

LAY HONG BERHAD

Registration No. 198301011738 (107129-H)

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-SIXTH (“36TH”) ANNUAL GENERAL MEETING (“AGM”) OF THE COMPANY DULY CONVENED AND HELD ON A FULLY VIRTUAL BASIS FROM THE BROADCAST VENUE AT LEVEL 9, WISMA LAY HONG, JALAN EMPAYAR OFF PERSIARAN SULTAN IBRAHIM/KU1, 41150 KLANG, SELANGOR DARUL EHSAN ON MONDAY, 28 SEPTEMBER 2020 AT 11:00 A.M.

Dato’ Chairman welcomed the shareholders and guests to the 36th AGM of the Company.

There being a quorum present, Dato’ Chairman declared the Meeting duly convened.

The Dato’ Chairman notified that the Notice convening the AGM had been sent to all the shareholders, Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Auditor of the Company and the said Notice was advised in New Straits Times on 21 August 2020 in accordance with the Constitution of the Company. He proposed and the Meeting consented that the Notice of Meeting of 21 August 2020 be taken as read.

Dato’ Chairman informed the members that in compliance with the Bursa Securities Listing Requirements, all resolutions as set out in the notice of AGM, all resolutions tabled at the meeting are required to be conducted by poll and Commercial Quest Sdn. Bhd. had been appointed as the Independent Scrutineer for the poll voting. Dato’ Chairman further informed that for a more efficient meeting at this AGM, the poll will be carried out by way of electronic polling or E-Polling. In this respect, the Share Registrar, SS E Solutions Sdn. Bhd. has been appointed as the Poll Administrator.

Dato’ Chairman informed that the Minority Shareholder Watch Group (“MSWG”) had vide its letter dated 14 September 2020 addressed to the Board of Directors (“Board”) sought information and clarification on the Strategy/Financial Matters and Corporate Governance Matters. On behalf of the Board, Mr Ng Kim Tian 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:

STRATEGY/FINANCIAL MATTERS

Question 1

Lay Hong Liquid Egg Sdn. Bhd. has acquired a newly built factory in Iskandar Halal Park, Pasir Gudang, Johor, to set up its second egg processing facility. The equipment has been fully installed to date and due to the imposition of the Movement Control Order (“MCO”), the facility was unable to commence operation as certain licenses from local authorities has yet to be issued (page 9 of Annual Report 2020 (“AR2020”)).

- (a) What is the current status of the facility in terms of licensing application? When is the facility expected to commence operation?
- (b) What is the capacity of the second egg processing facility?
- (c) What is the estimated revenue to be generated from the second egg processing facility?
- (d) The Group currently has one pasteurized liquid egg plant in Meru, Klang. Will the second egg processing facility lead to an over capacity situation?

Response to Question 1

- (a) The company is in the final stages of getting its business license and expects the local authorities to issue it by the end of this calendar year ending 31st December, 2020. The plant is fully completed and installed with all the necessary equipment and can be operational within 3 months after gotten of the above.
- (b) The plant will have the same capacity as Meru plant, i.e. 400 metric tons per 8 hours shift.
- (c) This facility will be able to generate an additional revenue of RM750,000 per month or RM9.00 million per year.
- (d) The commissioning of the new Pasir Gudang plant was to cater for the existing and new clients in the southern region of Malaysia plus Singapore. The existing plant which is over 15 years old and is located strategically in the middle of Peninsular Malaysia i.e. at Meru, Klang is to serve the Central and Northern region clients. Currently, this plant is grossly overloaded. The new plant will not lead to over capacity as the existing clients are placing more orders due to their planned expansions and new users coming on stream who are previously using shell eggs.

Question 2

Share of losses from an associate has increased to RM5.4 million (2019: RM2.7 million) (page 58 of AR2020).

What are the reasons for the significant increase in the share of losses? Is the associate expected to turn around in FY2021?

Response to Question 2

The reason for the higher share of losses was primarily due to the unexpected delay by the joint venture company in trying to secure the necessary approvals from government authorities for exports of its premium product overseas due to the implementation of the MCO in the country and moreover, the products produced are geared more towards industrial use in food outlets and restaurants. These outlets operations were either closed or restricted. These have led to the reduction of its orders thus affected production. Moreover, the postponement of the Tokyo Olympic has led to the revision of its production plans.

Moving forward, taking cognition that the RMCO is still in place, the company is now placing more emphasis on the local market. To date, 7 new chicken variant products have recently being launched and responses are encouraging. With additional products in place and cost containing measures implemented, the company is heading to turnaround soon.

Question 3

The Group's impairment losses on trade receivables increased to RM11.5 million (2019: RM9.7 million) (Note 14, page 112 of AR2020).

- (a) What is the aging of these impairment losses on trade receivables in the following categories: 1 to 3 years and over 3 years, respectively?
- (b) What actions have been taken to recover the said amount?
- (c) What is the probability of recovering the impaired amount? To-date, how much of the impairment losses on trade receivables have been recovered?

Response to Question 3

(a) The aging profiles are as follows:-

Description	Amount (RM'000)	Percentage (%)
Between 1 to 3 years	9,546	82.77
More than 3 years	1,987	17.23
Total	11,533	100.00

The increase of RM1.80 million in impairment losses for the financial year under review was attributed to an overseas export sales which the importer has disputed on the quality of the chicken meat.

(b) Multiple actions have been taken as follows:-

Action taken	Amount (RM'000)	Percentage (%)
Legal actions	1,768	15.33
Negotiate to make instalments payments	7,098	61.55
Discussion phase	1,462	12.68
General impairment	1,205	10.44
Total	11,533	100.00

(c) The management is of the opinion that approximately 60% of the impairment amounts are recoverable due to the fact that the delinquent debtors are still in business and temporarily being affected by the MCO.

As at to date, we have recovered 7% or RM0.841 million.

Question 4

The Group's impairment losses on other receivables increased significantly to RM1.9 million (2019: RM0.6 million) (Note 15, page 112 of AR2020)

- (a) What was the reason for the increase? What are the items that contributed to the bulk of the impairment?
- (b) What is the probability of recovering the impaired amount? How much of the impaired amount has been recovered to-date?

Response to Question 4

- (a) This is in relation to the material outstanding litigation stated in question 5. The Company have made full payment of RM3.14 million to purchase a piece of industrial land where the lawyers have not acted in good faith that have resulted in the said land being not being able to be registered in the name of the company. For prudent purpose, we have made a 50% impairment loss provision in the financial year for this transaction.
- (b) We have commenced legal action against a few defendants who are parties to the agreement. This includes our lawyer representing us in this transaction, the vendors lawyer, property agent and its legal representative.

Question 5

As disclosed under material outstanding litigation, on 2 July 2018, Lay Hong Berhad (“Plaintiff”) had filed a claim against Loke Chee Min (“1st defendant”), Beh Yong Hock (“2nd defendant”), Leong Sze Seng (“3rd defendant”) and The Roof Realty Sdn Bhd (“4th Defendant”) for special damages of RM3,256,904.84 with interest and costs (Note 34B, page 140 of AR2020)

- (a) What is the current status of the case?
- (b) What was the amount paid to the 1st defendant for the purchase of land?
- (c) What is the probability of recovering the monies paid to the 1st defendant as stakeholder based on the sale and purchase agreement terms executed between the parties?

Response to Question 5

- (a) The case has proceeded to trial. The vendors lawyer had been convicted for CBT (criminal breach of trust) by the Kajang High Court in February, 2020 and is now serving 4 years jail term and he has been made a bankrupt on 6th March, 2020.

The trial on the remaining defendants are continuing with trials coming up for hearing in the month of October, 2020.

- (b) RM3.14 million.
- (c) Our solicitor is of the opinion that we have a high likely chance to fully recover the amount through claim against the defendant’s professional indemnity insurance as a lawyer.

CORPORATE GOVERNANCE MATTERS

Question 1

Practice 7.1 - There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

The Executive Directors remuneration is disclosed in a total lump-sum under salaries, other emoluments and benefits (page 33 of AR2020). This is not in line with the disclosure requirement under paragraph 11 in Part A of Appendix 9(c) (Contents of Annual Report) of the Bursa Securities’s Main Market Listing Requirements. The Company may be sanctioned by the regulator for such breach.

- (a) What is the breakdown of the Executive Directors salary, bonus, benefit in-kind and other emoluments for FY2020?
- (b) Please ensure that the detailed remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments is disclosed in accordance with Bursa Malaysia’s Main Market Listing Requirements in next year’s annual report.
- (c) Based on Note 25 (Employee benefits expenses), Directors salaries and other emoluments increased to RM4.4 million (2019: RM2.8 million) (page 123 of AR2020). What is the reason for the increase? What are the major components in the increase?

Response to Question 1

- (a) As below.

Directors' Fees (RM)	Salaries (RM)	Bonus (RM)	Benefits in-kind (RM)
144,000.00	2,356,060.00	1,278,535.00	764,883.20

- (b) Noted.
- (c) The major components in the increased were due to the previous year bonus payment plus statutory contributions to EPF which was expensed out in FY2020.

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

1. Audited Financial Statements (“AFS”) for the Financial Year Ended 31 March 2020 (“FY2020”) 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, 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.

The following questions was raised by shareholders and the responses made by the Management and Board Members.

Question 1

Shareholder, Mr. Lau Chuan Ting enquired on the impact of COVID-19 on the profitability of the Company.

Response to Question 1

Dato' Chairman replied that COVID-19 has not had an impact on the Company's business in terms of profitability as the Company continues to generate profits. Furthermore, the Company is working toward an expansion mode which includes building the Japanese plant. Therefore, performance of the Company is expected to be on track next year.

Question 2

The Shareholder, Mr. Lim asked whether the Company performed any share buy back during the MCO as the share price is dropping?

Response to Question 2

Dato' Yap Chor How answered that the Company did not make any share buy back during MCO and the Company did not have the mandate on share buy back.

The Chairman adjourned the Meeting for 30 minutes for shareholders to cast their votes and for the poll votes to be counted by the Remote Facilitator in the presence of Scrutineers appointed.

There being no further questions on the AFS, the AFS for the financial year ended 31 March 2020 together with the Directors' Report and Auditors Report thereon were duly received by the shareholders.

With date, the Dato' Chairman concluded the questions and answers session for Agenda 1.

There were no questions raised for Agenda items 2 to 8. All the resolutions tabled at the 36th AGM for the Company and voted upon by poll were duly passed by the shareholders.

There being no other business, the Meeting terminated at 12.10 p.m. with a vote of thanks to the Chairman.