

**BRIGHT PACKAGING INDUSTRY BERHAD**  
**Registration No. 198701003105 (161776-W)**  
(Incorporated in Malaysia)

**SUMMARY OF THE KEY MATTERS DISCUSSED AT THE THIRTY-THIRD ANNUAL GENERAL MEETING (“33RD AGM”) OF BRIGHT PACKAGING INDUSTRY BERHAD (“THE COMPANY”) CONDUCTED ON A FULLY VIRTUAL BASIS VIA LIVE STREAMING FROM THE BROADCAST VENUE AT BOARD MEETING ROOM AT BRIGHT PACKAGING INDUSTRY BERHAD OF NO. 23, JALAN DELIMA 1/3, SUBANG HI-TECH INDUSTRIAL PARK, 40000 SHAH ALAM, SELANGOR DARUL EHSAN, MALAYSIA ON FRIDAY, 29<sup>TH</sup> JANUARY 2021 AT 9.00AM.**

The Board of Directors elected Mr. Ng Kok Wah, the Independent Non-Executive Director of the Company to chair the meeting in place of En. Nik Mustapha Bin Muhammad, the Executive Deputy Chairman who was unable to present at the Broadcast Venue due to the travel restriction imposed during MCO.

Mr. Ng Kok Wah (“the Chairman”) proceeded to chair the meeting and briefed the shareholders and proxy holders on the procedures of virtual meeting and online remote voting using the Remote Participation and Voting Facilities with the assistance of the Poll Administrator.

The Chairman highlighted that the Notice of the 33<sup>rd</sup> AGM was issued and circulated to the shareholders together with the 2020 Annual Report, Share Buy-Back Statement and Administrative Guide for Shareholders in relation to the 33<sup>rd</sup> AGM. He further highlighted that the Company had on 15 January 2021 announced an Addendum to Notice of AGM in relation to the appointment of additional director Mr. Lye Jun Fei.

**1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2020**

The Chairman informed that the Company’s audited financial statements for the financial year ended 31 August 2020 together with the Reports of the Directors and Auditors were tabled only for discussion as they did not require shareholders’ approval pursuant to the provisions of Section 340(1)(a) of the Companies Act, 2016. Hence, this matter was not put for voting.

The Chairman then proceeded to read out the questions raised by Minority Shareholders Watchdog Group (“MSWG”) and provided the relevant answers as follows:-

**Operational & Financial Matters**

- 1. Bright Packaging experienced a 25.18% decline in revenue to RM50.8 million in FY2020 as compared to RM67.9 million in the year before (page 4 of Annual Report 2020). The decline in revenue was due to excise tax-driven price increases and pandemic-related measures on adult smoker average daily consumption.**

- (a) The company turned loss-making in FY2020 with a net loss of RM1.2 million. The net loss was attributable to lower gross profit margin of 4% as compared to 8% in FY2019. What caused the substantially lower profit margin in FY2020?**

Gross profits changes depend on variables such as growing sales and changes in costs of goods sold (COGS), which include variable and fixed costs. Variable costs depend on sales volumes because they involve direct raw materials and direct labour costs. Fixed costs such as indirect labour costs and depreciations do not vary as a result of a drop in sales volume.

The revenue has declined 25.18% in FY2020 as compared to FY2019, however the management did not plan to drastically reduce the indirect overhead costs such as indirect labour costs amounting to RM1.05 million in FY2020 as compared to RM1.19 million in FY2019 as the Company remains optimistic that the decrease in sales due to Covid-19 pandemic and excise tax-driven price increases can be overturned in FY2021 after the introduction of vaccine among all the countries in the world.

- (b) What are upsides for Bright Packaging's business in FY2021?**

An improving global economic outlook is expected in FY2021 after the deployment of Covid-19 vaccines. Once global economy post-COVID recovers and life returns to normal, we will see the consumer spending power on tobacco products increases over time.

Since the Bright Packaging has always been very competitive and uphold the strictness quality in all the products it manufactured. As such Bright has always be the preferred vendor of Phillip Morris International in its key market segment in the South East Asia region.

Bright Packaging has been serving a significant majority requirement of its major customer in these key market regions namely Indonesia, Philippines and Pakistan. Bright Packaging is also further enhancing the equity of its brand by solidly expanding the current market shares in these regions.

While Bright Packaging has steadily expanding its footprint in these major regions, it has also expanding the market to other new geographical areas namely Cambodia and Switzerland where its presence is still small.

Bright Packaging differentiates itself by the quality of its products and reliable delivery that its customers enjoy along with efficient and excellent after-sales service.

- 2. Tobacco companies like Philip Morris and British American Tobacco have been launching heat-not-burn tobacco products e.g., IQOS and glo, to cater to the changing demand of millennials and generation Z. At the same time, there is a growing consumption of e-cigarettes and vaping products among millennials.**

**Will the growing trend of switching from combustible cigarette products to electronic tobacco products result in a lower demand for Bright Packaging's products? If yes, how will the Company mitigate this risk?**

There are still a lot of uncertainties on switching from combustible cigarette products to electronic tobacco products. First and foremost, tobacco products such as IQOS can only be found in few countries and is not widely available in the market yet. This has led to a severe and growing threat of illicit cigarette trade, especially the tobacco black market.

The Food and Drug Administration (FDA) officially announced its authority and intention to regulate e-cigarettes in 2016. However, in 2017, the FDA announced that it would delay e-cigarette regulation until 2022. In the absence of federal regulation, some municipalities have instituted local measures: for example, to extend clean indoor air laws to e-cigarettes or include e-cigarettes under restrictions on the sale of flavored tobacco products.

Meanwhile, multinational cigarette manufacturers, who have developed and/or acquired e-cigarette brands, and independent e-cigarette companies alike are highly invested in an industry expected to reach \$47 billion globally by 2025.

The trend of switching from combustible cigarette products to electronic tobacco products might need to take much longer time than expected. As of now, the Company does not foresee this risk would cause a great impact.

**3. The Company recorded a 55% increase in administrative expenses to RM4.37 million, and a 1574% increase in other operating expenses to RM473,515 (page 53 of AR2020). What are the reasons for the sharp increases in administrative expenses and other operating expenses?**

The increase in administrative expenses in FY2020 is mainly due to increase in export freight charges. Due to Covid-19 pandemic, some countries are closing border crossing and implementing stricter measures to facilitate safe cross-border trade. Some exports have to be transported by air freight due to significant congestion at the seaports. This has led to an increase in shipment freight charges.

Furthermore, immigration close-border measure has caused a serious shortage of foreign labour in the market. By hiring local workforce, the Company has incurred higher overheads costs.

The increase in other operating expenses is due to an increase in unrealized loss on foreign exchange in FY2020 caused by the fluctuation of exchange rate due to China-United States trade war and outbreak of Covid-19 pandemic.

## **Corporate Governance Matters**

- 1. Based on the Corporate Governance (CG) report of the Company on the application of the Practices under the Malaysian Code on Corporate Governance (MCCG), please provide clarification on the following:**

### **Practice 10.2 - The board should disclose–**

- whether internal audit (IA) personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;**
- the number of resources in the internal audit department;**
- name and qualification of the person responsible for internal audit; and**
- whether the internal audit function is carried out in accordance with a recognised framework.**

Applied. All Internal Audit activities were conducted by Kloo Point Risk Management Services Sdn. Bhd. The internal audit assignment is led by a Senior individual in charge of the engagement and reports to the Executive Director. The internal audit review is staffed by 3 internal audit personnel including the Senior individual.

### **MSWG's comment:**

**The Board did not disclose the name and qualification of the personnel responsible for the IA function from Kloo Point Risk Management Services Sdn Bhd.**

The personnel responsible for the IA Function from Kloo Point Risk Management Services Sdn Bhd is Mr. Khor Ben Jin. His qualifications are as follows;

Mr Khor Ben Jin, the executive director of Kloo Point Risk Management Services Sdn Bhd, is a fellow member of the Association of the Chartered Certified Accountants (FCCA), Chartered Accountant (CA), Malaysian Institute of Accountants, Certified Internal Auditor (CIA), and Chartered Member of the Institute of Internal Auditors Malaysia (CMIIA).

He has extensive experience in internal audit consulting services, risk management exercises and corporate governance review with public listed companies involved in both industrial and consumer products manufacturing, integrated livestock farming activities, property development, construction and trading services.

- 2. The cost incurred for the IA function for FY20 was RM14,000 as compared to RM20,000 in FY2019 (page 37 of AR2020).**

**What are the areas audited by the IA function in FY2020? How many internal audit reports were issued for FY2020? Was the scope of reviews by IA reduced due to the lower IA fee in FY2020?**

Six areas are audited on rotating basis by the IA function in FY2020 as follow:

- i) Inventory Receiving and Storage Procedures

- Stock receiving process
  - Stock recording procedures
  - Safeguarding of inventory
  - Stocktaking procedures
- ii) Credit Control
- Evaluation and approval of credit limit for new customers
  - Monitoring of credit limit and credit collection
  - Debt recovery procedures
- iii) Financial Management
- Perform Fraud Risk Assessments
  - Improve Financial Management processes and systems
- iv) Purchasing
- Best practices for Purchasing Internal Controls
- v) Human Resource
- Identify the strengths and weaknesses in the HR function
- vi) Legal and Regulatory Compliance
- Policies and procedures for legal and regulatory compliance function

Two internal audit reports were issued for FY2020. The scope of reviews by IA was not reduced. The higher fee in FY2019 is due to the management has requested the IA to conduct an overall Risk Assessment Review which is beyond the IA regular scope of works.

Besides, the management has been very supportive to the IA team during their audit and thus no additional resources and time cost incurred during the internal audit FY2020. Our internal auditor, Kloo Point Risk Management Services Sdn Bhd (KLP), is a rather small firm as compared to other established firms which would have quoted us in a range of RM20,000 – RM30,000. However, KLP managed to gather a small group yet experienced team and deliver high quality of audit works.

**Given that the IA fee is rather small (RM1,166 per month), how does the Audit and Risk Management Committee assure itself that there would be adequate coverage and an effective internal audit function?**

The Audit and Risk Management Committee (ARMC) regards the risk management as an integral part of the Group's business operations and has operated under a Board approved risk management framework. It outlines the Group's risk-based approach to risk management which oversight and describes the structures and practices employed to current and emerging risks inherent to Bright Packaging.

Risk assessments are performed based on pre-defined risk management process adapted from ISO 9001: 2015 Quality management system guidelines and globally acceptable risk management. It reinforces each team member's personal accountability for risk management and is built on a foundation that begins with a deep understanding of the Group's processes, risks and controls. It also supports management in achieving the Group's strategic goals and objectives, and it supports the Board as it carries out its risk oversight responsibilities.

The IA fees does not include the usual compliance fees of the Company incurred in ISO 9001 Quality Management System.

3. **Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (MMLR) requires companies to publish a summary of the key matters discussed (KMD) at the AGM onto the Company's website soon after the conclusion of the general meeting.**

**PLCs should note that failure to publish a summary of KMD of AGM on corporate website is a breach of MMLR.**

**As 21 January 2020, the summaries of KMD at Bright Packaging's AGM held in 2020 for FY2019 was not available on the Company's website – <https://www.brightpack.net>**

The key matters discussed (KMD) during the general meeting held in 2020 has been uploaded to the Company's website– <http://www.brightpack.net/investor-relation.html> and we will upload the same for the upcoming 33rd AGM KMD as soon as it is available.

With that, the Chairman concluded the question and answer session for agenda 1 and declared that the Audited Financial Statements were duly laid before the Members in accordance with the requirements of the Companies Act 2016.

For the rest of the items on the Agenda stated below, there were no questions raised by the shareholders. All the resolutions tabled at the Meeting and voted upon by polling were duly passed by the shareholders, with the results of the polling announced accordingly to Bursa Malaysia Securities Berhad on 29 January 2021.

2. **ORDINARY RESOLUTION 1  
RE-ELECTION OF MR. NG KOK WAH**
3. **ORDINARY RESOLUTION 2  
RE-ELECTION OF MR. LYE JUN FEI**

4. **ORDINARY RESOLUTION 3  
RE-APPOINTMENT MESSRS RUSSELL BEDFORD LC & COMPANY AS THE  
AUDITORS**
5. **ORDINARY RESOLUTION 4  
PAYMENT OF DIRECTOR'S FEES OF UP TO RM108,000.00 AND DIRECTORS'  
BENEFITS OF UP TO RM12,000.00 FROM 30 JANUARY 2021 TO NEXT ANNUAL  
GENERAL MEETING OF THE COMPANY**
6. **ORDINARY RESOLUTION 5  
AUTHORITY TO ISSUE SHARES**
7. **ORDINARY RESOLUTION 6  
PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**

The AGM was declared closed at 9.55 a.m.