

APPENDIX II



MASTER-PACK GROUP BERHAD
Registration No. 199401011341 (297020-W)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED

SUMMARY OF KEY MATTERS DISCUSSED AT THE 27TH ANNUAL GENERAL MEETING OF MASTER-PACK GROUP BERHAD (“**MASTER**” OR “**THE COMPANY**”) CONDUCTED FULLY THROUGH LIVE STREAMING AND ONLINE PARTICIPATION AND VOTING USING REMOTE PARTICIPATION AND VOTING (“RPV”) FACILITIES VIA THE ONLINE MEETING PLATFORM AT [HTTPS://WWW.AGRITEUM.COM.MY](https://www.agriteum.com.my) (DOMAIN REGISTRATION NO. WITH MYNIC-D1A400977) PROVIDED BY AGRITEUM SHARE REGISTRATION SERVICES SDN BHD IN MALAYSIA ON TUESDAY, 07 SEPTEMBER 2021 AT 11.00 A.M.

Key matters discussed at the 27th AGM are summarised as follows:-

OPERATIONAL AND FINANCIAL MATTERS

1) On customer concentration risk, what is the percentage of revenue that was derived from solar sector?

Answer 1 - Approximately 54% for financial year 2020 (FY2020) is contributed from the Solar sector (Refer page 10 of Annual Report 2020).

Master-Pack is bound by Non-Disclosure Agreements with all major customers and has to abide by the terms of these agreements .

2) For FY2020, there was 1 major group of customers that contributed 10% or more of the Group’s total revenue. The total revenue generated from this major group amounted to RM18.4 million (FY2019: RM69.75 million) (page 90, Note 28 Segment reporting – Major customers, Annual Report 2020).

Why was there a substantial decrease in sales to this major customer? Did the major customer shift its order to other competitors? Had the sales to the major customer recovered in the first half of financial year 2021 (FY2021)?

Answer 2 - The decrease in revenue was due to the customer’s conversion of its machinery for the production of new models. The Company has resumed supplying the packaging materials for the new model.

3) The revenue generated from major customer in 2020 dropped 74% from 2019, could you explain the reason behind such drastic drop?

Answer 3 - Please refer Answer 2.

4) What are the current utilisation rates for both plants in Malaysia and Vietnam?

Answer 4 - Our set-up comprises various machinery, each has its own utilisation rates and can be interchangeable, so there’s no specific answer to your question.

5) What is the factory capacity utilisation rate of factory operations in Malaysia and Vietnam for the past 2 quarters and previous financial year?

Answer 5 - Refer Answer 4 on utilisation of plants.

6) How serious is the raw material price impact on the Company’s profit?

Answer 6 - Manageable

7) What is the impact of higher transportation and raw material on Master-Pack gross margin?

Answer 7 - Manageable

SUMMARY OF KEY MATTERS DISCUSSED

- 8) Material cost has been rising recently, would the Group be affected?**
Answer 8 – It varies for each customer.
- 9) What amount of increase in the material prices is Master-Pack able to pass on its customer?**
Answer 9 – Refer to Answer 8.
- 10) How long is the average fulfilment duration of Master-Pack contracts?**
Answer 10 – One to three months.
- 11) What impact of lockdown has affected Vietnam operations and customers?**
Answer 11 - Impact from Vietnam Covid-19 rising cases to the Group's operations are minimal.
- 12) Vietnam Covid-19 cases are spiking, would this affect the Group's operation at Vietnam?**
Answer 12 – Refer to Answer 11.
- 13) How is the Company revenue in the near future?**
Answer 13 - So far, Master-Pack major customers are able to operate without abnormal restrictions and with a diversified customer base, the Group is confident that the revenue for 2021 could match that of 2020.
- 14) What is the expansions plan for the current and next financial year?**
Answer 14 - No specific expansion plans. New machines are added periodically to replace or upgrade existing machinery after taking into consideration the group's cashflow position, each machine utilisation and performance and expected future needs of existing or potential new customers.
- 15) If the major customer are expanding into another new country, for example India, are the Company going to follow suit?**
Answer 15 –The Company has no comments on customer's projects.
- 16) Proposal 1 – Bonus issues and shares split to improve liquidity of the stock to attract institutional investors.**

Proposal 2 – 40-50% of earnings to be paid as dividend, this will attract long term investors.

Proposal 3 – Any expansion to increase revenue?

Answer 16 –

Proposal 1 - Thank you for your proposal.

Proposal 2 - The Group needs to exercise caution on paying-out excessive dividends. Business conditions are always fluid, more so in time of a pandemic. Before paying-out dividends, the Group cash flow for the short-term and long-term are considered.

Proposal 3 - The Group is constantly reaching out to potential new customers to increase revenue and other business opportunities.

SUMMARY OF KEY MATTERS DISCUSSED

17) The Group paid a 6 sen dividend for the year 2020. In view of the good financial results up to 6 months of 2021, what is the expected dividend pay-out this year?

Answer 17 - The Group used to pay only 1 sen dividend every year. The Group increased it to 1.5 sen for 2018 and 2 sen for 2019. 4 sen was paid out in June 2020, on the back of good financial results of 2019. The additional payout was to help ease the sudden curtailment of shareholder's income during the first Movement Control Order. Another 2 sen was paid in Feb 2021.

For the year 2021, we have paid out 2 sen in June 2021. The Directors will monitor the performance of the Group before deciding on the next dividend payout.

18) For financial year 2019, the quarterly revenue ranged from RM47 million to RM51 million.

Subsequent 4 quarters in 2020 and 2 quarters in 2021, the Group are nowhere near RM47 million. What are the real reasons? Did the Group lose a major customer? When will revenue return to level recorded in financial year 2019?

Answer 18 - Barring unforeseen circumstances in view of operating in a very volatile pandemic, revenue for FY2021 is expected to match that of FY2020.

19) Lately, Covid-19 infection rate is increasing in Vietnam. Is Master-Pack factory allowed to operate?

Answer 19 – Yes, kindly refer Answer 11 and 12.

20) What is the next 3 years plan to boost the earnings of the Company?

The Group is constantly reaching out to potential new customers to increase revenue and other business opportunities. Kindly refer Answer 16(3).

21) Other than solar related customer, who else are the technology based customers?

Answer 21 – Master-Pack is unable to disclose the name of the customers.

Master-Pack is bound by Non-Disclosure Agreements with all major customers and has to abide by the terms of these agreements.

22) The share based is very low and easy to be manipulated. Any plan to issue bonus shares?

Answer 22 - Thank you for your question. Your view is noted.

23) a) Does the Company has any plan to enlarge the shares by proposing bonus issues?

b) What is the current utilisation level in Penang's plant?

c) What is the future outlook for the Company?

Answer 23-

a) Not at this moment.

b) Kindly refer to Answer 4.

c) Stable

SUMMARY OF KEY MATTERS DISCUSSED

24) a) May I know, what is the Company's future outlook?

b) How is the impact of MCO to the Company?

c) How much is the cost saving for this virtual AGM as compared to the physical meeting? Will the Board consider giving door gift, such as e-voucher or e-wallet for those that have participated in this AGM?

Answer 24 –

a) Stable

b) Minimal. Kindly refer Answer 11 and 12.

c) The total actual cost for this virtual AGM has yet to be quantified and compared to the cost of a physical one. The company may consider a gift for participants if situation permits.

25) Any new plan to set up a manufacturing plant in other country such as Ohio?

Answer 25 - Not at the moment.

26) To what extend is the plant in Vietnam affected by Covid-19 pandemic and the lockdown?

Answer 26 - Minimal impact.

27) Any plans for increasing trading liquidity?

Answer 27 – Not at the moment.

28) Was the Company's operation in Vietnam affected by the latest lockdown imposed in the country?

Answer 28 – Minimal impact.

29) a) How much is the current utilisation rate of production capacity?

b) How much is the vaccination rate of employees?

c) Is there any plan of production capacity expansion in short term?

d) Are sales and business operation in Vietnam being affected by lockdown?

e) Management mentioned that the raw material price is on upward trend. Do the Company have the ability to pass rising costs to customers?

Answer 29 –

a) Kindly refer to Answer 4.

b) 100%

c) Kindly refer to Answer 4, 14, 16 and 20.

d) Minimal impact

e) Refer to Answer 8.

SUMMARY OF KEY MATTERS DISCUSSED

30) How is the operation in Vietnam?

Answer 30 - Minimum impact.

31) Price increase possible for our products if materials cost keep moving up?

Answer 31 - Normally possible as competitors also face the same increase.

32) Does company plan to approach funds or institution so that they can invest in the company and company share price will be more stable and better liquidity?

Answer 32 - Not at the moment.

33) When would you expect the order from major customer to recover back to previous level, as you have mentioned their orders are expected to kick in after their production line upgrade?

Answer 33 - Refer to Answer 2.

34) Can the board consider doing a corporate presentation in the future AGMs that will provide useful insights into the strategic direction and prospects of the Company?

Answer 34 - Noted. Thank you for your suggestion.

35) What competitive edge does Master-Pack have against its competitors in its core markets?

Answer 36 - So far, we have performed fairly well.

SUSTAINABILITY

1) Under the Sustainability Statement (page 16 of Annual report 2020), Master-Pack had disclosed the energy and water consumption level for FY2020 and FY2019.

a) However, other key statistics such as greenhouse gas emission, plant waste, glue sludge and ink sludge were not disclosed. Does the Group keep track of the statistics for these items?

b) What are the consumption/effluent/discharge targets Master-Pack aims to achieve? How does the Group plan achieve these targets?

Answer 1 - The Company complies with regulatory requirements pertaining to effluents and waste discharge and is audited by SIRIM as part of the Environment Management System certification. The Sustainability Statement shall be improved in due course.

2) Master-Pack incurred 'Other expenses' amounting to RM12.63 million for FY2020. What does the 'Other expenses' comprise of?

Answer 2 - 'Other expenses' comprise all other expenses not categorized as Materials, Depreciation, Employee benefits and Finance costs such as transportation cost, insurance premiums, repairs and maintenance of plant and machinery, etc.

SUMMARY OF KEY MATTERS DISCUSSED

CORPORATE GOVERNANCE MATTERS

- 1) **The costs incurred for maintaining the outsourced internal audit function for FY2020 amounted to RM20,680, or equivalent to RM1,723 per month (page 31 of Annual Report 2020).**

Given the revenue size and net profit of Master-Pack in FY2020 (RM141.87 million and RM11.28 million respectively), the IA fee for FY2020 is rather low.

a) **How many reviews and reports were issued by JWC Consulting Sdn Bhd based on the internal audit activities carried out during the year?**

b) **Considering the low IA fee and limited scope of IA review, how does the Audit Committee assure itself that there would be sufficient resources to ensure adequate coverage and an effective internal audit function?**

c) **The Group did not carry out internal audits on other important operational areas such as plant production and manufacturing, inventory management & cycle, et cetera. When does the Company plan to include these areas in the IA plan?**

Answer 1 –

a) There are six reviews per year (three in each plant).

b) The group's operations are well documented and our administrative staff's job functions and responsibilities are structured in such that there is check and balance between departments. These complement the work of the outsourced internal audit function and therefore the fee can be maintained at a minimum.

c) The internal audit for conversion and production which were referred to by MSWG as production and manufacturing were audited in 2019 and inventory management a year earlier. Internal Audit is activity based and carried out on a rotational basis.

- 2) **As highlighted by MSWG repeatedly to Master-Pack since 2018, Main Market-listed companies are required to publish a summary of the key matters discussed (KMD) at the AGM onto the Company's website after the conclusion of the general meeting, as per the requirement under Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (MMLR).**

As at 24 August 2021, the KMD for Master-Pack's AGM, held in 2020 and the years before, were not available on the Company's website – <http://www.master.net.my>

As this is a requirement under the MMLR, why is Master-Pack repeatedly breaching the Listing Requirements?

Answer 2 - The replies to the MSWG questions were read out to shareholders attending the meeting prior to the commencement of the Annual General Meeting in the previous year. We will post the Q & A on the company's website for all questions received together with the AGM minutes after the AGM meeting.

- 3) **The total remuneration of Executive Chairman Dato' Syed Mohamed Syed Murtaza has increased 5.48% year-on-year (y-o-y) to RM3.27 million in FY2020 from RM3.1 million the year before (page 23 of CG Report 2020).**

For FY2019, total remuneration of Dato Syed Mohamed jumped 59% y-o-y to RM3.1 million from RM1.95 million in FY2018. The FY2019 was a year of bumper return with 40% jump in revenue and 173% increase in net profit.

SUMMARY OF KEY MATTERS DISCUSSED

a) Why was Dato' Syed Mohamed entitled for the substantial payout in FY2020, notwithstanding a challenging FY2020 for Master-Pack with a 30% and 28.16% decline in revenue and net profit during the year?

b) Why was Dato' Syed Mohamed's remuneration not adjusted downward to reflect the poorer financial performance in FY2020?

c) What are the performance targets that have been achieved by Dato' to receive the bonus and performance incentives?

d) Why was performance incentive given to Dato' Syed Mohamed since the bonus received should be sufficient to remunerate his performance?

Answer 3 –

a) The payout was a follow through from the year 2019. The decline was only from Quarter 2 of 2020 and picked up again in Q4 of 2020.

b) Remuneration of a director and or employee is not pegged against financial performance alone but also on their commitment and contribution in other ways such as expertise in their trade, knowledge as well as leadership.

c) As mentioned above, performance targets are not necessarily quantified. Other attributes such as the charisma, personality and influentially, ability to plan, navigate and implement action plans during the pandemic and the long-term growth of the Group are also considered.

d) Performance incentives are a common method to incentivise and retain executive directors commensurating with the level of responsibilities undertaken, complexity of the role and commitments enabling the Group to continue operating in a turbulent business environment.