ⁽²⁾	29.18	56,896,700	8.37	220,504,660 ⁽²⁾	32.43
Dato' Yeap Weng Hong	6,812,000	0.90	-	-	6,812,000	1.00	-	-
Dato' Yap Chor How	383,700	0.05	-	-	383,700	0.06	-	-
Yeap Fock Hoong	4,610,000	0.61	-	-	4,610,000	0.68	-	-

Note:

- (1) Dato' Yap Hoong Chai is deemed interested in 185,789,800 shares by virtue of Innofarm Sdn Bhd.
- (2) Dato' Yap Hoong Chai is deemed interested in 34,714,860 shares held by spouse and children and 185,789,800 shares by virtue of Innofarm Sdn Bhd.

(g) **Shareholding spread**

In accordance with Paragraph 12.14 of the Listing Requirements, the Company can only undertake to purchase its own Shares to the extent that the public shareholding spread of the Company shall not fall below 25% of the total issued and paid-up share capital of the Company in the hands of a minimum of 1,000 public shareholders holding not less than 100 shares each at all times pursuant to the Proposed Renewal of Authority for Share Buy-back.

The Proposed Renewal of Authority for Share Buy-back is subject to the compliance with Section 127 of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities ("**Prevailing Law**") at the time of the purchase.

As at LPD, the public shareholding spread of the Company was approximately 48.67%. Assuming the Proposed Renewal of Authority for Share Buy-back is carried out in full, and the number of LHB Shares held by the substantial shareholders, Directors and persons connected to the substantial shareholders and/or Directors remain unchanged and all the LHB Shares so purchased are cancelled, the public shareholding spread of the Company would reduce to approximately 42.96%.

The Board will endeavor to ensure that the Proposed Renewal of Authority for Share Buy-back will be in accordance with the Prevailing Law at the time of the purchase including compliance with the twenty-five percent (25%) public shareholding spread as required by the Listing Requirements.

2.5 IMPLICATION RELATING TO THE CODE

If the Proposed Renewal of Authority for Share Buy-back results in the equity interest of any one of the substantial shareholders and their respective parties acting in concert obtaining control in the Company, ie the stake in the Company is increased to beyond 33%, or if his/their existing shareholding is between 33% to 50% and increases by more than 2% in any six (6) months period, the affected substantial shareholder and parties acting in concert would be obliged to undertake a mandatory offer for the remainder LHB Shares not already owned by them pursuant to the Code.

However, a waiver to undertake a mandatory offer may be granted by the SC under the Code, subject to the affected substantial shareholder and parties acting in concert complying with certain conditions. The Board is aware of the implications of the Code and will be mindful of such implications when making any purchase of its own Shares pursuant to the Proposed Renewal of Authority for Share Buy-back.

2.6 HISTORICAL SHARE PRICES

The monthly highest and lowest prices of LHB shares traded on Bursa for the last twelve (12) months from July 2023 to June 2024 are as follows:

	High RM	Low RM
2023		
July	0.310	0.285
August	0.315	0.280
September	0.295	0.275
October	0.345	0.275
November	0.345	0.280
December	0.305	0.280
2024		
January	0.310	0.285
February	0.445	0.290
March	0.410	0.360
April	0.430	0.370
May	0.470	0.380
June	0.430	0.380

Source: www.investing.com

Last transacted market price of LHB Shares as at LPD, being the day prior to the date of announcement of the Proposed Renewal of Authority for Share Buy-back was RM0.40, which is also the latest practicable date prior to the printing of this Circular.

2.7 PURCHASE, RESALE AND CANCELLATION MADE IN THE PREVIOUS TWELVE (12) MONTHS

The Company has not made any purchase, resale or cancellation of any of its own Shares in the previous twelve (12) months preceding the date of this Circular. There are no shares currently held as treasury shares.

2.8 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholdings as a consequence of the Proposed Renewal of Authority for Share Buy-back, none of the directors and/or substantial shareholders of the Company or persons connected to them have any interest, direct or indirect in the Proposed Renewal of Authority for Share Buy-back or resale of treasury shares.

2.9 DIRECTORS' RECOMMENDATION

After considering all aspects of the Proposed Renewal of Authority for Share Buy-back, the Board is of the opinion that the Proposed Renewal of Authority for Share Buy-back is in the best interest of LHB Group and therefore, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Authority for Share Buy-back to be tabled at the forthcoming AGM.

3. APPROVALS REQUIRED

The Proposed Renewal Share Buy-back are subject to the approval of the shareholders at the forthcoming AGM.

4. ANNUAL GENERAL MEETING

An AGM, the notice of which is enclosed with the Annual Report of LHB for the financial year ended 31 March 2024, will be held on a fully virtual basis via online meeting platform of Securities Services e-Portal at <https://sshsb.net.my/> provided by SS E Solutions Sdn. Bhd. in Malaysia on Friday, 27 September 2024 at 11.00 a.m., for the purpose of considering and thought fit, passing the ordinary resolution set out in the Notice of AGM.

5. FURTHER INFORMATION

Further information is set out in the Appendix I.

Yours faithfully
For and on behalf of the Board
LAY HONG BERHAD

Dato' Yap Hoong Chai
Executive Chairman

**APPENDIX I
ADDITIONAL INFORMATION**

1. DIRECTORS' RESPONSIBILITY

This Circular has been seen and approved by the Directors of LHB and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading.

2. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business), entered into by LHB and its subsidiaries during the two (2) years immediately preceding the date of this circular.

3. MATERIAL LITIGATION

LHB and its subsidiaries are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Directors of LHB and its subsidiaries do not have any knowledge of any proceeding pending or threatened against LHB and/or its subsidiaries, or of any fact, likely to give rise to any proceeding, which might adversely and materially affect the position or business or title to or possession of any of the properties of LHB or its subsidiaries as at the date of this Circular.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of LHB at A3-3-8, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, W.P. Kuala Lumpur, during normal business hours between Monday and Friday (except public holidays) from the date of this Circular up to and including the date of the AGM: -

- (i) the Constitution of LHB;
- (ii) the consolidated audited financial statements of LHB for the financial years ended 31 March 2023 and 31 March 2024; and
- (iii) the unaudited Group results of LHB Group for quarter ended 30 June 2024.