

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

**SUMMARY OF THE KEY MATTERS DISCUSSED AT THE THIRTY-FOURTH ANNUAL GENERAL MEETING (“34TH 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 THURSDAY, 27<sup>TH</sup> JANUARY 2022 AT 9.00AM.**

Mr. Nik Mustapha Bin Muhammad (“the Chairman”), the Executive Deputy 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 34<sup>th</sup> AGM was issued and circulated to the shareholders together with the 2021 Annual Report, Share Buy-Back Statement and Administrative Guide for Shareholders in relation to the 34<sup>th</sup> AGM.

**1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2021**

The Chairman informed that the Company’s audited financial statements for the financial year ended 31 August 2021 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 recorded revenue of RM37.5 million in FY2021 (FY2020: RM50.8 million), being the lowest in the past five years. At the same time, its net loss had widened by 114% to RM2.65 million from RM1.24 million the year before.**

**The Company said the poorer topline performance was due to excise tax-driven price increases and pandemic-related measures on adult smoker’s average daily consumption (page 6 of AR2021).**

- a) How did the excise tax and pandemic-related measures on smokers’ cigarette consumption affect Bright Packaging’s revenue?**

Philippines, being one of the largest geographical markets contributed to our revenue streams, reported that excise tax collections of the Bureau of Internal Revenue (BIR)

from cigarettes increased by 31 percent to Peso 83 billion in the first seven months of 2021 compared with the Peso 63 billion collected during the same period last year.

Based on an analysis done by the Department of Finance (DOF) on the BIR, there was an increase in the tax collections from our major customer due to the increase in the tax rate despite a revenue loss from the decline in sales volume compared to previous year.

During the Covid-19 pandemic in year 2021, smokers have lesser spending power on cigarette consumption due to the economic downturn. Further to that, the increase in tax rate has caused a spike in selling price of the cigarettes. These have led to a market shrinking of our major customer.

- b) Does the lower revenue suggest that the Company lost its market share to competitors? How does the Company plan to increase its export of products to its major markets like Philippines and Indonesia?**

Basically, the whole cigarette market has shrunk. It affects not only our customers but also its competitors. The Company has to work closely with our customers in developing and manufacturing new products to increase market shares.

- c) The Company continued to incur loss from operation with operating losses of RM4.2 million recorded in FY2021 (FY2020: - RM2.86 million).**

**When will Bright Packaging be able to turn-around?**

We do not have a timeline on this due to a lot of uncertainties in the market during the Covid-19 pandemic. Nevertheless, we are endeavour in turning around as soon as the economy improves. Bright Packaging has been serving a significant majority requirement of its major customer in these key market regions namely Philippines, Indonesia and Pakistan. The Company is committed to further enhance the equity of its brand by solidly expanding the current market shares in these regions.

- 2) The next generation products, i.e., e-cigarettes, heated tobacco products, are expected to register the fastest compound annual growth rate of 10.7% from 2020 to 2027 owing to growing adoption of these products in developed markets (page 14 of AR2021).**

- a) Does Bright Packaging expect to see a similar trend in developing markets where it has strong presence?**

Despite its fast annual growth rate, e-cigarettes are still way behind in term of the market shares from the conventional cigarettes. No doubt e-cigarette still has its own niche market, but in term of practicality and market accessible, it is still unable to replace the conventional cigarette especially in the developing markets.

- b) As next generation tobacco products are gaining traction, how does Bright Packaging make sure its packaging products remain relevant to customers?**

As mentioned earlier, Bright Packaging will work closely with our customer in developing and manufacture new products in accordance to the latest market trends.

- 3) Despite significant lower sales recorded in FY2021, the Company's selling and distribution expenses increased by 41% year-on-year to RM1.15 million from RM816,556 in previous year (page 54 of AR2021).**

**What were the reasons for the higher selling and distribution expenses? Was the Group able to pass on the cost increase to its customers?**

The higher selling and distribution expenses is due to switching of shipping method to air freight during the FY2021. Due to international shipment shortage during the pandemic, the Company still managed to deliver its shipments to its customer on time by using air freight upon customer's request. We were able to pass on the additional freight cost increase to our customers with some margins.

- 4) Customer A contributed 85%, or equivalent to RM31.98 million sales to Bright Packaging in FY2021 (Note 25 – Segment information, page 100 of AR2021).**

**The dependency on a single major customer constitutes a concentration risk to business and operations. How does the Group plan to reduce the business risk of relying on Customer A for sales?**

Since Bright Packaging has always been very competitive and uphold the strictness quality in all the products it manufactured. As such, the Company is confident to withhold its existing customers and find new customers base in the key market regions.

- 5) Bright Packaging had revised its normal trade credit terms to 30 – 120 days in FY2021 from 30 – 90 days in previous year (Note 14 – Trade Receivables, page 92, AR2021).**

**Why did the Company change the credit terms?**

The 120 days credit terms were imposed by a particular customer. However, the Company managed to pass on the same 120 days credit terms to its Trade Payables to mitigate the cash flow.

- 6) Referring to Note 16 – Other financial assets, Bright Packaging had invested RM46.86 million in money market funds to provide liquidity and regular income through investment in short term money market instruments (page 93 of AR2021).**

**On average, these investments had generated 1.8% (or RM834,126) return to Bright Packaging in FY2021, which was lower than 3.06% (or RM1.31 million) in FY2020 (page 83 of AR2021).**

**In view of the lower yield generated by money market fund, what are the other alternatives to generate higher investment return?**

The lower return from money market funds in FY2021 is due to reduction in Overnight Policy Rate (OPR) by the Central Bank. The Company has other alternatives to generate higher investment return with different risk profiles, but higher investment return comes with higher risk. As of now, the Company chooses to deposit the monies in money-market fund which is a risk free investment.

### **Corporate Governance Matters**

- 1) Bright Packaging had incurred internal audit (IA) cost of RM14,000 in FY2021 (FY2020: RM14,000) by outsourcing its IA function to Kloo Point Risk Management Services Sdn. Bhd (KLP). During the financial year, KLP had audited the business and operational activities related to production control and production planning of the Group (page 42 of AR2021).**

- a) How many audits were performed by KLP in FY2021? How many IA reports were issued during the year?**

Two audits were performed by KLP in FY2021. Two IA reports were issued during the year.

- b) Six areas were audited in FY2020. How many areas were audited in FY2021? What were the main recommendations, areas for improvement and observations raised by KLP in FY2021?**

Six areas were audited in FY2021 as follows:

- i) Inventory Receiving and Storage Procedures;
- ii) Credit Control;
- iii) Financial Management;
- iv) Purchasing;
- v) Human Resource;
- vi) Legal and Regulatory Compliance.

The main recommendations, areas for improvement and observations raised by KLP in FY2021 are the preparation and recording of administrative works need further improvement.

- c) The IA assignment conducted by KLP is led by a senior individual with a team size of three staff. However, Bright Packaging did not disclose the name of the senior individual in accordance with Practice 10.2 of Malaysian Code on Corporate Governance.**

### **Who is the senior individual?**

The senior individual is Mr. Khor Ben Jin. He is a Certified Internal Auditor. He is a Fellow member of the Association of the Chartered Certified Accountants, United Kingdom (FCCA), Chartered Accountant, Malaysian Institute of Accountants (CA),

Certified Internal Auditor, United States of America (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.

The Chairman then invited questions from the shareholders and proxies.

Mr. Low Yuet Ngoh, a shareholder enquired on Bright's involvement in the e-cigarettes segment. Mr. Yap replied that IQOS is a new product launched by Philip Morris and Bright has been supplying packaging materials for this e-cigarette device for the last couple of years.

Mr. Low further enquired on the trend of raw material prices in particular the main ones. Mr. Yap informed that logistics and transportation cost have escalated. Raw material prices from the suppliers are fixed for a lock-in period hence do not have major impact on the Company's bottom line.

Mr. Ooi Wei Chang, a shareholder requested the Management to provide some updates on the Company's operations during the Covid-19 pandemic. Mr. Yap informed that Bright's performance was disrupted as operation of the major customers in the region namely Indonesia, Philippines, South Korea etc. were badly affected in the year 2021. With the high vaccination rate in Malaysia, Bright can now operate at full capacity and is expected to slowly picking up the momentum in year 2022.

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 27 January 2022.

2. **ORDINARY RESOLUTION 1  
RE-ELECTION OF MR. NIK MUSTAPHA BIN MUHAMMAD**
3. **ORDINARY RESOLUTION 2  
RE-ELECTION OF MR. YAP KOK ENG**
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 28 JANUARY 2022 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 10.00 a.m.