

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

Minutes of the Extraordinary General Meeting (“**EGM**” or the “**Meeting**”) of the Lay Hong Berhad (“**LHB**” 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 Thursday, 28 October 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) (Meeting Chairman)
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’ Yap**”) welcomed the shareholders, proxies and guests to the EGM of the Company.

Dato’ Yap then informed that he is the interested party to the Ordinary Resolutions of today’s EGM. He and persons connected with him would abstain from voting in respect of their direct and indirect shareholdings on these resolutions in today’s EGM.

The Board of Directors has appointed Mr. Gan Lian Peng, the Independent Non-Executive Director and Chairman of Audit Committee (“**Mr. Gan**”) to chair this EGM.

Mr. Gan then took the Chair as the Meeting Chairman. The Meeting Chairman proceeded to introduce the Board members, Company Secretary and the representatives from AmInvestment Bank Berhad (“**AmInvestment Bank**”), cfSolutions Sdn. Bhd. (“**cfSolutions**”) and Ben & Partners.

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

Dato’ Chairman informed that the EGM 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.

The Meeting Chairman notified that the Notice convening the EGM had been sent to all the shareholders, Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and the said Notice was advertised in New Straits Times on 5 October 2021 in accordance with the Constitution of the Company. He proposed and the Meeting consented that the Notice of Meeting of 5 October 2021 be taken as read.

The Meeting Chairman informed the members that in compliance with the Main Market Listing Requirements of Bursa Securities, all resolutions as set out in the Notice of this EGM, all resolutions tabled at the meeting are required to be conducted by poll. The Share Registrar, SS E Solutions Sdn. Bhd. has been appointed as the Poll Administrator to conduct the polling process and ShareWorks Sdn. Bhd. has been appointed as the Independent Scrutineer to verify the poll results.

The Meeting Chairman then proceeded to the Agenda for the Meeting.

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY LHB OF THE REMAINING 50% EQUITY INTEREST IN SRI TAWAU FARMING SDN BHD (“STF”) NOT ALREADY OWNED BY LHB FROM MACKAN HOLDING SDN BHD (“MACKAN”) (VIA INNOFARM SDN BHD (“INNOFARM”)) FOR A TOTAL PURCHASE CONSIDERATION OF RM28.0 MILLION, TO BE SATISFIED VIA THE ISSUANCE OF 80,000,000 NEW ORDINARY SHARES IN LHB (“CONSIDERATION SHARES”) AT THE ISSUE PRICE OF RM0.35 EACH (“PROPOSED STF ACQUISITION”)

THAT subject to the passing of Ordinary Resolution 2, and subject to the applicable approvals of all relevant authorities or parties being obtained, authority be and is hereby given to the Company to acquire the remaining 50% equity interest in STF from Mackan (via Innofarm), for a total purchase consideration of RM28.0 million (“**Purchase Consideration**”) to be satisfied via the issuance of 80,000,000 Consideration Shares to Mackan at the issue price of RM0.35 each, and subject to and upon such terms and conditions of the share sale agreement dated 8 June 2021 (“**SSA**”) entered into between LHB, Mackan and Innofarm (“**Proposed STF Acquisition**”);

THAT approval be and is hereby given to the Board of Directors of LHB (“**Board**”) to allot and issue the Consideration Shares to Mackan for the purpose of satisfaction of the total purchase consideration for the Proposed STF Acquisition;

THAT the Consideration Shares shall, upon allotment and issuance, be of the same class and rank equally in all respect with the then existing ordinary shares in LHB, save and except that the holders of such Consideration Shares shall not be entitled to any dividends, rights, allotment and/or other distributions may be declared, made or paid to the shareholders of LHB, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares;

AND THAT the Board be and is hereby authorised to do all such acts and things, execute all such documents and to enter into all such transactions, arrangements and agreements as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed STF Acquisition; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed STF Acquisition.

ORDINARY RESOLUTION 2

PROPOSED EXEMPTION UNDER PARAGRAPH 4.08(1)(A) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS (“RULES”) FOR DATO’ YAP HOONG CHAI AND PERSONS ACTING IN CONCERT WITH HIM (“PAC”), FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER TO ACQUIRE THE REMAINING ORDINARY SHARES AND WARRANTS IN LHB NOT ALREADY OWNED BY THEM UPON COMPLETION OF THE PROPOSED STF ACQUISITION (“PROPOSED EXEMPTION”)

THAT subject to the passing of Ordinary Resolution 1, and subject to the approval from the Securities Commission Malaysia (“SC”) being obtained and/or other relevant authorities or parties including such conditions as may be imposed by the SC, approval be and is hereby given to Dato’ Yap Hoong Chai and his PACs to be exempted from the obligation to undertake a mandatory take-over offer to acquire all the remaining ordinary shares and warrants in LHB not already held by them upon completion of the Proposed STF Acquisition in accordance with paragraph 4.08(1)(a) of the Rules;

AND THAT the Board be and is hereby authorised to do all such acts and things, execute all such documents and to enter into all such transactions, arrangements and agreements as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed Exemption; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed Exemption.

The Meeting Chairman then proceeded with the Question and Answer (“Q&A”) session for the Board and management of the Company to deal with the questions from the shareholders.

The following questions were raised by shareholders and the responses made by the Board and management of the Company:-

Question 1

Shareholder asked on the impact of the rise of price in commodities or grains on the Company’s business and the approach of the Company to be taken against the increased input cost and until what extent the Company will pass this rising costs to consumer? Furthermore, what is the overall outlook of the Company’s financial performance and does the Board expect the continuance of rising prices in commodities or grains being worse after the COVID-19 pandemic?

Response to Question 1

Dato’ Yap Chor How, the Executive Director of the Company responded that the current rising prices of the commodities were due to the increase in demand in September and it was mainly for corn and soya. However, the Board foresee that the prices of commodities would continue to remain high. The Company will address the issue via two approaches by reducing the costs or increases in prices of the Group’s products. However, there would be a stable growth for the Company in term financial performance for the next six months period and the prices for commodities would remain moderate to high, although the current financial conditions are favourable. Recovery to the original financial position is expected to begin next year.

Question 2

Shareholder enquired that there have been concerns on the health issue of the Company’s products previously. Has this matter been thoroughly investigated and resolved?

Response to Question 2

Mr. Ng Kim Tian, the Executive Director of the Company (“**Mr. Ng**”) responded that the health issue had been resolved with no findings of bacteria at the farms. The application to Singapore authorities to have the exports reinstated is now pending a reply.

Question 3

Shareholder asked whether there is profit guarantee involved in the Proposed STF Acquisition?

Response to Question 3

The representative from AmInvestment Bank responded that there would be no profit guarantee in the Proposed STF Acquisition, given that the profit guarantee is not a term of the transaction. However, there would be a fixed asset guarantee. She further highlighted that no official regulatory requirement stated that the profit guarantee is a requirement following the terms of the transaction.

Question 4

Shareholder enquired on the rationale for Proposed STF Acquisition and Proposed Exemption (“**Proposals**”).

Response to Question 4

Mr. Ng responded that the rationale of the proposals was stated clearly in the item 4 of page 15 of the Circular to Shareholders dated 5 October 2021 (“**Circular**”). He further explained that the rationale for the Proposals is the earning accretive and the Company will be able to consolidate 100% of the earnings instead of 50% which the Company did previously. The poultry business in Sabah is growing due to the rising population. Moreover, there were only 3 major players in the poultry business in Sabah and the Company is one of the major players.

Question 5

Shareholder enquired on how Lay Hong is handling the rise in commodity prices?

Response to Question 5

Mr. Ng responded that the Company has taken a 6 months forward buying strategy for corn and soya beans.

Question 6

Shareholder asked that what is the market share of Lay Hong in the eggs supply business? Is Lay Hong involved in new chicken species?

Response to Question 6

Mr. Ng responded that currently there are no statistics compiled. Lay Hong is one of the top 5 major players.

Question 7

Shareholder enquired that based on net profit of RM1.28 million for three months ended 30 June 2021, extrapolated to full year period, the profit earning for the acquisition came with RM5.40 million. The acquisition price is rather on the high side for a privately owned company. What is the Independent Directors or Audit Committee's view on this?

Response to Question 7

Mr. Tan Chee Hau, the Independent Non-Executive Director of the Company (“**Mr. Tan**”) responded and highlighted that there was a typo error on the three months ended 30 June 2021 which should be 30 June 2020. In respect of the Proposed STF Acquisition, the Board has received professional advice from the AmInvestment Bank and Independent Advisor, cfSolutions that the purchase consideration of the proposed acquisition is fair and reasonable. Mr. Tan then directed the question to the representative from cfSolutions for further explanation.

The representative from cfSolutions then highlighted that they have assessed the proposed acquisition based on the enterprise value to earnings before interest, taxes, depreciation, and amortization (“**EV/EBITDA**”) approach which would better capture the differences in accounting policies compared to the structure versus price to earnings multiple. He further highlighted on page 62 of the Circular, after the adjustment for an illiquidity discount of 30%, the EV/EBITDA Multiple of STF Group was below the others comparable companies as set out in the independent advice letter. Furthermore, they have cross checked the ratio against the price-to-book (“**P/B**”) multiple. The P/B multiple of the STF Group is within the range of P/B multiple of the comparable companies. They have evaluated on this basis based on the whole year audited financial result up to the latest available financial result of 31 March 2021.

Question 8

Shareholder enquired that based on audited accounts 31 March 2021, the cash and bank balances stood at RM2.5 million whereas its current liabilities stood at RM75.9 million. The shareholder personally feel that this Company may have a cash flow issue. Is this the case? If yes, what is the Board's actions plan towards this?

Response to Question 8

Mr. Ng responded that the Board will bring this up for discussion in the future Board meeting.

Question 9

Shareholder enquired that the net margin of this Company is only 1.62% based on 31 March 2021's audited accounts. What is the Board's expected return from this investment or acquisition?

Response to Question 9

Mr. Ng responded that the acquisition is earnings accretive. The Directors are looking at long term gains.

Question 10

Shareholder enquired that there was a RM1.0 million other income in the audited accounts 31 March 2021, any breakdown for that? What is the nature of this income?

Response to Question 10

Mr. Ng responded that the significant item contributed to the other income are insurance claims due to the flood in the farm (RM580,000.00), increase of valuation in the investment properties (RM360,000.00) and gain on disposal of property, plant and equipment (RM380,000.00).

Question 11

Shareholder enquired on the timing of acquisition considering that there were uncertainties in the market such as on-going COVID-19 pandemic with the new variants, trade war between United States and China and uncertainty in the local politics.

Response to Question 11

Mr. Tan replied that it would be difficult to predict the future. However, the Board decided that the Proposed Acquisition is in the term fair and reasonable and the most important thing is earning accretive.

Question 12

Shareholder suggested that as a means to conserve the time of the Board and fellow shareholders, perhaps, the Board could first answer some of the questions which had already posted while waiting for other shareholders to post their questions?

Response to Question 12

Mr. Ng responded that the Board noted the suggestion from shareholder and will take the suggestion for future virtual meeting.

Question 13

Shareholder enquired on how does this fixed assets guarantee works?

Response to Question 13

Mr. Ng responded that there is no guarantee for the transaction.

Question 14

Shareholder enquired on whether the Company got any assistance from the Government's COVID-19 stimulus package ?

Response to Question 14

Mr. Ng responded that the Company did not satisfy the required criteria.

Question 15

Shareholder suggested that it is fair to have all shareholders' concerns address before the voting.

Response to Question 15

Mr. Ng responded that the Board noted the suggestion from the shareholder and will take the suggestion into consideration.

Question 16

Shareholder enquired on the financial period 30 June 2022 by referring to page 112 of the Circular whether this is an actual period or forecast?

Response to Question 16

The representative from AmInvestment Bank then responded that there was a typo error on the page 112 of the Circular which the financial period 30 June 2022 should be financial year ended 30 June 2021 and financial year 31 March 2021 should be financial year 31 March 2020.

Question 17

Shareholder raised his concerns on the timing of acquisition due to the uncertainties in the market such as on-going COVID-19 pandemic with the new variants, trade war between United States and China and uncertainty in the local politics.

Response to Question 17

Mr. Tan replied that it would be difficult to predict the future. However, the Board has taken into account the terms and financial effects of the Proposed STF Acquisition and is of the view that it is fair and reasonable, and most importantly it is earnings accretive.

Question 18

Shareholder requested the Board to give faithful shareholders e-vouchers for their continuous support of the Company in this unprecedented time.

Response to Question 18

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

Question 19

Shareholder enquired on how much that the Company spent on this virtual EGM? Would the Board kindly consider giving shareholders e-wallets as a token of appreciation for taking time and interest to participate in this remote participation and voting facilities.

Response to Question 19

Dato' Chairman answered that the physical meeting would be 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.

With that, the Meeting Chairman concluded the Q&A session. 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 to cast their votes.

The Meeting 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 12.18 p.m. The representative of the scrutineer submitted the report of the results to the Meeting Chairman. The results of the poll which were as follows:

RESULT OF THE POLL VOTES ON RESOLUTIONS TABLED AT THE EGM ON 28 OCTOBER 2021

Resolutions	Voted For			Voted Against		
	No. of shares	%	No. of shareholders	No. of shares	%	No. of shareholders
Ordinary Resolution 1 Proposed STF Acquisition	133,390,037	99.9041	82	128,012	0.0959	35
Ordinary Resolution 2 Proposed Exemption	133,337,036	99.8658	79	179,113	0.1342	38

The Meeting Chairman then declared all the resolutions for the day carried.

TERMINATION

There being no other business, the Meeting terminated at 12.23 p.m. with a vote of thanks to the Chair.