MALAYSIAN PACIFIC INDUSTRIES BERHAD (4817-U)

Key Pertinent Questions and Answers at the 58th Annual General Meeting of MALAYSIAN PACIFIC INDUSTRIES BERHAD held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 6 November 2019 at 3:00 p.m.

1. **Note 17 – Profit Before Taxation (Page 120)**
   - Why did the allowance for slow moving inventories increase from RM3.1 million for the financial year ("FY") ended 30 June 2018 ("FY 2018") to RM8.4 million for the FY ended 30 June 2019 ("FY2019")?

   MPI has adopted a prudent slow moving inventories provisioning policy.

2. **Note 17 – Profit Before Taxation (Page 120)**
   - Why did the realised foreign exchange ("FX") loss increase from RM1.1 million in FY2018 to RM24.7 million in FY2019?

   The disclosure of the realised FX amount was according to the Malaysian Financial Reporting Standards ("MFRS"). The higher realised FX loss was due to US Dollar collections which had been converted into less Ringgit as a result of weaker USD against MYR in FY2019.

3. **Note 17 – Profit Before Taxation (Page 120)**
   - Why did the research and development expenditure increase from RM29.6 million in FY2018 to RM35.1 million in FY2019?

   Research and development is the key to the future success and sustainability of the business. MPI endeavours to continue investing in the development of packaging solutions for existing and new markets.

4. **Note 17 – Profit Before Taxation (Page 120)**
   - Why did the personnel expenses decrease from RM344 million in FY2018 to RM314 million in FY2019?

   The reduction was mainly due to higher productivity as a result of certain automation and Industry 4.0 initiatives.

5. **Note 25 – Financial Instruments (Page 137)**
   - The net exposure of assets and liabilities denominated in USD changed from net liabilities of RM82 million in FY2018 to net assets of RM67 million in FY2019 and the forward exchange contracts for receivables were lower. How did MPI manage its FX risk?

   The Group deploys available hedging instruments to manage FX risk. The Group's hedging approach is on net receivables basis.