

APOLLO FOOD HOLDINGS BERHAD
Registration No. 199401005792 (291471-M)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE 26TH ANNUAL GENERAL MEETING HELD ON 28TH OCTOBER 2020 AT DEWAN JOHOR, LEVEL 2, MUTIARA JOHOR BAHRU, JALAN DATO' SULAIMAN, TAMAN CENTURY, K.B. NO. 779, 80990 JOHOR BAHRU, JOHOR DARUL TAKZIM AT 9:00 AM.

AGENDA 1
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2020 TOGETHER WITH THE DIRECTORS' REPORT AND AUDITORS' REPORT THEREON

Chairman informed the meeting that this agenda item (1) was meant for discussion only, thus it will not be put for voting.

The Audited Financial Statements ("AFS") for the financial year ended 30 April 2020 together with the Directors' Report and Auditors' Report thereon were then tabled at the meeting.

Before the Chairman invited members to raise questions on the AFS, he disclosed that the Company had received a letter from the Minority Shareholders Watch Group ("MSWG") on 21 October 2020.

The Chairman had responded to the queries or concerns raised by MSWG as annexed herewith as Appendix A.

After that, the Chairman responded to the queries or concerns raised by members as annexed herewith as Appendix B.

With no further questions were raised in relation to the AFS, Chairman announced that the AFS for the financial year ended 30 April 2020 together with the Directors' Report and Auditors' Report thereon were taken as received.

AGENDA 2
ORDINARY RESOLUTION NO.1
FIRST AND FINAL SINGLE TIER DIVIDEND

The payment of first and final single tier dividend of 20 sen per share for the financial year ended 30 April 2020 was approved by the members of the Company.

No matter was raised by the members of the Company on this agenda.

AGENDA 3
ORDINARY RESOLUTION NO.2
DIRECTORS' FEE

The payment of Directors' fees of RM174,000 for the financial year ended 30 April 2020 was approved by the members of the Company.

No matter was raised by the members of the Company on this agenda.

AGENDA 4
ORDINARY RESOLUTION NO.3
DIRECTORS' BENEFITS

The payment of Directors' benefits at a capping amount of RM60,000 from 28 October 2020 to the next Annual General Meeting to be held in year 2021 was approved by the members of the Company.

No matter was raised by the members of the Company on this agenda.

AGENDA 5
ORDINARY RESOLUTION NO.4
RE-ELECTION OF MR LIANG KIM POH PURSUANT TO CLAUSE 76(3) OF THE
COMPANY'S CONSTITUTION

The re-election of Mr Liang Kim Poh as Director of the Company pursuant to Clause 76(3) of the Company's Constitution was approved by the members of the Company.

No matter was raised by the members of the Company on this agenda.

AGENDA 5
ORDINARY RESOLUTION NO.5
RE-ELECTION MR JOHNSON KANDASAMY A/L DAVID NAGAPPAN PURSUANT TO
CLAUSE 78 OF THE COMPANY'S CONSTITUTION

The re-election of Mr Johnson Kandasamy A/L David Nagappan as Director of the Company pursuant to Clause 78 of the Company's Constitution was approved by the members of the Company.

No matter was raised by the members of the Company on this agenda.

AGENDA 6
ORDINARY RESOLUTION NO.6
RE-APPOINTMENT OF AUDITORS

The re-appointment of Messrs BDO as Auditors of the Company for the financial year ending 30 April 2021 and their remuneration to be determined by the Directors was approved by the members of the Company.

No matter was raised by the members of the Company on this agenda.

AGENDA 7
ORDINARY RESOLUTION NO.7
GRATUITY PAYMENT OF RM52,000 ONLY TO DATIN PADUKA HJH. AMINAH BINTI
HASHIM, A FORMER INDEPENDENT NON-EXECUTIVE DIRECTOR

The gratuity payment of RM52,000 only to Datin Paduka Hjh. Aminah Binti Hashim, a former Independent Non-Executive Director, was approved by the members of the Company.

No matter was raised by the members of the Company on this agenda.

QUERIES FROM THE MINORITY SHAREHOLDER WATCH GROUP (MSWG)'S LETTER DATED 21 OCTOBER 2020

Strategy & Financial Matters

- 1) Revenue of Apollo Food is in a downtrend since FY17 with revenue declined gradually from RM208.92 million to RM174.94 million in FY20. This is equivalent to an average decline of 4.34% every financial year.
 - a) Apollo Food has cited that market competition was the main contributor to the decline in revenue. As Apollo Food is not inclined to join the price war (Apollo Food's reply to MSWG dated 26 December 2019), how does the Group plan to increase the market share from competitors?
 - b) How effective are current strategies in reversing the declining revenue trend?

Answer:-

Chairman responded that, if it was not due to the Covid-19 pandemic, the Group would not expect a decline in sales/revenue.

Since the outbreak of Covid-19 pandemic, the Board of Directors and Management of the Company had been exercising prudence market strategies as which it included that the Group is now implementing a more stringer payment monitoring in order to reduce bad debt. The Company also uses forward contract to control the costing of raw materials.

Notwithstanding the downtrend of revenue highlighted by MSWG since FY2017, Apollo Food Holdings Berhad has been maintaining good track records from incurring financial losses since it was listed on the Main Market of Bursa Malaysia Securities Berhad.

- 2) There is a shift in consumer preferences to healthier products with less sugar and sweetness (page 34 of AR2020).
 - a) What are changes made on the recipe and formula to appeal to the more health-conscious consumers? Has the Company launched any new product to cater to this growing segment?
 - b) Apollo Food expects another challenging year ahead due to uncertainties in the global economy due to the COVID-19 pandemic. How does the pandemic affect the business of Apollo Food?

Answer:-

Chairman responded that the Company has been constantly engaging in the research and development (R&D) to improve the recipe of the products so that the non-healthy ingredients such as fat could be reduced without compromising the taste and flavours of the products.

At this juncture, the impact of Covid-19 pandemic to the overall business performance of the Company in the upcoming year is unpredictable which is similar to the business prospect of other F&B industry players. Based on the observation, the Company's business is not impacted badly in local market compare with the overseas market.

- 3) Apollo Food plans to fully automate certain production lines as part of the strategy to remain competitive in the current challenging market environment (page 35 of AR2020).

What are the expected results to be achieved (and measurable targets) from this automation exercise?

Answer:-

Chairman responded that the Company is carefully making decision by stages to deploy the strategies to automate certain production lines in the factory. The Company is looking forward to employ more IT Savvy workforce in the future for this purpose so that they can be trained up to use and maintain the machinery of the Company.

Recently, the Company had spent near Euro1.8 million to assemble a new automatic production line locally however the assemble was completed upon Covid-19 pandemic outburst. However, due to the global lockdown, the Company is facing difficulties in arranging for 2 foreign engineers to travel to Malaysia to test out the new production line and to provide training to local staff.

The Company is also looking into redesigning energy saving plan and the possibility of land extension so as to accommodate more machinery for production purposes.

- 4) In view of inflation on key raw materials' prices and the volatility of Ringgit Malaysia against foreign currencies, raw materials' prices are expected to be unstable in the forthcoming year (page 35 of AR2020).

How does Apollo plan to manage the unstable raw materials price? What is the mechanism adopted by the Procurement Department in mitigating this risk?

Answer:-

Chairman responded that, as explained earlier, the Company uses forward contract to control the costing of raw materials and the raw materials' prices are expected to be volatile in the upcoming year due to the impact of Covid-19 pandemic.

The Company will be providing adequate training to the Procurement Department in order to mitigate this risk.

- 5) There has been a drop in the percentage of local employees (64.71% in FY20 vs 66.19% in FY19), despite a reasonable remuneration package and career development plan (page 43 of AR2020).

Why is the remuneration package unable to draw more local employees to join the Company? Apart from measures mentioned, how will Apollo Food encourage more local participation in workforce?

Answer:-

Chairman responded that the Company has been placing priority to recruit local workforce however the Company is facing competition from Singapore's labour market.

The Company is making effort to design attractive remuneration package to encourage the recruiting of local workforce, at the same time, retaining retired employee under contract-basis which is in compliance with labour laws.

- 6) Apollo Food increased investment in quoted shares to RM6.63 million in FY20 from RM5.18 million in FY19 (page 98, Note 10 Other Investments of AR2020).
- a) What are the quoted shares that was purchased by Apollo Food during the year?
 - b) The Company recorded RM2.14 million fair value loss (-RM139,357 in FY19) on other investments which comprise primarily investment in quoted shares in Malaysia. Was there any margin-call or any force-selling of quoted investments?

Answer:-

Chairman responded that the Company did not use margin account for investment of quoted shares because it is a high risk. The Company exercises prudence and careful decision on making investment in quoted shares with the hope to generating revenue from this investment activity.

Overall, the Company's goals for retained earnings are to focus on capital expenditure and to distribute profit to members of the Company in the form of dividends.

QUERIES FROM THE MEMBERS OF THE COMPANY

- 1) Ms Hin Juat Chin, a proxy of MSWG, enquired on the Company's plan to utilize the cash balances of more than RM100 million.

The Chairman responded that approximately RM60-80 million would be reserved for investment in plant and machinery and some of a portion would be utilized for investment in quoted shares, especially blue chip shares such as shares of financial institutions that are listed in the Main Market of Bursa Malaysia Securities Berhad. Chairman further informed that the Company would make careful decision in utilization of the cash balances of the Company and to ensure that the Company does not engage in high risk business activities.

- 2) Ms Chan Thing Yee enquired on whether Apollo's products which were permitted to be sold in the school canteen had been impacted by school closure due to movement control orders implemented by the Malaysian Government from time to time.

Chairman responded that the impact of school closure on the local sales is minimal. As a matter of fact, local sales picked up since the implementation of movement control orders by Malaysian Government mainly due to Apollo's products are affordable in the market.

- 3) In respect of question raised by Ms Chan Thing Yee on whether the Company would be looking in robotic arms technology in the Company's automation strategies for the whole production line.

Chairman responded that the Company had been taking into account the robotic arms technology. However the Company is concerned that since it would require very high precision, it might pose challenges for the production line to cater for different type of products in view that the food products are generally fragile and soft. The Company, however, is still making effort in research and development (R&D) aspects with the relevant suppliers to find out the best suitable technology for the Company's automation strategies. The Company also would focus on staff-training so that the employees will be well-versed in handling these machineries in the future.