

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE 25TH ANNUAL GENERAL MEETING (“25TH AGM”) HELD ON 30TH OCTOBER 2019 AT PUTERI PACIFIC HOTEL, DELIMA ROOM, LEVEL 2, JALAN ABDULLAH IBRAHIM, 80730 JOHOR BAHRU, JOHOR DARUL TAKZIM AT 10:00 AM.

AGENDA 1
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 APRIL 2019 TOGETHER WITH THE REPORTS OF DIRECTORS AND INDEPENDENT AUDITORS THEREON

The Audited Financial Statements for the financial year ended 30 April 2019 together with the Reports of directors and Independent Auditors thereon were tabled to the meeting.

The key matters raised by the shareholders on the results of the Company and the Group’s business as well as the responses from the Board/Management were as follows:-

	Key Matters raised by the Shareholders	Responses from the Board/Management
i)	It was noted from the Management’s Discussion & Analysis that the drop in Company’s revenue was mainly due to labour shortage which led to production not meeting the customers’ demand for orders and not so much due to the reduction in business or customers’ demand. On the other hand, the Company’s profits had improved on earnings per share from 13 cents in FY 2018 to 23 cents in FY 2019. The Board was asked whether this trend can be maintained for business sustainability in the long run?	<p>Chairman replied that the 2018 and 2019 market competition for the industry was very aggressive. Competition on the market is weak and unhealthy in the region, which is much more severe than labour shortages for similar food industries. If the Company were to be involved in the price war and even sell below cost, then the net profit earnings of the Company would be badly affected and would ultimately be the first to fall out of the market.</p> <p>Over the years, Apollo Food Holdings has been a well-established brand. The Company has a strategy to manage sales more effectively as the Company will not risk taking consignment orders from importers who are not very financially sound but deal with more reliable customers and those who have a long business relationship with the Company. This explained why last year’s sales & revenue dropped, but the Company managed its profit margin.</p>

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		<p>In general, the cost of raw materials such as palm oil, sugar, cocoa powder and wheat flour will all affect the Company's profitability. In 2018, the cost of raw materials price was higher level. General consumers are very sensitive/resistant to any rise in prices and some retailers are also not receptive to the price increase, so the Company will have product price restrictions. However, the Company will distribute its products with different pricing strategies according to the market mix and focus on capturing larger market share instead of joining the price war. Moreover, the Company does not do unhealthy marketing promotion. It is not as easy to increase a product's price as lowering it.</p>
ii)	<p>What will be the vision of the Chairman if this unhealthy competitive market would be easing off in the near future if by any chance?</p>	<p>Chairman remarked that it can speak for itself what had happened to a competitor and its negative financial effects arising from the price war.</p>
iii)	<p>The Corporate Representative of MSWG has enquired about the respond from the Board to all the questions raised in the letter from MSWG dated 11/10/2019?</p> <p>A proxy expressed his dissatisfaction that the Board had taken a long time i.e. more than 2 weeks to prepare the answers to be tabled at the AGM after receiving the MSWG letter.</p>	<p>Before Chairman gave his reply to all the questions raised, he explained that certain issues need time to be addressed at Board level before providing the answers to MSWG.</p> <p>However, Chairman answered the queries raised by MSWG as follows:</p>

	Key Matters raised by the Shareholders	Responses from the Board/Management
	<p><u>Strategy & Financial Matters</u></p> <p>1(a) What is the progress of the Company's plan to build an automated robotic factory after obtaining the approval from the Johor State Government for the extension of the Larkin Industrial area and the estimated capital expenditure required to build the plant?</p>	<p>Chairman informed the floor that the new plant is near completion except for flooring and the installation of machineries. The initial projected capital expenditure ("Capex") was about RM50 million during the planning stage 3 years ago, but the Capex will be revised now taking into account the need for better new technology of automated equipment and recruitment of skilled IT personnel to be in-charge of programming and service. The Company is currently in the midst of finalizing all machinery and equipment through manufacturer procurement and cost comparison.</p>
	<p>1(b) How will the automated robotic factory help to resolve the long-standing labour shortages issue?</p>	<p>Automation's impact to address labour shortages is only periodic and not year-round, but the investment in full automation is enormous. The Company will carry out full automation up to about 70% with a balance of 30% based on manual labour. The Company will save considerably in doing so. The Company must continue in phases to be fully automated. The next step is to develop and train the IT personnel to take care of the fully automated machinery and equipment for long-term business sustainability.</p>
	<p>2. Apart from negotiating for better terms with suppliers, what are the other measures taken to reduce fluctuation of raw material prices? Does the Group hedge the prices of raw materials and what is the hedging policy?</p>	<p>The Company may sign a forward contract with the suppliers for certain raw materials, while some are not feasible, such as sugar that is normally signed for a one-month supply. Take palm oil, for example, the Company is able to sign a forward contract for up to 4 months. Nonetheless, depending on the supply situation, the Company will only sign up to approximately 70% of the forward contract with a balance of 30% to spot the favourable price of the raw material, particularly when the price dropped.</p>

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	<p>3. As consumers are increasingly concerned for their health, preferring food with less sugar and sweetness, what are the strategies to ensure Apollo's chocolate confectionery products and layer cakes are healthy?</p>	<p>In some countries, research is being carried out to develop water-based chocolate products. Apollo contributes to such research but it is not succeed till today. The Company is going to reduce the sugar content in its products while waiting for the results of the research. The Company will not switch to dark chocolates as dark chocolates are not the favourite choice of the general consumers.</p> <p>Consumers today changed their issues from high sugar to trans-fat content. Although Apollo products have lower trans-fat, this is not good enough in some countries as they will only allow imports into the country that all ingredients of less than 1% trans-fat. The fat producers are aware of the situation and are actively working to improve it.</p>
	<p>4. Revenue from external customer in Malaysia has declined and the Group's total revenue has also been decreasing year by year since FY 2017. The current product mix has limited room to increase product prices. What are the steps taken to improve the declining contribution from the Malaysian home market?</p>	<p>Chairman commented that market competition was the main factor responsible for the decline in sales and revenue. He said that the Company would not join into the competitors in the price war. The Company also loses as the competitors begin to imitate the Apollo products.</p>
	<p>5. The Company has increased the amount invested in quoted shares in Malaysia to RM5.17 million, from RM3.68 million in FY 2018.</p> <p>(a) What are the companies that Apollo has invested in?</p> <p>(b) What are the parameters or guidelines adopted by the Board in relation to investment in shares?</p> <p>(c) What is the expected yield to be achieved from these investments?</p>	<p>Chairman informed the meeting that the Company only invested in quoted shares listed in Bursa Malaysia and that the Company had gained from these investments over the years as shown in the past records. The Board is careful in selecting the right time to invest, i.e. to purchase the quoted shares only when the market is down. The policy of the Company requires for the investment sum to be kept within 10% of the Company's available cash.</p>

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		<p>As far as investment portfolios are concerned, Chairman disclosed that the Company has invested in some Blue Chips and some shares of the good Industrial counters that the Company usually only retain on a short-term basis as they will be disposed of once the price is good, unlike the Blue Chips that are long-term investments with a higher and stable dividend return.</p> <p>Chairman said that the Board has the prerogative to decide/select which shares should be invested by the Company. In their audit, even the auditors prudently verify these investments.</p>
	<p>Audit Committee (“AC”) was invited to comment on how the AC manages the risk associated with investment in quoted shares of Malaysia?</p>	<p>Ms Foo Swee Eng, Chairman of the AC, stated that at its quarterly Board meeting, the Board would review the stock holdings, analyze the reason for such investments, study and evaluate the trend, etc. The investment listing will be discussed together with any dividends earned for the Board’s information for consideration at the quarterly meeting. The AC will also ensure that the investment stays within the Company’s total cash cap of not more than 10%.</p> <p>Chairman also shared his view that he does monitor the condition of the machineries to ensure any upgrading or replacement parts is required. The Company will spend on the spare parts needed to maintain the machinery & equipment properly while upgrading the machinery & equipment is an asset. He does not believe in investing heavily on high-end machineries, but only goes for machinery & equipment with an efficient output. Controlling the assets during the difficult economic period is particularly important. Chairman also stated that the Company has a machine that is still running well after 30 years of operation and will only be upgraded (e.g. replacing the obsolete PC Board) if needed.</p>

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	<u>Corporate Governance Matters</u> 1. Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (“MMLR”) requires Companies to publish the summary of Key Matters Discussed at the previous AGM onto the Company’s Website. As at 8 October 2019, the Key Matters Discussed of AGM 2018 was not available on the Company’s Website.	The Board took note of MSWG’s remarks.

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 2019 was approved by shareholders.

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

AGENDA 3
ORDINARY RESOLUTION NO.2
DIRECTORS’ FEE

The payment of Directors’ fees of RM173,950-00 for the financial year ended 30 April 2019 was approved by shareholders.

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

AGENDA 4
ORDINARY RESOLUTION NO.3
DIRECTORS’ BENEFITS

The Directors’ benefit at a capping amount of RM56,000 from 30 October 2019 to the next Annual General Meeting to be held in year 2020 was approved by shareholders.

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

AGENDA 5(i)
ORDINARY RESOLUTION NO.4
RE-ELECTION OF MR LIANG CHIANG HENG PURSUANT TO ARTICLE 116

The re-election of Mr Liang Chiang Heng as Director of the Company pursuant to Article 116 of the Company’s Constitution was approved by the shareholders.

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

AGENDA 5(ii)
ORDINARY RESOLUTION NO.5
RE-ELECTION OF DATIN PADUKA HJH. AMINAH BINTI HASHIM PURSUANT TO ARTICLE 116

The re-election of Datin Paduka Hjh. Aminah Binti Hashim as Director of the Company pursuant to Article 116 of the Company's Constitution was approved by the shareholders.

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

AGENDA 6
ORDINARY RESOLUTION NO.9
RE-APPOINTMENT OF AUDITORS

The re-appointment of Messrs BDO as Auditors of the company on remuneration to be determined by the Directors was approved by the shareholders.

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

AGENDA 7
ORDINARY RESOLUTION NO.7
RETENTION OF DATIN PADUKA HJH AMINAH BINTI HASHIM TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

The retention of Datin Paduka Hjh Aminah Binti Hashim who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years as an Independent Non-Executive Director of the Company pursuant to the recommendation by MCCG 2012 was not approved by the shareholders under the Two-Tier voting process.

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

AGENDA 8
SPECIAL RESOLUTION – PROPOSED ALTERATION OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION BY REPLACING WITH A NEW CONSTITUTION (Proposed Alteration”)

The existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution enclosed herewith as Annexure A to the Notice of this Meeting with effect from the date of passing this special resolution and that the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities was approved by the shareholders.

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