

LAY HONG BERHAD
Registration No. 198301011738 (107129-H)
(Incorporated in Malaysia)

Minutes of the Thirty-Seventh Annual General Meeting (“**37th AGM**” or the “**Meeting**”) of Lay Hong Berhad (“**Lay Hong**” or the “**Company**”) duly 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 Tuesday, 28 September 2021 at 11.00 a.m.

PRESENT

Dato’ Yap Hoong Chai (Executive Chairman)
Dato’ Yeap Weng Hong (Executive Director)
Mr. Yeap Fock Hoong (Non-Independent Non-Executive Director)
Dato’ Yap Chor How (Executive Director)
Mr. Ng Kim Tian (Executive Director)
Mr. Gan Lian Peng (Independent Non-Executive Director)
Mr. Tan Chee Hau (Independent Non-Executive Director)
Mr. Lim Teck Seng (Independent Non-Executive Director)
Mr. Tadaaki Ito (Non-Independent Non-Executive Director)
Mr. Yasuhito Igarashi (Alternate Director to Mr. Tadaaki Ito)
Shareholders and proxies as per attendance list

IN ATTENDANCE

Ms. Wong Yuet Chyn (Company Secretary)

BY INVITATION

As per attendance list

NOTICE

Dato’ Yap Hoong Chai, the Executive Chairman of the Company (“**Dato’ Chairman**”) welcomed the shareholders, proxies and guests to the 37th AGM of the Company.

Dato’ Chairman then proceeded to introduce the Board of Directors (“**Board**”) members and Company Secretary.

As informed by the Company Secretary that there being a quorum present, Dato’ Chairman declared the Meeting duly convened.

Dato’ Chairman informed that the 37th AGM was conducted on a fully virtual basis via online meeting platform provided by Securities Services e-portal as a precautionary measure against the spread of COVID-19.

Dato’ Chairman notified that the Notice convening the 37th AGM had been sent to all the shareholders, Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and the Auditors of the Company and the said Notice was advertised in New Straits Times on 30 July 2021 in accordance with the Constitution of the Company. He proposed and the Meeting consented that the Notice of Meeting dated 30 July 2021 be taken as read.

Dato' Chairman informed the members that in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Securities, all resolutions as set out in the Notice of 37th AGM must be put to vote by poll. The Share Registrar, SS E Solutions Sdn. Bhd. has been appointed as the Poll Administrator to conduct the polling process and Commercial Quest Sdn. Bhd., the Independent Scrutineer be appointed to verify the poll results.

Dato' Chairman informed that the Minority Shareholder Watch Group ("MSWG") had vide its letter dated 20 September 2021 addressed to the Board sought information and clarification on the Operational & Financial Matters. On behalf of the Board, Mr. Ng Kim Tian, the Executive Director of the Company thanked MSWG for giving the Company notice of their questions to enable the Board to reply officially to their letter.

For the information of the members present, the following questions from and the corresponding replies to MSWG were read out:-

OPERATIONAL & FINANCIAL MATTERS

Question 1

In relation to the Lay Hong Berhad and its subsidiaries' ("Group") 4 open house farms (page 8 of Annual Report 2021 ("AR2021")), what are the Group's plans in terms of converting the remaining open house farms into environment-controlled house?

Answer

These 4 open house farms are for the production of table eggs and they are all over 2 decades old and fully depreciated to date. Three open house farms are located in Peninsular Malaysia and one is in Sabah. Depending on the Group's availability of financial resources, there are already plans in place to convert these farms into modern automated closed house. It will be done progressively over a period of 5 years. In fact, the one located in Jasin, Malacca, the conversion is currently in progress. Based on current exchange rate, it will cost up to RM20 million to replace an old farm with a new fully automated which can produce 300,000 eggs per day, depends on the amount of automation built in.

Question 2

In financial year ended 31 March 2021 ("FY2021"), the Group harvested a total of 40.29 million kilogram ("kg") (2020: 45.51 million kg) of broilers due to lower productivity at some of the older farms in Tanjong Karang, Selangor and Kampong Serusup in Kota Kinabalu, Sabah. Due to this, the sales had accordingly recorded a decline of 5.07% or RM10.26 million from RM202.36 million to RM192.10 million (page 8 of AR2021).

- (a) To what extent will sales of broilers be affected going forward, if the older farms continue as they are?

Answer

Older farms will definitely be less efficient, but with good preventive maintenance of the existing aged equipment plus good farm management practices put in place, the feed conversion ratio ("FCR") will continue to be favourable. Therefore, the sales of broilers going forward for these older farms will not defer much if left in the current form.

- (b) What are the Group's plans to improve productivity? Are there plans to upgrade or modernise the older farms in Tanjong Karang, Selangor and Kampong Serusup in Kota Kinabalu, Sabah?

Answer

Improving productivity is a continuing process in the Group. The research and development team will also try out alternative breed. Last year, the Group changed the popular "COBB/ROSS" brand with that of "INDIAN RIVER" as to try out their productivity on FCR. The Company is also continuously improving the feed formulation by substituting with better feed additives and supplements.

Yes, one of the existing older closed house farm broiler farm located in Tanjong Karang is currently in the advanced stage of rebuilt from a "deep litter" farming concept to a fully automated. This new farming method not only reduce labour cost but also increase the harvesting productivity by additional 5-10% at every cycle of 60 days.

Question 3

The Group's retail business revenue had increased to RM230.6 million (2020: RM215.3 million), while total contribution to group profit during the financial year was RM1.9 million compared to a loss of RM1.4 million recorded in the previous year (page 10 of AR2021).

- (a) Given that the on-going pandemic has changed the shopping behaviour of consumers and contributed to the increase in daily sales of the Group's retail business, is the profit contribution from the retail business sustainable, going forward?

Answer

It is very difficult to predict. It is all depends on the government ability to contain the deadly COVID-19 pandemic over the ensuing 12 months.

- (b) Are there any expansion plans for the Group's retail business?

Answer

There are no expansion plans for the Group's retail business.

Question 4

Based on the Statement of Cash Flows for FY2021, there was a loss on disposal of quoted investment amounting to RM24,318 (2020: Nil) (page 65 of AR2021).

- (a) To which quoted investment do the loss relate to? Why did the Board decide to dispose the quoted investment at a loss?

Answer

The quoted investment is Rhone Ma Holdings Berhad. The shares were offered to Lay Hong Berhad during their Initial Public Offering (IPO) exercise as part and parcel of their placement out to their loyal customers. The Company decided to sell the stock as it has not shown any upside since its listing and hardly traded.

- (b) During the year, the Group purchased quoted shares in Malaysia amounting to RM1.6 million (2020: Nil) (Note 9, page 107 of AR2021). What is the rationale for purchasing the quoted shares?

Answer

Due to timing issue of cash flow between settling loan repayments due or suppliers' payment, it is often that there are surplus cash floating around the Group. It is the Group's policy to maximise its cash flow to its optimum usage by temporary investing either in blue chip stocks or liquid unit trust instruments.

- (c) What is the Board's decision making/approval process in relation to the purchase of quoted shares in Malaysia?

Answer

Presently, there is no standard operating procedures (SOP) in regard to purchase of shares as the Group is not in the business of investing.

Question 5

Bad debts written off increased significantly to RM5.9 million (2020: RM0.6 million) (page 65 of AR2021).

- (a) What was the reason for the huge increase in bad debts written off?

Answer

The increase in the bad debt written off was due to the accumulation from a few years of provisions already made and was written off in one go as to clean up the balance sheet.

- (b) What are these bad debts related to? Are the bad debts written off arising from external customers or related parties?

Answer

All were trade debts with external customers.

- (c) What were the measures taken to recover the RM5.6 million prior to being written-off?

Answer

Appropriate legal actions have already being taken up to the stage of either winding up or bankruptcies instituted. Debts are only written off after all legal avenues have been exhausted and recommended by our external lawyer that such debts are irrecoverable.

Question 6

Impairment losses on revaluation on land and building was RM1.7 million (2020: Nil) (page 65 of AR2021). To which land and building do these impairment losses relate to? What is the reason for the impairment losses on revaluation on land and building?

Answer

This impairment relates to a piece of land with building in Sadao, Thailand. The reason for the impairment losses was due to the different basis being used by the current valuer with that of the previous valuer.

Question 7

Staff cost – salaries, wages and bonus increased to RM84.1 million (2020: RM69.1 million) (Note 25, page 121 of AR2021).

What was the reason for the significant increase, given that the defined contribution plans for the year remains fairly the same at RM6.7 million (2020: RM6.4 million)?

Answer

The significant increase in staff cost was due to a classification error where the foreign workers' costs was inadvertently being classified as staff cost. In actual fact, the net increase in this class was only RM940,000 between financial year ended 31 March 2020 and FY2021.

Dato' Chairman then proceeded to the Agenda for the Meeting.

1. Audited Financial Statements (“AFS”) for the FY2021 together with the Reports of the Directors and Auditors thereon

Dato' Chairman informed that as provided for in Section 340(1)(a) of the Companies Act 2016 (“CA 2016”), it was not required that the AFS be formally approved and therefore the first item of the Agenda was meant for discussion only and is not put forward for voting.

2. To approve the payment of Directors' fees of RM323,000.00 for the FY2021

Ordinary Resolution 1 on the proposed payment of Directors' fees of RM323,000.00 for the FY2021.

3. Re-election of Dato' Yap Hoong Chai

Ordinary Resolution 2 was on the proposed re-election of Dato' Yap Hoong Chai as Director of the Company pursuant to Clause 134 of the Constitution of the Company.

Dato' Chairman informed that he was up for retirement and seek for re-election. He handed over the chairmanship to Dato' Yap Chor How, the Executive Director of the Company (“**Dato' Yap**”) to deliberate the Agenda. Dato' Yap took the chair and proceeded with the Agenda.

Dato' Yap then handed over the chairmanship back to Dato' Chairman. Dato' Chairman proceeded with the remaining Agenda of the 37th AGM.

4. Re-election of Mr. Ng Kim Tian

Ordinary Resolution 3 was on the proposed re-election of Mr. Ng Kim Tian as Director of the Company pursuant to Clause 134 of the Constitution of the Company.

5. Re-election of Mr. Gan Lian Peng

Ordinary Resolution 4 was on the proposed re-election of Mr. Gan Lian Peng as Director of the Company pursuant to Clause 134 of the Constitution of the Company.

6. Re-election of Mr. Tadaaki Ito

Ordinary Resolution 5 was on the proposed re-election of Mr. Tadaaki Ito as Director of the Company pursuant to Clause 119 of the Constitution of the Company.

7. Re-appointment of Auditors

Ordinary Resolution 6 was on the proposed re-appointment of Messrs. Tai, Yapp & Co. PLT as Auditors for the financial year ending 31 March 2022 and to authorise the Directors to fix their remuneration.

Dato' Chairman invites the Auditors to introduce herself to the Shareholders. Ms. Miriam Doo, the partner from Messrs. Tai, Yapp & Co. PLT introduced herself and indicated their willingness to accept the re-appointment.

8. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and/or Trading Nature.

Ordinary Resolution 7 was on the proposed renewal of existing shareholders' mandate for Recurrent Related Party Transactions of a Revenue and/or trading nature.

Dato' Chairman informed that he was an interested Director to the Ordinary Resolution 7. Dato' Yap Hoong Chai, Dato' Yeap Weng Hoong, Dato' Yap Chor How, and Mr. Yeap Fock Hoong, the Interested Directors and Shareholders and person(s) connected with them should abstained from voting in respect of their direct and indirect shareholdings on Ordinary Resolution 7 in today's 37th AGM. He handed over the chairmanship to Mr. Ng Kim Tian, the Executive Director of the Company ("**Mr. Ng**") to deliberate the agenda. Mr. Ng took the chair and proceeded with the Agenda.

"THAT pursuant to Paragraph 10.09 of the MMLR of Bursa Securities approval be and is hereby given to the Company and/or its subsidiary companies to enter into and give effect to specified Recurrent Related Party Transactions of a revenue or trading nature and with classes of those related parties as specified in Section 2.4 of the Circular to Shareholders dated 30 July 2021 subject further to the following:-

- i. That the transactions are in the ordinary course of business and are on terms that are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.
- ii. That the transactions are made on an arm's length basis and on normal commercial terms.
- iii. That disclosure shall be made in the Annual Report of a breakdown of the aggregate value of all transactions conducted pursuant to the Proposed Renewal of Existing Shareholders' Mandate during the financial year, based on the following information:-
 - the type of the Recurrent Related Party Transactions made; and
 - the names of the related parties involved in each type of the Recurrent Related Party Transactions entered into and their relationships with the Company.

- iv. That such approvals shall only continue to be in force until:-
- the conclusion of the next Annual General Meeting (“**AGM**”) following this AGM at which such mandate is passed, at which time it will lapse, unless by a resolution passed at such AGM whereby the authority is renewed;
 - the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the CA 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of CA 2016); or
 - revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to this ordinary resolution.”

Mr. Ng then handed over the chairmanship to Dato’ Chairman. Dato’ Chairman proceeded with the remaining Agenda of the 37th AGM.

9. Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the CA 2016

Ordinary Resolution 8 was on the authority to allot and issue shares pursuant to Sections 75 and 76 of the CA 2016.

“**THAT** pursuant to Sections 75 and 76 of the CA 2016 and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed twenty percent (20%) of the total number of issued shares of the Company for the time being to be utilised until 31 December 2021 as empowered by Bursa Securities pursuant to Bursa Malaysia Berhad’s letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers and thereafter does not exceed ten percent (10%) of the total number of issued shares of the Company for the time of issuance and such authority under this resolution shall continue in force until the conclusion of the 38th AGM or when it is required by law to be held, whichever is earlier, **AND THAT** the Directors be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities.”

10. Any Other Business

The Company Secretary confirmed that the Company had not received any notice for transaction of any other business for today’s Meeting.

Dato’ Chairman then proceeded with the Question and Answer (“**Q&A**”) session for the Board and Management of the Company (“**Management**”) to deal with the questions from the shareholders.

The following questions was raised by shareholders and the responses made by the Board and Management:-

Question 1

Shareholders asked if there is any e-vouchers given to shareholders as a token of appreciation for attending the 37th AGM.

Response to Question 1

Dato' Chairman responded that there will be no e-vouchers but will consider giving e-vouchers to shareholders in future meetings.

Question 2

Shareholder enquired on the impact of the current high U.S corn and soybean prices compared to past few years and the actions to be taken on this issue. Since the cost is higher and most of the small poultry players may not be able to sustain their business, will the Company take this opportunity to increase the Company's market share. Furthermore, what is the average selling price for eggs in order to maintain a profitable level.

Response to Question 2

Dato' Chairman responded that the commodities price of products such as corn and soybean fluctuate from time to time. The Company expects the prices will continue to be volatile in the short term but would probably normalise in the near term. The Management has taken proactive measures to optimise the costs to run the business. The selling prices of eggs are dictated by market forces and with the volatility of the commodities prices, the Company is unable to provide the estimated selling price to maintain profitability. The Management would look into the ways to increase market share.

Question 3

Shareholder enquired on the confidence level of the Company in returning to profit this year or any signs of going back to a normal level. Furthermore, what is the Management's view on the cost of feedstock in near future.

Response to Question 3

Dato' Chairman responded that the commodities price of products such as corn and soybean fluctuate from time to time. The Company expects the price will continue to be volatile in the short term but would probably normalise in the near term. The Management has taken proactive measures to optimise the cost to run the business. The selling prices of eggs are dictated by market forces and with the volatility of the commodities prices, the Company is unable to provide the estimated selling price to maintain profitability. The Management would look into the ways to increase market share.

Question 4

Shareholder asked whether the Company has obtained any assistance from the COVID-19 economic stimulus package implemented by the Government?

Response to Question 4

Dato' Chairman answered that the Company is not eligible for the COVID-19 economic stimulus package as the Company does not meet the required criteria.

Question 5

Shareholder asked whether the Company will raise more capital via a rights issue exercise to sustain the business since the Company has been making losses the past two quarters. Furthermore, shareholder also enquired on the plans to turn around the Company from loss to profit making and expectations for the forthcoming quarterly results.

Response to Question 5

Dato' Chairman responded that the gearing of the Group has been reduced from 0.89 times in financial year ended 31 March 2020 to 0.72 times in FY 2021. Hence, the debts level of the Group is still manageable. Due to the current challenges posed by the increase in commodities prices and the imposition of various movement control orders, the Company foresee that the business will be challenging and the Management will strive hard to ensure that business sustainability meets the expectations of stakeholders.

Question 6

Shareholder enquired on how Lay Hong expects to achieve growth in sales when there is shortage of products? The supply chain was short of stock so how can the issue be overcome in the long run. Although the new factory is functioning but yet there insufficient supply. Will the Company suffer loss of sales? And would this cause a decline in the business partner's support of the business?

Response to Question 6

The Board will address this in the forthcoming Board meeting.

Question 7

Shareholder asked about how much does the Company spent on this virtual meeting and whether any e-vouchers will be given to shareholders as a token of appreciation for attending the 37th AGM.

Response to Question 7

Dato' Chairman answered that the physical meeting would be more cost efficient in terms of savings and there will be no e-vouchers given but will consider giving e-vouchers to shareholders in future meetings. The total cost is approximately RM68,000.

Question 8

Shareholder requested a printed hard copy of the Annual Report of the Company.

Response to Question 8

The Board asked the shareholders to download the soft copy of the Annual Report from the corporate website at www.layhong.com.my and Bursa Malaysia Berhad's website at www.bursamalaysia.com.

Question 9

Shareholder asked why the Company required shareholders to register 2 days in advance before for the virtual AGM whereas the other public listed companies can login on the same day itself. Does this comply with the MMLR of Bursa Securities.

Response to Question 9

Pre-registration needs to be done 48 hours before the annual general meeting and extraordinary general meeting.

Please be informed that the pre-registration needs to be done 48 hours before the general meetings has been stated in the Administrative Guide which has been dispatched together with the notice of meeting to the shareholders. Share Registrar needs time to verify the eligibility of the shareholders for attending the general meeting against the General Meeting Record of Depositors of all the listed issuer.

Question 10

Shareholder enquired on the contribution by the joint venture with the Japanese frozen food company in respect of market expansion, revenue and profitability growth. He also raised his concern on the Company's outlook going forward given the impact of COVID-19 relaxations. Besides that, what is the realistic expectations on the profitability given the increasing input costs especially the global grain prices. Lastly, how is the Company coping with rising input costs and what is passed on to the customers.

Response to Question 10

Dato' Chairman replied that the joint venture with NHF Manufacturing (Malaysia) Sdn. Bhd. only accounted for 2% of the Group's revenue. With the gradual easing of the MCO, the Company expected the manufacturing and horeca segments will open, thus the Company sales will increase. For the retail segment, the Company expected the sales will remain as the COVID-19 fear is still lingering. On the cost side, the Directors have taken proactive measures such as hedging on commodities price, cost control and mitigation.

Question 11

Shareholder enquired on whether packaging of nutriplus 850g product can be resized in order to reduce material costing.

Response to Question 11

The Board will look at the suggestion of shareholder.

Question 12

Shareholder enquired as to whether the Board will do a presentation for the shareholders for the next AGM and when will the Company start to pay dividends to the shareholders.

Response to Question 12

Dato' Chairman responded that the Company will consider doing a presentation in future AGMs. As for payment of dividend, the Directors will consider it when the results and cash flow of the group improve.

Question 13

Shareholder asked how the Company's business has been affected by COVID-19 pandemic.

Response to Question 13

Dato' Chairman responded that to a certain extent, the COVID-19 had affected the manufacturing and horeca business. On the other hand, the retail business has improved.

Question 14

Shareholder asked how will the Company overcome the shortage of supplies of fast selling items as it would affect the Company's revenue and the image of the Company thus curtailing efforts of the last 20 years.

Response to Question 14

The Board replied the Company has not encountered this problem before.

Question 15

Shareholder asked how the farming business was affected by the last batch of eggs to Singapore? Has Singapore reduced imports from Lay Hong Nutriplus? How was export market performance?

Response to Question 15

The Board responded that the Company exports to Singapore had been affected due to the Salmonella issue. To date, Singapore has not opened for exports. The Company have through the government to government channels, submitted the application for reinstatement and now awaiting reply.

Question 16

Shareholder enquired on the details on cost savings and automation efforts in the business compared to the previous quarter.

Response to Question 16

Dato' Chairman highlighted that this is highly sensitive information, and will not divulge it in a public forum.

Question 17

Shareholder asked about the immediate actions to be taken by the Company in expanding the business market in view of the challenging business environment and new high-tech egg farm in Tuas, Singapore online this year.

Response to Question 17

Dato' Chairman responded that sales to Singapore is not significant.

Question 18

Shareholder asked whether regional sales manager and areas manager from the Company engaged in major selling before or during pandemic or at the same time? Did marketing efforts show improvement in sales strategies? How did the sales teams manager perform since there was insufficient stock to meet demand?

Response to Question 18

The Board responded that Lay Hong poultry products in the market have already matured due to successful branding and good quality and adequate supplies to consumer. The Group has a good sales team to ensure the market is well served at all times.

With that, Dato' Chairman urged the shareholders and/or proxies who have yet to submit their votes. The Meeting shall now allocate another 10 minutes for them to complete casting their votes.

Dato' Chairman then announced the closing of the online voting session and then adjourned the Meeting for approximately 15 to 20 minutes for the poll votes to be counted by the Poll Administrator in the presence of the appointed scrutineer.

The Meeting resumed at 11.45 a.m. The representative of the scrutineer submitted the report of the results to Dato' Chairman. The results of the poll which were as follows:

RESULT OF THE POLL VOTES ON RESOLUTIONS TABLED AT THE 37TH AGM ON 28 SEPTEMBER 2021

Resolutions	Voted For			Voted Against		
	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders
Ordinary Resolution 1 Payment of Directors' Fees of RM323,000	235,599,181	99.8740	126	297,334	0.1260	68
Ordinary Resolution 2 Re-election of Dato' Yap Hoong Chai	235,677,525	99.9072	145	218,990	0.0928	49
Ordinary Resolution 3 Re-election of Mr. Ng Kim Tian	235,754,025	99.9396	153	142,490	0.0604	41
Ordinary Resolution 4 Re-election of Mr. Gan Lian Peng	235,754,025	99.9396	153	142,490	0.0604	41
Ordinary Resolution 5 Re-election of Mr. Tadaaki Ito	235,757,975	99.9413	156	138,440	0.0587	37

Resolutions	Voted For			Voted Against		
	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders
Ordinary Resolution 6 Re-appointment of Auditors	235,742,075	99.9345	156	154,440	0.0655	38
Ordinary Resolution 7 Proposed Renewal of Existing Shareholders' Mandate	216,288,775	99.9001	149	216,340	0.0999	42
Ordinary Resolution 8 Authority to Allot and Issue Shares Pursuant to Sections 75 & 76 of the CA 2016	235,676,815	99.9069	144	219,700	0.0931	50

Dato' Chairman then declared all the resolutions for the day carried.

TERMINATION

There being no other business, the Meeting terminated at 11.54 a.m. with a vote of thanks to the Chair.