

HUP SENG INDUSTRIES BERHAD

(Company No: 226098-P)

(Incorporated in Malaysia)

MINUTES of the Twenty-Ninth Annual General Meeting of Hup Seng Industries Berhad (“HSIB” or “the Company”) held entirely through live streaming from the broadcast venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia (“Broadcast Venue”) on Thursday, 20 May 2021 at 11.00 a.m.

PRESENT: Mr. Lim Poh Seong (Chairman of the AGM)
Mr. Kerk Chiew Siong
Y. Bhg. Dato' Keh (Kerk) Chu Koh
Mr. Kuo Choo Song
Ms. Kerk Chian Tung
Mr. Teo Lee Teck
Mr. Kerk Kar Han
Puan Norita binti Ja'afar
Puan Mazrina binti Arifin
Raja Khairul Anuar Bin Raja Mokhtar
together with a quorum of shareholders on record

IN ATTENDANCE: Lee Wai Ngan (Secretary)

1.0 COMMENCEMENT

- 1.1 Mr. Lim Poh Seong (“Chairman”) took the Chair and called the meeting to order at 11.00 a.m. The Chairman extended a warm welcome to all members present virtually to the Twenty-Ninth Annual General Meeting (“AGM” or “Meeting”) of the Company.
- 1.2 Since the AGM was conducted entirely through live streaming following the Securities Commission Malaysia Guidance on the Conduct of General Meetings for Listed Issuers (“SC Guidance”), no members were physically present at the AGM.
- 1.3 The Chairman introduced the Directors, Ms Kerk Chian Tung and Raja Khairul Anuar Bin Raja Mokhtar, who were physically present at the Broadcast Venue.

The following Executive Directors were present at the meeting via broadcast from the second broadcast venue in Batu Pahat:

- (i) Dato' Keh (Kerk) Chu Koh – Chairman of HSIB
- (ii) Mr. Kerk Chiew Siong – Vice Chairman
- (iii) Mr. Kuo Choo Song – Managing Director
- (iv) Mr. Teo Lee Teck
- (v) Mr. Kerk Kar Han

The following Independent Non-Executive Directors were present at the meeting via virtual connection:

- (i) Puan Norita binti Ja'afar
- (ii) Puan Mazrina binti Arifin

1.3 The members and proxy-holders who were attending the AGM remotely were informed that they may use the query box facility under the Remote Participation and Voting (“RPV”) facility to transmit their questions in real time during the AGM.

1.4 The requisite quorum being present pursuant to Article 58 of the Company's Constitution, the Chairman declared the AGM duly convened.

2.0 ADDRESS BY MR. KERK CHIEW SIONG

2.1 Mr. Kerk Chiew Siong, the Vice-Chairman of HSIB, gave his opening address to shareholders from the second broadcast venue in Batu Pahat.

3.0 PROXIES

3.1 The Meeting was informed that a total of 46 proxy forms had been received within the prescribed period representing 501,211,413 shares in the Company.

4.0 NOTICE

4.1 The notice convening the AGM, having been circulated within the prescribed period was taken as read.

5.0 POLLING

5.1 The Chairman advised the members and proxy-holders that pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the proposed resolutions put to vote at the Meeting shall be by way of poll, whereby every member who is present in person or by proxy shall have one vote for every share held.

5.2 The Chairman informed that for the purposes of the poll, Tricor Investor & Issuing House Services Sdn Bhd has been appointed as the poll administrator and Coopers Professional Scrutineers Sdn Bhd has been appointed as the Scrutineers to validate the votes cast and they will be operating remotely to verify the results for the AGM.

5.3 Tricor investor & Issuing House Services Sdn Bhd, the Poll Administrator, briefed the Meeting on the E-Polling procedures via a video presentation.

5.4 The Chairman informed members and proxy-holders that voting on the resolutions can be done at any time during the Meeting. They may also choose to vote at the end of the Meeting. The online remote voting via RPV, as mentioned earlier was open and will remain open until the voting session is closed.

6.0 AUDITED FINANCIAL STATEMENTS

- 6.1 The audited financial statements of the Company for the financial year ended 31 December 2020 together with the reports of the Directors and Auditors thereon had been circulated to all members within the prescribed period.
- 6.2 Pursuant to Section 340(1)(a) of the Companies Act 2016, the Directors are required to lay before the shareholders the audited financial statements. The audited financial statements do not require a formal approval and hence, are not put forward for voting.

7.0 DIRECTORS' FEES AND BENEFITS (RESOLUTION 1)

- 7.1 The Chairman informed the Meeting that the second item on the Agenda was to approve the payment of Directors' fees and benefits amounting to RM2,221,709 for the financial year ended 31 December 2020. It was noted that the interested Directors will abstain from voting on this resolution.

8.0 DIRECTORS' BENEFITS (RESOLUTION 2)

- 8.1 The Chairman informed the Meeting that the third item on the Agenda was to approve the payment of Directors' benefits in accordance with Section 230(1) of the Companies Act 2016 up to an amount of RM55,500 from 21 May 2021 until the next AGM of the Company in 2022. It was noted that the interested Directors will abstain from voting on this resolution.

9.0 RE-ELECTION OF DIRECTORS (RESOLUTIONS 3 – 5)

- 9.1 In accordance with Article 76 of the Company's Articles of Association,

Mr. Kerk Chiew Siong
Puan Mazrina binti Arifin
Puan Norita binti Ja'afar

shall retire by rotation from the Board at this Meeting and being eligible, have offered themselves for re-election to the Board.

10.0 RE-APPOINTMENT OF AUDITORS (RESOLUTION 6)

- 10.1 The Chairman informed the Meeting that the next item on the Agenda was to re-appoint Ernst & Young PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. The Chairman added that Ernst & Young PLT had indicated their willingness to continue as Auditors of the Company.

SPECIAL BUSINESS**11.0 RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

- 11.1 The Chairman informed the Meeting that Resolutions 7 and 8 were to consider the proposed retention of Puan Mazrina Binti Arifin (“Puan Mazrina”) and Puan Norita Binti Ja’afar (“Puan Norita”) as the Independent Non-Executive Directors of the Company.
- 11.2 In adopting the Malaysian Code on Corporate Governance 2017, the Board on the review and recommendation made by the Nominating Committee wish to table these ordinary resolutions for members’ approval in respect of the continuing in office of Puan Mazrina and Puan Norita as independent non-executive directors of the Company, who have each served more than 12 years as an independent director of the Company. The approval of the shareholders will be sought through a two-tier voting process.

12.0 OTHER BUSINESS

- 12.1 The Company Secretary had confirmed that there were no other business to be transacted of which due notice has been given.

13.0 QUESTIONS FROM MEMBERS

- 13.1 Having dealt with all items on the Agenda, the Chairman proceeded to address questions received from members and proxies submitted via the RPV before the Meeting and via the RPV query box during the Meeting. The Chairman commented that there were quite a few questions that were repetitive and instead of answering each question raised by the members individually, answers to the questions will be given in broad categories. The following answers as presented by the Chairman were noted:

- 13.2 Questions and concerns on the prolonged Covid 19 pandemic and the impact caused and how has Hup Seng Industries Berhad addressed the issue

“The Management would like to thank all shareholders who have expressed concern about the Group during this prolong period of the COVID 19 pandemic.

The Management acknowledges the fact that the COVID 19 pandemic has caused uncertainties throughout but since the outbreak started one year ago and having faced MCO, CMCO, RMCO and again MCO 2.0 and 3.0, we are now more informed on the threat, learned how to deal with the situation and to ensure the work place is well controlled and the environment remain safe for everyone.

Hup Seng is listed under the “essential services” category and is allowed to carry on with its operations but under very strict rules and in a controlled environment.

All SOPs imposed by the Government of Malaysia is being followed, all workers

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are screened for symptom every day, sanitization conducted periodically and records are being kept for inspection by the authorities.

We are happy to report that during this 1 year there was no Covid 19 incident detected in the premises of Hup Seng.

Hence, Hup Seng is still able to carry out its business operations and cope with the high demand for essential products during this period

For the remaining year ahead, it will be challenging and the Company will have to be cautious and stay vigilant.”

13.3 Questions on Hup Seng Industries Berhad financial performance for year ended 31 December 2020

“On the financial performance from 2015 to 2020, Hup Seng Group recorded a CAGR of 2.67% and negative 5.49% for Revenue and PBT respectively. PAT had also recorded a CAGR of negative 5.9%.

GP Margin and Net Profit after Tax Margin for 2020 were 16.81% and 12.34% respectively.

The main contributor to the Group’s Revenue has always been from the Domestic Sector. Domestic Market grew by 9.1% from last year, representing about 74.5% of the total revenue, driven by the strong demand from the “cracker” category.

However, the improved sales performance was affected by the pressure from rising manufacturing cost.

The main ingredients for the manufacturing of biscuits are palm oil, shortening, wheat flour and milk powder.

Also the production processes relies heavily on labour.

Over the past 5 years, price for palm oil had increased at a CAGR of 4.2% while wheat flour and milk powder increased at a CAGR of 3.1% and 7.0% respectively.

In Ringgit terms, yearly average prices of palm oil and wheat flour back in 2015 was at RM2,448 and RM1,467 per ton compared with the average prices at RM3,000 and RM1,706 per ton respectively in 2020.

Please also refer to page 13 of the Annual Report 2020 for further explanation.

For Export Market Performance, kindly refer also to page 16 of the Annual Report. Export Sales representing about 25.5% of the total revenue for 2020, contracted by 3.0% from last year.

Incidentally, affecting the growth of the Group’s export sales is the global shortage

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of shipping containers, port congestion and escalation of freight cost. This issue surfaced in the later part of 2020 and the problem continue to exist until now.

Due to the perishable nature of our products, the Group's export sales are mainly contracted on FOB basis. This indirectly affected the export sales as the customers were not willing to bear the high shipping charges."

- 13.4 Shareholder's query on Hup Seng's Investment in In-Comix Food Industry Sdn Bhd. The shareholder asked what is the plan and outlook for this company moving forward.

"The intention of the investment into the beverage industry was to have a presence in this market segment and the management sees this as complementary to the biscuit segment.

The beverage segment contributes about 2.2% and 1.6% to the Group's Total Revenue and Segment Profit respectively.

From inception until now, contribution from this segment was not encouraging and expected return is taking a longer period, resulting in a Fair Value Impairment to the Group's Investment Cost.

The Management acknowledges and accepts this fact and will look into all options and will consider all risks carefully before making any decision on this company."

- 13.5 Questions on Impairment of trade receivables. Trade Receivables has increased 122.76%. What is the action plans to recover this issue? (Page 97 of the Annual Report)

"MFRS 9 requires the management to record an allowance for Expected Credit Losses (ECL) for all financial assets not held at fair value through profit or loss. Specifically, this increase is due to the cash flow problem faced by one of our customers, and they have taken an approach requesting for instalment arrangement to settle the balance."

- 13.6 Question on the Group's manufacturing and operations, production line, capital expenditure and innovation

"The manufacturing facility is operating on 6 baking lines including the new cracker line purchased last quarter of 2018 and started commercial production in December 2019.

A shareholder raised a question on the how much this line contributed to the production capacity and what is the line's capacity utilization.

This new line was operating at full capacity in 2020 and it contributed 28% to the total production capacity."

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- 13.7 Questions were also raised on the 2 parcels of land and building adjacent to the existing factory bought in September 2016.

“As mentioned in the Annual Report, Hup Seng Industries Berhad has obtained approval from Batu Pahat Land Office for the conversion of land use in July 2019. As the Government had implemented various movement control measures to curb the spread of the COVID-19 virus and with all the uncertainties during the year, the Group found it was only prudent to temporarily put on hold any expansion work. In addition to that, no strong market demand compelled the Group to expand during the year. The Group will plan for expansion in the coming year subject to improve market sentiments on retail consumption.

We assure shareholders that the board and the management will exercise prudent internal control measures and will only implement any expansion plan after thorough study, taking into consideration the feasibility, market conditions, improvement in demand and production cost efficiency.”

- 13.8 A shareholder asked for auto-stacking machine updates.

“Due to some technical issues as well as COVID-19, modification of the auto stacking system is put on hold.”

- 13.9 Questions on Hup Seng’s future prospects and growth

“Year 2020 was full of challenges. The country was hit by the prolonged Covid 19 pandemic. The Group went through MCO, RMCO, CMCO and now MCO again.

The Government announced a long list of new SOPs to be adhered to, conduct inspection at our manufacturing premises, at one time implementing production workforce to 50%, limiting administration staff to 30%, call out to management to have staff to “work from home” etc.

On the production front, as mentioned earlier concern on the escalating production cost, example among others palm oil recently hitting a high above RM4000 per ton.”

- 13.10 A question was raised by a shareholder on the issue of escalating employee expenses and benefits, increasing at the CAGR of 6.2% over the last 5 years.

“While Domestic Sales is the main driver for Growth, Export Sales remains a challenge, again due to the worldwide Covid 19 pandemic and the ongoing Sino-US trade war.

Kindly refer to page 17 of the Annual Report for further explanation.

Interestingly, a shareholder raised the question on why didn’t Hup Seng increase the selling price of our biscuits so that the escalating manufacturing and production cost, employees expenses and administration cost could be pass down to the

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consumers.

To address this and to elaborate on the future prospects and growth of Hup Seng Industries Berhad, we again highlight to you the fundamentals.

The Group recorded a 5 year CAGR of 2.67% for Revenue up to the year 2020. Gross Profit Margin and Net Profit Margin is still strong at 16.81% and 12.34% respectively.

The group is able to maintain consistently a dividend of 6 sen per share annually and the dividend payout ratio is more than 100% of the net profit earned. Financial reserve is still at a healthy level with more than RM80 million in cash and bank account.

Hup Seng has not increased the Selling Price of its products since 2011 and the last time Hup Seng increased the Selling Price for its overseas market was back in 2010.

Plans to increase the product selling price will be dealt with strategically and tactfully without hurting our market share and losing our loyal customers. We have to also look at what our competitors do so that the Group will not be caught in a cross fire.

Still effort and concentration is put into improving our production efficiency, maintaining consistency in quality and reducing wastages.

As disclosed in page 14 of our Annual Report, our new production line went into full production last year. The cost of the new cracker production line incurred in FY 2019 was about RM14 million.

This new oven was able to be increased our production capacity by about 28% and reducing our consumption of fuel cost by about 50%.

It is a technology upgrade for better efficiency in terms of output and fuel costs and indirectly shifting the focus to production automation would be the only way to move forward and be less dependent on labour.”

13.11 A shareholder asked on the 5 year Plan for Overseas/Export Market.

“As mentioned in page 16 in the Annual Report, the export market is still dominated by Asia, namely Myanmar, Singapore, Thailand, Indonesia and Saudi Arabia. In absolute terms, Export Sales has contributed about RM83 million and RM80 million to the Total Revenue for 2020 and 2019 respectively.

The Management has spent on advertisement, promotion activities and also giving sales incentives to the local distributors to bring the Hup Seng Brand overseas.

Also mentioned in last year’s Annual Report, in 2019 the Group started exploring

and investing time and effort to venture into the China Market. Market in China is very competitive and it takes time to see any return from the effort made.

On the Group's foray into the Online Market following from last year initiative, please see page 15 of our Annual Report.

The Group started the online platform on 18 May 2020 as an exploratory and study concept in Shopee. The outcome wasn't very encouraging, contributing only a small percentage of the total turnover.

As we do not want to discourage and be in direct competition with our existing retail customers, Hup Seng Flagship Store does not attract customer with low prices but instead it stress on product freshness, high quality service and fast delivery without breakages as our marketing strategy. Since then turnover is growing steadily.

As recommended by our shareholders, we will definitely move into other online platform starting in the 2nd half of 2021. At present moment we are still learning and dealing with the problems associated with the online platform.

13.12 Questions on dividends and other matters

"Hup Seng shares have always been a dividend stock. The Company has a dividend policy of paying out at least 60% of the profits generated from the financial year.

For the current year and the past few years the company has been paying a dividend 6 sen per share which at current share price the effective return per share is about more than 7% per annum.

The Board of Directors hopes to maintain this policy and see a stronger performance in share price of the company over time."

13.13. Update on the matter relating to Sales & Service Tax.

"An announcement was made by Hup Seng Industries Berhad to Bursa Malaysia on the 12 August 2020 and the announcement reads:-

Pursuant to Paragraph 9.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Hup Seng Industries Berhad wishes to announce that, a wholly-owned subsidiary of HSIB, Hup Seng Perusahaan Makanan (M) Sdn Bhd ("HSPM"), was served by Jabatan Kastam Diraja Malaysia, Johor with a Bill of Demand for the period from 1 September 2018 to 31 October 2019 via Kastam Johor's letter dated 10 August 2020 which was received by HSPM on 11 August 2020 for an additional sales tax of RM4,401,659.87.

The abovementioned additional sales tax was imposed as Kastam Putrajaya had issued a Customs Ruling on 4 July 2019 for seven (7) products, 5 July 2019 for one

(1) product and 9 October 2019 for two (2) products of HSPM that are to be treated as sweetened biscuits and the sales tax rate of 5% is applicable to the products. Following the Customs Ruling by Kastam Putrajaya, HSPM had been charging the applicable sales tax at 0% from 4 July 2019, 5 July 2019 and 9 October 2019 on respective products.

Upon consulting with its tax consultants, Ernst & Young Tax Consultants Sdn Bhd, HSPM has taken the view to comply with the Notice of Additional Sales Tax and to settle the matter with Kastam Johor. Meanwhile, HSPM will be submitting an application to Kastam Johor to settle the sales tax liability by instalments.

Any further material development of the above matter will be announced in due course.

Following this announcement, Hup Seng Group has as of to date paid a total of RM2,244,846 being 30% upfront payment and the balance payable on nine (9) instalments.”

13.14 E-Voucher

“Hup Seng apologises for not giving any E-voucher. We appreciate the suggestion and thank you for making this request.”

13.15 Foreign workers & total workforce

“Hup Seng has 215 foreign workers and a total work force of 1,000+.”

13.16 More than 12 years tenure of independent directors

“Full justification of having independent directors who served more than 12 years in Hup Seng Industries Bhd can be found on page 25 of the Annual Report 2020. Furthermore, the Nominating Committee evaluates the suitability of board members every year and adheres to the Listing Requirements of Bursa Malaysia and observes closely the Malaysia Code on Corporate Governance issued by Securities Commission.”

13.17 New product

“Hup Seng Group has been perpetually developing new products all the years but will only launch the new products upon market’s acceptability after proper survey.

14.0 POLLING

14.1 After the completion of the Question and Answer sessions, the Chairman directed that the meeting proceed with the E-Polling. As informed earlier, members and proxy-holders was allowed to submit their votes right after the commencement of the Meeting. In order to facilitate the voting of members and proxies who have yet to cast their votes, the Chairman allowed 10 minutes for the conduct of online

voting before declaring the close of the voting session.

- 14.2 After the voting session was declared close, the Meeting adjourned for approximately 20 minutes or until the Scrutineers had completed the verification of the results of the votes.

15.0 RESULTS OF VOTING

- 15.1 The Meeting resumed when the Scrutineers presented the results to the Chairman. The results of the voting by poll and the two tier voting in respect of the retention of Puan Mazrina and Puan Norita as Independent Directors, per appendices A & B attached were presented to the members and duly noted by the Meeting.

- 15.2 Based on the results of the voting, the Chairman declared that all the resolutions tabled at the Meeting were duly passed. "

16.0 CLOSE OF MEETING

- 16.1 There being no further business to discuss, the meeting closed with a vote of thanks to the Chairman.