

HUP SENG INDUSTRIES BERHAD

(Company No: 226098-P)

(Incorporated in Malaysia)

MINUTES of the Thirtieth Annual General Meeting (“AGM” or “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 Wednesday, 18 May 2022 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
Ms. Kerk Chian Tung
Mr. Teo Lee Teck
Mr. Kerk Kar Han
Mr. Kuo Liong Yok
Raja Khairul Anuar Bin Raja Mokhtar
Ms. Ho Wei Lih
Dr. Voon Yuen Hoong
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 AGM 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 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 – Managing Director
- (iii) Mr. Teo Lee Teck
- (iv) Mr. Kerk Kar Han
- (v) Mr. Kuo Liong Yok

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

- (i) Ms. Ho Wei Lih
- (ii) Dr. Voon Yuen Hoong

Also present were the auditors, Ernst & Young PLT, represented by Ms. Lee Ming Lee, and the Company Secretary, Ms. Lee Wai Ngan.

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 Managing Director 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 48 proxy forms had been received within the prescribed period representing 479,696,684 shares (59.58%) 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 2021 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 RM2,171,249 for the financial year ended 31 December 2021. 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 RM59,000 from 19 May 2022 until the next AGM of the Company in 2023. It was noted that the interested Directors will abstain from voting on this resolution.

9.0 RE-ELECTION OF DIRECTORS – ARTICLE 103 (RESOLUTIONS 3 – 4)

9.1 In accordance with Article 103 of the Company's Constitution,

Dato' Keh (Kerk) Chu Koh; and
Mr. Kerk Kar Han

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-ELECTION OF DIRECTORS – ARTICLE 112 (RESOLUTIONS 5 – 7)

10.1 In accordance with Article 112 of the Company's Constitution, the following Directors who were appointed subsequent to the last AGM, shall retire and being eligible, have offered themselves for re-election to the Board:

Mr. Kuo Liong Yok;
Ms. Ho Wei Lih; and
Dr. Voon Yuen Hoong

11.0 RE-APPOINTMENT OF AUDITORS (RESOLUTION 8)

- 11.1 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**12.0 RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

- 12.1 The Chairman informed the Meeting that Resolution 9 was to consider the retention of Raja Khairul Anuar Bin Raja Mokhtar (“Raja Khairul”) as an Independent Non-Executive Director of the Company.
- 12.2 In adopting the Malaysian Code on Corporate Governance 2021, the Board on the review and recommendation made by the Nominating Committee wish to table this ordinary resolution for members’ approval in respect of the continuing in office of Raja Khairul Anuar Bin Raja Mokhtar as an independent non-executive director of the Company, who has served more than 9 years as an independent director of the Company. The approval of the shareholders will be sought through a two-tier voting process.

13.0 OTHER BUSINESS

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

14.0 SUMMARY OVERVIEW AND QUESTIONS FROM MEMBERS

- 14.1 Having dealt with all items on the Agenda, the Chairman proceeded to provide a summary overview of HSIB to address questions from members. Questions submitted via the RPV query box during the Meeting will also be addressed after the summary overview.
- 14.2 Questions and concerns on the prolong Covid 19 pandemic and the impact caused and how has Hup Seng Industries Berhad addressed the issue

“The COVID-19 Emergency Response Protocol Committee (ERP), established by Hup Seng during FY2020 continued its efforts in addressing issues brought upon by the pandemic namely:

1. Mandating staff from our manufacturing division to undergo biweekly RTK Antigen tests approved by the MOH;

2. Developed COVID-19 Employee Handbook for safety awareness and prompt identification and isolation of potentially infectious employees;
3. Monitored all employees' MySejahtera profiles and health status on a daily basis;
4. Ensured that only vaccinated visitors are allowed to enter the workplaces;
5. Provided foreign workers with COVID-19 vaccinations;
6. Implemented face recognition attendance system together with body temperature record; and
7. Provided face masks to all employees and face shields to the relevant personnel.

The Group has made considerable progress in supporting the vaccination of its employees. To date, more than 99% of our employees have been fully vaccinated, and among them, 96% have subsequently received booster shots.

Towards end of May 2021, the Group's operations were affected by orders to reduce operational capacity by 40% from the authorities. Due to positive COVID-19 cases, the biscuits operating facilities of the Group were also ordered to suspend operations temporarily for two weeks in September 2021.

Amid the COVID-19 Pandemic and distortion of supplies and demands of many commodity materials, raw material costs of the Group had increased and the cost of material consumption increased as a result of this. It will be challenging and the company will have to be cautious and stay vigilant.

Members were referred to the Sustainability Report 2021 page 17 and note 29 on page 115 and 116 of Annual Report.”

14.3 Questions on Hup Seng Industries Berhad financial performance for year ended 31 December 2021

“Financial performance from 2016 to 2021, Hup Seng Group recorded a CAGR of 0.70% and negative 10.87% for Revenue and PBT respectively. PAT has also recorded a CAGR of negative 11.23%.

Net Profit before Tax Margin and Net Profit after Tax Margin for 2021 were 12.61% and 9.21% respectively.

The main contributor to the Group's Revenue has always been from the Domestic Sector, representing about 76.6% of the total revenue. For year 2021, sales from Domestic Market dropped 7.1% while Export Sales, representing about 23.4% of the total revenue, contracted by 17.1% from last year.

Although the demand for Hup Seng's biscuits was still intact, performance was affected due to constraint of 60% operational capacity since May 2021 and the temporary two (2) weeks suspension of operations for disinfection works in September 2021.

Incidentally, affecting the growth of the Group's export sales is the global shortage of shipping containers, port congestion and escalation of freight cost. This issue surface in the later part of 2020 and the problem continue to exist until now.

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.

Kindly refer to page 19 of the Annual Report.

Over the past 5 years price for palm oil has increased at a CAGR of 10.1% while wheat flour and milk powder increased at a CAGR of 4.2% and 9.5% respectively.

In Ringgit terms, yearly average prices of palm oil and wheat flour back in 2016 was at RM2,836 and RM1,469 per ton compared with the average prices at RM4,597 and RM1,803 per ton respectively in 2021, an increase of 62.1% and 22.7% respectively year on year.

As a result of this and after careful consideration, the Group has decided to increase selling prices of its confectionery products for both domestic and export markets in stages effective mid December 2021 in order to minimize the impact of the rising materials costs.

Please also refer to page 15, 16 and 17 of the Annual Report 2021 for further explanation.

On our beverage sector, In-Comix Food Industry Sdn Bhd,

Kindly refer also to Note 14 of the Annual Report (page 100), the carrying cost is RM23.97 million with impairment losses to date of RM16.13 million and also in Note 27 on Segmental Reporting (page 112 of the Annual Report) on the revenue contribution from the beverage division.

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 1.6% and 0.9% to the Group's Total Revenue and Segment Profit respectively.

From acquisition 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 Group anticipates that 2022 may be a challenging year for the beverage sector and may be further constrained by due to the proposed sugar tax on pre-mixed preparation beverages, which is expected to impact the majority of our beverage

products. The management is still waiting for the Royal Malaysian Customs Department's implementation guidelines (which was earlier proposed to be effective 1 April 2022, but on 31 March 2022 announced that the implementation will be postponed to a later date) and currently, management is exploring the possibility of reformulating our beverage products to keep sugar levels below the threshold."

14.4 Questions on Group's manufacturing and operations, production line, capital expenditure and innovation

"As mentioned in the Annual Report on page 16, the manufacturing facility is operating on 6 baking lines. Due to the operation constraints, overall production utilization rate was about 68% for 2021 where in normal operation environment the utilization rate can reach over 80%.

As always, the Group will consider only implement any expansion plan or increase its' production capacity after thorough study, taking into consideration the feasibility, market conditions, improvement in demand and production cost efficiency.

On the welfare of the Foreign Workers, following the Department of Labour Peninsular Malaysia (JTKSM)'s "Guidelines on the Minimum standards for foreign workers Accommodation", the Group had commissioned for the alteration and addition of existing office block of 1 parcel of the land and building into a 3-storey hostel to accommodate 150 foreign workers. The alteration work has since commenced on 14 April 2022 and expected to be completed in October 2022.

As mentioned in last year's AGM, the Group introduced its' products on the online marketing platform. During the year under review, the Group has set up two more online stores namely Lazada and PG Mall on 1 July 2021. For information, the Group set up the online platform in Shopee on 18 May 2020.

As a strategy to avoid direct competition with our retail customers, our online stores primarily attract customers by offering special bundles, giving them the option to purchase products from the comfort of their homes, and offering them an online shopping experience that keeps pace with the current market trends. Since then, our online sales are steadily increasing.

On the plans to introduce new products to the market.

The Group has been perpetually developing new products all the years and new products will only be launched upon markets acceptability after proper survey.

Question on news concerning cancer causing substance in biscuits by Hong Kong Consumer Council

However, during the year under review, there was a negative report concerning some of Hup Seng Biscuits.

It was reported in the news of cancer-causing substances allegedly detected on pre-packaged biscuits and crackers tested by the Hong Kong Consumer Council, the Group re-affirmed that the special cream crackers manufactured by the company is fit for human consumption as production and marketing of the cream crackers were in compliance with local regulations, quality and food safety standards. During MOH investigation, the Group provided full cooperation and MOH were satisfied with all our supporting documents and reports provided.

Further, on Oct 27 2021, Director-General of Health Tan Sri Dr Noor Hisham Abdullah re-assured that the average level of acrylamide content in biscuits and crackers is below the benchmark set by European Commission Regulations.”

14.5 Question on Hup Seng’s future prospects and growth

“Although most countries have lifted Covid-19 restrictions and reopened their borders, many manufacturers were still struggling against supply chain delays and rising costs, this was further aggravated by the geopolitical uncertainty caused by the Russia-Ukraine conflict, putting further pressure on the already rising commodity prices. With the continuous escalation of the prices of materials and energy costs and the recent announcement by the Prime Minister, to increase minimum wage rate to RM1,500 per month from 1 May 2022, the operating environment is expected to be highly competitive and challenging. The Group will look into various alternatives to improve our production efficiency, reducing wastages to protect profit margins in the long run.

Although financial reserve is still at a healthy level with more than RM67 million in cash and bank account, the Group will continue to maintain and improve product quality, innovating products portfolio, reducing costs and broadening the distributor network to safeguard revenue and address the needs of consumers.

Question on the 5 year Plan for Overseas/Export Market.

While demand from the domestic market is stable and encouraging, highlighted in page 19 of the Annual Report, the export market is still dominated by Asia, namely Myanmar, Thailand, Singapore, Indonesia and Saudi Arabia. In absolute terms, Export Sales has contributed about RM69 million to the Total Revenue for 2021.

Our continuous effort to expand the export sales for the year under review has been hindered by factors beyond our control. Such are the difficulties compounded by the Pandemic, ongoing ambiguity regarding import requirements and disruption of supply chain. However, the Group understand these concerns and have continued to seek opportunities to expand our overseas markets in order to achieve a more robust growth.”

14.6 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.

During 2021, the company paid a dividend of 2.5 sen per share, representing a dividend payout ratio of 73.4%. We will continue to improve the dividend payout. We may, however, conserve some cash flows to be used for production facilities modernization in order to improve quality, cost efficiency and production process.

Questions on e-vouchers and door gifts

On the request for e-vouchers, Hup Seng Industries Berhad would like to apologize to shareholders as giving e-vouchers is not in the Group’s policy.

14.7 Appointment of new Managing Director

“Due to the passing of the former Managing Director, the late Mr. Kuo Choo Song, who served Hup Seng for over six decades, Mr. Kerk Chiew Siong has been appointed as the new Managing Director of Hup Seng, effective 1 January 2022 according to the Group’s succession plan. His career with Hup Seng began in 1981, and he has been a member of the Board of Directors since 1991. Before taking on his current role, he held various positions, including Non-Executive Director, Executive Director and Non-Executive Vice Chairman.

He has more than 40 years of experience in business leadership, strategic planning, food safety management, business development, talent acquisition as well as product and packaging design. The Board of Directors believes that, based on his diverse and comprehensive experience, he can help lead the Group to a new level of success.”

14.8 Resignation and Appointment of new Independent Directors

“Our long-serving independent directors, Puan Norita Binti Jaafar and Puan Mazrina Binti Arifin, have resigned from the Board with effect from 31 March 2022, in order to adhere to the 12-year tenure limit for independent directors introduced by the Bursa Malaysia. The Board would like to express our appreciation to Puan Norita Binti Jaafar and Puan Mazrina Binti Arifin for their valuable contribution to the Group during their tenure.

At the same time, the Board would like to welcome the newly-appointed independent directors, Dr. Voon Yuen Hoong and Ms. Ho Wei Lih.

The members were referred to the Directors' profiles in page 12 of the Annual Report 2021.

The Board believes their joining will result in a more diversified board since we

have members with backgrounds in business, accounting, tax, and law. Further, when it comes to decision-making, the Board will be able to have a more holistic view from a financial and operational perspective.”

14.9 The Chairman then proceeded to answer questions which were posted by members via the RPV query box.

(i) Question from LOO YEO MING:

What is your policy on succession planning for retiring directors?

Answer: Upon the passing of the late Mr. Kuo Choo Song, our former managing director, Mr Kerk Chiew Siong has succeeded in his place as Group Managing Director according to the Group's succession plan. This is a good example that we have the succession plan policy in place. Two independent directors retired from the Board during the year and the Nominating Committee reviewed candidates and made recommendations to the Board for the appointment of new independent directors.

(ii) Question from KHOR INN CHU:

Hup Seng have any future plan to increase company revenue & profit?

Answer: The Company had faced a difficult financial year with its capacity reduced to 60% for about half a year and a 2 weeks' suspension of operations in September 2021. These issues had affected the revenue of the Group. There were also external issues like increase in raw material costs. Revenue had dropped but the Company has plans for immediate action. The Group will first prioritise the rising cost of raw materials and meeting demand of the domestic market. After capacity has normalized, the Group will move on to meet and fulfil the demand from the overseas market. In the sustainability report, energy saving consumption shows good data. Moving forward, HSIB will concentrate on immediate strategy to address external factors and increasing costs.

(iii) Question from LIM CHIN SIANG:

May I know will the dividend go back to 0.06 sen per year?

Answer: This has been answered under the summary review.

(iv) Question from TEH PENG TIN:

How much does the company spend on this virtual AGM ?

Would the BOD kindly consider giving shareholder with door gift like the famous 'ping pong' biscuit as a token of appreciation for attending today's RPV, especially times are bad nowadays. Please reconsider the request. Thank you. When the company going to reward shareholder with bonus issue. Please reply.

Answer: The expenses for the virtual meeting is about RM50,000. As for door gift, the Company does not practice this policy. In regards to bonus issue, the Company will make an immediate announcement to Bursa Malaysia should any decision be made to reward shareholders with a bonus issue.

(v) Question from TAN FWEE SAN:

My family has been a Hup Seng crackers lover for three generations. It's proud to see a great business growing from a small place in Batu Pahat into a listed company. The hikes of inflation, the depreciation of currency, the raising price of flour and palm oil makes the food production business especially cream cracker becoming more challenging. Instead of rising the price and resize the packaging, what's the management going to do to face this challenges? Thank you.

Answer: After many years, the management had decided to raise the price after a thorough study and consideration and how it may impact the consumer. We are sensitive to the consumers and the price increase is rolled out on staggered basis. The resizing of packaging is to meet the demands from the RM2 chain stores. As for production facilities, the Group will modernize our production facilities for the purpose of achieving higher production efficiency and reducing wastages. At the same time, we will also improve our product quality, innovate our existing products and broaden the distribution networks.

(vi) Question from LOW LIK CHIN:

Do the company have adequate workforce or food scientist talents to address the rising concerns about healthy food trend? (I remind you a report from Hong Kong consumer in late 2021 about soda crackers containing low amount of carcinogen.) If yes, can you brief about the team set up? If no, would you consider investing in this respect? Thank you.

Answer: We have a solid and competent team on new product development which consist of various departments, being led by a professional member of Malaysian Institute of Food Technology (MIFT) (also a degree holder in food science with more than 30 years of experience in food science/technology). We will look into the market trend continuously on healthy and nutritious ingredients to cater for health-conscious consumers.

(vii) Question from LIM BEE YOKE:

1. Can you give us an update about the incident which reported about unsafe ingredients used in Hup Seng product?
2. In view of rising price for your raw material such as palm oil, flour and others, what are the measurements and actions put in place to fight against and protect revenue?

Answer:

- 1) This had already been elaborated in detail. The Group will strive to continue to ensure that food quality is upheld.
- 2) The Company knows that we are faced with rising price of raw materials and these are external factors. The futures palm oil price is trending lower than today and the management is of the opinion that it is moving on a down trend. In Sustainability, the Group will improve efficiency and improve on the level of wastage, conserve energy, recycle packaging materials and reduce energy consumption.

- (viii) Question from MOEY GIAN FUNG:
Will Hup Seng increase selling price for all products like ping pong crackers and other?

Answer: The management will monitor, review and see how the increase in December 2021 will impact sales. The price increase adopted was quite low and the Company is aware of the burden faced by consumers.

- (ix) Question from YAP YIK YONG:
Hi, there is a general comments that the biscuits from Hup Seng are more oily and less healthy compared to other brands, such as Jacobs. Would the Board consider coming out new products with less oily and healthy?

Answer: The nature and recipe of our biscuits has been around for more than 60 years, and is of healthy level. There is a coat of palm oil on top to give it a better taste and aesthetic look. The Company will leave it to the consumers to judge on the biscuits.

- (x) Question from YAP YIK YONG:
Refer to the last resolution, for independence purpose (both actual and perceived), it is better to limit the tenure of the independent directors. What's the Board's view on this matter?

Answer: As can be seen from the resignations of Puan Mazrina and Puan Norita, the Group has adopted the new guidelines and will follow the recommendations and will limit tenure of all independent directors to a maximum of 12 years.

- (xi) Question from TAN CHUN MING:
What is the forecast on the estimated percentage increase on the costs and expenses due to the RM1.5k minimum wage, increase on foreign workers costs and cukai makmur?

Answer: The impact of the minimum wage is approximately RM1 million per annum. HSIB is not affected by the Cukai Makmur.

- (xii) Question from LEONG KIM MING:
You said production is in full capacity since December 2021, is it safe to say we would expect improved top and bottom lines in the soon to be released first quarter 2022 results?

Answer: We will announce the results after the Board meeting of the Company tomorrow.

15.0 POLLING

- 15.1 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.
- 15.2 After the voting session was declared closed at 12.20 p.m., the Meeting adjourned for approximately 20 minutes or until the Scrutineers had completed the verification of the results of the votes.

16.0 RESULTS OF VOTING

- 16.1 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 Raja Khairul Anuar Bin Raja Mokhtar as an Independent Director, per appendices A & B attached were presented to the members and duly noted by the Meeting.
- 16.2 Based on the results of the voting, the Chairman declared that all the resolutions tabled at the Meeting were duly passed.

17.0 CLOSE OF MEETING

- 17.1 There being no further business to discuss, the meeting closed at 12.45pm with a vote of thanks to the Chairman.

Signed as a correct record

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CHAIRMAN