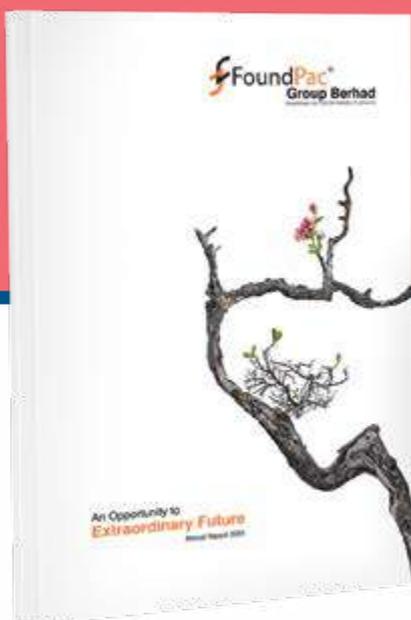




An Opportunity to  
**Extraordinary Future**

Annual Report 2020



## An Opportunity to Extraordinary Future

Growing in hardship and turning obstacles into opportunity, FoundPac aims to deliver the best even during difficult times. FoundPac strives to maintain meticulous attention to details that distinguish us from others while continuing to blossom in the manufacturing industry.



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**Enclosed**  
Proxy Form

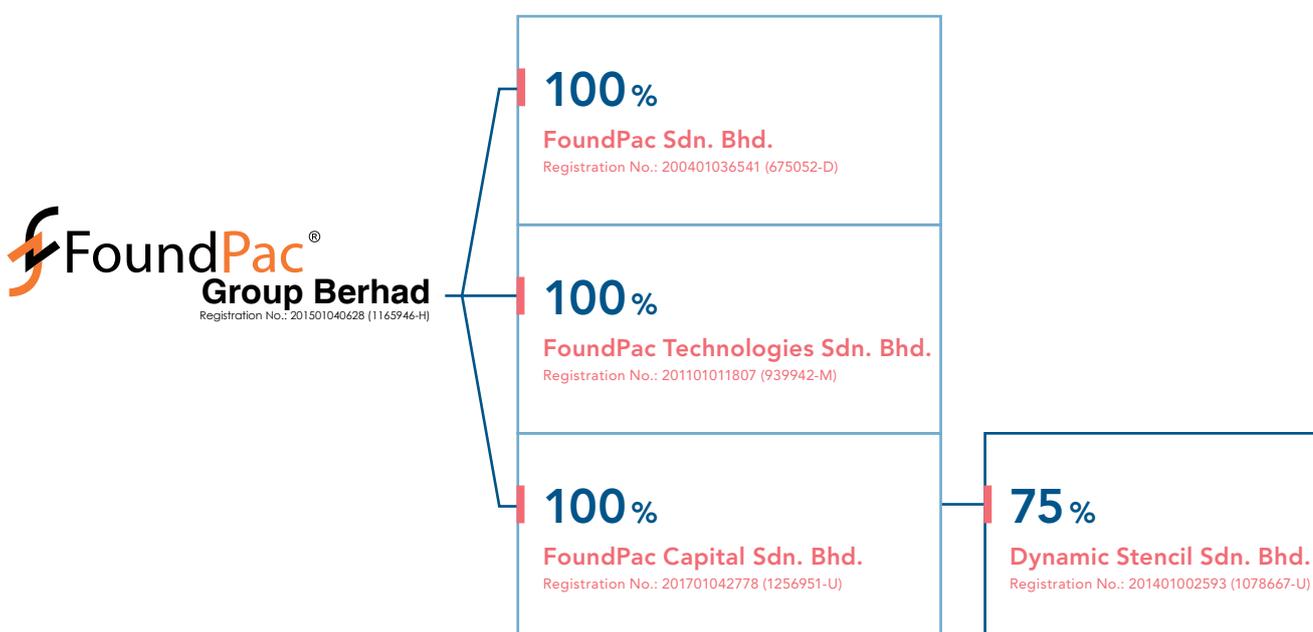
# CORPORATE STRUCTURE

FoundPac Group Berhad ("FoundPac") was incorporated in Malaysia under the Companies Act 1965 on 16 November 2015 as a private limited company under the name of FoundPac Group Sdn. Bhd. Subsequently, it was converted into a public limited company and assumed its present name on 11 March 2016.

The details of the FoundPac and its subsidiaries ("FoundPac Group" or "Group") as at 30 June 2020 are as follows:-

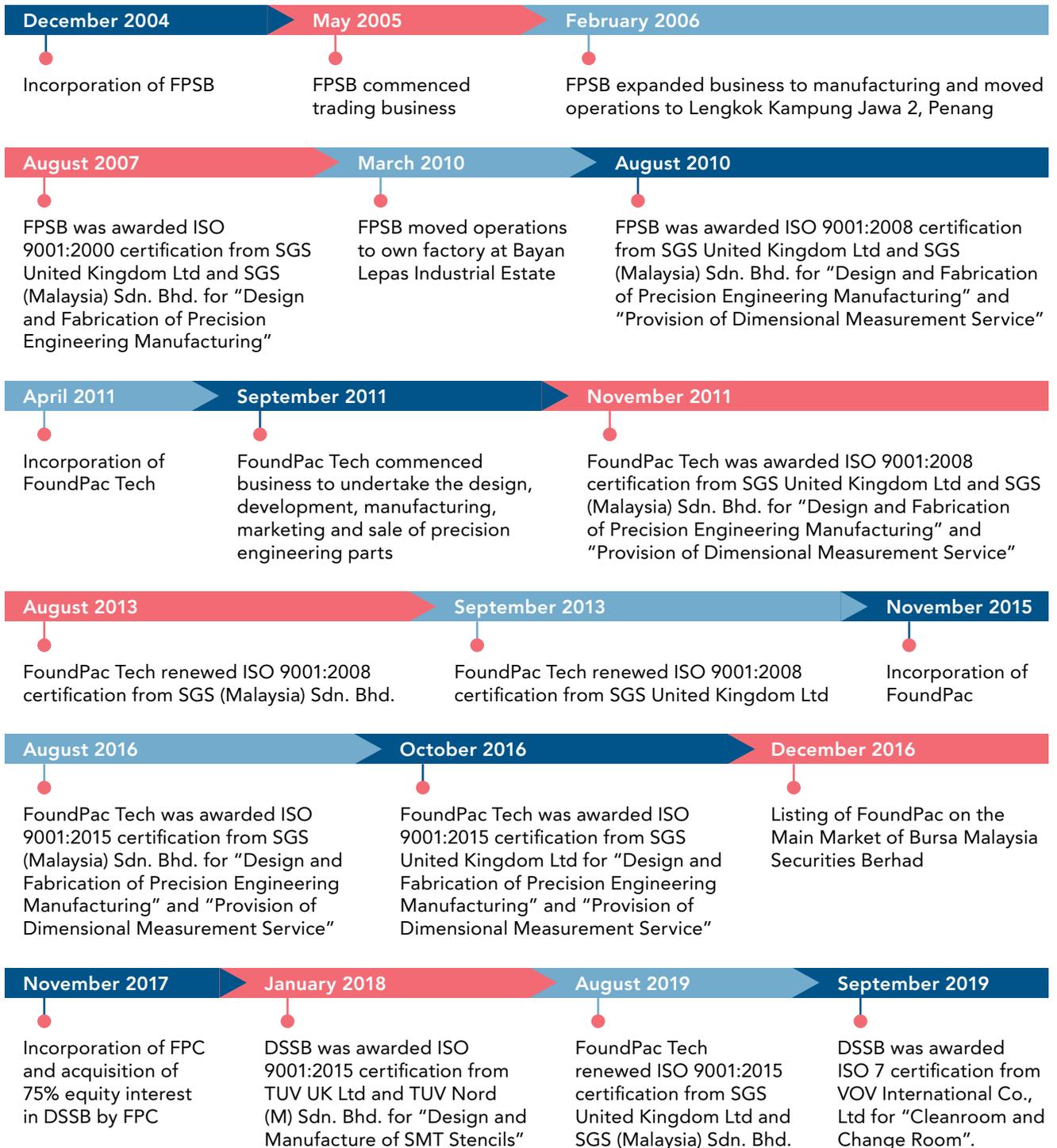
| Corporation                                       | Registration number      | Date/Country of incorporation | Effective ownership interest (%) | Principal activities  |
|---|--------------------------|-------------------------------|----------------------------------|---|
| FoundPac Group Berhad                             | 201501040628 (1165946-H) | 16 November 2015/ Malaysia    | -                                | Investment holding  |
| <b>Subsidiaries of FoundPac</b>                   |                          |                               |                                  |   |
| FoundPac Sdn. Bhd. ("FPSB")                       | 200401036541 (675052-D)  | 13 December 2004/ Malaysia    | 100                              | Investment holding  |
| FoundPac Technologies Sdn. Bhd. ("FoundPac Tech") | 201101011807 (939942-M)  | 11 April 2011/ Malaysia       | 100                              | Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories |
| FoundPac Capital Sdn. Bhd. ("FPC")                | 201701042778 (1256951-U) | 22 November 2017/ Malaysia    | 100                              | Investment holding  |
| <b>Subsidiary of FPC</b>                          |                          |                               |                                  |   |
| Dynamic Stencil Sdn. Bhd. ("DSSB")                | 201401002593 (1078667-U) | 23 January 2014/ Malaysia     | 75                               | Manufacture and sale of laser stencils  |

As at 30 June 2020, the structure of the Group is as follows:-



# GROUP PROFILE

## Our key milestones



FoundPac Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely stiffeners, test sockets, hand lids and related accessories, as well as the manufacturing and sale of laser stencils.

In FoundPac Group, we strongly believe that our competitive strengths are important in sustaining our business as well as providing us with future business growth. On account of the fact that our customers are primarily large multinational semiconductor manufacturers, outsourced semiconductor assembly and test companies and printed circuit board design houses, our Group's experienced management team with strong technical expertise is able to provide quality focus that can meet the international standards.

FoundPac Group continues to expand business through diversifying our customer base to include other end-user industries. In essence, our Group is endeavoured to provide value-added products and services to our customers in order to achieve profitability and sustainability to our shareholders and business partners.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Tan Cheik Eaik

Independent Non-Executive Chairman

### Lee Chun Wah

Non-Independent Non-Executive Director

### Chan Bee Cheng

Independent Non-Executive Director

### Ong Choon Heng

Executive Director/Chief Executive Officer

### Tan Sin Khoon

Non-Independent Non-Executive Director

### Teoh Lay Fung

Independent Non-Executive Director



## AUDIT COMMITTEE

### Chairman

Chan Bee Cheng

### Member

Tan Cheik Eaik  
Teoh Lay Fung

## REMUNERATION COMMITTEE

### Chairman

Teoh Lay Fung

### Member

Lee Chun Wah  
Chan Bee Cheng

## NOMINATING COMMITTEE

### Chairman

Tan Cheik Eaik

### Member

Chan Bee Cheng  
Teoh Lay Fung

## RISK MANAGEMENT COMMITTEE

### Chairman

Tan Sin Khoon

### Member

Ong Choon Heng  
Chan Bee Cheng  
Teoh Lay Fung

## ESOS COMMITTEE

### Chairman

Teoh Lay Fung

### Member

Ong Choon Heng  
Lee Chun Wah  
Tan Sin Khoon  
Chan Bee Cheng  
Tan Siew Wei

## COMPANY SECRETARIES

How Wee Ling  
MAICSA 7033850  
SSM PC No. 202008000849

Ooi Ean Hoon  
MAICSA 7057078  
SSM PC No. 202008000734

## SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.  
Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Tel No. : +603-2084 9000  
Fax No. : +603-2094 9940/2095 0292

## REGISTERED OFFICE

57-G Persiaran Bayan Indah  
Bayan Bay  
Sungai Nibong  
11900 Penang  
Tel No. : +604-640 8932/8933  
Fax No. : +604-643 8911

## HEAD OFFICE

Plot 35, Hilir Sungai Keluang 2  
Bayan Lepas Industrial Estate  
Non-Free Industrial Zone Phase IV  
11900 Bayan Lepas, Penang  
Tel No. : +604-630 9336  
Fax No. : +604-630 9333  
E-mail : corporate@foundpac.com  
Website : www.foundpac.com

## INDEPENDENT AUDITORS

Crowe Malaysia PLT  
Chartered Accountants  
Level 6, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel No. : +604-227 7061  
Fax No. : +604-227 8011

## PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad  
CIMB Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : FPGROUP  
Stock Code : 5277

# BOARD OF DIRECTORS

*From left to right*

- 1. Chan Bee Cheng**  
*Independent Non-Executive Director*
- 2. Teoh Lay Fung**  
*Independent Non-Executive Director*
- 3. Lee Chun Wah**  
*Non-Independent Non-Executive Director*
- 4. Ong Choon Heng**  
*Executive Director/Chief Executive Officer*
- 5. Tan Cheik Eaik**  
*Independent Non-Executive Chairman*
- 6. Tan Sin Khoon**  
*Non-Independent Non-Executive Director*



# PROFILE OF DIRECTORS



## TAN CHEIK EAIK

Independent Non-Executive Chairman

### Qualification

Bachelor (Hons) of Electrical Engineering, University of Malaya

### Date first appointed to the Board

22 November 2016

### Membership of Board Committees

Audit Committee: Member

Nominating Committee: Chairman

### Working experience

Hewlett Packard (M) Sdn. Bhd.

- Senior Design Engineer (1990 - 1992)

Siangtronics Technology Sdn. Bhd.

- Managing Director (1992 - 2003)

Elsoft Research Berhad

- Executive Director and Chief Executive Officer (2003 - present)

### Occupation

Director

### Any other directorship(s) in public companies and listed issuers

Executive Director and Chief Executive Officer of Elsoft Research Berhad

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

### Number of Board Meetings attended in the financial year

5/5

Age ..... 55

Nationality ..... Malaysian

Gender ..... Male



## ONG CHOON HENG

Executive Director/Chief Executive Officer

### Qualification

1. Bachelor of Accounting with First Class Honours, University of Malaya

2. Member of Malaysian Institute of Accountants

3. Member of Malaysian Institute of Certified Public Accountants

### Date first appointed to the Board

16 February 2016

### Membership of Board Committees

Risk Management Committee: Member

ESOS Committee: Member

### Working experience

Arthur Andersen & Co.

(now known as Ernst & Young)

- Senior Associate (2000 - 2004)

Plastic Recycling Company

- Financial Controller (2004 - 2006)

General Trading Company

- Director (2006 - 2008)

FoundPac Group of companies

- Chief Financial Officer (2015 - 2019)

- Executive Director/Chief Executive Officer (2019 - present)

### Occupation

Director

### Past appointment

Dufu Technology Corp Berhad

- Independent Non-Executive Director (2013 - 2016)

### Any other directorship(s) in public companies and listed issuers

Independent Non-Executive Director of RGT Berhad

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

### Number of Board Meetings attended in the financial year

5/5

Age ..... 44

Nationality ..... Malaysian

Gender ..... Male

## PROFILE OF DIRECTORS (cont'd)



**Age** ..... 50  
**Nationality** ..... Malaysian  
**Gender** ..... Male

### LEE CHUN WAH

Non-Independent Non-Executive Director

#### Qualification

1. Master of Science in Mechatronics from De Montfort University (UK)
2. Diploma in Technology (Electronic Engineering), Tunku Abdul Rahman College

#### Date first appointed to the Board

16 February 2016

#### Membership of Board Committees

Remuneration Committee: Member  
ESOS Committee: Member

#### Working experience

Ever Technologies Sdn. Bhd.  
(now known as AEM Microtronics (M) Sdn. Bhd.)  
- Business Manager (1995 - 2005)  
FoundPac Group of companies  
- General Manager (2006)  
- Chief Executive Officer (2006 - 2019)

#### Occupation

Director

#### Any other directorship(s) in public companies and listed issuers

None

#### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

#### Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

#### Number of Board Meetings attended in the financial year

5/5



**Age** ..... 53  
**Nationality** ..... Malaysian  
**Gender** ..... Male

### TAN SIN KHOON

Non-Independent Non-Executive Director

#### Qualification

Bachelor of Science in Electrical Engineering, The University of Southwestern Louisiana, US (currently known as University of Louisiana at Lafayette)

#### Date first appointed to the Board

16 February 2016

#### Membership of Board Committees

Risk Management Committee: Chairman  
ESOS Committee: Member

#### Working experience

Hitachi Semiconductor (M) Sdn. Bhd.  
- Production Engineer (1992 - 1994)  
Intel Technology Sdn. Bhd.  
- Senior Equipment and Process Engineer (1994 - 1995)  
Talam BSC Sdn. Bhd.  
- Project Manager (1995 - 1996)  
Dijaya Enterprise Sdn. Bhd.  
- Assistant General Manager (1996 - 1999)  
Ever Technologies Sdn. Bhd.  
(now known as AEM Microtronics (M) Sdn. Bhd.)  
- Business Manager (1999 - 2006)  
FoundPac Group of companies  
- Operation cum Business Director (2007 - 2009)  
- Chief Operating Officer (2009 - 2018)

#### Occupation

Director

#### Any other directorship(s) in public companies and listed issuers

None

#### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

#### Any conflict of interests that the person has with the listed issuer

None

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

#### Number of Board Meetings attended in the financial year

4/5



## CHAN BEE CHENG

Independent Non-Executive Director

### Qualification

1. Bachelor of Accounting with First Class Honours, University of Malaya
2. Member of Malaysian Institute of Accountants
3. Member of Malaysian Institute of Certified Public Accountants

### Date first appointed to the Board

15 March 2016

### Membership of Board Committees

Audit Committee: Chairman  
 Remuneration Committee: Member  
 Nominating Committee: Member  
 Risk Management Committee: Member  
 ESOS Committee: Member

### Working experience

KPMG  
 - Audit Supervisor (2000 - 2004)  
 Astro All Asia Networks Plc  
 - Senior Executive (2004 - 2005)  
 Ernst & Young  
 - Audit Manager (2005 - 2008)  
 Global Process Systems Sdn. Bhd.  
 - Finance Manager (2008 - 2013)  
 Foster Wheeler E&C (Malaysia) Sdn. Bhd.  
 - Finance Manager (2013 - 2015)

### Occupation

Chartered Accountant

### Any other directorship(s) in public companies and listed issuers

None

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

### Number of Board Meetings attended in the financial year

5/5

Age ..... 44  
 Nationality ..... Malaysian  
 Gender ..... Female



## TEOH LAY FUNG

Independent Non-Executive Director

### Qualification

1. Bachelor of Laws (Honours) from the University of Northumbria at Newcastle, United Kingdom
2. Certificate of Legal Practice (CLP) from Legal Profession Qualifying Board of Malaysia

### Date first appointed to the Board

15 March 2016

### Membership of Board Committees

Audit Committee: Member  
 Remuneration Committee: Chairman  
 Nominating Committee: Member  
 Risk Management Committee: Member  
 ESOS Committee: Chairman

### Working experience

Zawiyah & Yeoh  
 (now known as Zawiyah & Partners)  
 - Partner (2009 - present)

### Occupation

Advocate and Solicitor

### Any other directorship(s) in public companies and listed issuers

None

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

### Number of Board Meetings attended in the financial year

5/5

Age ..... 42  
 Nationality ..... Malaysian  
 Gender ..... Female

# PROFILE OF KEY SENIOR MANAGEMENT

## LOW CHER SHYONG

Chief Operation Officer, FoundPac Tech

### Qualification

Bachelor of Engineering with Honours (Electrical & Electronic Engineering), University Science Malaysia

### Date first appointed to the Key Senior Management

1 February 2018

### Working experience

Intel Technology Sdn. Bhd.  
- Senior Manager Hardware Engineer (1998 - 2007)  
Intel Products (M) Sdn. Bhd.  
- Strategic Sourcing Manager (2007 - 2012)  
FoundPac Tech  
- Business Development Director (2012 - 2013)  
- Sales and Marketing Director (2013 - 2016)  
- Vice President of Sales and Marketing (2016 - 2018)  
- Chief Operation Officer (2018 - present)

Age 47      Nationality Malaysian      Gender Male

### Occupation

Chief Operation Officer, FoundPac Tech

### Any other directorship(s) in public companies and listed issuers

None

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

## FATHIL BIN MOHAMED

Operations Manager, FoundPac Tech

### Qualification

1. Executive Master of Business Administration, Open University Malaysia
2. Executive Diploma in Human Resource Management, Open University Malaysia

### Date first appointed to the Key Senior Management

1 July 2014

### Working experience

Dynacraft Industries Sdn. Bhd.  
- Product Engineer (1982 - 2006)  
Anixter Malaysia Sdn. Bhd.  
- QA Manager (2006 - 2010)  
FoundPac Tech  
- QA Assistant Manager (2011 - 2014)  
- Operations Manager (2014 - present)

Age 57      Nationality Malaysian      Gender Male

### Occupation

Operations Manager, FoundPac Tech

### Any other directorship(s) in public companies and listed issuers

None

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

## LAM YOONG LENG

Engineering Manager, FoundPac Tech

### Qualification

Bachelor's Degree in Mechanical Engineering, the Institution of Engineers, Malaysia

### Date first appointed to the Key Senior Management

1 July 2014

### Working experience

Penang Seagate Industries (M) Sdn. Bhd.  
- Line Supervisor (1996 - 1998)  
Hitachi Nippon Steel Semiconductor Singapore Pte Ltd  
- Wafer Testing Technician (1998 - 2000)  
Ever Technologies Sdn. Bhd.  
- Mechanical Engineer (2000 - 2003)  
Kenstronic Sdn. Bhd.  
- Mechanical Engineer (2004 - 2006)  
FoundPac Tech  
- Engineering Manager (2006 - present)

Age 45      Nationality Malaysian      Gender Male

### Occupation

Engineering Manager, FoundPac Tech

### Any other directorship(s) in public companies and listed issuers

None

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

# PROFILE OF KEY SENIOR MANAGEMENT *(cont'd)*

## TAN SIEW WEI

Senior Finance & Admin Manager

### Qualification

1. Bachelor of Accounting, University of Malaya
2. Member of Malaysian Institute of Accountants
3. Member of Malaysian Institute of Certified Public Accountants

### Date first appointed to the Key Senior Management

23 May 2019

### Working experience

KPMG

- Assistant Audit Manager (2005 - 2009)

McMillan Woods Mathew & Partners

- Audit Manager (2010 - 2011)

Crowe Malaysia PLT

- Senior Audit Manager (2012 - 2019)

FoundPac Tech

- Senior Finance & Admin Manager (2019 - present)

Age 40    Nationality Malaysian    Gender Female

### Occupation

Senior Finance & Admin Manager, FoundPac Tech

### Any other directorship(s) in public companies and listed issuers

None

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None

## LIM SENG CHIEW

Chief Executive Officer, DSSB

### Qualification

Secondary education at

Chung Hwa Confucian High School, Penang

### Date first appointed to the Key Senior Management

1 June 2016

### Working experience

DSOP Office System & Supplies Sdn. Bhd.

- Sales Representative (1993)

Acumtech Sdn. Bhd.

- Sales Representative (1994 - 1997)

Acumen Technology (M) Sdn. Bhd.

- Marketing Manager (1997 - 2000)

Photo Stencil (M) Sdn. Bhd.

- Operation Manager (2011 - 2014)

DSSB

- Chief Executive Officer (2016 - present)

Age 47    Nationality Malaysian    Gender Male

### Occupation

Chief Executive Officer, DSSB

### Any other directorship(s) in public companies and listed issuers

None

### Any family relationship with any Director and/or Major Shareholder of the listed issuer

No

### Any conflict of interests that the person has with the listed issuer

None

### Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None



# EVENTS HIGHLIGHTS



**AUGUST 2019**

Durian feast



**MARCH 2020**

Company trip to Dubai



**EVENTS HIGHLIGHTS** (cont'd)

**MARCH - JUNE 2020**  
Donation of masks and other necessities to frontliners



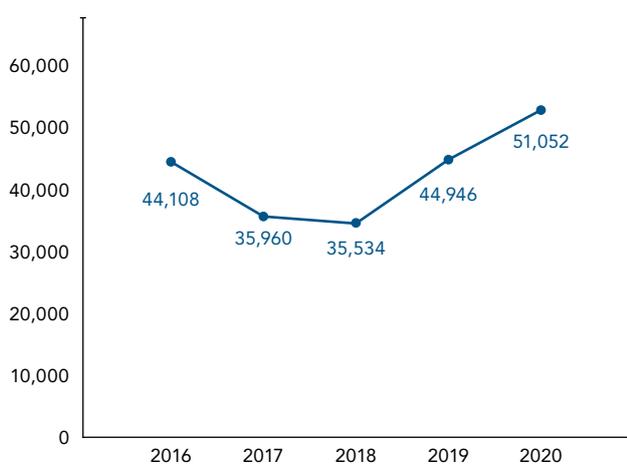
**11 JUNE 2020**  
Blood donation



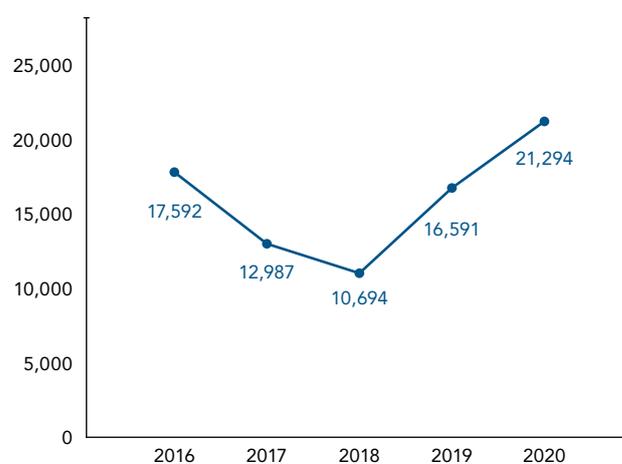
# FINANCIAL HIGHLIGHTS

|   | FYE 2016 | FYE 2017 | FYE 2018 | FYE 2019 | FYE 2020 |
|---|----------|----------|----------|----------|----------|
| Revenue (RM'000)  | 44,108   | 35,960   | 35,534   | 44,946   | 51,052   |
| Earnings before interests, taxation, depreciation and amortisation (RM'000) | 18,862   | 13,290   | 10,948   | 18,371   | 24,020   |
| Profit before tax (RM'000)  | 17,592   | 12,987   | 10,694   | 16,591   | 21,294   |
| PBT margin (%)  | 39.88    | 36.12    | 30.10    | 36.91    | 41.71    |
| Profit for the financial year (RM'000)                                      | 16,432   | 10,220   | 8,011    | 12,664   | 17,065   |
| PAT margin (%)  | 37.25    | 28.42    | 22.54    | 28.18    | 33.43    |
| PAT attributable to owners of the Company (RM'000)                          | 16,432   | 10,220   | 7,527    | 11,807   | 16,062   |
| Net assets attributable to owners of the Company (RM'000)                   | 42,289   | 67,519   | 70,779   | 80,172   | 96,014   |
| Basic earnings per share (sen)  | 3.59     | 2.08     | 1.45     | 2.28     | 3.01     |
| Diluted earnings per share (sen)  | 3.59     | 2.08     | 1.45     | 2.26     | 2.98     |
| Net assets per share attributable to owners of the Company (sen)            | 9.15     | 13.03    | 13.66    | 15.45    | 17.70    |

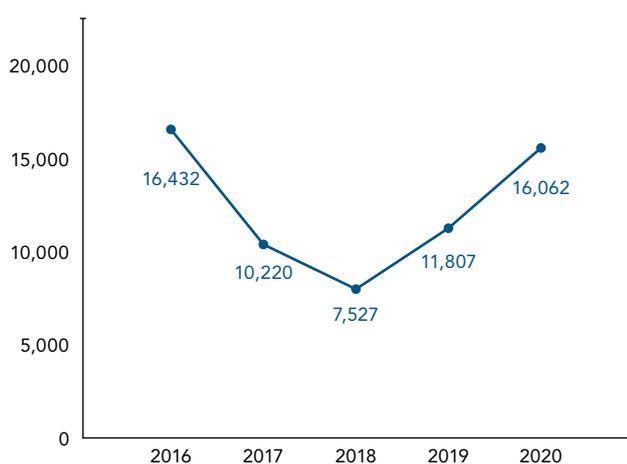
Revenue (RM'000)



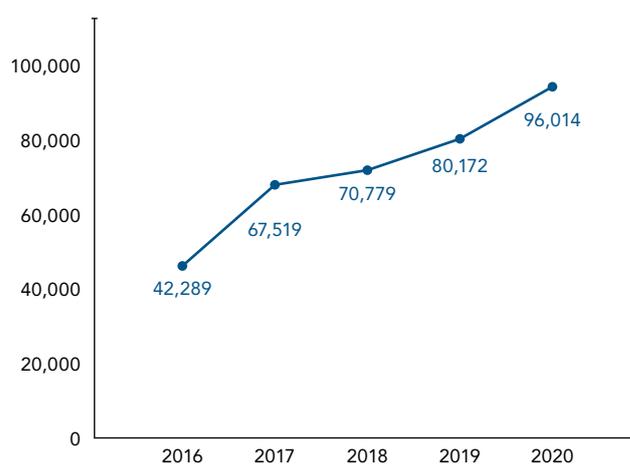
Profit before tax (RM'000)



PAT attributable to owners of the Company (RM'000)



Net assets attributable to owners of the Company (RM'000)



# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview of the Group's business and operations

FoundPac Group Berhad ("FoundPac" or "Company") is organised into business units based on products and services and has the following reportable operating segments:-

(i) Precision engineering - Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories

(ii) Laser stencils - Manufacture and sale of laser stencils

FoundPac and its subsidiaries ("FoundPac Group" or "Group") operate in Malaysia and generate revenue mainly from the following geographical locations:-

1. North America;
2. Asia; and
3. Europe.

## Review of financial performance

|  | Financial Year Ended ("FYE") |                | Variance |        |
|--|------------------------------|----------------|----------|--------|
|  | 2020<br>RM'000               | 2019<br>RM'000 | RM'000   | %      |
| Revenue  | <b>51,052</b>                | 44,946         | 6,106    | 13.59  |
| Cost of goods sold   | <b>(23,692)</b>              | (21,890)       | 1,802    | 8.23   |
| Gross profit ("GP")  | <b>27,360</b>                | 23,056         | 4,304    | 18.67  |
| Interest income  | <b>1,222</b>                 | 1,132          | 90       | 7.95   |
| Other income   | <b>876</b>                   | 242            | 634      | 261.98 |
| Administrative and general expenses                            | <b>(5,086)</b>               | (5,116)        | (30)     | (0.59) |
| Selling and distribution expenses                              | <b>(2,863)</b>               | (2,723)        | 140      | 5.14   |
| Finance costs  | <b>(18)</b>                  | -              | 18       | 100.00 |
| Impairment losses on financial assets                          | <b>(197)</b>                 | -              | 197      | 100.00 |
| Profit before tax ("PBT")                                      | <b>21,294</b>                | 16,591         | 4,703    | 28.35  |
| Tax expense  | <b>(4,229)</b>               | (3,927)        | 302      | 7.69   |
| Profit for the financial year ("PAT")                          | <b>17,065</b>                | 12,664         | 4,401    | 34.75  |
| Other comprehensive income:-                                   |                              |                |          |        |
| <i>Items that will not be reclassified to profit or loss:-</i> |                              |                |          |        |
| - Gross revaluation increase of properties                     | -                            | 2,437          |          |        |
| - Deferred tax effect thereof                                  | -                            | (585)          |          |        |
| Total other comprehensive income for the financial year        | -                            | 1,852          |          |        |
| Comprehensive income for the financial year                    | <b>17,065</b>                | 14,516         |          |        |
| PAT attributable to:-  |                              |                |          |        |
| - Owners of the Company  | <b>16,062</b>                | 11,807         |          |        |
| - Non-controlling interests                                    | <b>1,003</b>                 | 857            |          |        |
|  | <b>17,065</b>                | 12,664         |          |        |

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Review of financial performance (cont'd)

|   | FYE            |                | Variance |   |
|---|----------------|----------------|----------|---|
|   | 2020<br>RM'000 | 2019<br>RM'000 | RM'000   | % |
| Comprehensive income for the financial year attributable to:- |                |                |          |   |
| - Owners of the Company                                       | <b>16,062</b>  | 13,659         |          |   |
| - Non-controlling interests                                   | <b>1,003</b>   | 857            |          |   |
|   | <b>17,065</b>  | 14,516         |          |   |
| Basic earnings per share (sen)                                | <b>3.01</b>    | 2.28           |          |   |
| Diluted earnings per share (sen)                              | <b>2.98</b>    | 2.26           |          |   |
| Dividend per share (sen)                                      | <b>1.20</b>    | 1.00           |          |   |

### 1. Revenue

For financial years under review, more than 75% of our Group's revenue were export sales. Detailed breakdown of our Group's revenue categorised by principal markets for the following financial years are set out below:-

|                              | FYE 2020      |               | FYE 2019 |        | Variance |         |
|------------------------------|---------------|---------------|----------|--------|----------|---------|
|                              | RM'000        | %             | RM'000   | %      | RM'000   | %       |
| <b>North America</b>         | <b>18,575</b> | <b>36.38</b>  | 13,735   | 30.56  | 4,840    | 35.24   |
| <b>Other Asian countries</b> |               |               |          |        |          |         |
| - Hong Kong                  | <b>4,088</b>  | <b>8.01</b>   | 3,131    | 6.97   | 957      | 30.57   |
| - China                      | <b>2,977</b>  | <b>5.83</b>   | 1,557    | 3.46   | 1,420    | 91.20   |
| - Taiwan                     | <b>4,192</b>  | <b>8.21</b>   | 1,493    | 3.32   | 2,699    | 180.78  |
| - Singapore                  | <b>1,126</b>  | <b>2.21</b>   | 1,637    | 3.64   | (511)    | (31.22) |
| - Vietnam                    | <b>780</b>    | <b>1.53</b>   | 1,416    | 3.15   | (636)    | (44.92) |
| - Others <sup>(1)</sup>      | <b>1,514</b>  | <b>2.97</b>   | 1,463    | 3.26   | 51       | 3.49    |
|                              | <b>14,677</b> | <b>28.76</b>  | 10,697   | 23.80  | 3,980    | 37.21   |
| <b>Europe</b>                |               |               |          |        |          |         |
| - United Kingdom             | <b>5,330</b>  | <b>10.44</b>  | 4,446    | 9.89   | 884      | 19.88   |
| - France                     | <b>2,965</b>  | <b>5.81</b>   | 2,883    | 6.41   | 82       | 2.84    |
| - Germany                    | <b>750</b>    | <b>1.47</b>   | 2,423    | 5.39   | (1,673)  | (69.05) |
| - Others <sup>(2)</sup>      | <b>361</b>    | <b>0.70</b>   | 953      | 2.13   | (592)    | (62.12) |
|                              | <b>9,406</b>  | <b>18.42</b>  | 10,705   | 23.82  | (1,299)  | (12.13) |
| <b>Malaysia</b>              | <b>8,349</b>  | <b>16.35</b>  | 9,778    | 21.75  | (1,429)  | (14.61) |
| <b>Others</b>                | <b>45</b>     | <b>0.09</b>   | 31       | 0.07   | 14       | 45.16   |
|                              | <b>51,052</b> | <b>100.00</b> | 44,946   | 100.00 | 6,106    | 13.59   |

Notes:-

<sup>(1)</sup> Others include India, Indonesia, Republic of Korea, Philippines and Thailand

<sup>(2)</sup> Others include Belgium and Italy

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Review of financial performance (cont'd)

### 1. Revenue (cont'd)

For the FYE 2020, our Group recorded revenue of RM51.052 million, representing an increase of RM6.106 million or 13.59% as compared to revenue of RM44.946 million recorded in the FYE 2019. The increase in revenue was mainly attributable to the higher revenue generated by both precision engineering and laser stencils segments. Precision engineering segment recorded surge in revenue from other Asian countries and North America by RM2.418 million and RM4.813 million respectively as compared to the FYE 2019; whilst laser stencils segment recorded spike in revenue from other Asian market by RM1.562 million.

The export revenue remained the main contributor to our Group's total revenue for the FYE 2020. Export revenue for the FYE 2020 accounted for RM42.703 million or 83.65% of our Group's total revenue, marking an increase in export revenue by RM7.535 million or 21.43% as compared to the FYE 2019 in which export revenue was recorded at RM35.168 million or 78.25% of our Group's total revenue.

The increase in export revenue was mainly attributable to the increase in revenue in North America and other Asian countries by RM4.840 million or 35.24% and RM3.980 million or 37.21% respectively. Revenue generated from North America increased from RM13.735 million in the FYE 2019 to RM18.575 million whilst other Asian countries spike from RM10.697 million in the FYE 2019 to RM14.677 million in the FYE 2020. The increase in revenue in other Asian countries was mainly contributed by existing customers in Taiwan, China and Hong Kong.

The increase in revenue was however set off against decrease in revenue from Europe market by RM1.299 million from RM10.705 million in the FYE 2019 to RM9.406 million in the FYE 2020. The decrease in revenue in Europe market was less orders from existing customers in Germany in the FYE 2020.

As compared to the FYE 2019, revenue generated from Malaysia market decreased by RM1.429 million or 14.61%, from RM9.778 million in the FYE 2019 to RM8.349 million in the FYE 2020. The decrease was due to less orders received from existing customers.

### 2. Cost of sales, GP and GP margin

Our Group's cost of sales consists of material and fabrication costs, direct labour costs and production overhead costs. Our material and fabrication costs are the main components of cost of sales which include the purchase of aluminium, engineering plastic, stainless steel and other fabricated parts.

The table below sets out the breakdown of the cost of sales, GP and GP margin for the financial years under review:-

|                                | FYE 2020      |               | FYE 2019 |        | Variance |        |
|--------------------------------|---------------|---------------|----------|--------|----------|--------|
|                                | RM'000        | %             | RM'000   | %      | RM'000   | %      |
| <b>Cost of sales</b>           |               |               |          |        |          |        |
| Material and fabrication costs | <b>12,352</b> | <b>52.14</b>  | 12,819   | 58.56  | (467)    | (3.64) |
| Direct labour costs            | <b>3,800</b>  | <b>16.04</b>  | 3,311    | 15.13  | 489      | 14.77  |
| Production overhead costs      | <b>7,540</b>  | <b>31.83</b>  | 5,760    | 26.31  | 1,780    | 30.90  |
|                                | <b>23,692</b> | <b>100.00</b> | 21,890   | 100.00 | 1,802    | 8.23   |
| <b>GP and GP margin</b>        | <b>27,360</b> | <b>53.59</b>  | 23,056   | 51.30  | 4,304    | 18.67  |

Our Group's cost of sales increased by RM1.802 million or 8.23% from RM21.890 million in the FYE 2019 to RM23.692 million in the FYE 2020. This was mainly due to increase in direct labour costs and production overhead costs by RM0.489 million or 14.77% and RM1.780 million or 30.90% respectively as compared to the FYE 2019. However, the increase in direct labour costs and production overhead costs was partially offset against marginal decrease in material and fabrication costs by RM0.467 million or 3.64%.

The increase in direct labour costs was in line with increase in revenue and higher staff costs incurred to cope with the production level whilst increase in production overhead costs was due to mainly increase in depreciation of property, plant and equipment for new machineries acquired in both precision engineering segment and laser stencils segments to support business growth. However, material and fabrication costs decreased marginally despite increase in revenue was mainly due to cost saving derived from in-house manufacturing process by new machineries acquired in the FYE 2020 as compared to subcontracting the process previously.

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Review of financial performance (cont'd)

### 2. Cost of sales, GP and GP margin (cont'd)

Our Group's GP increased by RM4.304 million or 18.67% from RM23.056 million in the FYE 2019 to RM27.360 million in the FYE 2020. GP margin has also improved by 2.29% from 51.30% in the FYE 2019 to 53.59% in the FYE 2020, which was attributable to hike in revenue in both segments, namely precision engineering and laser stencils segments.

### 3. Other income

The table below sets out the breakdown of other income for the financial years under review:-

|   | FYE 2020   |               | FYE 2019   |               | Variance   |               |
|---|------------|---------------|------------|---------------|------------|---------------|
|   | RM'000     | %             | RM'000     | %             | RM'000     | %             |
| Amortisation of deferred income                   | 388        | 44.29         | 79         | 32.64         | 309        |               |
| Gain on disposal of property, plant and equipment | 126        | 14.38         | 3          | 1.24          | 123        |               |
| Gain on foreign exchange:-                        |            |               |            |               |            |               |
| - Realised  | 362        | 41.33         | 120        | 49.59         | 242        |               |
| - Unrealised                                      | -          | -             | 8          | 3.31          | (8)        |               |
| Others  | -          | -             | 32         | 13.22         | (32)       |               |
|   | <b>876</b> | <b>100.00</b> | <b>242</b> | <b>100.00</b> | <b>634</b> | <b>261.98</b> |

Our Group's other income increased by RM0.634 million or 261.98% from RM0.242 million in the FYE 2019 to RM0.876 million in the FYE 2020. The increase was mainly attributed to increase in amortisation of deferred income and realised gain on foreign exchange by RM0.309 million and RM0.242 million respectively.

There was no other unusual or material one-off gain/loss affecting the revenue or profit for the FYE 2020 and FYE 2019.

### 4. Operating expenses

|                                       | FYE 2020     |               | FYE 2019     |               | Variance   |             |
|---------------------------------------|--------------|---------------|--------------|---------------|------------|-------------|
|                                       | RM'000       | %             | RM'000       | %             | RM'000     | %           |
| Administrative and general expenses   | 5,086        | 62.30         | 5,116        | 65.26         | (30)       |             |
| Selling and distribution expenses     | 2,863        | 35.07         | 2,723        | 34.74         | 140        |             |
| Finance costs                         | 18           | 0.22          | -            | -             | 18         |             |
| Impairment losses on financial assets | 197          | 2.41          | -            | -             | 197        |             |
|                                       | <b>8,164</b> | <b>100.00</b> | <b>7,839</b> | <b>100.00</b> | <b>325</b> | <b>4.15</b> |

Our Group's operating expenses increased marginally by RM0.325 million or 4.15% from RM7.839 million in the FYE 2019 to RM8.164 million in the FYE 2020. The increase in operating expenses was mainly attributed by the following factors:-

- (i) Increase in selling and distribution expenses by RM0.140 million from RM2.723 million in the FYE 2019 to RM2.863 million in the FYE 2020 which was in line with increase in revenue; and
- (ii) Impairment losses on financial assets of RM0.197 million in the FYE 2020 due to loss allowance for trade receivables recorded by laser stencils segment in accordance with MFRS 9, *Financial instruments*.

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Review of financial performance (cont'd)

### 5. PBT and PBT margin

|                    | FYE 2020      |              | FYE 2019      |              | Variance     |              |
|--------------------|---------------|--------------|---------------|--------------|--------------|--------------|
|                    | RM'000        | %            | RM'000        | %            | RM'000       | %            |
| PBT and PBT margin | <u>21,294</u> | <u>41.71</u> | <u>16,591</u> | <u>36.91</u> | <u>4,703</u> | <u>28.35</u> |

Our Group's PBT increased by RM4.703 million or 28.35% from RM16.591 million in the FYE 2019 to RM21.294 million in the FYE 2020. The increase in PBT was mainly due to the increase in GP by RM4.304 million. Consequently, PBT margin also increased by 4.80% from 36.91% in the FYE 2019 to 41.71% in the FYE 2020 in light of hike in GP margin which showed improvement by 2.29% from 51.30% in the FYE 2019 to 53.59% in the FYE 2020.

### 6. Tax expense

|                                    | FYE 2020     |              | FYE 2019     |              | Variance   |             |
|------------------------------------|--------------|--------------|--------------|--------------|------------|-------------|
|                                    | RM'000       | %            | RM'000       | %            | RM'000     | %           |
| Tax expense and effective tax rate | <u>4,229</u> | <u>20.79</u> | <u>3,927</u> | <u>22.74</u> | <u>302</u> | <u>7.69</u> |

Our Group's tax expense increased by RM0.302 million or 7.69% from RM3.927 million in the FYE 2019 to RM4.229 million in the FYE 2020. The increase was in line with increase in PBT.

Our Group's effective tax rate is marginally lower than the statutory tax rate of 24.00% for both FYE 2020 and FYE 2019. This was mainly due to tax incentives enjoyed by certain subsidiaries.

### 7. PAT and PAT margin

|                    | FYE 2020      |              | FYE 2019      |              | Variance     |              |
|--------------------|---------------|--------------|---------------|--------------|--------------|--------------|
|                    | RM'000        | %            | RM'000        | %            | RM'000       | %            |
| PAT and PAT margin | <u>17,065</u> | <u>33.43</u> | <u>12,664</u> | <u>28.18</u> | <u>4,401</u> | <u>34.75</u> |

Our Group's PAT and PAT margin increased by RM4.401 million or 34.75% were mainly attributed to the increase in PBT.

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Review of financial position and liquidity

### 1. Statement of financial position

|  | 30 June 2020  | 30 June 2019  | Variance      |              |
|--|---------------|---------------|---------------|--------------|
|  | RM'000        | RM'000        | RM'000        | %            |
| <b>Non-current assets</b>                    |               |               |               |              |
| Property, plant and equipment                | 15,934        | 23,207        | (7,273)       | (31.34)      |
| Right-of-use assets                          | 9,533         | -             | 9,533         | 100.00       |
| Goodwill                                     | 12,647        | 12,647        | -             | -            |
| Deferred tax assets                          | 15            | -             | 15            | 100.00       |
|  | <b>38,129</b> | <b>35,854</b> | <b>2,275</b>  | <b>6.35</b>  |
| <b>Current assets</b>                        |               |               |               |              |
| Inventories                                  | 3,902         | 3,472         | 430           | 12.38        |
| Receivables                                  | 14,468        | 11,568        | 2,900         | 25.07        |
| Prepayments                                  | 310           | 6,001         | (5,691)       | (94.83)      |
| Current tax assets                           | 33            | 22            | 11            | 50.00        |
| Cash and cash equivalents                    | 51,136        | 32,428        | 18,708        | 57.69        |
|  | <b>69,849</b> | <b>53,491</b> | <b>16,358</b> | <b>30.58</b> |
| <b>Current liabilities</b>                   |               |               |               |              |
| Payables                                     | 4,490         | 3,242         | 1,248         | 38.49        |
| Lease liabilities                            | 218           | -             | 218           | 100.00       |
| Contract liabilities                         | 90            | -             | 90            | 100.00       |
| Current tax liabilities                      | 715           | 918           | (203)         | (22.11)      |
|  | <b>5,513</b>  | <b>4,160</b>  | <b>1,353</b>  | <b>32.52</b> |
| <b>Net current assets</b>                    | <b>64,336</b> | <b>49,331</b> | <b>15,005</b> | <b>30.42</b> |
| <b>Non-current liabilities</b>               |               |               |               |              |
| Deferred tax liabilities                     | 2,435         | 2,398         | 37            | 1.54         |
| Deferred income on government grants         | 729           | 334           | 395           | 118.26       |
|  | <b>3,164</b>  | <b>2,732</b>  | <b>432</b>    | <b>15.81</b> |
| <b>Net assets</b>                            | <b>99,301</b> | <b>82,453</b> | <b>16,848</b> | <b>20.43</b> |
| <b>Equity</b>                                |               |               |               |              |
| Share capital                                | 59,996        | 51,960        | 8,036         | 15.47        |
| Share option reserve                         | -             | 1,747         | (1,747)       | (100.00)     |
| Revaluation surplus                          | 1,852         | 1,852         | -             | -            |
| Retained profits                             | 34,166        | 24,613        | 9,553         | 38.81        |
| Equity attributable to owners of the Company | <b>96,014</b> | <b>80,172</b> | <b>15,842</b> | <b>19.76</b> |
| Non-controlling interests                    | 3,287         | 2,281         | 1,006         | 44.10        |
| <b>Total equity</b>                          | <b>99,301</b> | <b>82,453</b> | <b>16,848</b> | <b>20.43</b> |

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Review of financial position and liquidity (cont'd)

### 1. Statement of financial position (cont'd)

Non-current assets of our Group mainly consisted of property, plant and equipment ("PPE"), right-of-use assets ("ROA") and goodwill. Increase in non-current assets by RM2.275 million from RM35.854 million as at 30 June 2019 to RM38.129 million as at 30 June 2020 was mainly due to acquisition of PPE by RM6.191 million and partially offset against depreciation totalling RM4.318 million.

The Group applied MFRS 16, *Leases* with effective from 1 July 2019 and as such, reclassified leasehold land with carrying amount of RM9.600 million from PPE to ROA on the date of initial application.

The current assets of our Group mainly consisted of receivables and cash and cash equivalents. Increase in current assets by RM16.358 million from RM53.491 million as at 30 June 2019 to RM69.849 million as at 30 June 2020 was mainly due to increase in receivables and cash and cash equivalents by RM2.900 million and RM18.708 million respectively and partially offset against decrease in prepayments by RM5.691 million. Increase in receivables was in line with increase in revenue whilst cash and cash equivalents was mainly due to net cash from operating activities. Decrease in prepayments due to advance payments made for purchase of machineries in the FYE 2019 and subsequently capitalised as PPE in the FYE 2020.

### 2. Statement of cash flows

The following table sets out a summary of our statements of cash flows for the FYE 2020 and the FYE 2019:-

|  | FYE            |                |
|--|----------------|----------------|
|  | 2020<br>RM'000 | 2019<br>RM'000 |
| Net cash from operating activities                               | 23,322         | 9,650          |
| Net cash used in investing activities                            | (4,041)        | (5,208)        |
| Net cash used in financing activities                            | (539)          | (5,176)        |
|  | <b>18,742</b>  | (734)          |
| Effect of exchange rate changes on cash and cash equivalents     | (34)           | 18             |
| Net increase/(decrease) in cash and cash equivalents             | <b>18,708</b>  | (716)          |
| Cash and cash equivalents at the beginning of the financial year | <b>32,428</b>  | 33,144         |
| Cash and cash equivalents at the end of the financial year       | <b>51,136</b>  | 32,428         |
| Cash and cash equivalents comprise the followings:-              |                |                |
| - Highly liquid investments                                      | 21,200         | 15,934         |
| - Cash and bank balances   | 29,936         | 16,494         |
|  | <b>51,136</b>  | 32,428         |

Our Group's cash and cash equivalents increased by RM18.708 million or 57.69% from RM32.428 million as at 30 June 2019 to RM51.136 million as at 30 June 2020. The increase in cash and cash equivalents was mainly due to net cash from operating activities of RM23.322 million and offset against net cash used in investing activities and financing activities of RM4.041 million and RM0.539 million respectively.

Our Group's net cash used in investing activities was mainly due to purchase of property, plant and equipment of RM6.191 million and netted off against interest received of RM1.222 million in the FYE 2020.

Our Group's net cash used in financing activities was mainly due to dividend paid to owners of the Company totalling RM6.506 million and netted off against proceeds from issuance of shares of RM6.172 million.

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Review of financial position and liquidity (cont'd)

### 2. Statement of cash flows (cont'd)

Our Group generated operating profit before working capital changes of RM24.306 million in the FYE 2020. After adjusting for net inflow of RM3.437 million from working capital changes and net income tax paid of RM4.421 million, our net cash from operating activities was RM23.322 million.

Giving our strong financial position, our Group will continue to explore good investment opportunities to strengthen and enhance the position of our Group.

## Capital structure, resources and expenditure

The overall capital management objective of our Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders of the Company. In order to meet this objective, our Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

Our Group considers total equity and total interest-bearing debts to be the key components of capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. Our Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity.

Our primary sources of funds are mainly derived from the net cash generated internally from our business operations and to a certain extent, external source of funds which comprises credit terms granted by our suppliers. The average credit terms granted to us ranges between 30 to 90 days. We may raise additional capital or funds through debt or equity offerings in the future to part finance our expansion plans or to meet our financing requirements should the need arise.

Our Board of Directors ("Board") is of the opinion that, after taking into consideration the funds to be generated from our business operations, our Group will have sufficient working capital for a period of 12 months from the date of this Annual Report.

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from the Company in the form of cash dividends, loan or advances. In addition, as stated in our financial statements, our Group did not have bank borrowings during the FYE 2020. Therefore, we are confident that we can meet our cash obligations.

Our Group manages capital spending in upgrading our existing machines to support our business growth cautiously. In the FYE 2020, we incurred capital expenditures of RM6.191 million to support our capacity expansion, innovation and cost efficiencies.

## Risk exposures

Our Group's financial position and results of operations have been and will continue to be affected by, amongst others, the following factors which may not be within our control:-

### 1. Impact of foreign currency exchange rates

Our Group is exposed to currency risk from the dealings with customers and suppliers as majority of our customers are primarily located in overseas. Any significant change in foreign exchange rates may affect our Group's financial results.

To minimise exposure to currency risk, our Group observes the movements in exchange rates and acts accordingly. Where necessary, our Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) Our Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) Our Group maintains part of our cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

# MANAGEMENT DISCUSSION AND ANALYSIS *(cont'd)*

## Risk exposures (cont'd)

Our Group's financial position and results of operations have been and will continue to be affected by, amongst others, the following factors which may not be within our control:- (cont'd)

### 2. Competition risk

Notwithstanding our competitive strengths, we continue to face competition from existing and prospective competitors which may be capable of offering similar products. Additionally, consolidation of market players within the industry may heighten the competition.

Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance.

## Forward-looking statements

At this juncture, there are still many uncertainties looming on the impact of the Covid-19 on the world economies. Taking the current world economies coupled with nationwide Movement Control Order, the Board views that market outlook become more challenging but the Board remained cautiously optimistic about our prospect in the coming year. Our Group will continue to uphold its core and long-term strategy to focus on business expansion and diversification, product development, as well as business process optimisation through lean implementation across all operations in the organisation.

## Dividend policy

The Board adopted a dividend policy to recommend and distribute dividend of at least 30.00% of our annual audited profit after tax attributable to owners of the Company, depending on our financial performance, the availability of adequate distributable reserves and on condition that such distribution will not be detrimental to our Group's cash flows requirements.

In February 2020, the Board paid an interim single tier dividend of RM0.012 per share amounting to RM6.506 million in respect of the FYE 2020. The total dividend payment is 40.51% of our Group's audited profit after tax attributable to owners of the Company and it is above our 30.00% dividend policy.

This report is made in accordance with a Board resolution dated 15 September 2020.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of FoundPac Group Berhad ("FoundPac" or "Company") is pleased to provide an overview of the corporate governance practice throughout FoundPac and its subsidiaries ("FoundPac Group" or "Group") during the financial year ended 30 June 2020 ("FYE 2020") with reference to the principles as set out in the Malaysian Code on Corporate Governance ("MCCG" or "the Code").

The Group's application of each Practice set out in MCCG during the FYE 2020 is disclosed in the Company's Corporate Governance Report ("CG Report") which is available on the Company's website at [www.foundpac.com](http://www.foundpac.com) as well as via the Company's announcement made to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Corporate Governance Overview Statement ("Statement") is prepared in compliance with the Main Market Listing Requirements of Bursa Securities ("Main LR") and it is to be read together with the CG Report.

The Board recognises the importance of adopting good corporate governance and is committed to ensure high standards of good corporate governance are in place and practiced within the Group in order to safeguard the shareholders and relevant stakeholders' interests as well as enhancing shareholders' value.

## Principle A - Board leadership and effectiveness

### I. Board responsibilities

The Board is collectively responsible for the long-term success of the Group and the delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board governs and sets the strategic direction of the Group while exercising oversight on management. The Board plays a critical role in setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Group.

The Board has full control of and is responsible for the Group's strategic aims, ensures the necessary resources are in place for the Group to meet its objectives and review management performance. The Board has set the Group's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary duties and leadership functions. The Board has defined its Board Charter by setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as key matters reserved for the Board's approval. As such, the Board Charter serves as a reference and primary induction literature providing all Board members and management insights into the fiduciary and leadership functions of the Board. The Board Charter is available on the Company's website at [www.foundpac.com](http://www.foundpac.com).

In order to assist the Board in its oversight function on specific responsibility areas, the Board has established five (5) committees, namely Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC"), Risk Management Committee ("RMC") and Employees' Share Option Scheme ("ESOS") Committee (collectively herein referred as "Board Committees"). The primary functions of the Board Committees include assisting the Board in overseeing the affairs of the Group as the Board Committees have been entrusted with specific responsibilities and authorities. The authorities and functions of the Board Committees are properly set out in their respective Terms of Reference ("ToR"), Risk Management Framework and/or By-Laws of the ESOS (where applicable).

The roles of the Chairman and Chief Executive Officer ("CEO") are clearly separated and the positions were held by different individual. This duties segregation between the Chairman and CEO ensures an appropriate balance of role, responsibility and accountability at the Board level. The Chairman is responsible for providing leadership to the Board in overseeing management and the Group's overall strategic functions, whereas the day-to-day management of the Group's business affairs is delegated to the CEO of the Company. The Board nevertheless reserves the decision-making authority on significant matters of the Group as captured in the Board Charter. The Board Charter serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Director.

In undertaking its duties, the Board is supported by two (2) competent and suitable qualified Company Secretaries. In addition to the administrative matters, Company Secretaries also advised the Board on CG issues, compliance with the relevant policies and procedures, laws and regulatory requirements. Both Company Secretaries of the Group have legal credentials, and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(cont'd)*

## Principle A - Board leadership and effectiveness (cont'd)

### I. Board responsibilities (cont'd)

The Board acknowledges its role in propagating ethical standards and values and thus has taken the initiative to formalise Code of Conduct. The Company's Code of Ethics is intended to focus on the Board and each Director based on principles of integrity, responsibility, sincerity and corporate social responsibility. The Code of Ethics is designed to enhance the standard of corporate governance and corporate behaviour to establish a standard of ethical behaviour for Directors as well as provides guidance on matters ranging from conflict of interest situations to corruption and money-laundering.

The Code of Conduct for employees is also in place to provide guidance to all employees of the Group to meet performance standards and behave appropriately in the workplace. The policies, practices and procedures of the Code of Conduct for employees are clearly outlined in the Employee Handbook of respective subsidiary under the Group. The Code of Conduct for employees is integrated into the Group management practices and reviewed periodically.

The Whistle-Blowing Policy of FoundPac Group is in place with the objective to facilitate the stakeholders of the Group to report genuine concerns or allegations to a senior or independent member of the management of the Group about alleged unethical behaviour, actual or suspected fraud within the Group, or improper business conduct affecting the Group. The Whistle-Blowing Policy is designed to provide protection to those who makes the allegation or reports the misconduct. The Whistle-Blowing Policy of FoundPac Group has detailed the procedures in making report. A copy of the Whistle-Blowing Policy is available on the Company's website at [www.foundpac.com](http://www.foundpac.com).

The Board has in place an Anti-Corruption Policy that outlines the Group's commitment to conduct business to the highest ethical standards as well as act professionally, fairly and with integrity at all times. The Group adopts a zero-tolerance approach to all forms of corruption. The Anti-Corruption Policy reiterates the Group's commitment to conduct business by abiding to all applicable anti-corruption laws in the country where the Group is operating and to cause the organisation, Directors, officers and employees to behave accordingly. A copy of the Anti-Corruption Policy is also available on the Company's website at [www.foundpac.com](http://www.foundpac.com).

### II. Board composition

The Board currently has six (6) members comprising the Independent Non-Executive Chairman, one (1) Executive Director, two (2) Independent Non-Executive Directors, and two (2) Non-Independent Non-Executive Directors. This composition complies with Paragraph 15.02 of the Main LR whereby the Company must have at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, who are Independent Directors.

In order to achieve the intended outcome of the MCCG, the Board's decisions are made objectively in the best interests of the Group by taking into account diverse perspectives and insights, the Group has met most of the good Practices recommended by the MCCG as detailed in the CG Report. Currently, we do not adopt a policy which limits the tenure of the Independent Directors to nine (9) years.

Notwithstanding the recommendation of the MCCG, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Group's businesses and affairs. The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.

The Board comprises a mix of qualified and experienced Directors with diverse experience, background and expertise. The combination of diverse professionals with varied background, experience and expertise in finance and corporate affairs have also enables the Board to discharge its responsibilities effectively and efficiently. The Board through the NC regularly reviews the composition of the Board and Board Committees.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(cont'd)*

## Principle A - Board leadership and effectiveness (cont'd)

### II. Board composition (cont'd)

Table below sets out brief profile of each Director, including the skillsets and diversity of the existing Board:-

| Directors      | Nationality | Designation                                 | Industry/Background experience |           |            |           |                    |           | By composition |               |       |         |      |
|----------------|-------------|---|--------------------------------|-----------|------------|-----------|--------------------|-----------|----------------|---------------|-------|---------|------|
|                |             |   | Technology                     | Marketing | Industrial | Corporate | Accounting/Finance | Law/Legal | Age            |               | Ethic | Gender  |      |
|                |             |   |                                |           |            |           |                    |           | 40 – 49 years  | 50 – 59 years |       | Chinese | Male |
| Tan Cheik Eaik | Malaysian   | Independent Non-Executive Chairman          | √                              | √         | √          | √         |                    |           |                | √             | √     | √       |      |
| Ong Choon Heng | Malaysian   | Executive Director/ Chief Executive Officer |                                | √         | √          | √         | √                  |           | √              |               | √     | √       |      |
| Lee Chun Wah   | Malaysian   | Non-Independent Non-Executive Director      | √                              | √         | √          | √         |                    |           | √              | √             | √     | √       |      |
| Tan Sin Khoon  | Malaysian   | Non-Independent Non-Executive Director      | √                              |           | √          |           |                    |           | √              | √             | √     | √       |      |
| Chan Bee Cheng | Malaysian   | Independent Non-Executive Director          |                                |           |            |           | √                  |           | √              |               | √     |         | √    |
| Teoh Lay Fung  | Malaysian   | Independent Non-Executive Director          |                                |           |            |           |                    | √         | √              |               | √     |         | √    |

The Board takes cognisance of diversity relating to ethnicity and will endeavour to comply with the principles and recommendations of the relevant guidelines in relation to corporate governance.

The Board has not set gender diversity target as of the reporting period. The Board is of the view that the appointment of Board member or management should be determined based on objective criteria, merit and with due regard for diversity in skills, experience and other qualities regardless of gender. As of the reporting period, two (2) out of six (6) of the Directors are female Directors, which meet the MCCG's recommendation.

The NC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill the Board vacancies. The NC makes the recommendations following a careful consideration of the required mix of skills, experience and diversity, as well as gender where appropriate. Apart from assisting the Board in carrying out annual review on the required mix of skills and experience, contributions and other qualities of the Board, the NC also carries out the process of evaluating the effectiveness of the Board as a whole, respective Board Committee as well as contribution by each Director. The Company Secretaries have the responsibility to ensure relevant procedures relating to the appointment of new Directors are properly executed. New Directors are required to undergo familiarisation programs and briefings to get a better understanding of the Group's operations and the overall industry.

On 18 August 2020, the NC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board and its Board Committees. The annual assessment is to evaluate the performance of the Board, Board Committees and individual Director in order to verify that the Board is operating effectively and efficiently as a whole. The NC assessed the Independent Directors to ascertain if they display a strong element of detached impartiality. The assessment was administered using a set of detailed questionnaires which covered matters relevant to the Board performance, among other items, contribution to interaction, quality of input, understanding of the role and personal development. The NC reviewed the outcome arising from the evaluation process and has compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices. Based on the assessment carried out, the NC is satisfied with the effectiveness demonstrated.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(cont'd)*

## Principle A - Board leadership and effectiveness (cont'd)

### II. Board composition (cont'd)

The Board and Board Committees convene meetings with sufficient regularity to deliberate on matters under their purview. The Directors have dedicated adequate time and effort to prepare and actively participate during Board and Board Committee Meeting. There were five (5) Board Meetings during the FYE 2020. All the Directors have complied with the minimum 50% attendance requirement as stipulated in the Main LR. Details of the Directors' meeting attendance for the FYE 2020 are as follows:-

| Name of Director | Attendance |
|------------------|------------|
| Tan Cheik Eaik   | 5/5        |
| Ong Choon Heng   | 5/5        |
| Lee Chun Wah     | 5/5        |
| Tan Sin Khoon    | 4/5        |
| Chan Bee Cheng   | 5/5        |
| Teoh Lay Fung    | 5/5        |

In the interval between Board Meetings, for any matters requiring Board's decisions, the Board's approvals are obtained through circular resolutions. The resolutions passed by way of such circular resolutions are then noted at the next Board Meeting. To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated to all the Directors on periodical basis.

The NC also assessed the training needs of the Board and reminded the Board to attend training programs continuously in order to enhance their skills and knowledge where relevant, as well as to keep abreast with the changes in market trends, technological advancement and legislation affecting the Group.

The seminar/training programs attended by the Directors during the FYE 2020 are as follows:-

| Name of Director | Date/Duration          | Seminar/Training programs attended                                  |
|------------------|------------------------|---|
| Tan Cheik Eaik   | Monthly/12 Days        | The Vistage Chief Executive Program by Vistage Malaysia Sdn. Bhd.   |
|                  | 30 October 2019/1 Day  | Malaysia Tax Budget 2020 by Crowe CPE Sdn. Bhd.                     |
| Ong Choon Heng   | 16 July 2019/1 Day     | IATF 16949 Awareness Training by USA ABA International Associates   |
|                  | 4 September 2019/1 Day | TMEF® SME Tech Summit 2019 by The Malaysian Entrepreneurs Festival® |
|                  | 30 October 2019/1 Day  | Malaysia Tax Budget 2020 by Crowe CPE Sdn. Bhd.                     |
| Lee Chun Wah     | 30 October 2019/1 Day  | Malaysia Tax Budget 2020 by Crowe CPE Sdn. Bhd.                     |
| Tan Sin Khoon    | 30 October 2019/1 Day  | Malaysia Tax Budget 2020 by Crowe CPE Sdn. Bhd.                     |
| Chan Bee Cheng   | 22 October 2019/1 Day  | Malaysia Tax Budget 2020 by Crowe CPE Sdn. Bhd.                     |
| Teoh Lay Fung    | 30 October 2019/1 Day  | Malaysia Tax Budget 2020 by Crowe CPE Sdn. Bhd.                     |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(cont'd)*

## Principle A - Board leadership and effectiveness (cont'd)

### III. Remuneration

The Board has in place policies and procedures to determine the remuneration of Directors and senior management which takes in account the demand, complexities and performance of the Group as well as skills and experience required. The policies and procedures are periodically reviewed. The RC reviewed and recommended to the Board the remuneration framework for Executive Director. As for Non-Executive Directors, their remuneration packages are structured such that their objectivity in fulfilling their fiduciary duties is not impaired. Accordingly, the remuneration level for Non-Executive Directors reflects their credentials, responsibilities and position on the Board and Board Committees as well as their commitment to the Company's affairs. The aggregate annual remuneration of Non-Executive Directors comprises Directors' fees and meeting allowance as recommended by the Board and is subject to shareholders approval at the forthcoming annual general meeting ("AGM").

Detailed disclosure on named basis for the remuneration of individual Director for the FYE 2020 are as follows:-

| Category          | Fee (RM)       | Salary and other emoluments* (RM) | ESOS (RM)     | Total (RM)       |
|-------------------|----------------|-----------------------------------|---------------|------------------|
| <b>Company</b>    |                |                                   |               |                  |
| Tan Cheik Eaik    | 48,000         | 7,500                             | 8,000         | 63,500           |
| Lee Chun Wah      | -              | 3,000                             | -             | 3,000            |
| Tan Sin Khoon     | -              | 6,000                             | -             | 6,000            |
| Chan Bee Cheng    | 36,000         | 8,500                             | 8,000         | 52,500           |
| Teoh Lay Fung     | 36,000         | 6,500                             | 8,000         | 50,500           |
|                   | <b>120,000</b> | <b>31,500</b>                     | <b>24,000</b> | <b>175,500</b>   |
| <b>Subsidiary</b> |                |                                   |               |                  |
| Ong Choon Heng    | -              | 859,109                           | 20,000        | 879,109          |
| Lee Chun Wah      | -              | 56,000                            | 20,000        | 76,000           |
| Tan Sin Khoon     | -              | 96,000                            | 20,000        | 116,000          |
|                   | -              | <b>1,011,109</b>                  | <b>60,000</b> | <b>1,071,109</b> |
| <b>Group</b>      | <b>120,000</b> | <b>1,042,609</b>                  | <b>84,000</b> | <b>1,246,609</b> |

\* Other emoluments mainly consist of allowances, bonuses and defined contribution plans.

The Board is of the view that disclosure on remuneration of the top five (5) senior management on a named basis may not be in the best interest of the Group due to confidentiality and sensitivity of information. Thus, the Board has opted not to disclose it.

The ToR of the RC is available on the Company's website at [www.foundpac.com](http://www.foundpac.com).

## Principle B - Effective audit and risk management

### I. Audit committee

The Board has established AC on 15 March 2016 with the primary objective of assisting the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices and internal control system of the Group.

The AC comprises solely of Independent Non-Executive Directors. The Chairman of AC is not the Chairman of the Board and she is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants as well as the Malaysian Institute of Accountants. The AC composition meets the requirements of Paragraph 15.09(1) (a) and (b) of the Main LR.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(cont'd)*

## **Principle B - Effective audit and risk management (cont'd)**

### **I. Audit committee (cont'd)**

The NC had on 18 August 2020 assessed the performance of the AC and its members through an annual Board Committees effectiveness evaluation. The NC is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's ToR and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

The duties and responsibilities of the AC are spelt out in the ToR of the AC, a copy of which is available on the Company's website at [www.foundpac.com](http://www.foundpac.com).

### **II. Risk management and internal control framework**

The Group has formalised the risk management process of the Group through Group Risk Management Framework. Under this Framework, RMC and Risk Management Working Group ("RMWG") have been formed.

The RMWG, which consists of senior management and key personnel, is responsible to identify risks, quantify the risk impact and formulate risk mitigation strategies. RMWG will meet the RMC to discuss and evaluate the RMWG's report for adoption on periodical basis. Thereafter, the RMC will report to the AC about key risks and risk management activities carried out during that period. The AC will review the report and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified.

The Statement on Risk Management and Internal Control set out on pages 40 to 42 of this Annual Report provides an overview on the state of risk management and internal control within the Group.

## **Principle C - Integrity in corporate reporting and meaningful relationship with stakeholders**

### **I. Communication with stakeholders**

The Board ensures there is effective, transparent and regular communication with its stakeholders to ensure that they are informed of all material business matters on a timely manner.

Presently, the Board and management of the Group communicate regularly with its shareholders and other stakeholders through the following channels of communication:-

- a) Website of Bursa Securities
- b) Company's website at [www.foundpac.com](http://www.foundpac.com)
- c) Analyst briefings and one-to-one meetings

### **II. Conduct of general meetings**

The Company's general meetings are the important and effective platforms for Directors to communicate with the shareholders. Shareholders are able to participate, engage the Board effectively and make informed voting decisions at general meetings.

The Board practises to dispatch notice of AGM to shareholders at least 28 days before the meeting in line with the Practice 12.1 of the MCCG. The adequate time given the shareholders would allow them to make necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney. This would also enable the shareholders to properly consider the resolutions that will be discussed and decided at the meeting. In line with the Practice 12.3 of the MCCG in promoting electronic voting, the Board adopted electronic voting taking into consideration the advantages of electronic voting.

This Statement is made in accordance with a Board resolution dated 15 September 2020.

# SUSTAINABILITY STATEMENT

## Sustainability and our business

FoundPac Group Berhad ("FoundPac" or "Company") and its subsidiaries ("FoundPac Group" or "Group") acknowledge the importance of conducting business in an ethical, socially responsible and environmentally friendly manner for continuing success and sustainable growth. Therefore, our Group focus on sustainability principles when formulating and implementing business strategies to achieve its goals.

The Sustainability Statement ("Statement") is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, has set out the material sustainability risks and opportunities, collectively known as material sustainability matters that impact our business operations.

The core of sustainability of our business is founded on ethical business practise and effective governance. Our Group's commitment towards management of material sustainability matters are focused and continuously improved by emphasising in the three (3) principal aspects namely Economic, Environment and Social.

## Sustainability governance

FoundPac Group's Enterprise Risk Management ("ERM") framework provides the necessary policies structure, targets and reporting systems to address the material risk and opportunities. Our ERM is governed by Risk Management Committee ("RMC") headed by Non-Independent Non-Executive Director, Mr. Tan Sin Khoo, who was the Group's Executive Director and Chief Operations Officer previously. The RMC are supported by Risk Management Working Group ("RMWG") of each business unit. The RMWG consists of managers and key staff from various departments. Any findings and discussions of ERM are reported to the Audit Committee ("AC") by RMC.

The RMC and RMWG are responsible for the materiality assessment and undertake role for identifying, evaluating, executing, implementing and monitoring the sustainability initiatives and actions that are aligned to the Group's vision, mission, objective and strategies.

Our Group has not formed a separate Sustainability Committee at the date of this report. The functions of Sustainability Committee are currently undertaken by the RMWG. The sustainability efforts are focused on three (3) key areas:-

- Economic
- Environment
- Social

The scope of this Statement covers the period from 1 July 2019 to 30 June 2020 ("FYE 2020") and the reporting boundary is mainly focus on our major subsidiaries.

## Materiality

The materiality in relation to the sustainability of our business has been determined from the analysis of our internal documents, internal process, peer reviews and our risk register. We review sustainability related risk periodically as part of our risk assessment to ensure we continue to address our key sustainability concerns.

A total of 32 operational and non-operational risks was reported by the RMC to AC during the FYE 2020 and necessary steps in mitigating the risks has been taken.

# SUSTAINABILITY STATEMENT *(cont'd)*

## Stakeholder engagement

The Group believes that maintaining a good degree of communication and understanding with all the internal and external stakeholders is highly essential in our journey to be a good corporate governance and reputable sustainable business entity. Hence, our Group recognises the need to conduct a continuous dialogue and information sharing with the relevant stakeholders in a timely, effective and transparent manner. A summary of the stakeholder groups, the sustainability topics, and the type of engagement and its frequency are listed as follows:-

| Stakeholder                          | Sustainability topics   | Type of engagement  | Frequency  |
|--------------------------------------|---|---|--|
| <b>Customers</b>                     | Product quality and performance<br>Sustaining long term relationship<br>Operation in compliance with applicable laws and standards<br>Business development                                      | Customer satisfaction survey<br>On-site visits at FoundPac Group premises<br>Customer audit<br><br>Exhibition and road show   | Annually<br>On-going<br>On-going<br><br>On-going                             |
| <b>Employees</b>                     | Health and safety<br>Communication and engagement<br>Working environment<br>Career development and training   | Training and development<br>Formal meeting and discussion<br>Employee feedback<br>Appraisal and performance review  | On-going<br>On-going<br>On-going<br>Annually                                 |
| <b>Investors/<br/>Shareholders</b>   | Business performance review<br>Operation in compliance with applicable laws and regulations<br>Strategic plans<br>Investor engagement<br>Corporate development<br>Information and communication | Quarterly financial reports<br>Annual report<br><br>Corporate website<br>Investor relationship channel<br>Regular meeting and correspondence<br>Feedback to enquiries | Quarterly<br>Annually<br><br>On-going<br>On-going<br>On-going<br>As required |
| <b>Suppliers</b>                     | Forging strategic partnership<br>Supplier performance review<br>Product and service quality   | Supplier selection via pre-qualification<br>Regular meeting and correspondence<br>Site visit to suppliers' premises   | On-going<br>On-going<br>On-going   |
| <b>Media</b>                         | Timely and accurate information   | Press release   | As required  |
| <b>Government and<br/>Regulators</b> | Regulatory compliance<br>Supporting country's economy growth  | Site visit and meeting<br>Participating in program organised by government bodies   | As required<br>As required   |
| <b>Community</b>                     | Environment protection<br>Operation in compliance with applicable laws and regulations<br>Local community activities<br>Local community activities involvements                                 | Participation in local community activities<br>Sponsorship and donations<br><br>Communication through emails and phone calls  | On-going<br>On-going<br><br>On-going   |

## Economic

Besides the financial performance and corporate governance disclosed in this Annual Report, our key initiatives for business sustainability within the economic space are focused on the following key areas:-

### 1. Local ecosystem

FoundPac Group recognises that having a healthy local electronics and semiconductor ecosystem is a vital factor for the sustainability of the Group's business. In order to build a reliable supply chain ecosystem in the country that supports long-term strategy to grow the business in providing a wide range of high-quality products with optimum cost to our customers globally, we always promote purchase from local suppliers who have been providing high quality and good service.

During the FYE 2020, the percentage of purchase from local suppliers is 58%. We committed to continue sourcing our materials locally.

# SUSTAINABILITY STATEMENT *(cont'd)*

## Economic (cont'd)

### 2. Commitment to quality

FoundPac Group was awarded the following ISO certifications from:-

1. ISO 9001:2015 issued by SGS United Kingdom Ltd and SGS (Malaysia) Sdn. Bhd. for "Design and Fabrication of Precision Engineering Manufacturing" and "Provision of Dimensional Measurement Service";
2. ISO 9001:2015 issued by TUV UK Ltd and TUV Nord (M) Sdn. Bhd. for "Design and Manufacture of SMT Stencils"; and
3. ISO 7 certification issued by VOV International Co., Ltd for "Cleanroom and Change Room".

Having the above-mentioned ISO certificates is a testament that FoundPac Group continues to uphold a consistent quality standard for our products. A comprehensive quality management system has been established to assure customers that quality assurance policies and procedures are in place to address our product quality and reliability on a regular basis, as well as improving our work efficiency.

FoundPac Group has stringent quality control in our operations. Our quality control practices involve various stages of processes and in various departments by adopting well-known quality work standardisation techniques. Incoming material inspection is conducted to ensure raw materials and components comply with documented standards before production whereas the in-process quality inspection detects abnormalities in manufacturing process, which enhance our production efficiency and consistency. All our products go in-depth monitoring and quality control checks during different stages of production using the sophisticated measurement and laboratory equipment.

Our finished goods are inspected to ensure the products meet the customers required specification and are free from defects at the time of delivery. FoundPac Group monitors delivery lead time closely so that the products reach the customers on time. By adopting these quality control practices, we ensure our reliable products meet customers' expectations, build customers' confidence and trust on us.

### 3. Contribution to local communities

Our Group is principally involved in the design, development, manufacture, marketing and sale of precision engineering parts namely stiffeners, test sockets, hand lids and related accessories, as well as laser stencils to our customers in the electronics and semiconductor industry.

FoundPac Group views talent retention is vital to sustain business growth and to maintain competitive. The Group strives to create job opportunities for the local people. For the FYE 2020, 99% of our Group employees are Malaysian.

## Environment

Environmental stewardship is also our Group top priority in safeguarding health and safety of the public. FoundPac Group always considers the environmental impact before undertaking any new project.

### 1. Environmental permits and reporting

FoundPac obtained relevant environmental permits, approvals and registration and ensured the operating and reporting requirements are strictly adhered to.

Throughout the FYE 2020, the wastewater and industrial effluents monthly monitoring data were submitted to Department of Environment. The scheduled waste generated such as aluminium chips and coolant were disposed at our premises in accordance with the Environmental Quality Act 1974 under Environmental Quality (Scheduled Waste) Regulations 2005.

### 2. Materials consumption

At FoundPac Group, we only use materials and components that are 'green' compliant and environmentally friendly. By avoiding the usage of hazardous and toxic materials, we ensure our entire supply chain including our manufacturing operations are free from restricted materials that pose not only hazardous to the environment and pollution of landfills, but also dangerous in terms of occupational exposure to our employees.

Besides that, we continue to reduce packing materials by using more effective and efficient packing method and environmental friendly packing materials.

# SUSTAINABILITY STATEMENT *(cont'd)*

## Environment (cont'd)

### 3. Energy and carbon management

FoundPac Group is committed to reduce carbon emissions and utilise the natural resources with the objective to create a safe and secure society sustained on clean energy as well as to enhance the reputation of businesses aiming for a sustainable society.

Since January 2019, we have expanded our carbon emissions reduction efforts by installing Solar PV System with the capacity to produce up to 165.66 kWp electricity as part of our Group's effort to promote the use of renewable energy. The Solar PV System installed is able to generate electricity from sunlight. The Solar PV system is deemed as "emission free" system because its operation does not emit any carbon dioxide or greenhouse gas. With the implementation of the Solar PV System technology, it reduces the impact on the environment while having unlimited resources for electricity generation from the sun. Our Solar PV System has generated solar energy savings of 259.876 MWh; giving rise a cost saving to the Group of RM114,000 for the FYE 2020.

We always work to reduce our electricity consumption by setting the temperature of air conditioners in our premises at around 24°C to 25°C, we installed transparent panels to direct the natural sun lights into the premises in order to reduce energy consumed for lighting purpose.

### 4. Waste management

At FoundPac Group, we do practise recycle waste. In the FYE 2020, we managed to generate RM24,738 from the recycle waste.

## Social

FoundPac Group aims to provide a supportive, pleasant and healthy workplace for our employees, and to foster a caring community in our working environment. We care for our employees and recognise that having good staff relationship and a motivated workforce are crucial to our success. They are our partners in delivering and maintaining products and services of the highest quality standards to our customers. We acknowledge our people are the foundation of our business. As such, we support life-long learning and development of our people via continuous training and development programs. We also place importance on the safety and well-being of our employees and we are committed to provide and maintain a safe and healthy work environment.

### 1. Respect of labour and human rights

FoundPac Group is committed to uphold the human rights of workers, and to treat them with dignity and respect as stated in the Employee Handbook. This applies to all workers including permanent, contract and other type of workers. Our objectives include:-

1. Attain the highest standard of employment practice in compliance with the relevant enacted laws;
2. Uphold the culture and principles of equal opportunities in employment;
3. Create a working environment where every team member is treated fairly and without fear of reprisal, intimidation or harassment.

# SUSTAINABILITY STATEMENT *(cont'd)*

## Social (cont'd)

### 2. Employee profile

At FoundPac Group, we believe diversity and inclusion bring value to our business through effective innovation, attractiveness of workplace, employee engagement and corporate agility. As at 30 June 2020, the total number of employees of FoundPac Group was 107. Our emphasis has and will always be to hire local talent to support the local communities we operate in. FoundPac Group practices a non-discriminatory policy, where employees are hired and promoted based on the merit of job performance and commitment towards the organisation's goals.

The analysis of our workforce profile is as follows:-

| Employee by local and non-local | FYE 2020   |            |
|---------------------------------|------------|------------|
|                                 | Headcount  | %          |
| Local                           | 106        | 99         |
| Non-local                       | 1          | 1          |
|                                 | <b>107</b> | <b>100</b> |

| Employee by gender | FYE 2020   |            |
|--------------------|------------|------------|
|                    | Headcount  | %          |
| Male               | 70         | 65         |
| Female             | 37         | 35         |
|                    | <b>107</b> | <b>100</b> |

| Employee in executive position by gender | FYE 2020  |            |
|--|-----------|------------|
|  | Headcount | %          |
| Male                                     | 22        | 56         |
| Female                                   | 17        | 44         |
|  | <b>39</b> | <b>100</b> |

### 3. Employee development

FoundPac Group's human capital is developed and strengthened through its investment in people. Continuous training and professional development programs have helped to boost the technical knowledge and soft skills of our employees, positioning them in good stead to alleviate the performance standard quality, which is necessary for the Group to meet the ever-changing needs of our customers. Newly recruited employees will undergo orientation program to help them familiarise and understand the culture and background of the organisation. The new employees will also go through the on-job structured training programs tailored to their respective roles.

At FoundPac Group, we champion the idea of continuous learning for our employees to enhance their knowledge, skills and competencies in their current and future roles. Our Group is committed to provide in-house and cross-functional training and give opportunities to our employees to achieve accredited work-related certifications and attend other external programs. On yearly basis, respective department head is required to review the training needs of their staff and to recommend the relevant training courses for the staff to enhance their knowledge and skills.

# SUSTAINABILITY STATEMENT *(cont'd)*

## Social *(cont'd)*

### 3. Employee development *(cont'd)*

Our employees participated in various type of training in the FYE 2020 as follows:-

| Type of training                             | Headcount |
|--|-----------|
| Manufacturing                                | 13        |
| Supply chain                                 | 3         |
| Tax  | 6         |
| Accounting                                   | 1         |
| Productivity                                 | 18        |
| Engineering                                  | 2         |
| Management                                   | 3         |
| Total number of headcount attending training | <b>46</b> |

With the growing number of younger workforce and at the same time cultivating on-going learning culture, FoundPac Group enrolled educational assistance program by providing sustainable funding every year to our employees.

As an initiative to celebrate successes and inculcate team morale, we organised a trip to Dubai in March 2020. This was mainly a form of recognition and appreciation towards our people and their contributions in driving the growth of the Group.



### 4. A safe and healthy work environment

At FoundPac Group, we focus on minimising the incidence of occupancy injury and illness through occupational safety and health preparedness. The Group ensures that the employees carry out their work in safe and hygienic working environment.

We invest in the safety, health and wellness of our employees by sending staff for safety and health related training courses. We have an Occupational Safety and Health Management ("OSH") committee consists of key staff from various departments, whose main purpose is to safeguard, manage, discuss and report areas related to FoundPac Group's safety, health and environment issue and performance.

We are proud of the efforts made by our OSH committee. In the FYE 2020, there were no major safety or health related incidences at the workplace.

# SUSTAINABILITY STATEMENT *(cont'd)*

## Social (cont'd)

### 5. Emergency response

FoundPac Group's Emergency Response Team ("ERT") consists of 11 members, who are prepared to respond in emergency situations. They were trained to administer first aid, help evacuate buildings and provide other assistance. We conducted first aid training, ERT training and annual fire drill to be prepared for emergency events.

### 6. Contribution to community

FoundPac Group acknowledges our responsibility by giving back to the community as part of good business practice. Every month, FoundPac Group donates cash contribution to Pertubuhan Perlindungan Kanak-Kanak Pulau Pinang for sustaining its daily activities with the aim of uplifting the educational level and human values.

FoundPac Group encourages all its employees to participate in blood donation campaigns. We collaborated with Penang General Hospital to organise a blood donation campaign in June 2020 and managed to attract 39 employees to participate in the campaign.



Blood donation

In a timely gesture of demonstrating our commitment to public health and safety, FoundPac Group donated three-layer surgical face masks and other necessities to the frontliners in an effort to help safeguard during the global pandemic. These frontliners include Penang General Hospital, Polis Diraja Malaysia, Klinik Kesihatan Bayan Baru, RELA Daerah Barat Daya, Majlis Bandaraya Pulau Pinang and Balai Bomba dan Penyelamat Bayan Baru. FoundPac Group's commitment to social responsibility becomes more meaningful in a time of national public health concerns especially for the frontliners who are dedicating their lives to safeguard the country, to maintain law and order during the challenging period.



Donation of masks and other necessities to frontliners

This Statement is made in accordance with a Board of Directors resolution dated 15 September 2020.

# AUDIT COMMITTEE REPORT

The Audit Committee ("AC") was established by the Board of Directors ("Board") on 15 March 2016 with the primary objective of assisting the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices and internal control system of FoundPac Group Berhad ("FoundPac" or "Company") and its subsidiaries ("FoundPac Group" or "Group").

## Composition

The present composition of the AC consists of three (3) members of the Board, all of whom are Independent Non-Executive Directors:-

|                |   |
|----------------|---|
| Chairman of AC | Chan Bee Cheng<br><i>Independent Non-Executive Director</i> |
| Member of AC   | Tan Cheik Eaik<br><i>Independent Non-Executive Chairman</i> |
|                | Teoh Lay Fung<br><i>Independent Non-Executive Director</i>  |

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["Main LR"].

Ms. Chan Bee Cheng, the Chairman of the AC, is an accountant by profession and a member of the Malaysian Institute of Certified Public Accountants ("MICPA") as well as the Malaysian Institute of Accountants ("MIA"). Accordingly, this meets the requirements of Paragraph 15.09(1)(c) of the Main LR. The other two (2) members of the AC, Mr. Tan Cheik Eaik is the Chief Executive Officer of a Public Listed Company whilst Ms. Teoh Lay Fung is a lawyer by profession. All members of the AC are believed to be able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the AC.

The Nominating Committee ("NC") had on 18 August 2020 assessed the performance of the AC and its members through an annual Board Committees effectiveness evaluation. The NC is satisfied that the AC and its members have discharged their functions, duties and responsibilities in accordance with the AC's Terms of Reference ("ToR") and supported the Board in ensuring the Group upholds appropriate corporate governance standards. The ToR of the AC is available on the Company's website at [www.foundpac.com](http://www.foundpac.com).

## Attendance at meetings

The information on the attendance of each member at the AC meetings held during the financial year ended 30 June 2020 ("FYE 2020") is as follows:-

| Member         | Attendance |
|----------------|------------|
| Chan Bee Cheng | 5/5        |
| Tan Cheik Eaik | 5/5        |
| Teoh Lay Fung  | 5/5        |

The AC conducted its meetings in an open and constructive manner. The AC encouraged focused discussion, questioning and expressions of differing opinions. The External Auditors and Internal Auditors attended meetings of the AC to present their reports. As and when necessary, the AC would request the attendance of relevant personnel at its meetings to brief the AC on specific issues. The representatives from finance department attended the AC meetings to present the unaudited quarterly financial reports as well as other financial reporting related matters for the AC's deliberation and recommendation to the Board for approval, where appropriate.

At each meeting, the Chairman of the AC reported the AC's deliberations and recommendations to the Board. Minutes of each AC meeting were recorded and tabled for confirmation at the next following AC meeting and subsequently presented to the Board for notation.

# AUDIT COMMITTEE REPORT *(cont'd)*

## Summary of activities

The activities carried out by the AC during the FYE 2020 in the discharge of its duties and responsibilities are as follows:-

### 1. Financial reporting

On 13 August 2019, the AC reviewed the draft audited financial statements for the financial year ended 30 June 2019 ("FYE 2019") and recommended the same to the Board for inclusion in the Annual Report 2019.

On 18 September 2019, the AC reviewed AC Report and the Statement on Risk Management and Internal control and recommended the same to the Board for inclusion in the Annual Report 2019.

The AC reviewed the quarterly results for the fourth quarter of the FYE 2019 and the quarterly results for the first quarter, second quarter and third quarter of the FYE 2020 at the AC meetings held on 13 August 2019, 19 November 2019, 18 February 2020 and 14 May 2020 respectively and recommended the same to the Board for approval and announcement to Bursa Securities.

### 2. External audit

On 13 August 2019 and 14 May 2020, the AC met with the External Auditors for discussion session without the presence of the executive members.

On 13 August 2019, the External Auditors updated the AC on the status of audit for the FYE 2019 and the outstanding audit areas as summarised in the Audit Review Memorandum. The External Auditors highlighted the identified Key Audit Matters ("KAMs") in the Independent Auditors' Report for the AC's notation. During the meeting, the AC enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by the management thus far which will in any way cause difficulties to discharge their duties that warrants the AC's attention. The External Auditors informed that the management had granted full co-operation to the External Auditors during their course of audit. The AC has also obtained confirmation from the External Auditors that Messrs. Crowe Malaysia PLT are not aware of any cause that in their professional judgement, may be thought to impair their independence.

The AC, on 13 August 2019, concluded that based on the assessment, amongst others as set out below, the performance of the External Auditors for the FYE 2019 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Group to the Board for approval by its shareholders at the 4<sup>th</sup> Annual General Meeting held on 19 November 2019:-

- After having satisfied with its audit independence and the quality processes/performance throughout its course of audit for the FYE 2019;
- Able to give adequate technical support when audit issue arose; and
- Adequate experience and resources for the audit engagements.

During the meeting on 14 May 2020, the External Auditors tabled the Audit Plan prior to the commencement of audit of financial statements for the FYE 2020. The External Auditors briefed the AC about changes in the Malaysian Financial Reporting Standards applicable to the Group, areas of audit emphasis which required significant attention by the External Auditors in performing audit. The External Auditors also outlined the nature and scope of audit, audit timetable, list of management communication team and audit engagement team in the Audit Plan.

The AC also enquired whether the External Auditors whether they have encountered any matter/concern/issue during the course of their previous audit that warrant the Committee's attention. The External Auditors reverted that they have received full co-operation from the management. There was no critical issue from the audit work carried out on the Group to be highlighted to the AC.

# AUDIT COMMITTEE REPORT *(cont'd)*

## Summary of activities (cont'd)

The activities carried out by the AC during the FYE 2020 in the discharge of its duties and responsibilities are as follows:-  
(cont'd)

### 3. Risk management and internal audit

At present, the Group does not have an in-house internal audit department. The Board has appointed an independent professional consulting firm, Finfield Corporate Services Sdn. Bhd. ("FCS" or "Internal Auditors") to carry out internal audit services, including enterprise risk management services, for the Group since 22 February 2017.

FCS's principal role is to provide independent assurance on the adequacy and effectiveness of risk management, internal control and governance processes. It reports directly to the AC on its activities based on the approved annual Internal Audit Plan.

During the FYE 2020, the Internal Auditors have conducted review on risk management system and internal control system in the following areas:-

| Name of subsidiary                                | Audit area           | Reporting date |
|---|----------------------|----------------|
| FoundPac Technologies Sdn. Bhd. ("FoundPac Tech") | Inventory management | 13 August 2019 |
| Dynamic Stencil Sdn. Bhd. ("DSSB")                | Inventory management | 14 May 2020    |

During the course of internal audit, the Internal Auditors identified areas that required improvement. Those areas identified were highlighted in the internal audit reports together with internal audit recommendations, the management comments and action plans in relation thereto and subsequently tabled in the AC meeting.

The Internal Auditors also carried out follow-up reviews on previous internal audit findings and management action plans to ensure that the recommendations for improving the internal control systems were implemented satisfactorily.

On 13 August 2019 and 14 May 2020, FCS presented its report to the Risk Management Committee ("RMC") concerning its review on the risk management system of FoundPac Tech and DSSB. The RMC reported the adequacy and effectiveness of the risk management process to the AC on the same dates. The reports included updates on the risk profile of both subsidiaries and relevant action plans to manage the Group's risks at an acceptable level.

The cost incurred for the internal audit services rendered during the FYE 2020 amounted to RM34,000.

### 4. Others

The AC reviewed and discussed the recurrent related party transactions to ensure that the transactions entered into were on an arm's length basis and on normal commercial terms not more favourable to the related party than those generally available to the public.

Subsequent to the FYE 2020, the activities of the AC comprised the followings:-

#### 1. Financial reporting

On 18 August 2020, the AC reviewed the draft audited financial statements for the FYE 2020 and recommended the same to the Board for inclusion in the Annual Report 2020. The AC also reviewed the quarterly results for the fourth quarter of the FYE 2020 and recommended the same to the Board for approval and announcement to Bursa Securities.

On 15 September 2020, the AC reviewed AC Report and the Statement on Risk Management and Internal Control and recommended the same to the Board for inclusion in the Annual Report 2020.

# AUDIT COMMITTEE REPORT *(cont'd)*

## Summary of activities (cont'd)

Subsequent to the FYE 2020, the activities of the AC comprised the followings:- (cont'd)

### 2. External audit

On 18 August 2020, the AC met with the External Auditors without the presence of the executive members.

On 18 August 2020, the External Auditors updated the AC on the status of audit for the FYE 2020 and the outstanding audit areas as summarised in the Audit Review Memorandum. The External Auditors highlighted the identified KAMs in the Independent Auditors' Report for the AC's notation. During the meeting, the AC enquired the External Auditors whether they have encountered any matter/concern/issue during the course of audit including the co-operation rendered by management thus far which will in any way cause difficulties to discharge their duties that warrants the AC's attention. The External Auditors informed that the management had granted full co-operation to the External Auditors during their course of audit. The AC has also obtained confirmation from the External Auditors that Messrs. Crowe Malaysia PLT are not aware of any cause that in their professional judgement, may be thought to impair their independence.

The AC, on 18 August 2020, concluded that based on the assessment, amongst others as set out below, the performance of the External Auditors for the FYE 2020 was found adequate and thereby recommended the re-appointment of Messrs. Crowe Malaysia PLT as the External Auditors of the Group to the Board for approval by its shareholders at the forthcoming Annual General:-

- After having satisfied with its audit independence and the quality processes/performance throughout its course of audit for the FYE 2020;
- Able to give adequate technical support when audit issue arose; and
- Adequate experience and resources for the audit engagements.

### 3. Others

The AC reviewed and discussed the recurrent related party transactions to ensure that the transactions entered into were on an arm's length basis and on normal commercial terms not more favourable to the related party than those generally available to the public.

This statement is made in accordance with a Board resolution dated 15 September 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

The Board of Directors ("Board") of FoundPac Group Berhad ("FoundPac" or "Company") is pleased to present this Statement on Risk Management and Internal Control ("Statement"), which has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

## Board responsibility

The Board affirms its overall responsibility for risk management practices and internal control system of FoundPac and its subsidiaries ("FoundPac Group" or "Group"). The Board recognises that in order to meet the Group's mission and objectives, as well as safeguarding shareholders' interest, it is important to have a sound systems of risk management and internal control which are embedded in all aspects of activities of the Group.

In making this Statement, the Board wishes to highlight that like any other system of controls, our risk management and internal control systems have been designed to manage the Group's risk to an acceptable level, within the risk appetite. The system can only provide reasonable, but not absolute assurance against material misstatements, losses or fraud. The risk management and internal control systems cover strategic, operational, financial and compliance objectives of the Group.

The Board acknowledges that "tone from the top" is a key driver of a healthy corporate culture and serves to form the bedrock of value creation. Accordingly, the Board adopts Code of Ethics to enhance the standard of corporate governance and corporate behaviour as well as Anti-Corruption Policy which outlines the Group's commitment to conduct business to the highest ethical standards as well as act professionally.

## Senior management and key personnel of the Group

The senior management and key personnel of the Group are accountable to the Board for the implementation of the processes in identifying, evaluating, monitoring and reporting of risks and internal control. The Chief Executive Officer ("CEO") has provided the Board the assurance that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, to ensure achievement of corporate objectives.

## Risk management

The Group has formalised the risk management process through Group Risk Management Framework. Under this Framework, Risk Management Committee ("RMC") and Risk Management Working Group ("RMWG") have been formed.

The RMWG which consists of senior management and key personnel, is responsible to identify risks, quantify the risk impact and formulate risk mitigation strategies. RMWG will meet the RMC to discuss and evaluate the RMWG's reports for adoption on periodical basis. Thereafter, the RMC will report to the Audit Committee ("AC") about key risks and risk management activities carried out during that period. The AC will review the report and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified.

The RMWG is mainly responsible for identifying and assessing business and compliance risks by employing the following methodologies:-

- Identification of significant risks by the process owners
- Assessment of the likelihood and impact of the risks identified
- Evaluating the control strategies in relation to the risks
- Formulating action plan to address control deficiencies
- Setting Key Risk Indicators to monitor the risks

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(cont'd)*

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

## Internal control system

Internal controls are embedded in various work processes and procedures. The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures.

The CEO, the senior management and key personnel of the Group are assigned with the responsibility of managing the Group. Key functions such as finance, tax, treasury, corporate, legal matters and contract awarding are controlled centrally by them. They are also accountable for the conduct and performance of the various business units. They monitor the affairs of the business units through review of performance and operation reports and having regular management meetings with the heads of the business units to identify, discuss and resolve business, financial, operational, environmental, compliance and management issues. The meetings also serve as a platform whereby the Group's goals and objectives are communicated.

## Internal audit

The AC is responsible for reviewing and monitoring the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. In this respect, the Group has outsourced the internal audit function to an independent professional consulting firm to assist the AC to achieve the following objectives:-

- Review and assess the adequacy and effectiveness of the internal control system and provide recommendations to improve on the existing control environment in relation to key business processes and risk management practices;
- Recommend opportunities for improving efficiency, effectiveness and economic aspects of the Group's operations; and
- Promote a system of internal control that is responsive to the dynamic and ever-changing business environment, cost effective and sustainable.

The annual Internal Audit Plan is reviewed and approved by the AC prior to the commencement of internal audit review. The plan is developed based on the risk profile and analysis of the businesses of the Group, as well as on past experience. The internal audit will focus its resources on areas of high risks which will be audited more frequently than low risk areas. For purposes of identifying and prioritising risks, the internal auditors will discuss with the RMC and the RMWG, review management reports and financial statements.

During the financial year ended 30 June 2020 ("FYE 2020"), the internal auditors carried out reviews on inventory management for two (2) subsidiaries, namely FoundPac Technologies Sdn. Bhd. and Dynamic Stencil Sdn. Bhd.

The findings of their audits were tabled at the AC meetings for deliberation.

## Conclusion

The Board, based on the internal auditors' reports for the FYE 2020 and having received reasonable assurance from the CEO, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control systems which have been in place for the FYE 2020 and up to the date of approval of this Statement. There were no material internal control weaknesses which had resulted in material losses, uncertainties or contingencies that would require disclosure in this Annual Report.

This Statement is made in accordance with a Board resolution dated 15 September 2020.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(cont'd)*

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

## **Review of statement by the External Auditors**

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the External Auditors have reviewed this Statement for inclusion in this Annual Report. As set out in their terms of engagement, the limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control Included in the Annual Report*.

The External Auditors' limited assurance procedures primarily comprise obtaining an understanding of the processes described in this Statement, reviewing documentation to support the existence of the processes, and assessing whether the disclosure appropriately reflects the processes in place. The External Auditors are not required to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

Based on their review as to the factual accuracy of the processes and not their effectiveness or efficiency, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers* issued by Bursa Securities to be set out, nor is this Statement factually inaccurate.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

Pursuant to Paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Pursuant to the Companies Act 2016, the Directors are required to prepare financial statements which give a true and fair view of the state of affairs, including the cash flows and results of the Group and of the Company as at the end of each financial year.

In preparing the financial statements, the Directors have considered the followings:-

- That the Group and the Company have used appropriate accounting policies, and these are consistently applied;
- That reasonable and prudent judgments and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are responsible for taking such steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement was made in accordance with a Board of Directors resolution dated 15 September 2020.

# ADDITIONAL COMPLIANCE INFORMATION

## Utilisation of proceeds

There were no proceeds raised from corporate proposal during the financial year ended 30 June 2020 ("FYE 2020").

## Audit and non-audit fees

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the FYE 2020 by the Company's Auditors, or a firm or corporation affiliated to the Auditors' firm are as follows:-

| Category     | Audit fee<br>RM'000 | Non-audit fee<br>RM'000 |
|--------------|---------------------|-------------------------|
| Company      | 64                  | 6                       |
| Subsidiaries | 110                 | 26                      |
|              | <b>174</b>          | <b>32</b>               |

The non-audit services rendered were in respect of review of the Statement on Risk Management and Internal Control and tax fee.

## Material contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and Major Shareholders' interests either still subsisting as at 30 June 2020 or entered into since the end of the previous financial year.

## Employees' Share Option Scheme

The shareholders of the Company had via its Extraordinary General Meeting held on 22 November 2017, amongst others, approved the establishment of an Employees' Share Option Scheme ("ESOS") of up to 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS Scheme. The implementation of the ESOS is effective from 22 February 2018.

The movement of ESOS granted, forfeited, exercised and outstanding are as follows:-

|           | Number of ESOS               |         |                  | Balance as at<br>30 June 2020 |           |
|-----------|------------------------------|---------|------------------|-------------------------------|-----------|
|           | Balance as at<br>1 July 2019 | Granted | Forfeited        |                               | Exercised |
| Directors | 10,500,000                   | -       | -                | (10,500,000)                  | -         |
| Employees | 12,905,000                   | -       | (112,500)        | (12,792,500)                  | -         |
| Total     | <b>23,405,000</b>            | -       | <b>(112,500)</b> | <b>(23,292,500)</b>           | -         |

Pursuant to the Company's ESOS, not more than 70% of the options available under the scheme shall be allocated, in aggregate, to Directors and senior management. Since the commencement of the scheme, 54.32% of the options under the scheme have been granted to Directors and senior management.

## ADDITIONAL COMPLIANCE INFORMATION *(cont'd)*

### Employees' share option scheme (cont'd)

No options have been granted to Directors and senior management in the FYE 2020. The table below set out the ESOS granted to and exercised by the Directors pursuant to the ESOS in respect of the FYE 2020:-

|                                | Number of ESOS               |          |           |                    | Balance as at<br>30 June 2020 |
|--------------------------------|------------------------------|----------|-----------|--------------------|-------------------------------|
|                                | Balance as at<br>1 July 2019 | Granted  | Forfeited | Exercised          |                               |
| <b>Executive Director</b>      |                              |          |           |                    |                               |
| Ong Choon Heng                 | <u>2,500,000</u>             | <u>-</u> | <u>-</u>  | <u>(2,500,000)</u> | <u>-</u>                      |
| <b>Non-Executive Directors</b> |                              |          |           |                    |                               |
| Tan Cheik Eaik                 | 1,000,000                    | -        | -         | (1,000,000)        | -                             |
| Lee Chun Wah                   | 2,500,000                    | -        | -         | (2,500,000)        | -                             |
| Tan Sin Khoon                  | 2,500,000                    | -        | -         | (2,500,000)        | -                             |
| Chan Bee Cheng                 | 1,000,000                    | -        | -         | (1,000,000)        | -                             |
| Teoh Lay Fung                  | 1,000,000                    | -        | -         | (1,000,000)        | -                             |
| Total                          | <u>8,000,000</u>             | <u>-</u> | <u>-</u>  | <u>(8,000,000)</u> | <u>-</u>                      |

# REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2020.

## Principal activities

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 7 to the financial statements.

## Results

|   | Group<br>RM       | Company<br>RM    |
|---|-------------------|------------------|
| Profit for the financial year attributable to:- |                   |                  |
| - Owners of the Company                         | 16,062,063        | 7,651,859        |
| - Non-controlling interests                     | 1,002,733         | 0                |
|   | <b>17,064,796</b> | <b>7,651,859</b> |

## Dividends

During the financial year, the Company declared and paid an interim single tier dividend of RM0.012 per share amounting to RM6,506,070 in respect of the financial year ended 30 June 2020.

## Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## Issue of shares or debentures

During the financial year, the Company issued 23,292,500 ordinary shares at RM0.265 per share pursuant to the Employees' Share Option Scheme ("ESOS").

The Company did not issue any debentures during the financial year.

## Share options

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 22 November 2017, approved the ESOS of the Company. The ESOS became effective on 22 February 2018.

The principal features of the ESOS are disclosed in Note 16 to the financial statements.

The movements in the number of options during the financial year are as follows:-

| Date of offer | Date of expiration | Exercise price<br>RM | Number of options over ordinary shares |         |              |           | Balance at<br>30.6.2020 |
|---------------|--------------------|----------------------|--|---------|--------------|-----------|-------------------------|
|               |                    |                      | Balance at<br>1.7.2019                 | Granted | Exercised    | Forfeited |                         |
| 19 March 2018 | 18 April 2020      | 0.265                | 23,405,000                             | 0       | (23,292,500) | (112,500) | 0                       |

# DIRECTORS' REPORT *(cont'd)*

## **Bad and doubtful debts**

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

## **Current assets**

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

## **Valuation methods**

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

## **Contingent and other liabilities**

At the date of this report, there does not exist:-

- (i) Any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) Any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

## **Change of circumstances**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

## **Items of an unusual nature**

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

# DIRECTORS' REPORT *(cont'd)*

## Directors

The directors in office since the beginning of the financial year are:-

### Directors of the Company

Lee Chun Wah  
Tan Sin Khoon  
Ong Choon Heng  
Tan Cheik Eaik  
Chan Bee Cheng  
Teoh Lay Fung

### Director of subsidiary (other than directors of the Company)

Lim Seng Chiew

## Directors' interests

According to the register of directors' shareholdings, the interests in shares in the Company of the directors in office at the end of the financial year are as follows:-

| Name of director | Number of ordinary shares |                 |             |                      |                     |                      |
|------------------|---------------------------|-----------------|-------------|----------------------|---------------------|----------------------|
|                  | Direct interest           |                 |             | Deemed interest      |                     |                      |
|                  | Balance at 1.7.2019       | Allotted/Bought | (Sold)      | Balance at 30.6.2020 | Balance at 1.7.2019 | Balance at 30.6.2020 |
| Lee Chun Wah     | 30,052,500                | 3,682,100       | 0           | <b>33,734,600</b>    | 181,800,000         | <b>181,800,000</b>   |
| Tan Sin Khoon    | 28,500,000                | 2,500,000       | 0           | <b>31,000,000</b>    | 181,800,000         | <b>181,800,000</b>   |
| Ong Choon Heng   | 1,183,000                 | 2,500,000       | 0           | <b>3,683,000</b>     | 181,800,000         | <b>181,800,000</b>   |
| Tan Cheik Eaik   | 2,800,000                 | 1,000,000       | (2,000,000) | <b>1,800,000</b>     | 0                   | <b>0</b>             |
| Chan Bee Cheng   | 420,000                   | 1,000,000       | 0           | <b>1,420,000</b>     | 0                   | <b>0</b>             |
| Teoh Lay Fung    | 420,000                   | 1,180,000       | 0           | <b>1,600,000</b>     | 0                   | <b>0</b>             |

| Name of director | Number of options over ordinary shares |         |             |                      |
|------------------|--|---------|-------------|----------------------|
|                  | Balance at 1.7.2019                    | Granted | Exercised   | Balance at 30.6.2020 |
| Lee Chun Wah     | 2,500,000                              | 0       | (2,500,000) | <b>0</b>             |
| Tan Sin Khoon    | 2,500,000                              | 0       | (2,500,000) | <b>0</b>             |
| Ong Choon Heng   | 2,500,000                              | 0       | (2,500,000) | <b>0</b>             |
| Tan Cheik Eaik   | 1,000,000                              | 0       | (1,000,000) | <b>0</b>             |
| Chan Bee Cheng   | 1,000,000                              | 0       | (1,000,000) | <b>0</b>             |
| Teoh Lay Fung    | 1,000,000                              | 0       | (1,000,000) | <b>0</b>             |

By virtue of their interests in shares in the Company, Lee Chun Wah, Tan Sin Khoon and Ong Choon Heng are deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

# **DIRECTORS' REPORT** *(cont'd)*

## **Directors' benefits**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 21 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of certain related party transactions as disclosed in Note 25 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement, apart from the Company's ESOS, whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **Indemnity and insurance for directors and officers**

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

## **Auditors**

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 20 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

**Signed in accordance with a resolution of the directors dated 18 August 2020**

**Lee Chun Wah**

**Ong Choon Heng**

# STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 56 to 96 give a true and fair view of the financial position of the Group and the Company as at 30 June 2020 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Signed in accordance with a resolution of the directors dated 18 August 2020**

**Lee Chun Wah**

**Ong Choon Heng**

# STATUTORY DECLARATION

I, Ong Choon Heng (MIA membership no.: 21270), being the director primarily responsible for the financial management of FoundPac Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 56 to 96 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by  
the abovenamed Ong Choon Heng at  
George Town in the State of Penang on  
this 18 August 2020

**Ong Choon Heng**

Before me

**Shamini A/P M Shanmugam**  
**No. P157**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

to the members of FoundPac Group Berhad 201501040628 (1165946-H)  
(Incorporated in Malaysia)

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of FoundPac Group Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 96.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><u>Impairment of goodwill (Refer to Notes 3 and 6 to the financial statements)</u></p> <p>The Group carries significant goodwill. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.</p> | <p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"><li>• Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances.</li><li>• Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method.</li><li>• Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc.</li><li>• Performing stress tests and sensitivity analyses to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount.</li></ul> |

# INDEPENDENT AUDITORS' REPORT *(cont'd)*

to the members of FoundPac Group Berhad 201501040628 (1165946-H)  
(Incorporated in Malaysia)

## Report on the audit of the financial statements *(cont'd)*

### Key audit matters *(cont'd)*

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <p><u>Impairment of receivables (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p> | <p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of:-<ul style="list-style-type: none"><li>• the Group's control over the receivable collection process;</li><li>• how the Group identifies and assesses the impairment of receivables; and</li><li>• how the Group makes the accounting estimates for impairment.</li></ul></li><li>• Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof.</li><li>• Reviewing the subsequent cash collections for major receivables and overdue amounts.</li><li>• Making inquiries of management regarding the action plans to recover overdue amounts.</li><li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.</li><li>• Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix.</li><li>• Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.</li></ul> |

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

### Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

# INDEPENDENT AUDITORS' REPORT *(cont'd)*

to the members of FoundPac Group Berhad 201501040628 (1165946-H)  
(Incorporated in Malaysia)

## Report on the audit of the financial statements (cont'd)

### *Responsibilities of the directors for the financial statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# INDEPENDENT AUDITORS' REPORT *(cont'd)*

to the members of FoundPac Group Berhad 201501040628 (1165946-H)  
(Incorporated in Malaysia)

## Report on the audit of the financial statements *(cont'd)*

*Auditors' responsibilities for the audit of the financial statements (cont'd)*

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **Crowe Malaysia PLT**

201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

### **Eddy Chan Wai Hun**

02182/10/2021 J  
Chartered Accountant

Date: 18 August 2020

Penang

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

|  | Note | 2020<br>RM        | 2019<br>RM |
|--|------|-------------------|------------|
| <b>Non-current assets</b>                    |      |                   |            |
| Property, plant and equipment                | 4    | 15,934,231        | 23,207,690 |
| Right-of-use assets                          | 5    | 9,532,882         | 0          |
| Goodwill                                     | 6    | 12,646,443        | 12,646,443 |
| Deferred tax assets                          | 8    | 15,000            | 0          |
|  |      | <b>38,128,556</b> | 35,854,133 |
| <b>Current assets</b>                        |      |                   |            |
| Inventories                                  | 9    | 3,902,216         | 3,471,691  |
| Receivables                                  | 10   | 14,468,145        | 11,568,512 |
| Prepayments                                  |      | 309,777           | 6,000,821  |
| Current tax assets                           |      | 33,000            | 22,000     |
| Cash and cash equivalents                    | 11   | 51,136,266        | 32,428,129 |
|  |      | <b>69,849,404</b> | 53,491,153 |
| <b>Current liabilities</b>                   |      |                   |            |
| Payables                                     | 12   | 4,489,429         | 3,229,998  |
| Lease liabilities                            | 13   | 218,597           | 0          |
| Contract liabilities                         | 14   | 90,279            | 11,737     |
| Current tax liabilities                      |      | 714,700           | 917,564    |
|  |      | <b>5,513,005</b>  | 4,159,299  |
| <b>Net current assets</b>                    |      | <b>64,336,399</b> | 49,331,854 |
| <b>Non-current liabilities</b>               |      |                   |            |
| Deferred tax liabilities                     | 8    | 2,435,000         | 2,398,000  |
| Deferred income on government grants         | 15   | 728,642           | 334,373    |
|  |      | <b>3,163,642</b>  | 2,732,373  |
| <b>Net assets</b>                            |      | <b>99,301,313</b> | 82,453,614 |
| <b>Equity</b>                                |      |                   |            |
| Share capital                                | 16   | 59,996,111        | 51,960,198 |
| Share option reserve                         |      | 0                 | 1,746,940  |
| Revaluation surplus                          |      | 1,851,940         | 1,851,940  |
| Retained profits                             |      | 34,166,068        | 24,612,400 |
| Equity attributable to owners of the Company |      | <b>96,014,119</b> | 80,171,478 |
| Non-controlling interests                    | 17   | 3,287,194         | 2,282,136  |
| <b>Total equity</b>                          |      | <b>99,301,313</b> | 82,453,614 |

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2020

|  | Note | 2020<br>RM   | 2019<br>RM   |
|--|------|--------------|--------------|
| Revenue  | 18   | 51,052,481   | 44,946,468   |
| Cost of goods sold   |      | (23,692,358) | (21,890,140) |
| Gross profit   |      | 27,360,123   | 23,056,328   |
| Interest income  |      | 1,222,010    | 1,132,266    |
| Other income   |      | 875,777      | 241,592      |
| Administrative and general expenses                            |      | (5,085,885)  | (5,116,705)  |
| Selling and distribution expenses                              |      | (2,862,933)  | (2,722,657)  |
| Finance costs  |      | (18,010)     | 0            |
| Impairment losses on financial assets                          | 19   | (197,397)    | 0            |
| Profit before tax  | 20   | 21,293,685   | 16,590,824   |
| Tax expense  | 22   | (4,228,889)  | (3,926,600)  |
| Profit for the financial year                                  |      | 17,064,796   | 12,664,224   |
| Other comprehensive income:-                                   |      |              |              |
| <i>Items that will not be reclassified to profit or loss:-</i> |      |              |              |
| - Gross revaluation increase of properties                     |      | 0            | 2,436,762    |
| - Deferred tax effect thereof                                  |      | 0            | (584,822)    |
| Total other comprehensive income for the financial year        |      | 0            | 1,851,940    |
| Comprehensive income for the financial year                    |      | 17,064,796   | 14,516,164   |
| Profit for the financial year attributable to:-                |      |              |              |
| - Owners of the Company  |      | 16,062,063   | 11,806,730   |
| - Non-controlling interests                                    | 17   | 1,002,733    | 857,494      |
|  |      | 17,064,796   | 12,664,224   |
| Comprehensive income for the financial year attributable to:-  |      |              |              |
| - Owners of the Company  |      | 16,062,063   | 13,658,670   |
| - Non-controlling interests                                    |      | 1,002,733    | 857,494      |
|  |      | 17,064,796   | 14,516,164   |
| Earnings per share:-   | 23   |              |              |
| - Basic (sen)  |      | 3.01         | 2.28         |
| - Diluted (sen)  |      | 2.98         | 2.26         |

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

|  | ← Non-distributable → |                      | Distributable       |                   | Equity attributable to owners of the Company | Non-controlling interests | Total equity      |
|--|-----------------------|----------------------|---------------------|-------------------|--|---------------------------|-------------------|
|  | Share capital         | Share option reserve | Revaluation surplus | Retained profits  | RM   | RM                        | RM                |
|  | RM                    | RM                   | RM                  | RM                | RM   | RM                        | RM                |
| Balance at 1 July 2018   | 51,604,848            | 1,154,885            | 0                   | 18,019,414        | 70,779,147                                   | 1,659,518                 | 72,438,665        |
| Share-based payments   | 0                     | 674,455              | 0                   | (27,624)          | 646,831                                      | 27,624                    | 674,455           |
| Issue of shares pursuant to Employees' Share Option Scheme                 | 355,350               | (82,400)             | 0                   | 0                 | 272,950                                      | 0                         | 272,950           |
| Interim single tier dividend of RM0.01 per share to owners of the Company  | 0                     | 0                    | 0                   | (5,186,120)       | (5,186,120)                                  | 0                         | (5,186,120)       |
| Dividend to non-controlling interests                                      | 0                     | 0                    | 0                   | 0                 | 0  | (262,500)                 | (262,500)         |
| Total transactions with owners   | 355,350               | 592,055              | 0                   | (5,213,744)       | (4,266,339)                                  | (234,876)                 | (4,501,215)       |
| Gross revaluation increase of properties                                   | 0                     | 0                    | 2,436,762           | 0                 | 2,436,762                                    | 0                         | 2,436,762         |
| Deferred tax effect thereof  | 0                     | 0                    | (584,822)           | 0                 | (584,822)                                    | 0                         | (584,822)         |
| Total other comprehensive income for the financial year                    | 0                     | 0                    | 1,851,940           | 0                 | 1,851,940                                    | 0                         | 1,851,940         |
| Profit for the financial year  | 0                     | 0                    | 0                   | 11,806,730        | 11,806,730                                   | 857,494                   | 12,664,224        |
| Comprehensive income for the financial year                                | 0                     | 0                    | 1,851,940           | 11,806,730        | 13,658,670                                   | 857,494                   | 14,516,164        |
| Balance at 30 June 2019  | 51,960,198            | 1,746,940            | 1,851,940           | 24,612,400        | 80,171,478                                   | 2,282,136                 | 82,453,614        |
| Share-based payments   | 0                     | 116,460              | 0                   | (2,325)           | 114,135                                      | 2,325                     | 116,460           |
| Issue of shares pursuant to Employees' Share Option Scheme                 | 8,035,913             | (1,863,400)          | 0                   | 0                 | 6,172,513                                    | 0                         | 6,172,513         |
| Interim single tier dividend of RM0.012 per share to owners of the Company | 0                     | 0                    | 0                   | (6,506,070)       | (6,506,070)                                  | 0                         | (6,506,070)       |
| Total transactions with owners   | 8,035,913             | (1,746,940)          | 0                   | (6,508,395)       | (219,422)                                    | 2,325                     | (217,097)         |
| Profit (representing comprehensive income) for the financial year          | 0                     | 0                    | 0                   | 16,062,063        | 16,062,063                                   | 1,002,733                 | 17,064,796        |
| Balance at 30 June 2020  | <b>59,996,111</b>     | <b>0</b>             | <b>1,851,940</b>    | <b>34,166,068</b> | <b>96,014,119</b>                            | <b>3,287,194</b>          | <b>99,301,313</b> |

The annexed notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2020

|  | Note | 2020<br>RM  | 2019<br>RM  |
|--|------|-------------|-------------|
| <b>Cash flows from operating activities</b>                  |      |             |             |
| Profit before tax  |      | 21,293,685  | 16,590,824  |
| Adjustments for:-  |      |             |             |
| Amortisation of deferred income                              |      | (388,402)   | (78,779)    |
| Depreciation   |      | 4,318,845   | 2,991,130   |
| Gain on disposal of property, plant and equipment            |      | (125,673)   | (3,000)     |
| Impairment losses on financial assets                        |      | 197,397     | 0           |
| Interest expense   |      | 18,010      | 0           |
| Interest income  |      | (1,222,010) | (1,132,266) |
| Inventories written down                                     |      | 85,317      | 505,634     |
| Reversal of inventories written down                         |      | (63,810)    | 0           |
| Share-based payments   |      | 116,460     | 674,455     |
| Unrealised loss/(gain) on foreign exchange                   |      | 77,288      | (8,085)     |
| Operating profit before working capital changes              |      | 24,307,107  | 19,539,913  |
| Changes in:-   |      |             |             |
| Inventories  |      | (452,032)   | (1,028,250) |
| Receivables  |      | (3,150,992) | (2,172,069) |
| Prepayments  |      | 5,691,044   | (4,197,406) |
| Payables   |      | 1,270,629   | 615,540     |
| Contract liabilities   |      | 78,542      | 11,737      |
| Cash generated from operations                               |      | 27,744,298  | 12,769,465  |
| Tax paid   |      | (4,879,088) | (3,148,118) |
| Tax refunded   |      | 458,335     | 29,365      |
| Net cash from operating activities                           |      | 23,323,545  | 9,650,712   |
| <b>Cash flows from investing activities</b>                  |      |             |             |
| Acquisition of property, plant and equipment                 |      | (6,190,608) | (6,758,140) |
| Acquisition of right-of-use assets                           | 24   | (18,700)    | 0           |
| Grants received  |      | 782,671     | 413,152     |
| Interest received  |      | 1,222,010   | 1,132,266   |
| Proceeds from disposal of property, plant and equipment      |      | 163,000     | 4,333       |
| Net cash used in investing activities                        |      | (4,041,627) | (5,208,389) |
| <b>Cash flows from financing activities</b>                  |      |             |             |
| Dividend paid to non-controlling interests                   |      | 0           | (262,500)   |
| Dividend paid to owners of the Company                       |      | (6,506,070) | (5,186,120) |
| Interest paid  |      | (18,010)    | 0           |
| Issue of shares  |      | 6,172,513   | 272,950     |
| Payment of lease liabilities                                 | 24   | (187,690)   | 0           |
| Net cash used in financing activities                        |      | (539,257)   | (5,175,670) |
| Effect of exchange rate changes on cash and cash equivalents |      | (34,524)    | 17,742      |
| Net increase/(decrease) in cash and cash equivalents         |      | 18,708,137  | (715,605)   |
| Cash and cash equivalents brought forward                    |      | 32,428,129  | 33,143,734  |
| Cash and cash equivalents carried forward                    |      | 51,136,266  | 32,428,129  |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

|                             | Note | 2020<br>RM        | 2019<br>RM |
|-----------------------------|------|-------------------|------------|
| <b>Non-current assets</b>   |      |                   |            |
| Investments in subsidiaries | 7    | 51,215,800        | 34,623,340 |
| <b>Current assets</b>       |      |                   |            |
| Receivables                 | 10   | 1,000             | 1,000      |
| Prepayments                 |      | 14,400            | 14,400     |
| Current tax assets          |      | 32,500            | 22,000     |
| Cash and cash equivalents   | 11   | 10,555,866        | 19,779,064 |
|                             |      | <b>10,603,766</b> | 19,816,464 |
| <b>Current liabilities</b>  |      |                   |            |
| Payables                    | 12   | 101,000           | 156,000    |
|                             |      | <b>101,000</b>    | 156,000    |
| <b>Net current assets</b>   |      | <b>10,502,766</b> | 19,660,464 |
| <b>Net assets</b>           |      | <b>61,718,566</b> | 54,283,804 |
| <b>Equity</b>               |      |                   |            |
| Share capital               | 16   | 59,996,111        | 51,960,198 |
| Share option reserve        |      | 0                 | 1,746,940  |
| Retained profits            |      | 1,722,455         | 576,666    |
| <b>Total equity</b>         |      | <b>61,718,566</b> | 54,283,804 |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2020

|   | Note | 2020<br>RM       | 2019<br>RM |
|---|------|------------------|------------|
| Revenue   | 18   | <b>7,525,000</b> | 5,160,000  |
| Interest income                                   |      | <b>519,534</b>   | 702,628    |
| Other income                                      |      | <b>80</b>        | 30         |
| Administrative and general expenses               |      | <b>(392,755)</b> | (492,557)  |
| Profit before tax                                 | 20   | <b>7,651,859</b> | 5,370,101  |
| Tax expense                                       | 22   | <b>0</b>         | 0          |
| Profit for the financial year                     |      | <b>7,651,859</b> | 5,370,101  |
| Other comprehensive income for the financial year |      | <b>0</b>         | 0          |
| Comprehensive income for the financial year       |      | <b>7,651,859</b> | 5,370,101  |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2020

|   | Non-distributable |                         | Distributable       |                         | Total equity RM   |
|---|-------------------|-------------------------|---------------------|-------------------------|-------------------|
|   | Share capital RM  | Share option reserve RM | Retained profits RM | Share option reserve RM |                   |
| Balance at 1 July 2018  | 51,604,848        | 1,154,885               | 392,685             | 53,152,418              | 53,152,418        |
| Share-based payments  | 0                 | 674,455                 | 0                   | 674,455                 | 674,455           |
| Issue of shares pursuant to Employees' Share Option Scheme        | 355,350           | (82,400)                | 0                   | 272,950                 | 272,950           |
| Interim single tier dividend of RM0.01 per share                  | 0                 | 0                       | (5,186,120)         | (5,186,120)             | (5,186,120)       |
| Total transactions with owners                                    | 355,350           | 592,055                 | (5,186,120)         | (4,238,715)             | (4,238,715)       |
| Profit (representing comprehensive income) for the financial year | 0                 | 0                       | 5,370,101           | 5,370,101               | 5,370,101         |
| Balance at 30 June 2019   | 51,960,198        | 1,746,940               | 576,666             | 54,283,804              | 54,283,804        |
| Share-based payments  | 0                 | 116,460                 | 0                   | 116,460                 | 116,460           |
| Issue of shares pursuant to Employees' Share Option Scheme        | 8,035,913         | (1,863,400)             | 0                   | 6,172,513               | 6,172,513         |
| Interim single tier dividend of RM0.012 per share                 | 0                 | 0                       | (6,506,070)         | (6,506,070)             | (6,506,070)       |
| Total transactions with owners                                    | 8,035,913         | (1,746,940)             | (6,506,070)         | (217,097)               | (217,097)         |
| Profit (representing comprehensive income) for the financial year | 0                 | 0                       | 7,651,859           | 7,651,859               | 7,651,859         |
| Balance at 30 June 2020   | <b>59,996,111</b> | <b>0</b>                | <b>1,722,455</b>    | <b>61,718,566</b>       | <b>61,718,566</b> |

The annexed notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2020

|  | 2020<br>RM   | 2019<br>RM  |
|--|--------------|-------------|
| <b>Cash flows from operating activities</b>          |              |             |
| Profit before tax                                    | 7,651,859    | 5,370,101   |
| Adjustments for:-                                    |              |             |
| Dividend income                                      | (7,525,000)  | (5,160,000) |
| Interest income                                      | (519,534)    | (702,628)   |
| Share-based payments                                 | 24,000       | 79,636      |
| Operating loss before working capital changes        | (368,675)    | (412,891)   |
| Changes in payables                                  | (55,000)     | 51,000      |
| Cash absorbed by operations                          | (423,675)    | (361,891)   |
| Tax paid   | (10,500)     | (24,000)    |
| Tax refunded   | 0            | 24,000      |
| Net cash used in operating activities                | (434,175)    | (361,891)   |
| <b>Cash flows from investing activities</b>          |              |             |
| Dividend received                                    | 7,525,000    | 5,160,000   |
| Interest received                                    | 519,534      | 702,628     |
| Subscription for preference shares in subsidiary     | (16,500,000) | 0           |
| Net cash (used in)/from investing activities         | (8,455,466)  | 5,862,628   |
| <b>Cash flows from financing activities</b>          |              |             |
| Dividend paid  | (6,506,070)  | (5,186,120) |
| Issue of shares                                      | 6,172,513    | 272,950     |
| Net cash used in financing activities                | (333,557)    | (4,913,170) |
| Net (decrease)/increase in cash and cash equivalents | (9,223,198)  | 587,567     |
| Cash and cash equivalents brought forward            | 19,779,064   | 19,191,497  |
| Cash and cash equivalents carried forward            | 10,555,866   | 19,779,064  |

The annexed notes form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## 1. General information

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang, Malaysia and its principal place of business is located at Plot 35, Hilir Sungai Keluang 2, Bayan Lepas Industrial Estate, Non-Free Industrial Zone Phase IV, 11900 Bayan Lepas, Penang, Malaysia.

The consolidated financial statements set out on pages 56 to 59 together with the notes thereto cover the Company and its subsidiaries ("Group"). The separate financial statements of the Company set out on pages 60 to 63 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue in accordance with a resolution of the directors dated 18 August 2020.

## 2. Significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:-

| MFRS   | Effective for annual periods beginning on or after |
|--|--|
| MFRS 16 <i>Leases</i>  | 1 January 2019                                     |
| IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>                 | 1 January 2019                                     |
| Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>         | 1 January 2019                                     |
| Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>            | 1 January 2019                                     |
| Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> | 1 January 2019                                     |
| Annual Improvements to MFRS Standards 2015 - 2017 Cycle                            | 1 January 2019                                     |

The initial application of the above MFRSs did not have any significant impacts on the financial statements except as disclosed in Note 2.2.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.1 Basis of preparation of financial statements (cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

| MFRS (issued as at the end of the reporting period)   | Effective for annual periods beginning on or after |
|---|--|
| MFRS 17 <i>Insurance Contracts</i>  | 1 January 2021                                     |
| Amendments to MFRS 3 <i>Definition of a Business</i>  | 1 January 2020                                     |
| Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>   | 1 January 2022                                     |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>   | 1 January 2020                                     |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred   |
| Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i>   | 1 June 2020  |
| Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>   | 1 January 2020                                     |
| Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>   | 1 January 2022                                     |
| Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>                                      | 1 January 2022                                     |
| Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>   | 1 January 2022                                     |
| Amendments to References to the Conceptual Framework in MFRS Standards  | 1 January 2020                                     |
| Annual Improvements to MFRS Standards 2018 - 2020   | 1 January 2022                                     |

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

### 2.2 Changes in accounting policies

The initial application of MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, has resulted in certain changes in accounting policies for lessees. MFRS 16 eliminates the distinction between finance and operating leases for lessees and introduces a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with certain recognition exemptions. A lessee is required to recognise a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments).

The Group has elected to apply the new requirements of MFRS 16 from 1 July 2019 with the following cumulative effects of initial application recognised at that date without restating the comparative information:-

|   | Brought forward from preceding year<br>RM | Effect of adopting MFRS 16<br>RM | Adjusted<br>RM |
|---|---|----------------------------------|----------------|
| <b>Consolidated statement of financial position as at 1 July 2019 (extract)</b> |   |                                  |                |
| Property, plant and equipment   | 23,207,690                                | (9,600,000)                      | 13,607,690     |
| Right-of-use assets   | 0   | 9,600,000                        | 9,600,000      |
| Total equity  | 82,453,614                                | 0                                | 82,453,614     |

For leases that were previously classified as finance leases in accordance with MFRS 117, the carrying amounts of the right-of-use assets at 1 July 2019 were those brought forward from 30 June 2019 measured applying MFRS 117. The underlying assets were reclassified from property, plant and equipment, and would be accounted for in accordance with MFRS 16 from 1 July 2019. Accordingly, the leasehold land previously carried at revaluation would be accounted for using the cost model as disclosed in Note 5.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.3 Basis of consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the following methods:-

| Subsidiary                      | Method      |
|---------------------------------|-------------|
| FoundPac Sdn. Bhd.              | Merger      |
| FoundPac Technologies Sdn. Bhd. | Merger      |
| FoundPac Capital Sdn. Bhd.      | Acquisition |
| Dynamic Stencil Sdn. Bhd.       | Acquisition |

#### Merger method

The merger method is used for business combination involving entities under common control which is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the value of shares acquired and any difference arising from the cancellation is taken to equity. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

#### Acquisition method

Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) The aggregate of:-
  - (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) The net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.3 Basis of consolidation (cont'd)

#### Acquisition method (cont'd)

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

### 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.7.

Revaluations of land and buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

Capital work-in-progress is not depreciated. Leasehold land and buildings are depreciated on a straight-line basis over the lease term of 44 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

|  |           |
|--|-----------|
| Plant and machinery                      | 20%       |
| Office equipment, furniture and fittings | 20% - 50% |
| Renovation                               | 20%       |

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.5 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

#### Initial recognition and measurement

When the Group acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group has elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.5 Leases (cont'd)

#### Initial recognition and measurement (cont'd)

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

#### Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.7.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

#### Previous financial years

Prior to 1 July 2019, the Group classified each lease as either an operating lease or a finance lease. A finance lease transferred substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease did not.

A finance lease, including hire purchase, was initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments were subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets was consistent with that for equivalent owned assets.

Lease payments under an operating lease were recognised as an expense on a straight-line basis over the lease term.

### 2.6 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.7.

### 2.7 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets and inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.7 Impairment of non-financial assets (cont'd)

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

### 2.8 Inventories

Inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.9 Contract assets and contract liabilities

A contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.10. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

### 2.10 Financial assets

Financial assets of the Group and the Company consist of receivables and cash and cash equivalents.

#### Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.15). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

#### Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

#### Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.10 Financial assets (cont'd)

#### Impairment (cont'd)

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

#### Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

### 2.11 Financial liabilities

Financial liabilities of the Group and the Company consist of payables.

#### Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus transaction costs.

#### Subsequent measurement

All payables are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

#### Derecognition

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

### 2.12 Foreign currency transactions and translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.13 Share capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

### 2.14 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:-

- (i) Market approach - Which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - Which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - Which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - Unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

#### Non-financial assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

#### Financial assets and financial liabilities

The carrying amounts of receivables, cash and cash equivalents and payables which are short-term in nature or repayable on demand are reasonable approximations of fair values.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.15 Revenue from contracts with customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1 : Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2 : Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3 : Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4 : Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5 Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

### 2.16 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income is recognised in profit or loss using the effective interest method.

### 2.17 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to assets are presented in the statement of financial position as deferred income which is amortised on a straight-line basis over the estimated useful lives of the assets. Grants related to income are deducted in reporting the related expense in the statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 2. Significant accounting policies (cont'd)

### 2.18 Employee benefits

#### Short-term employee benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

#### Defined contribution plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

#### Share-based payments

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are treated as equity-settled share-based payment transactions and recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

### 2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.20 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.21 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 3. Judgements and estimation uncertainty

### Judgements made in applying accounting policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

#### Impairment of goodwill

Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. The carrying amount of goodwill is disclosed in Note 6.

#### Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 9).

#### Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 10).

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 June 2020

## 4. Property, plant and equipment

Group

|                                       | Leasehold land (at valuation) RM | Buildings (at valuation) RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Renovation RM | Capital work-in progress RM | Total RM    |
|---------------------------------------|----------------------------------|-----------------------------|------------------------|---|---------------|-----------------------------|-------------|
| <b>Cost (unless otherwise stated)</b> |                                  |                             |                        |   |               |                             |             |
| Balance at 1 July 2018                | 8,200,000                        | 4,500,000                   | 10,551,721             | 2,045,034                                   | 640,096       | 1,147,516                   | 27,084,367  |
| Additions                             | 0                                | 0                           | 4,628,245              | 1,652,547                                   | 179,180       | 298,168                     | 6,758,140   |
| Disposals                             | 0                                | 0                           | 0                      | (18,699)                                    | 0             | 0                           | (18,699)    |
| Reclassifications                     | 0                                | 888,454                     | 233,020                | 0   | 0             | (1,121,474)                 | 0           |
| Revaluation                           | 1,400,000                        | (288,454)                   | 0                      | 0   | 0             | 0                           | 1,111,546   |
| Balance at 30 June 2019               | 9,600,000                        | 5,100,000                   | 15,412,986             | 3,678,882                                   | 819,276       | 324,210                     | 34,935,354  |
| Balance at 1 July 2019                |                                  |                             |                        |   |               |                             |             |
| - Brought forward from preceding year | 9,600,000                        | 5,100,000                   | 15,412,986             | 3,678,882                                   | 819,276       | 324,210                     | 34,935,354  |
| - Effect of adopting MFRS 16          | (9,600,000)                      | 0                           | 0                      | 0   | 0             | 0                           | (9,600,000) |
| - Adjusted                            | 0                                | 5,100,000                   | 15,412,986             | 3,678,882                                   | 819,276       | 324,210                     | 25,335,354  |
| Additions                             | 0                                | 0                           | 6,112,594              | 78,014                                      | 0             | 0                           | 6,190,608   |
| Disposals                             | 0                                | 0                           | (987,185)              | (3,999)                                     | 0             | 0                           | (991,184)   |
| Reclassifications                     | 0                                | 0                           | 117,900                | (117,900)                                   | 0             | 0                           | 0           |
| Balance at 30 June 2020               | 0                                | 5,100,000                   | 20,656,295             | 3,634,997                                   | 819,276       | 324,210                     | 30,534,778  |
| <b>Accumulated depreciation</b>       |                                  |                             |                        |   |               |                             |             |
| Balance at 1 July 2018                | 641,739                          | 352,173                     | 7,121,802              | 1,640,322                                   | 323,080       | 0                           | 10,079,116  |
| Depreciation                          | 213,913                          | 117,391                     | 2,141,726              | 386,966                                     | 131,134       | 0                           | 2,991,130   |
| Disposals                             | 0                                | 0                           | 0                      | (17,366)                                    | 0             | 0                           | (17,366)    |
| Revaluation                           | (855,652)                        | (469,564)                   | 0                      | 0   | 0             | 0                           | (1,325,216) |
| Balance at 30 June 2019               | 0                                | 0                           | 9,263,528              | 2,009,922                                   | 454,214       | 0                           | 11,727,664  |
| Depreciation                          | 0                                | 148,544                     | 2,975,157              | 599,762                                     | 103,277       | 0                           | 3,826,740   |
| Disposals                             | 0                                | 0                           | (950,858)              | (2,999)                                     | 0             | 0                           | (953,857)   |
| Reclassifications                     | 0                                | 0                           | 25,545                 | (25,545)                                    | 0             | 0                           | 0           |
| Balance at 30 June 2020               | 0                                | 148,544                     | 11,313,372             | 2,581,140                                   | 557,491       | 0                           | 14,600,547  |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 4. Property, plant and equipment (cont'd)

Group (cont'd)

|                         | Leasehold land<br>(at valuation)<br>RM | Buildings<br>(at valuation)<br>RM | Plant and<br>machinery<br>RM | Office<br>equipment,<br>furniture and<br>fittings<br>RM | Renovation<br>RM | Capital<br>work-in<br>progress<br>RM | Total<br>RM |
|-------------------------|--|-----------------------------------|------------------------------|---|------------------|--------------------------------------|-------------|
| Carrying amount         |  |                                   |                              |   |                  |                                      |             |
| Balance at 1 July 2018  | 7,558,261                              | 4,147,827                         | 3,429,919                    | 404,712   | 317,016          | 1,147,516                            | 17,005,251  |
| Balance at 30 June 2019 | 9,600,000                              | 5,100,000                         | 6,149,458                    | 1,668,960   | 365,062          | 324,210                              | 23,207,690  |
| Balance at 30 June 2020 | 0                                      | 4,951,456                         | 9,342,923                    | 1,053,857   | 261,785          | 324,210                              | 15,934,231  |

The land and buildings were revalued to fair values on 30 June 2019 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). Had the land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the financial statements are as follows:-

|                | 2020<br>RM       | 2019<br>RM       |
|----------------|------------------|------------------|
| Leasehold land | 0                | 818,031          |
| Buildings      | 1,928,731        | 2,252,262        |
|                | <u>1,928,731</u> | <u>3,070,293</u> |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 5. Right-of-use assets

Group

|                                       | Leasehold<br>land<br>RM | Building<br>RM | Total<br>RM       |
|---------------------------------------|-------------------------|----------------|-------------------|
| <b>Cost</b>                           |                         |                |                   |
| Balance at 1 July 2019                |                         |                |                   |
| - Brought forward from preceding year | 0                       | 0              | 0                 |
| - Effect of adopting MFRS 16          | 9,600,000               | 0              | 9,600,000         |
| - Adjusted                            | 9,600,000               | 0              | 9,600,000         |
| Additions                             | 0                       | 424,987        | 424,987           |
| Balance at 30 June 2020               | <b>9,600,000</b>        | <b>424,987</b> | <b>10,024,987</b> |
| <b>Accumulated depreciation</b>       |                         |                |                   |
| Balance at 1 July 2019                | 0                       | 0              | 0                 |
| Depreciation                          | 279,612                 | 212,493        | 492,105           |
| Balance at 30 June 2020               | <b>279,612</b>          | <b>212,493</b> | <b>492,105</b>    |
| <b>Carrying amount</b>                |                         |                |                   |
| Balance at 1 July 2019 - Adjusted     | 9,600,000               | 0              | 9,600,000         |
| Balance at 30 June 2020               | <b>9,320,388</b>        | <b>212,494</b> | <b>9,532,882</b>  |

The Group acquired the right to use the leasehold land as its principal place of business for 44 years. It also leases a factory building from a third party for 2 years.

## 6. Goodwill

Group

|                           | 2020<br>RM        | 2019<br>RM |
|---------------------------|-------------------|------------|
| Balance at 1 July/30 June | <b>12,646,443</b> | 12,646,443 |

Goodwill is attributable to a subsidiary, Dynamic Stencil Sdn. Bhd., which represents a separate cash-generating unit ("CGU").

The recoverable amount of the CGU was determined based on its value in use calculated using cash flow projections. The cash flow projections were based on the most recent financial budgets/forecasts approved by management which covered a period of 5 years. A growth rate of 0% was used to extrapolate the cash flow projections beyond the 5 years covered by the financial budgets/forecasts. A discount rate of 16.05% (2019: 13.82%) per annum was applied to the cash flow projections.

Barring any unforeseen circumstances, management believes that no reasonably possible change in the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 7. Investments in subsidiaries

Company

|  | 2020<br>RM        | 2019<br>RM        |
|--|-------------------|-------------------|
| Unquoted shares - at cost                        | 49,510,000        | 33,010,000        |
| Employees' share options granted to subsidiaries | 1,705,800         | 1,613,340         |
|  | <b>51,215,800</b> | <b>34,623,340</b> |

The details of the subsidiaries are as follows:-

| Name of subsidiary                              | Principal place of business/<br>Country of incorporation | Effective ownership interest |      | Principal activity  |
|---|--|------------------------------|------|---|
|   |  | 2020                         | 2019 |   |
| FoundPac Sdn. Bhd.                              | Malaysia   | 100%                         | 100% | Investment holding  |
| FoundPac Technologies Sdn. Bhd.                 | Malaysia   | 100%                         | 100% | Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories |
| FoundPac Capital Sdn. Bhd.                      | Malaysia   | 100%                         | 100% | Investment holding  |
| <u>Subsidiary of FoundPac Capital Sdn. Bhd.</u> |  |                              |      |   |
| Dynamic Stencil Sdn. Bhd.                       | Malaysia   | 75%                          | 75%  | Manufacture and sale of laser stencils  |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 8. Deferred tax assets/(liabilities)

Group

|   | 2020<br>RM                | 2019<br>RM         |
|---|---------------------------|--------------------|
| Balance at 1 July   | <b>(2,398,000)</b>        | (1,948,000)        |
| Deferred tax (expense)/income relating to origination and reversal of temporary differences recognised in:- |                           |                    |
| - Profit or loss  | <b>(40,000)</b>           | 134,822            |
| - Other comprehensive income  | <b>0</b>                  | (584,822)          |
| Deferred tax liabilities overprovided in prior year   | <b>18,000</b>             | 0                  |
| Balance at 30 June  | <b><u>(2,420,000)</u></b> | <u>(2,398,000)</u> |
| Disclosed as:-  |                           |                    |
| - Deferred tax assets   | <b>15,000</b>             | 0                  |
| - Deferred tax liabilities  | <b><u>(2,435,000)</u></b> | <u>(2,398,000)</u> |
|   | <b><u>(2,420,000)</u></b> | <u>(2,398,000)</u> |
| In respect of (taxable)/deductible temporary differences of:-   |                           |                    |
| - Property, plant and equipment   | <b>(641,000)</b>          | (2,584,000)        |
| - Right-of-use assets   | <b>(2,075,000)</b>        | 0                  |
| - Financial instruments   | <b>244,000</b>            | 186,000            |
| - Lease liabilities   | <b>52,000</b>             | 0                  |
|   | <b><u>(2,420,000)</u></b> | <u>(2,398,000)</u> |

## 9. Inventories

Group

|                  | 2020<br>RM              | 2019<br>RM       |
|------------------|-------------------------|------------------|
| Raw materials    | <b>1,481,840</b>        | 1,041,889        |
| Work-in-progress | <b>971,669</b>          | 1,089,476        |
| Finished goods   | <b>1,448,707</b>        | 1,340,326        |
|                  | <b><u>3,902,216</u></b> | <u>3,471,691</u> |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 10. Receivables

|                     | Group             |            | Company      |            |
|---------------------|-------------------|------------|--------------|------------|
|                     | 2020<br>RM        | 2019<br>RM | 2020<br>RM   | 2019<br>RM |
| Trade receivables:- |                   |            |              |            |
| - Related party*    | <b>79,200</b>     | 26,432     | <b>0</b>     | 0          |
| - Unrelated parties | <b>14,054,904</b> | 11,174,651 | <b>0</b>     | 0          |
|                     | <b>14,134,104</b> | 11,201,083 | <b>0</b>     | 0          |
| - Loss allowance    | <b>(197,397)</b>  | 0          | <b>0</b>     | 0          |
|                     | <b>13,936,707</b> | 11,201,083 | <b>0</b>     | 0          |
| Other receivables   | <b>531,438</b>    | 367,429    | <b>1,000</b> | 1,000      |
|                     | <b>14,468,145</b> | 11,568,512 | <b>1,000</b> | 1,000      |

\* Being a company in which a director has a substantial financial interest

### Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2020, there were 2 (2019 : 1) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM5,224,203 (2019 : RM1,484,580). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

|                       | Group             |            |
|-----------------------|-------------------|------------|
|                       | 2020<br>RM        | 2019<br>RM |
| Malaysia              | <b>2,342,623</b>  | 2,210,949  |
| Other Asian countries | <b>5,726,842</b>  | 4,093,696  |
| North America         | <b>3,257,117</b>  | 3,634,669  |
| Europe                | <b>2,807,522</b>  | 1,261,769  |
|                       | <b>14,134,104</b> | 11,201,083 |

The credit terms of trade receivables range from 30 to 90 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

|                            | Group             |            |
|----------------------------|-------------------|------------|
|                            | 2020<br>RM        | 2019<br>RM |
| Not past due               | <b>6,022,236</b>  | 5,887,134  |
| 1 to 30 days past due      | <b>2,953,412</b>  | 2,166,598  |
| 31 to 60 days past due     | <b>1,089,470</b>  | 1,482,619  |
| 61 to 90 days past due     | <b>344,313</b>    | 1,082,084  |
| More than 90 days past due | <b>3,724,673</b>  | 582,648    |
|                            | <b>14,134,104</b> | 11,201,083 |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 10. Receivables (cont'd)

### Trade receivables (cont'd)

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

Group

|                          | Not<br>past due<br>RM | 1 to 30<br>days<br>past due<br>RM | 31 to 60<br>days<br>past due<br>RM | 61 to 90<br>days<br>past due<br>RM | More than<br>90 days<br>past due<br>RM | Total<br>RM |
|--------------------------|-----------------------|-----------------------------------|------------------------------------|------------------------------------|--|-------------|
| <b>2020</b>              |                       |                                   |                                    |                                    |  |             |
| Gross carrying amount    | 6,022,236             | 2,953,412                         | 1,089,470                          | 344,313                            | 3,724,673                              | 14,134,104  |
| Average credit loss rate | 0.07%                 | 0.08%                             | 0.24%                              | 1.23%                              | 4.94%                                  | 1.40%       |
| Loss allowance           | 4,251                 | 2,239                             | 2,625                              | 4,247                              | 184,035                                | 197,397     |

The average credit loss rates were based on the payment profile of revenue over a period of 36 months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The changes in the loss allowance are as follows:-

|                    | Group      |            |
|--------------------|------------|------------|
|                    | 2020<br>RM | 2019<br>RM |
| Balance at 1 July  | 0          | 0          |
| Impairment losses  | 197,397    | 0          |
| Balance at 30 June | 197,397    | 0          |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 11. Cash and cash equivalents

|                           | Group             |            | Company           |            |
|---------------------------|-------------------|------------|-------------------|------------|
|                           | 2020<br>RM        | 2019<br>RM | 2020<br>RM        | 2019<br>RM |
| Highly liquid investments | <b>21,199,977</b> | 15,934,021 | <b>300,847</b>    | 7,734,864  |
| Cash and bank balances    | <b>29,936,289</b> | 16,494,108 | <b>10,255,019</b> | 12,044,200 |
|                           | <b>51,136,266</b> | 32,428,129 | <b>10,555,866</b> | 19,779,064 |

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

## 12. Payables

|                | Group            |            | Company        |            |
|----------------|------------------|------------|----------------|------------|
|                | 2020<br>RM       | 2019<br>RM | 2020<br>RM     | 2019<br>RM |
| Trade payables | <b>3,012,471</b> | 1,765,465  | <b>0</b>       | 0          |
| Other payables | <b>1,476,958</b> | 1,464,533  | <b>101,000</b> | 156,000    |
|                | <b>4,489,429</b> | 3,229,998  | <b>101,000</b> | 156,000    |

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

The credit terms of payables range from 30 to 90 days.

## 13. Lease liabilities

Group

|                                       | 2020<br>RM     | 2019<br>RM |
|---------------------------------------|----------------|------------|
| Gross lease liabilities within 1 year | <b>224,400</b> | 0          |
| Future finance charges                | <b>(5,803)</b> | 0          |
| Present value of lease liabilities    | <b>218,597</b> | 0          |

The incremental borrowing rate applied to lease liabilities as at 30 June 2020 was 5.76% per annum.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 14. Contract liabilities

Group

|  | 2020<br>RM    | 2019<br>RM    |
|--|---------------|---------------|
| Balance at 1 July                                    | 11,737        | 0             |
| Revenue recognised from opening contract liabilities | (11,737)      | 0             |
| Excess of consideration over revenue recognised      | 90,279        | 11,737        |
| Balance at 30 June                                   | <u>90,279</u> | <u>11,737</u> |

As disclosed in Note 2.15, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liability.

## 15. Deferred income on government grants

Group

|   | 2020<br>RM     | 2019<br>RM     |
|---|----------------|----------------|
| Balance at 1 July                               | 334,373        | 0              |
| Grants related to property, plant and equipment | 782,671        | 413,152        |
| Amortisation                                    | (388,402)      | (78,779)       |
| Balance at 30 June                              | <u>728,642</u> | <u>334,373</u> |

The Group received grants from the local government for modernisation and upgrading of its existing manufacturing activities. The grants covered 50% of the costs of the assets subject to the limits approved by the local government.

## 16. Share capital

|                              | No. of<br>ordinary<br>shares with<br>no par value | RM                |
|------------------------------|---|-------------------|
| <b>Issued and fully paid</b> |   |                   |
| Balance at 1 July 2018       | 518,000,000                                       | 51,604,848        |
| Issue of shares              | 1,030,000   | 355,350           |
| Balance at 30 June 2019      | 519,030,000                                       | 51,960,198        |
| Issue of shares              | 23,292,500  | 8,035,913         |
| Balance at 30 June 2020      | <u>542,322,500</u>                                | <u>59,996,111</u> |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 16. Share capital (cont'd)

### Employees' Share Option Scheme ("ESOS")

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 22 November 2017, approved the Company's ESOS. The ESOS became effective on 22 February 2018.

The principal features of the ESOS are as follows:-

- (i) At any point of time when the offer is made, the maximum number of shares to be issued under the ESOS shall not exceed 10% of the total issued share in the capital of the Company during the duration of the ESOS.
- (ii) Any employee (including executive directors) of the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least 18 years of age and has been confirmed and completed at least 6 months of service within the Group on a full time basis.
- (iii) All non-executive directors who have been appointed to the Board for more than 1 year shall be eligible to participate in the ESOS in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad.
- (iv) The ESOS shall be valid for a duration of 5 years from the effective date. The duration of ESOS may be extended to a maximum of 10 years from effective date subject to the discretion of the directors.
- (v) The exercise price shall be determined based on the weighted average market price of shares for the 5 market days immediately preceding the date of offer with a discount of not more than 10%.
- (vi) The options granted are exercisable on a time proportion basis over the duration of the ESOS. The employee's entitlement to the options is vested as soon as they become exercisable.
- (vii) The new shares to be allotted and issued upon exercise of any options granted under the scheme will, upon allotment and issuance, rank *pari passu* in all respects with the existing shares and paid-up shares in the Company, save and except that the new shares so allotted and issued will not be entitled to any right, dividend, allotment and/or distribution declared, made or paid, the entitlement date of which precedes the date of exercise of the options.

The movements in the number of share options during the financial year are as follows:-

|                             | No. of<br>options over<br>ordinary<br>shares | Exercise<br>price<br>RM | Weighted<br>average<br>share price<br>RM | Remaining<br>contractual<br>life |
|-----------------------------|--|-------------------------|--|----------------------------------|
| Outstanding at 1 July 2018  | 25,407,500                                   | 0.265                   |  |                                  |
| Exercised                   | (1,030,000)                                  | 0.265                   | 0.302                                    |                                  |
| Forfeited                   | (972,500)                                    | 0.265                   |  |                                  |
| Outstanding at 30 June 2019 | <u>23,405,000</u>                            | 0.265                   |  | 0.81 year                        |
| Exercisable at 30 June 2019 | <u>23,405,000</u>                            | 0.265                   |  |                                  |
| Outstanding at 1 July 2019  | <b>23,405,000</b>                            | <b>0.265</b>            |  |                                  |
| Exercised                   | <b>(23,292,500)</b>                          | <b>0.265</b>            | <b>0.670</b>                             |                                  |
| Forfeited                   | <b>(112,500)</b>                             | <b>0.265</b>            |  |                                  |
| Outstanding at 30 June 2020 | <u><b>0</b></u>                              |                         |  |                                  |
| Exercisable at 30 June 2020 | <u><b>0</b></u>                              |                         |  |                                  |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 16. Share capital (cont'd)

### Employees' Share Option Scheme ("ESOS") (cont'd)

The fair value of share options granted since the effective date of the ESOS was measured using the Black Scholes Model with the following inputs:-

|                              |                |
|------------------------------|----------------|
| Grant date                   | 19.3.2018      |
| Fair value at grant date     | <u>RM0.080</u> |
| Weighted average share price | RM0.290        |
| Exercise price               | RM0.265        |
| Expected volatility          | 37.96%         |
| Option life                  | 2 years        |
| Expected dividends           | 0.00%          |
| Risk-free interest rate      | <u>3.63%</u>   |

The expected volatility reflects the assumption that historical volatility is indicative of future trends but may not necessarily be the actual outcome. No other features of the share options granted were incorporated into the measurement of fair value.

## 17. Non-controlling interests ("NCI")

Group

|                           | Accumulated NCI  |                  | Profit allocated to NCI |                |
|---------------------------|------------------|------------------|-------------------------|----------------|
|                           | 2020<br>RM       | 2019<br>RM       | 2020<br>RM              | 2019<br>RM     |
| Dynamic Stencil Sdn. Bhd. | <u>3,287,194</u> | <u>2,282,136</u> | <u>1,002,733</u>        | <u>857,494</u> |

The details of the subsidiary that has NCI are as follows:-

| Name of subsidiary        | Principal place of business/<br>Country of incorporation | Effective ownership interest held by NCI |      | Principal activity                     |
|---------------------------|--|--|------|--|
|                           |  | 2020                                     | 2019 |  |
| Dynamic Stencil Sdn. Bhd. | Malaysia   | 25%                                      | 25%  | Manufacture and sale of laser stencils |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 17. Non-controlling interests ("NCI") (cont'd)

The summarised financial information (before inter-company eliminations) of the above subsidiary is as follows:-

|  | 2020<br>RM       | 2019<br>RM     |
|--|------------------|----------------|
| Non-current assets                         | 1,717,416        | 1,536,036      |
| Current assets                             | 12,547,039       | 8,112,922      |
| Current liabilities                        | (1,115,678)      | (495,414)      |
| Non-current liabilities                    | 0                | (25,000)       |
| Net assets                                 | 13,148,777       | 9,128,544      |
| Revenue                                    | 12,145,984       | 11,064,275     |
| Profit (representing comprehensive income) | 4,010,933        | 3,429,976      |
| Dividend paid to NCI                       | 0                | 262,500        |
| Net cash from operating activities         | 2,434,315        | 2,105,200      |
| Net cash used in investing activities      | (203,200)        | (412,439)      |
| Net cash used in financing activities      | (205,700)        | (1,050,000)    |
| Net cash inflow                            | <u>2,025,415</u> | <u>642,761</u> |

## 18. Revenue

|   | Group             |                   | Company          |                  |
|---|-------------------|-------------------|------------------|------------------|
|   | 2020<br>RM        | 2019<br>RM        | 2020<br>RM       | 2019<br>RM       |
| Revenue from contracts with customers:- |                   |                   |                  |                  |
| - Sale of goods                         | 51,052,481        | 44,946,468        | 0                | 0                |
| Other source of revenue:-               |                   |                   |                  |                  |
| - Dividend income                       | 0                 | 0                 | 7,525,000        | 5,160,000        |
|   | <u>51,052,481</u> | <u>44,946,468</u> | <u>7,525,000</u> | <u>5,160,000</u> |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 18. Revenue (cont'd)

### Disaggregation of revenue from contracts with customers

|                         | 2020<br>RM        | Group<br>2019<br>RM |
|-------------------------|-------------------|---------------------|
| Major products:-        |                   |                     |
| - Precision engineering | <b>38,909,197</b> | 33,889,693          |
| - Laser stencils        | <b>12,143,284</b> | 11,056,775          |
|                         | <b>51,052,481</b> | 44,946,468          |
| Geographical areas:-    |                   |                     |
| - Malaysia              | <b>8,348,581</b>  | 9,777,606           |
| - Other Asian countries | <b>14,677,270</b> | 10,697,131          |
| - North America         | <b>18,575,051</b> | 13,735,026          |
| - Europe                | <b>9,406,825</b>  | 10,705,597          |
| - Others                | <b>44,754</b>     | 31,108              |
|                         | <b>51,052,481</b> | 44,946,468          |

## 19. Impairment losses on financial assets

### Group

|   | 2020<br>RM     | 2019<br>RM |
|---|----------------|------------|
| Trade receivables from contracts with customers | <b>197,397</b> | 0          |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 20. Profit before tax

|   | Group            |            | Company        |            |
|---|------------------|------------|----------------|------------|
|   | 2020<br>RM       | 2019<br>RM | 2020<br>RM     | 2019<br>RM |
| Profit before tax is arrived<br>at after charging:-   |                  |            |                |            |
| Auditors' remuneration:-  |                  |            |                |            |
| - Statutory:-   |                  |            |                |            |
| - Current year  | <b>96,000</b>    | 84,000     | <b>35,000</b>  | 30,000     |
| - Prior year  | <b>10,000</b>    | 0          | <b>5,000</b>   | 0          |
| - Non-statutory   | <b>68,000</b>    | 0          | <b>24,000</b>  | 0          |
| Depreciation of property, plant<br>and equipment  | <b>3,826,740</b> | 2,991,130  | <b>0</b>       | 0          |
| Depreciation of right-of-use assets   | <b>492,105</b>   | 0          | <b>0</b>       | 0          |
| Employee benefits expense<br>(Note 21)  | <b>9,260,611</b> | 9,273,790  | <b>175,500</b> | 227,136    |
| Fee expense for financial<br>instruments not measured at fair<br>value through profit or loss | <b>52,687</b>    | 52,826     | <b>214</b>     | 301        |
| Interest expense for lease liabilities  | <b>18,010</b>    | 0          | <b>0</b>       | 0          |
| Inventories written down  | <b>85,317</b>    | 505,634    | <b>0</b>       | 0          |
| Lease expense relating to:-   |                  |            |                |            |
| - Short-term leases   | <b>9,000</b>     | 0          | <b>0</b>       | 0          |
| - Others  | <b>0</b>         | 215,800    | <b>0</b>       | 0          |
| Unrealised loss on foreign<br>exchange  | <b>77,288</b>    | 0          | <b>0</b>       | 0          |
| and crediting:-   |                  |            |                |            |
| Amortisation of deferred income   | <b>388,402</b>   | 78,779     | <b>0</b>       | 0          |
| Gain on disposal of property, plant<br>and equipment  | <b>125,673</b>   | 3,000      | <b>0</b>       | 0          |
| Gain on foreign exchange:-  |                  |            |                |            |
| - Realised  | <b>361,582</b>   | 119,967    | <b>0</b>       | 0          |
| - Unrealised  | <b>0</b>         | 8,085      | <b>0</b>       | 0          |
| Interest income for financial assets<br>measured at amortised cost                            | <b>1,222,010</b> | 1,132,266  | <b>519,534</b> | 702,628    |
| Reversal of inventories<br>written down   | <b>63,810</b>    | 0          | <b>0</b>       | 0          |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 21. Employee benefits expense (including directors' remuneration)

|  | Group            |                  | Company        |                |
|--|------------------|------------------|----------------|----------------|
|  | 2020<br>RM       | 2019<br>RM       | 2020<br>RM     | 2019<br>RM     |
| Directors of the Company:-                     |                  |                  |                |                |
| - Fees   | 120,000          | 120,000          | 120,000        | 120,000        |
| - Other short-term employee benefits           | 950,213          | 1,082,116        | 31,500         | 27,500         |
| - Defined contribution plans                   | 92,396           | 115,800          | 0              | 0              |
| - Share-based payments                         | 84,000           | 278,727          | 24,000         | 79,636         |
|  | <b>1,246,609</b> | <b>1,596,643</b> | <b>175,500</b> | <b>227,136</b> |
| Director of subsidiary:-                       |                  |                  |                |                |
| - Short-term employee benefits                 | 490,923          | 490,923          | 0              | 0              |
| - Defined contribution plans                   | 58,800           | 58,800           | 0              | 0              |
| - Share-based payments                         | 6,000            | 20,129           | 0              | 0              |
|  | <b>555,723</b>   | <b>569,852</b>   | <b>0</b>       | <b>0</b>       |
| Other employees:-                              |                  |                  |                |                |
| - Short-term employee benefits                 | 6,776,268        | 6,132,902        | 0              | 0              |
| - Defined contribution plans                   | 705,951          | 598,794          | 0              | 0              |
| - Share-based payments                         | 26,460           | 375,599          | 0              | 0              |
| - Government grants under Wage Subsidy Program | (50,400)         | 0                | 0              | 0              |
|  | <b>7,458,279</b> | <b>7,107,295</b> | <b>0</b>       | <b>0</b>       |
|  | <b>9,260,611</b> | <b>9,273,790</b> | <b>175,500</b> | <b>227,136</b> |

## 22. Tax expense

|   | Group            |                  | Company    |            |
|---|------------------|------------------|------------|------------|
|   | 2020<br>RM       | 2019<br>RM       | 2020<br>RM | 2019<br>RM |
| Tax based on results for the year:-       |                  |                  |            |            |
| - Current tax                             | 4,387,000        | 3,908,000        | 0          | 0          |
| - Deferred tax                            | 40,000           | (134,822)        | 0          | 0          |
|   | <b>4,427,000</b> | <b>3,773,178</b> | <b>0</b>   | <b>0</b>   |
| Tax (over)/under provided in prior year:- |                  |                  |            |            |
| - Current tax                             | (180,111)        | 153,422          | 0          | 0          |
| - Deferred tax                            | (18,000)         | 0                | 0          | 0          |
|   | <b>4,228,889</b> | <b>3,926,600</b> | <b>0</b>   | <b>0</b>   |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 22. Tax expense (cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

|                            | Group         |           | Company        |           |
|----------------------------|---------------|-----------|----------------|-----------|
|                            | 2020<br>%     | 2019<br>% | 2020<br>%      | 2019<br>% |
| Applicable tax rate        | <b>24.00</b>  | 24.00     | <b>24.00</b>   | 24.00     |
| Non-deductible expenses    | <b>3.12</b>   | 3.43      | <b>1.22</b>    | 2.19      |
| Non-taxable income         | <b>(1.90)</b> | (1.70)    | <b>(25.22)</b> | (26.19)   |
| Tax incentives claimed     | <b>(4.43)</b> | (2.99)    | <b>0.00</b>    | 0.00      |
| Average effective tax rate | <b>20.79</b>  | 22.74     | <b>0.00</b>    | 0.00      |

## 23. Earnings per share

Group

The earnings per share is calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:-

|   | 2020               | 2019        |
|---|--------------------|-------------|
| Profit for the financial year attributable to owners of the Company (RM)    | <b>16,062,063</b>  | 11,806,730  |
| Number of shares in issue as at 1 July                                      | <b>519,030,000</b> | 518,000,000 |
| Effect of shares issued pursuant to ESOS                                    | <b>14,148,839</b>  | 649,419     |
| Weighted average number of shares for computing basic earnings per share    | <b>533,178,839</b> | 518,649,419 |
| Number of shares under ESOS deemed to have been issued for no consideration | <b>5,897,479</b>   | 3,030,234   |
| Weighted average number of shares for computing diluted earnings per share  | <b>539,076,318</b> | 521,679,653 |
| Basic earnings per share (sen)  | <b>3.01</b>        | 2.28        |
| Diluted earnings per share (sen)  | <b>2.98</b>        | 2.26        |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 24. Notes to consolidated statement of cash flows

Group

### Acquisition of right-of-use assets

|                                      | 2020<br>RM    | 2019<br>RM |
|--------------------------------------|---------------|------------|
| Cost of right-of-use assets acquired | 424,987       | 0          |
| Acquisition by means of leases       | (406,287)     | 0          |
| Net cash disbursed                   | <u>18,700</u> | <u>0</u>   |

### Lease liabilities

|                              | 2020<br>RM     | 2019<br>RM |
|------------------------------|----------------|------------|
| Balance at 1 July            | 0              | 0          |
| Additions                    | 406,287        | 0          |
| Payments                     | (187,690)      | 0          |
| Balance at 30 June (Note 13) | <u>218,597</u> | <u>0</u>   |

The total cash outflow for leases is as follows:-

|  | 2020<br>RM     | 2019<br>RM     |
|--|----------------|----------------|
| <b>Operating activities</b>                          |                |                |
| Lease expense recognised in profit or loss (Note 20) | 9,000          | 215,800        |
| <b>Investing activities</b>                          |                |                |
| Acquisition of right-of-use assets                   | 18,700         | 0              |
| <b>Financing activities</b>                          |                |                |
| Interest portion of lease liabilities (Note 20)      | 18,010         | 0              |
| Principal portion of lease liabilities               | 187,690        | 0              |
|  | <u>233,400</u> | <u>215,800</u> |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 25. Related party disclosures

Transactions with related parties during the financial year are as follows:-

|  | Group            |            | Company           |            |
|--|------------------|------------|-------------------|------------|
|  | 2020<br>RM       | 2019<br>RM | 2020<br>RM        | 2019<br>RM |
| Key management personnel compensation:-              |                  |            |                   |            |
| - Short-term employee benefits                       | <b>1,561,136</b> | 1,693,039  | <b>151,500</b>    | 147,500    |
| - Defined contribution plans                         | <b>151,196</b>   | 174,600    | <b>0</b>          | 0          |
| - Share-based payments                               | <b>90,000</b>    | 298,856    | <b>24,000</b>     | 79,636     |
|  | <b>1,802,332</b> | 2,166,495  | <b>175,500</b>    | 227,136    |
| Dividend received from subsidiary                    | <b>0</b>         | 0          | <b>7,525,000</b>  | 5,160,000  |
| Granting of employees' share options to subsidiaries | <b>0</b>         | 0          | <b>92,460</b>     | 594,819    |
| Sale of goods to other related party*                | <b>139,930</b>   | 510,272    | <b>0</b>          | 0          |
| Subscription for preference shares in subsidiary     | <b>0</b>         | 0          | <b>16,500,000</b> | 0          |

\* Being a company in which a director has a substantial financial interest

## 26. Segment reporting

Group

### Operating segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- (i) Precision engineering - Design, development, manufacture, marketing and sale of stiffeners, test sockets, hand lids and related accessories
- (ii) Laser stencils - Manufacture and sale of laser stencils

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 26. Segment reporting (cont'd)

### Operating segments (cont'd)

|   | Precision<br>engineering<br>RM | Laser<br>stencils<br>RM | Total<br>RM        |
|---|--------------------------------|-------------------------|--------------------|
| <u>2020</u>                                     |                                |                         |                    |
| <b>Statement of financial position</b>          |                                |                         |                    |
| Segment assets                                  | <b>80,674,541</b>              | <b>27,303,419</b>       | <b>107,977,960</b> |
| Included in the measure of segment assets are:- |                                |                         |                    |
| - Additions to non-current assets               | <b>5,836,003</b>               | <b>779,592</b>          | <b>6,615,595</b>   |
| Segment liabilities                             | <b>7,550,969</b>               | <b>1,125,678</b>        | <b>8,676,647</b>   |
| <b>Statement of comprehensive income</b>        |                                |                         |                    |
| Segment profit                                  | <b>13,062,050</b>              | <b>4,002,746</b>        | <b>17,064,796</b>  |
| Included in the measure of segment profit are:- |                                |                         |                    |
| - External revenue                              | <b>38,909,197</b>              | <b>12,143,284</b>       | <b>51,052,481</b>  |
| - Interest income                               | <b>1,075,462</b>               | <b>146,548</b>          | <b>1,222,010</b>   |
| - Non-cash income                               | <b>452,212</b>                 | <b>0</b>                | <b>452,212</b>     |
| - Interest expense                              | <b>0</b>                       | <b>18,010</b>           | <b>18,010</b>      |
| - Depreciation                                  | <b>3,737,133</b>               | <b>581,712</b>          | <b>4,318,845</b>   |
| - Other non-cash expenses                       | <b>269,765</b>                 | <b>206,697</b>          | <b>476,462</b>     |
| - Tax expense                                   | <b>2,972,077</b>               | <b>1,256,812</b>        | <b>4,228,889</b>   |
| <u>2019</u>                                     |                                |                         |                    |
| <b>Statement of financial position</b>          |                                |                         |                    |
| Segment assets                                  | 66,951,577                     | 22,393,709              | 89,345,286         |
| Included in the measure of segment assets are:- |                                |                         |                    |
| - Additions to non-current assets               | 6,202,299                      | 555,841                 | 6,758,140          |
| Segment liabilities                             | 6,361,258                      | 530,414                 | 6,891,672          |
| <b>Statement of comprehensive income</b>        |                                |                         |                    |
| Segment profit                                  | 9,237,478                      | 3,426,746               | 12,664,224         |
| Included in the measure of segment profit are:- |                                |                         |                    |
| - External revenue                              | 33,889,693                     | 11,056,775              | 44,946,468         |
| - Interest income                               | 979,009                        | 153,257                 | 1,132,266          |
| - Non-cash income                               | 86,864                         | 0                       | 86,864             |
| - Depreciation                                  | 2,673,563                      | 317,567                 | 2,991,130          |
| - Other non-cash expenses                       | 1,069,592                      | 110,497                 | 1,180,089          |
| - Tax expense                                   | 2,792,335                      | 1,134,265               | 3,926,600          |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 26. Segment reporting (cont'd)

### Geographical information

The Group operates principally in Malaysia and generates revenue from the following geographical locations of customers:-

|                       | External revenue         |                   |
|-----------------------|--------------------------|-------------------|
|                       | 2020<br>RM               | 2019<br>RM        |
| Malaysia              | <b>8,348,581</b>         | 9,777,606         |
| Other Asian countries | <b>14,677,270</b>        | 10,697,131        |
| North America         | <b>18,575,051</b>        | 13,735,026        |
| Europe                | <b>9,406,825</b>         | 10,705,597        |
| Others                | <b>44,754</b>            | 31,108            |
|                       | <b><u>51,052,481</u></b> | <u>44,946,468</u> |

### Major customers

For the financial year ended 30 June 2020, there was 1 (2019 : nil) major customer of the precision engineering segment that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM9,341,477 (2019 : nil).

## 27. Contractual commitments

Group

|  | 2020<br>RM              | 2019<br>RM     |
|--|-------------------------|----------------|
| Acquisition of property, plant and equipment | <b><u>1,093,000</u></b> | <u>589,000</u> |

## 28. Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk and currency risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

### Credit risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position.

The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 10. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## 28. Financial risk management (cont'd)

### Liquidity risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

### Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currencies transacted are US Dollar ("USD") and Euro ("EUR"), and the gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

|                           | Group              |            |                    |            |
|---------------------------|--------------------|------------|--------------------|------------|
|                           | Denominated in USD |            | Denominated in EUR |            |
|                           | 2020<br>RM         | 2019<br>RM | 2020<br>RM         | 2019<br>RM |
| Receivables               | <b>9,914,781</b>   | 8,213,511  | <b>1,860,408</b>   | 749,944    |
| Cash and cash equivalents | <b>2,416,204</b>   | 917,189    | <b>0</b>           | 1,369,323  |
| Payables                  | <b>(868,623)</b>   | (312,765)  | <b>0</b>           | 0          |
|                           | <b>11,462,362</b>  | 8,817,935  | <b>1,860,408</b>   | 2,119,267  |

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

|                                       | Group  |  |
|---------------------------------------|--|--|
|                                       | Increase/<br>(Decrease)<br>in profit<br>2020<br>RM | Increase/<br>(Decrease)<br>in profit<br>2019<br>RM |
|                                       | Appreciation of USD against RM by 10%              | <b>871,140</b>                                     |
| Depreciation of USD against RM by 10% | <b>(871,140)</b>                                   | (670,163)  |
| Appreciation of EUR against RM by 10% | <b>141,391</b>                                     | 161,064  |
| Depreciation of EUR against RM by 10% | <b>(141,391)</b>                                   | (161,064)  |

# NOTES TO THE FINANCIAL STATEMENTS *(cont'd)*

30 June 2020

## **29. Capital management**

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity.

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

# LIST OF PROPERTIES

| Registered owner/<br>Title/Address   | Description/<br>Existing use   | Approximate<br>age of building/<br>Tenure/<br>Date of expiry of<br>lease | Approximate<br>land/<br>Built-up<br>area<br>(Sq. feet) | Net book<br>value as at<br>30.6.2020<br>(RM'000) | Date of last<br>revaluation |
|--|--|--|--|--|-----------------------------|
| <b>FoundPac Sdn. Bhd.</b>  |  |  |  |  |                             |
| <b>Title</b><br>Pajakan Negeri 5869,<br>Lot 12349, Mukim 12,<br>District of South West,<br>Penang  | Industrial land with<br>three (3) buildings<br>erected thereon.  | 22 years/<br>60-year leasehold<br>interest expiring<br>31.10.2053        | 66,133/<br>48,816                                      | 14,272   | 01.07.2019                  |
| <b>Address</b><br>Plot 35,<br>Hilir Sungai Keluang 2,<br>Bayan Lepas<br>Industrial Estate,<br>Non-Free Industrial Zone<br>Phase IV, 11900<br>Bayan Lepas, Penang | Factory complex<br>comprises 1-single<br>storey sales office<br>building, 1-single<br>storey management<br>office with an annexed<br>1.5-storey detached<br>factory. |  |  |  |                             |

# ANALYSIS OF SHAREHOLDINGS

## Share capital as at 5 October 2020

|                               |  |
|-------------------------------|--|
| Total number of issued shares | : 542,322,500                              |
| Class of share                | : Ordinary Shares with equal voting rights |
| Number of shareholders        | : 8,918                                    |

## Distribution of shareholders as at 5 October 2020

| Holdings             | No. of holders | Total holdings     | %             |
|----------------------|----------------|--------------------|---------------|
| 1 - 99               | 120            | 5,082              | 0.00          |
| 100 - 1,000          | 1,350          | 902,367            | 0.17          |
| 1,001 - 10,000       | 5,182          | 26,147,201         | 4.82          |
| 10,001 - 100,000     | 1,975          | 59,278,689         | 10.93         |
| 100,001 - 27,116,124 | 287            | 224,188,181        | 41.34         |
| 27,116,125 and above | 4              | 231,800,980        | 42.74         |
| <b>Total</b>         | <b>8,918</b>   | <b>542,322,500</b> | <b>100.00</b> |

## 30 largest securities account holders as at 5 October 2020

| Name  | Shareholdings | %     |
|---|---------------|-------|
| 1. FoundPac Holdings Sdn. Bhd.  | 95,800,000    | 17.66 |
| 2. Amsec Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account For FoundPac Holdings Sdn. Bhd.                                   | 80,000,000    | 14.75 |
| 3. Lee Chun Wah   | 28,000,980    | 5.16  |
| 4. Tan Sin Khoon  | 28,000,000    | 5.16  |
| 5. Amanahraya Trustees Berhad<br>Qualifier: PMB Shariah Aggressive Fund   | 10,557,100    | 1.95  |
| 6. CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: CIMB Commerce Trustee Berhad for Kenanga Growth Opportunities Fund (50154 TR01)         | 9,526,200     | 1.76  |
| 7. CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01) | 9,322,900     | 1.72  |
| 8. Tokio Marine Life Insurance Malaysia Bhd. as Beneficial Owner (PF)   | 9,175,600     | 1.69  |
| 9. Amanahraya Trustees Berhad<br>Qualifier: PB Growth Fund  | 7,910,000     | 1.46  |
| 10. Maybank Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Maybank Trustees Berhad for Public Industry Growth Fund (N14011930270)                    | 7,430,000     | 1.37  |
| 11. Amanahraya Trustees Berhad<br>Qualifier: Public Strategic Smallcap Fund   | 6,500,000     | 1.20  |
| 12. CGS-CIMB Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for FoundPac Holdings Sdn. Bhd. (MP0441)                      | 6,000,000     | 1.11  |
| 13. Lee Chun Wah  | 5,733,620     | 1.06  |
| 14. CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>CIMB Commerce Trustee Berhad - Kenanga Malaysia Inc Fund  | 5,122,100     | 0.94  |
| 15. Affin Hwang Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Lee Cheng Chuan (LEE4666C)                             | 4,492,000     | 0.83  |
| 16. Tokio Marine Life Insurance Malaysia Bhd. as Beneficial Owner (TMEF)  | 4,446,000     | 0.82  |
| 17. CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: CIMB Commerce Trustee Berhad for Maybank Malaysia Smallcap Fund                        | 4,000,000     | 0.74  |
| 18. Lee Kean Soon   | 3,882,330     | 0.72  |

# ANALYSIS OF SHAREHOLDINGS *(cont'd)*

## 30 largest securities account holders as at 5 October 2020 *(cont'd)*

| Name   | Shareholdings | %    |
|--|---------------|------|
| 19. UOBM Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Aggressive Fund  | 3,727,800     | 0.69 |
| 20. RHB Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Ong Choon Heng                              | 3,683,000     | 0.68 |
| 21. CIMB Islamic Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund         | 3,212,200     | 0.59 |
| 22. Amanahraya Trustees Berhad<br>Qualifier: Public Islamic Growth Balanced Fund   | 3,189,700     | 0.59 |
| 23. Amanahraya Trustees Berhad<br>Qualifier: Public Select Treasures Equity Fund   | 3,070,000     | 0.57 |
| 24. Tan Sin Khoon  | 3,000,000     | 0.55 |
| 25. CIMB Group Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Exempt An for Petroliam Nasional Berhad (KIB)                       | 2,893,800     | 0.53 |
| 26. Alliancegroup Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Ng Wee Kean (7000571)             | 2,825,900     | 0.52 |
| 27. Maybank Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Maybank Trustees Berhad for Kenanga Amanah Saham Wanita (N14011980040) | 2,716,300     | 0.50 |
| 28. Alliancegroup Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Pledged Securities Account for Koek Tiang Kung (8038626)         | 2,274,600     | 0.42 |
| 29. Maybank Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: Maybank Trustees Berhad for Kenanga Syariahextra Fund (N14011960240)   | 1,856,200     | 0.34 |
| 30. UOBM Nominees (Tempatan) Sdn. Bhd.<br>Qualifier: UOB Asset Management (Malaysia) Berhad for Gibraltar BSN Strategic Fund   | 1,825,000     | 0.34 |

## Substantial shareholders as at 5 October 2020

| Name                           | Direct             |       | Indirect                   |                      |
|--------------------------------|--------------------|-------|----------------------------|----------------------|
|                                | No. of shares held | %     | No. of shares held         | %                    |
| 1. FoundPac Holdings Sdn. Bhd. | 181,800,000        | 33.52 | -                          | -                    |
| 2. Lee Chun Wah                | 33,734,600         | 6.22  | 181,800,000 <sup>(a)</sup> | 33.52 <sup>(a)</sup> |
| 3. Tan Sin Khoon               | 31,000,000         | 5.72  | 181,800,000 <sup>(a)</sup> | 33.52 <sup>(a)</sup> |
| 4. Ong Choon Heng              | 3,683,000          | 0.68  | 181,800,000 <sup>(a)</sup> | 33.52 <sup>(a)</sup> |

*(a) Deemed interested pursuant to Section 8 of the Companies Act 2016 ("the Act") via FoundPac Holdings Sdn. Bhd.*

## Directors' shareholdings as at 5 October 2020

| Name              | Direct             |      | Indirect                   |                      |
|-------------------|--------------------|------|----------------------------|----------------------|
|                   | No. of shares held | %    | No. of shares held         | %                    |
| 1. Tan Cheik Eaik | 1,800,000          | 0.33 | -                          | -                    |
| 2. Ong Choon Heng | 3,683,000          | 0.68 | 181,800,000 <sup>(a)</sup> | 33.52 <sup>(a)</sup> |
| 3. Lee Chun Wah   | 33,734,600         | 6.22 | 181,800,000 <sup>(a)</sup> | 33.52 <sup>(a)</sup> |
| 4. Tan Sin Khoon  | 31,000,000         | 5.72 | 181,800,000 <sup>(a)</sup> | 33.52 <sup>(a)</sup> |
| 5. Chan Bee Cheng | 1,420,000          | 0.26 | -                          | -                    |
| 6. Teoh Lay Fung  | 420,000            | 0.08 | -                          | -                    |

*(a) Deemed interested pursuant to Section 8 of the Act via FoundPac Holdings Sdn. Bhd.*

# SHARE BUY-BACK STATEMENT

## 1. Disclaimer statement

This statement is important and if you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance, take no responsibilities for the contents of the Statement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Statement.

## 2. Rationale for the proposed renewal of authority to FoundPac Group Berhad ("FoundPac" or "Company") to purchase its own ordinary shares ("Shares") of up to ten per centum (10%) of the total number of issued shares at any point of time ("Proposed Renewal of Share Buy-Back Mandate")

The rationale of the Proposed Renewal of Share Buy-Back Mandate, if implemented, are as follows:-

- (a) To enable the Company to utilise any of its surplus financial resources, which is not immediately required for other uses, to purchase its own Shares from the market. The Proposed Renewal of Share Buy-Back Mandate is to stabilise the market price of the Shares and to prevent against speculation of the Shares, when undervalued, to enhance investors' confidence;
- (b) Regardless if the Shares purchased pursuant to the Proposed Renewal of Share Buy-Back Mandate ("Purchased Shares") are maintained as treasury shares or cancelled, the Proposed Renewal of Share Buy-Back Mandate, will result in a lower number of Shares being used for the purpose of computing the Earnings Per Share ("EPS"), in which will improve the EPS of FoundPac and may have a positive impact on the market price of FoundPac Shares; and
- (c) The Purchased Shares may be held as treasury shares and resold in the open market at a higher price with the intention of realising a potential gain without affecting the total issued share capital of the Company. If any treasury shares are distributed as share dividends and/or issued under employees' share scheme, this would serve to reward the shareholders and/or employees of the Company.

## 3. Retained profits

Based on the audited financial statements of the Company as at 30 June 2020, the retained profits of the Company stood at RM1,722,455.

## 4. Source of funding

The Proposed Renewal of Share Buy-Back Mandate will be financed by both internally generated fund and/or external borrowings. The maximum fund to be allocated by the Company shall not exceed the retained profits of the Company. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on the availability of internally generated funds and bank borrowings at the time of the purchase(s), actual number of FoundPac Shares to be purchased and other cost factors.

In the event external borrowings are used for the purchase of FoundPac Shares, the Board of Directors of the Company ("Board") will ensure that the Company has the capability to repay the borrowings and that such repayment will not have a material effect on the Company's cash flow. Any funds utilised by FoundPac for the Proposed Renewal of Share Buy-back Mandate will consequentially reduce the resources available to FoundPac for its operations by a corresponding amount for shares bought back.

# SHARE BUY-BACK STATEMENT *(cont'd)*

## 5. Interest of directors and substantial shareholders and persons connected to them

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders in the Company as a consequence of the Proposed Renewal of Share Buy-Back Mandate, none of the directors and substantial shareholders of FoundPac nor persons connected to them has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Mandate and, if any, the resale of the treasury shares.

Based on the Register of Directors' Shareholdings and Register of Substantial Shareholders of FoundPac as at 5 October 2020, the effects of the Proposed Renewal of Share Buy-Back Mandate on the shareholdings of the directors and substantial shareholders of FoundPac are as follows:-

| Directors                   | Before the Proposed Renewal of Share Buy-Back Mandate |                  |                          |                  | After the Proposed Renewal of Share Buy-Back Mandate |                  |                          |                  |
|-----------------------------|---|------------------|--------------------------|------------------|--|------------------|--------------------------|------------------|
|                             | Direct  |                  | Indirect                 |                  | Direct   |                  | Indirect                 |                  |
|                             | No. of Shares   | % <sup>(a)</sup> | No. of Shares            | % <sup>(a)</sup> | No. of Shares  | % <sup>(b)</sup> | No. of Shares            | % <sup>(b)</sup> |
| Tan Cheik Eaik              | 1,800,000   | 0.33             | -                        | -                | 1,800,000  | 0.37             | -                        | -                |
| Ong Choon Heng <sup>®</sup> | 3,683,000   | 0.68             | 181,800,000 <sup>^</sup> | 33.52            | 3,683,000  | 0.75             | 181,800,000 <sup>^</sup> | 37.25            |
| Lee Chun Wah <sup>®</sup>   | 33,734,600  | 6.22             | 181,800,000 <sup>^</sup> | 33.52            | 33,734,600   | 6.91             | 181,800,000 <sup>^</sup> | 37.25            |
| Tan Sin Khoon <sup>®</sup>  | 31,000,000  | 5.72             | 181,800,000 <sup>^</sup> | 33.52            | 31,000,000   | 6.35             | 181,800,000 <sup>^</sup> | 37.25            |
| Chan Bee Cheng              | 1,420,000   | 0.26             | -                        | -                | 1,420,000  | 0.29             | -                        | -                |
| Teoh Lay Fung               | 420,000   | 0.08             | -                        | -                | 420,000  | 0.09             | -                        | -                |

### Substantial Shareholder

|                             |             |       |             |       |
|-----------------------------|-------------|-------|-------------|-------|
| FoundPac Holdings Sdn. Bhd. | 181,800,000 | 33.52 | 181,800,000 | 37.25 |
|-----------------------------|-------------|-------|-------------|-------|

<sup>(a)</sup> Based on existing total number of issued shares of 542,322,500 Ordinary Shares.

<sup>(b)</sup> Based on the total number of issued shares of 488,090,250 Ordinary Shares; being 542,322,500 Ordinary Shares less 10% Ordinary Shares should Proposed Share Buy-Back is carried out in full and all the shares purchased are held as treasury shares.

<sup>^</sup> Deemed Interested pursuant to Section 8 of the Companies Act 2016 via FoundPac Holdings Sdn. Bhd.

<sup>®</sup> Also Substantial Shareholder of the Company.

## 6. Potential advantages and disadvantages of the Proposed Renewal of Share Buy-Back Mandate

### 6.1 Potential advantages of the Proposed Renewal of Share Buy-Back Mandate

The potential advantages of the Proposed Renewal of Share Buy-Back Mandate are set out in Section 2 of this Statement.

### 6.2 Potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate

The potential disadvantages of the Proposed Renewal of Share Buy-Back Mandate are as follows:-

(a) The Proposed Renewal of Share Buy-Back Mandate, if implemented, will reduce the financial resources of FoundPac and may result in FoundPac foregoing interest income and/or better investment opportunities that may emerge in the future; and

(b) It would also result in reduction of financial resources available for distribution in the form of cash dividends to shareholders of FoundPac in the immediate future.

Nevertheless, the Board is of the view that the Proposed Renewal of Share Buy-Back Mandate is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be implemented only after taking into consideration, amongst others, the financial resources of FoundPac and the resultant impact on the shareholders of the Company.

# SHARE BUY-BACK STATEMENT *(cont'd)*

## 7. Material financial impact of the Proposed Renewal of Share Buy-Back Mandate

The material financial effect of the Proposed Renewal of Share Buy-Back Mandate on the share capital, consolidated net assets ("NA"), working capital, earnings and EPS, dividends and the substantial shareholders' shareholdings in FoundPac are set out below:-

### 7.1 Share capital

The effects of the Proposed Renewal of Share Buy-Back Mandate on the total number of issued shares of FoundPac are as follows:-

|   | <b>No. of Shares</b> |
|---|----------------------|
| As at 5 October 2020  | 542,322,500          |
| Proposed Renewal of Share Buy-Back Mandate<br>(assuming all Purchased Shares are held as treasury shares) | <u>(54,232,250)</u>  |
| Total number of issued share after the Proposed Renewal of Share Buy-Back Mandate                         | <u>488,090,250</u>   |

The effect of the Proposed Renewal of Share Buy-Back Mandate on the issued share capital of the Company will depend on the intention of the Board with regard to the treatment of the Purchased Shares. If the Purchased Shares are cancelled, the total number of issued share will be reduced by the number of Shares cancelled. Conversely, if the Purchased Shares are retained as treasury shares, resold or distributed to shareholders, the Proposed Renewal of Share Buy-Back Mandate will not have any effect on the total number of issued shares. However, while the Purchased Shares are held as treasury shares, the Companies Act 2016 states that the rights attached to them as to voting, dividends and participation in other distributions or otherwise are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares for any purposes including without limiting the generality of this provision, the provisions of any law or requirements of the Constitution of the Company or the listing rules of a stock exchange on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

### 7.2 NA

The effects of the Proposed Renewal of Share Buy-Back Mandate on NA of FoundPac and its subsidiaries ("FoundPac Group") would depend on the purchase price and number of Purchased Shares, the effective cost of funding, loss in interest income of the Company and the treatment of Purchased Shares.

If all the Purchased Shares are cancelled, the Proposed Renewal of Share Buy-Back Mandate will reduce the NA per Share if the purchase price exceed the NA per Share at the time of the purchase. Conversely, the NA per Share will increase if the purchase price is below the NA per Share at the time of the purchase.

The NA per Share will decrease if the Purchased Shares are retained as treasury shares, due to the accounting requirements for treasury shares to be carried at cost and to be offset against equity.

If the treasury shares are subsequently resold, the NA per Share upon the resale will increase if the Company realises a gain from the resale, and vice-versa. If the treasury shares are distributed as dividends, the NA per Share will be reduced by the cost of the treasury shares.

### 7.3 Working capital

The Proposed Renewal of Share Buy-Back Mandate, as and when implemented, will reduce the working capital and cash flows of FoundPac Group, the quantum of which depends on, amongst others, the number and purchase price(s) of the Purchased Shares.

For the Purchased Shares which are kept as treasury shares, upon their resale, the working capital and the cash flows of FoundPac Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cash flows will depend on the actual selling price(s) of the treasury shares resold.

# SHARE BUY-BACK STATEMENT *(cont'd)*

## 7. Material financial impact of the Proposed Renewal of Share Buy-Back Mandate (cont'd)

The material financial effect of the Proposed Renewal of Share Buy-Back Mandate on the share capital, consolidated net assets ("NA"), working capital, earnings and EPS, dividends and the substantial shareholders' shareholdings in FoundPac are set out below:- (cont'd)

### 7.4 Earnings and EPS

The effects of the Proposed Renewal of Share Buy-Back Mandate on earnings and EPS of FoundPac Group will depend on the purchase price of the Shares, the effective funding cost, if any, or any loss in interest income to FoundPac Group.

If the Purchased Shares are retained as treasury shares and resold, the effects on the earnings of FoundPac Group will depend on the actual selling price, the number of the treasury shares resold, and the effective gain or interest saving arising from the exercise.

If the Purchased Shares are cancelled, the Proposed Share Buy-Back Mandate will increase the EPS of FoundPac Group provided that the income foregone and interest expenses incurred on the Purchased Shares are less than the EPS before the Proposed Share Buy-Back Mandate.

### 7.5 Dividends

Assuming the Proposed Renewal of Share Buy-Back Mandate is implemented in full, dividends would be paid on the remaining total number of issued shares of FoundPac (excluding the Shares already purchased). The Proposed Renewal of Share Buy-Back Mandate would reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to shareholders of the Company, if the Company so decides.

Any dividends to be declared by FoundPac in the future would depend on, inter-alia, the profitability and cash flow position of FoundPac Group.

### 7.6 Substantial shareholders

Share bought back by the Company under the Proposed Renewal of Share Buy-Back Mandate that are retained as treasury shares will result in a proportionate increase in the percentage shareholdings of the substantial shareholders in the Company. Please refer to the Section 5 of this Statement for further details.

## 8. Implications of the Proposed Renewal of Share Buy-Back Mandate relating to the rules of takeovers, merger and compulsory acquisitions ("the Rules")

Based on the Company's total number of issued Shares and the current shareholdings of the substantial shareholders and/or parties acting in concert as at 5 October 2020, none of the substantial shareholders and/or parties acting in concert with them will be required to make a mandatory general offer in the event of the implementation of the Proposed Renewal of Share Buy-Back Mandate in full.

FoundPac has no intention for the Proposed Renewal of Share Buy-Back Mandate to be triggered the obligation to undertake a mandatory general offer under the Rules by any of its substantial shareholders and/or parties acting in concert with them. The Board will ensure that only such number of FoundPac Shares are purchased, retained as treasury shares or cancelled in the manner that the Rules will not be triggered.

The Board is aware of the requirements of the Rules and will be mindful of the requirements when making any purchase of FoundPac Shares pursuant to the Proposed Renewal of Share Buy-Back Mandate.

## 9. Purchases, resold, transfer and cancellation made by the Company of its own shares in the preceding 12 months

There was no treasury share held and the Company had not purchased, resold, transferred or cancelled any Shares in the preceding 12 months.

# SHARE BUY-BACK STATEMENT *(cont'd)*

## 10. Proposed intention of the directors to deal with the shares so purchased

The Proposed Renewal of Share Buy-Back Mandate, if exercised, the shares shall be dealt with in the following manner:-

- To cancel the share so purchased; or
- To retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the open market or subsequently cancelled; or
- Retain part of the shares so purchased as treasury shares and cancel the remainder.

## 11. Historical share prices

The monthly highest and lowest market prices of FoundPac Share traded on Bursa Securities for the preceding 12 months are as follows:-

|             | High<br>RM   | Low<br>RM    |
|-------------|--------------|--------------|
| <b>2019</b> |              |              |
| October     | 0.489        | 0.370        |
| November    | 0.607        | 0.454        |
| December    | 0.814        | 0.582        |
| <b>2020</b> |              |              |
| January     | <b>0.879</b> | <b>0.711</b> |
| February    | <b>1.010</b> | <b>0.676</b> |
| March       | <b>0.890</b> | <b>0.375</b> |
| April       | <b>0.750</b> | <b>0.555</b> |
| May         | <b>0.825</b> | <b>0.680</b> |
| June        | <b>0.855</b> | <b>0.705</b> |
| July        | <b>1.230</b> | <b>0.785</b> |
| August      | <b>1.220</b> | <b>0.850</b> |
| September   | <b>1.200</b> | <b>0.925</b> |

Last transacted market price as at 5 October 2020 (being the latest practical date prior to the printing of this Statement) was RM1.01.

(Source: Bloomberg)

## 12. Public shareholding spread

As at 5 October 2020, the public shareholdings spread of the Company was approximately 53.19%. In this regard, the Board undertakes to purchase Shares only to the extent that the public shareholding spread of FoundPac shall not fall below 25% of the total number of issue share capital of the Company (excluding treasury shares) at all time pursuant to the Proposed Renewal of Share Buy-Back Mandate, in accordance with Para 8.02(1) and 12.14 of the Bursa Securities Main Market Listing Requirements.

## 13. Directors' statement

After taking into consideration all relevant factors, the Board is of the opinion that the Proposed Renewal of Share Buy-Back Mandate described above is in the best interest of the Company.

## 14. Directors' recommendation

The Board recommends that you vote in favour of the ordinary resolution to be tabled at the forthcoming Annual General Meeting to give effect to the Proposed Renewal of Share Buy-Back Mandate.

# SHARE BUY-BACK STATEMENT *(cont'd)*

## 15. Responsibility statement

This statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

## 16. Documents available for inspection

Copies of following documents will be available for inspection at the registered office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang during normal office hours from Monday to Friday (except for public holiday) from the date of this Statement up to and including the date of the forthcoming Annual General Meeting:-

- I. Constitution of FoundPac; and
- II. The audited financial statements of FoundPac for the past two (2) financial years ended 30 June 2019 and 30 June 2020 respectively.

## 17. Further information

There is no other information concerning the Proposed Renewal of Share Buy-Back Mandate as shareholders and other professional advisers would reasonably require and expect to find in this Statement for the purpose of making informed assessment as to the merits of approving the Proposed Renewal of Share Buy-Back Mandate and the extent of the risks involved in doing so.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Etoile Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 18 November 2020 at 9.00 a.m. for the following purposes:-

## AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 30 June 2020 together with the Reports of the Directors and of the Auditors thereon. *(Please refer to Note A)*
2. To approve the payment of Directors' Fee of up to RM130,000/- for the period from December 1, 2020 until the next Annual General Meeting of the Company. *(Resolution 1)*
3. To approve the other benefits (excluding Directors' Fee) payable to Non-Executive Director of up to RM248,000/- for the period from December 1, 2020 until the next Annual General Meeting of the Company. *(Resolution 2)*
4. To re-elect the following Directors retiring under Paragraph 102 of the Constitution of the Company and who, being eligible offer themselves for re-election:-
  - a. Mr. Ong Choon Heng *(Resolution 3)*
  - b. Ms. Chan Bee Cheng *(Resolution 4)*
5. To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *(Resolution 5)*

### Special businesses

6. To consider and if thought fit, to pass the following resolutions:-

#### Ordinary resolutions

- a) Authority to issue shares *(Resolution 6)*

"That pursuant to Companies Act 2016 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."
- b) Renewal of authority to purchase its own shares *(Resolution 7)*

"That subject to the Companies Act 2016, provisions of the Company's Constitution and the requirements of the Bursa Securities and other relevant governmental and regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to purchase its own shares through Bursa Securities, subject to the following:-

  - i) The maximum aggregate number of shares which may be purchased by the Company shall not exceed ten per centum (10%) of the total issued shares of the Company at any point in time;
  - ii) The maximum fund to be allocated by the Company for the purpose of purchasing the Company's shares shall not exceed the retained profits of the Company. As at the latest financial year ended 30 June 2020, the audited retained profits of the Company is RM1,722,455/-;

# NOTICE OF ANNUAL GENERAL MEETING *(cont'd)*

## Special businesses (cont'd)

6. To consider and if thought fit, to pass the following resolutions:- (cont'd)

## Ordinary resolutions (cont'd)

- b) Renewal of authority to purchase its own shares (cont'd) (Resolution 7)

iii) The authority conferred by this resolution will be effective immediately upon the passing of this resolution and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company, at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions or the expiration of the period within which the next Annual General Meeting is required by law to be held or unless revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first;

iv) Upon completion of the purchase(s) of the shares by the Company, the shares shall be dealt with in the following manner:-

- To cancel the shares so purchased; or
- To retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of the Bursa Securities or subsequently cancelled; or
- Retain part of the shares so purchased as treasury shares and cancel the remainder.

The Directors of the Company be and are hereby authorised to take all such steps as are necessary and entering into all other agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, if any, as may be imposed by the relevant authorities from time to time to implement or to effect the purchase of its own shares in accordance with the Companies Act 2016, provisions of the Company's Constitution, the requirements of the Bursa Securities and any other regulatory authorities, and other relevant approvals."

7. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

HOW WEE LING (MAICSA 7033850)/SSM PC NO. 202008000849

OOI EAN HOON (MAICSA 7057078)/SSM PC NO. 202008000734

Secretaries

Penang

20 October 2020

Notes:-

- A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Constitution do not require a formal approval of the shareholders and hence, is not put forward for voting.*
- B. *For the purpose of determining a member who shall be entitled to attend and vote at this Fifth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 11 November 2020. Only a depositor whose name appears on the Record of Depositors as at 11 November 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*

Proxy:-

1. *A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
2. *Where a member of the Company is an Exempt Authorised Nominee which holds Ordinary Shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
3. *The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least twenty-four (24) hours before the time set for holding the Meeting or any adjournments thereof.*

# NOTICE OF ANNUAL GENERAL MEETING *(cont'd)*

## Explanatory note on special businesses:-

### 1. Authority to issue shares

The proposed Resolution No. 6 [Item 6(a)], if passed, will grant a new general mandate (Mandate 2020) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The Mandate 2020 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Fourth Annual General Meeting. The Company did not issue any share pursuant to the mandate granted because there was no investment, acquisition or working capital that required fund raising activity.

### 2. Renewal of authority to purchase its own shares

The proposed Ordinary Resolution No. 7 [Item 6(b)], if passed, will give the Company the authority to purchase its own Ordinary Shares of up to ten per centum (10%) of the total number of issued shares of the Company for the time being. This authority, unless renewed or revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held, whichever occurs first. For further information on the renewal of authority to purchase its own shares, please refer to the Share Buy-back Statement set out in the Annual Report 2020.

# PROXY FORM



|                             |  |
|-----------------------------|--|
| No. of Ordinary Shares held |  |
| Contact No.                 |  |
| CDS Account No.             |  |
| Email Address               |  |



I/We \_\_\_\_\_ (\*NRIC No./Company No. \_\_\_\_\_)

of \_\_\_\_\_ being a \*Member/Members of

FOUNDPAC GROUP BERHAD hereby appoint (Proxy 1) \_\_\_\_\_

(\*NRIC No./Passport No. \_\_\_\_\_) of \_\_\_\_\_

\_\_\_\_\_ and\*/or failing him\* (Proxy 2) \_\_\_\_\_

(\*NRIC No./Passport No. \_\_\_\_\_) of \_\_\_\_\_

\_\_\_\_\_ and\*/or failing him\*, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Etoile Room, Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Wednesday, 18 November 2020 at 9.00 a.m. and/or, at every adjournment thereof to vote as indicated below:-

The proportions of my/our holdings to be represented by our proxy(ies) are as follows:-

Proxy 1 - \_\_\_\_\_ % In case of a vote by show of hands, Proxy 1\*/Proxy 2\* shall vote on my/our behalf.  
 Proxy 2 - \_\_\_\_\_ %  
 \_\_\_\_\_ 100%

\* Strike out whichever is inapplicable

(Please indicate with an "X" in the space provided below on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

|    | RESOLUTIONS  | FOR | AGAINST |
|----|--|-----|---------|
| 1. | To approve the payment of Directors' Fee of up to RM130,000/- for the period from December 1, 2020 until the next Annual General Meeting of the Company.   |     |         |
| 2. | To approve the other benefits (excluding Directors' Fee) payable to Non-Executive Director of up to RM248,000 for the period from December 1, 2020 until the next Annual General Meeting of the Company. |     |         |
|    | To re-elect the following Directors retiring under Paragraph 102 of the Constitution of the Company and who, being eligible offer themselves for re-election:-   |     |         |
| 3. | Mr. Ong Choon Heng   |     |         |
| 4. | Ms. Chan Bee Cheng   |     |         |
| 5. | To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.   |     |         |
|    | To pass the following resolutions as special businesses:-  |     |         |
|    | <b>Ordinary resolutions</b>  |     |         |
| 6. | Authority to issue shares.   |     |         |
| 7. | Renewal of authority to purchase its own shares.   |     |         |

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2020

\_\_\_\_\_  
Signature of Shareholder(s)

**Notes:-**

For the purpose of determining a member who shall be entitled to attend and vote at this Fifth Annual General Meeting, the Company shall be requesting the Record of Depositors as at 11 November 2020. Only a depositor whose name appears on the Record of Depositors as at 11 November 2020 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

**Proxy:-**

- A member of the Company (Except an Exempt Authorised Nominee) shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the Company is an Exempt Authorised Nominee which holds Ordinary Shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang at least twenty-four (24) hours before the time set for holding the Meeting or any adjournments thereof.

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**AFFIX  
STAMP**

The Company Secretaries  
**FOUNDPAC GROUP BERHAD**  
57-G Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang

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## **FoundPac Group Berhad**

Registration No.: 201501040628 (1165946-H)

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