GREENYIELD BERHAD [200201014553 (582216 T)]
QUESTIONS AND ANSWERS ARISING FROM THE LETTER FROM THE MINORITY SHAREHOLDER WATCH GROUP ("MSWG")

Strategy & Financial matters

Q1 How was the Covid-19 Pandemic and the lockdown in Malaysia as well as in other countries impacted the Group's plantation products and non-plantation products in terms of supply chain, customers' demand and collection from trade receivables?

R1 Supply Chain:
There was no impact to date for Plantation and non-plantations products.

Customers' demand:
For Plantation products, March 2020 to July 2020 sales reduced by 42% compared to the same period in 2019. Low sales were recorded from 18 March 2020 to end of May 2020 due to the lockdown with sales performance improving from June 2020 onwards. Demands for plantation inputs expected to remain weak in the coming year due to low rubber prices.

For Non-Plantation products, March 2020 to July 2020 sales reduced by 36% compared to the same period in 2019. Low sales were recorded from 18 March 2020 to end of May 2020 due to the lockdown with sales performance improving from June 2020 onwards. New export orders secured in the recent months improved the order book for 2020 which is now comparable to 2019. Production is being ramped up to fulfil customer orders. The outlook for the 2021 order book remains uncertain due to cancellation of important trade shows for gardening products globally. However, the Group has seen demand for gardening products grow as consumers undertake planting activities in view of travel/movement restrictions.

Collection from trade receivables:
No significant impact observed to date. However, the Group will continue to monitor the situation.

Q2 During the FPE2019, profit before taxation was RM4.54 million (FY2018: RM0.2 million), mainly due to the recording of bargain purchase (gain of RM6.2 million) arising from the acquisitions of SND Teguh Enterprise Sdn Bhd and Pullah PC Daud Sdn Bhd (pages 13&39 of the Annual Report for the 17-months financial period ended 31 December 2019 ("AR2019")).

(a) Will the Group be able to remain profitable, going forward?

(b) How effective is the Group's existing business strategies in addressing the downward pressure on operating performance especially the bottom-line performance?

(c) The Covid-19 pandemic has made to Group's business outlook challenging. To what extent will this impact the Group's bottom-line performance?

R2 a) Despite the challenging operating environment, the Group remains optimistic that the business remains sustainable and will proceed cautiously in seeking new opportunities.

b) Plantation segment – The Group's diversification into plantation ownership will help to mitigate the negative impact of lower plantation input sales. The Group has started to progressively exploit the rubber trees to produce cup limps for sale to rubber processing factories.

Non-plantation segment – The Group is expanding aggressively on the domestic market and online, and the Group is also in the progress of developing new products.

c) The ongoing Covid-19 pandemic has significantly weakened global growth prospects with the outlook heavily contingent on how countries across the world successfully contain the pandemic including whether or not, an effective vaccine is developed and rolled-out.

As a consequence, it is currently difficult to reliably estimate the impact of the Covid-19 pandemic on the Group's bottom-line for 2021 and beyond. Nevertheless, the Group is cautiously confident o sustaining the operations.

Q3 How will Covid-19 pandemic affect the Group's capital expenditure for the financial year ending 2020?

R3 The Group has adopted a cautious approach towards capital expenditure in 2020 by only focusing on key priority areas such as plantation development/maintenance, factory renovation and acquisition of essential injection moulding machines for production.

Management is currently reviewing the feasibility of investing proceeds from the disposal of overseas assets to expand production capacity in Malaysia.

Q4 Bad debts written off increased to RM245,007 (FY2018: RM1,240) (Note 20, page 78 of the AR2019).

What is the nature of these bad debts written off?

R4 This was a one-off write-off for non-trade advances made to Melati Aman Sdn Bhd, which was disposed in 2019.

Q5 Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity (Note 26.3, page 85 of the AR2019).

What are the measures taken to recover the trade receivables concerned prior to them being written-off?

R5 The Management is constantly monitoring and engaging with relevant customers for collections. Where necessary we will propose and discuss with the customers on a repayment plan. Legal avenues will be utilised when appropriate.

Q6 Under the key audit matters, the auditors have highlighted that the Group has trade receivables that are past due but not impaired amounting to RM2,349,903 (page 93 of AR2019).

(a) To date, how much of the RM2,349,903 have been collected?

(b) Does the Group expect a higher bad debt write-off in the financial year ending 2020?

R6 (a) As at 31 July 2020, RM1.7 million have been collected, representing 74% of the total.

Management is continuously monitoring the situation.

(b) Currently, the Group does not expect a significant increase in bad debt-write off.

Corporate Governance matter

Q7 Under Practice 4.2 – If the Board continues to retain the independent director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

Resolution 9 – the Board is recommending to the shareholders for Dr Zainol Bin Md Eusof, who has served as Independent Non-Executive Chairman of the Company for a cumulative term of approximately fifteen (15) years, to continue to act as Independent Non-Executive Chairman of the Company.
Will Resolution 9 be put for shareholders' approval through a two-tier citing process in accordance with the MCCG 2017? If not, please explain why the Company has chosen to depart from the Code.

R7 The Board of Directors has decided not to adopt the 2-tier voting process as recommended by the Malaysian Code on Corporate Governance for the retention of Independent Non-Executive Directors with a view that they have remained objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. The length of their services on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interested of the Company.