

MASTER-PACK GROUP BERHAD

(Company No. 297020-W)
(Incorporated in Malaysia)

MINUTES OF GENERAL MEETING

MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF MASTER-PACK GROUP BERHAD (MASTER-PACK” OR “COMPANY”) HELD AT MASTER-PACK SDN. BHD., 1574 JALAN BUKIT PANCHOR, 14300 NIBONG TEBAL, S.P.S. PENANG ON FRIDAY, 27 FEBRUARY 2015 AT 11.30 A.M.

Present : Dato’ Syed Mohamad Bin Syed Murtaza (In the Chair)
Dato’ Seri Khor Teng Tong
Dr. Junid Bin Abu Saham
Encik Aminuddin Bin Saad
Mr. Chew Hock Lin
Cik Nazriah Binti Shaik Alawdin
and 19 other shareholders and proxies as per Attendance List

By Invitation : 10 invited guests as per Attendance List

In Attendance : Mr. Lee Peng Loon (Company Secretary)

1. COMMENCEMENT

On behalf of the Board of Directors of Master-Pack, the Chairman, Dato’ Syed Mohamad Bin Syed Murtaza welcomed all members and invited guests to the Company’s Extraordinary General Meeting (“EGM”).

Before the Chairman proceeded with the meeting’s agenda, he explained to members present on how a resolution put to the vote of the meeting was determined. He also encouraged members present to participate actively at this EGM.

He then called upon the Company Secretary, Mr. Lee Peng Loon to confirm the number of proxy forms received, and the presence of a quorum.

The Company Secretary confirmed that a total of 8 proxy forms were received within the prescribed period and the said proxy forms were available for members’ inspection at the Registration Desk.

The Company Secretary then informed members that in accordance with Article 68 of the Company’s Articles of Association, two (2) members present in person or by proxy would constitute a quorum at a general meeting; and was pleased to confirm the presence of the requisite quorum as at the commencement of the meeting.

The Chairman then called the meeting to order at 11.32 a.m.

2. NOTICE OF MEETING

The Chairman proposed that the notice convening the EGM be taken as read.

As there were no objections from the floor, the notice convening the EGM was taken as read.

3. ORDINARY RESOLUTION -PROPOSED PRIVATE PLACEMENT OF UP TO 5,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN MASTER-PACK (“MASTER-PACK SHARES”), REPRESENTING UP TO APPROXIMATELY 10.08% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MASTER-PACK AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”)

The Chairman informed members present that the purpose of convening this EGM was to seek members’ approval to consider and if thought fit to pass with or without modifications, the Ordinary Resolution on the Proposed Private Placement of up to 5,000,000 new Master-Pack Shares representing approximately 10.08% of the existing issued and paid-up share capital of the Company.

He then informed members present that this Resolution, if passed, would provide the Group with additional funds without having to incur interest expenses or to service principal repayments as compared to conventional bank borrowings. Thus, this would allow the Company to preserve cash flow for reinvestment and/or operational purposes.

In addition, the Proposed Private Placement served as an expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and as well as enabling the Company to strengthen its equity base which in turn may potentially increase the liquidity and marketability of the shares of the Company.

Before proceeding further, the Chairman informed members present that the Company had on 16 February 2015 received a letter from the Minority Shareholder Watchdog Group (MSWG) and they had raised a few questions pertaining to the Proposed Private Placement exercise.

The Chairman then requested the Company Secretary to read to members present the questions raised by MSWG and the replies by the Management.

The Company Secretary read to members the MSWG questions and the Management replies for the notation of members present at this EGM. *(The MSWG questions and Management replies are annexed as per Appendix A)*

The Chairman thanked the Company Secretary and proceeded to welcome questions on the Proposed Private Placement.

Encik Norhisam Sidek, the Corporate Representative of MSWG raised the following questions:-

- At this point of time, had the Management identified any interested placees?;
- What is the timeframe for identifying the placees?;
- What sort of placees the Management is targeting; and
- The Proposed Private Placement will dilute the equity interest of existing shareholders and will the placees be able to enhance and contribute to the Company’s growth.

In response to Encik Norhisam questions, the Chairman informed that at this point in time, the Company was still in the process of identifying potential placees and at this point in time there had been discussions with a few, who had so far, given positive feedback to the Proposed Private Placement.

The Chairman also said that the Proposed Private Placement would be implemented within six (6) months after receipt of all relevant approvals for the Proposed Private Placement. The Company would try to identify interested parties as soon as possible as the Company intends to use part of the proceeds to settle a term loan facility which was expected to result in annual interest savings for the Company.

The Chairman agreed with Encik Norhisam that the Proposed Private Placement would dilute the equity interest of the existing shareholders. Nevertheless, the Company was of the view that the Proposed Private Placement was the most expeditious method as compared to raising funds through a rights issue, which not only takes time with no assurance that the rights shares would be taken up at RM1.00 per rights share giving the current scenario that the Company's shares were being traded on the Official List of Bursa Malaysia Securities Berhad at below par for the past three (3) years. It was noted that the last transacted price of the Company's shares on 10 February 2015 was at RM0.82.

The Chairman was optimistic that the Company would be able to identify successful placees which would contribute positively to the growth of the Company.

The Chairman then asked members present whether they had any other questions. If there was none from the floor, the motion would be put to the vote of the meeting by show of hands.

After hearing the Chairman's lengthy explanations, Encik Norhisam informed the Chairman that he would abstain from voting on the resolution otherwise he would have voted against the resolution.

The result of the vote by show of hands was as follows:-

"In Favour" - 14

"Against" - 0

The Chairman declared the following Ordinary Resolution carried:-

ORDINARY RESOLUTION -PROPOSED PRIVATE PLACEMENT OF UP TO 5,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN MASTER-PACK ("MASTER-PACK SHARES"), REPRESENTING UP TO APPROXIMATELY 10.08% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MASTER-PACK AT AN ISSUE PRICE TO BE DETERMINED LATER ("PROPOSED PRIVATE PLACEMENT")

"**THAT** subject to the approval of all relevant authorities, approval be and is hereby given for the Company to increase the issued and paid-up share capital of the Company by way of private placement of up to 5,000,000 new Master-Pack Shares to independent third party investor(s) to be identified at a later date, representing up to approximately 10.08% of the total and paid-up ordinary shares capital of the Company ("**Placement Shares**") in one or more tranches, at an issue price(s) to be determined and fixed by the Board of Directors of the Company ("**Board**") at future date(s), which shall be determined later after all the relevant approvals have been obtained. In any event, the issue price(s) shall not be at a discount of more than ten percent (10%) from the five (5)-day weighted average share price of Master-Pack Shares immediately preceding the price-fixing date and shall not be lower than the par value of Master-Pack Shares;

MASTER-PACK GROUP BERHAD

(Company No. 297020-W)

- Minutes of Extraordinary General Meeting

THAT the proceeds from the Proposed Private Placement be and is hereby utilised for the purposes of repayment of bank borrowings amounting to RM4.30 million, general working capital amounting to RM0.45 million and defrayment of estimated expenses in relation to the Proposed Private Placement amounting to RM0.25 million, and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the directors may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities, where required;

THAT the Placement Shares shall, upon issue and allotment, rank *pari passu* in all respects with the existing Master-Pack Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid by the Company for which the entitlement date precedes the date of allotment and issuance of the Placement Shares;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts, deal with all matters and take all such steps to enter into all such agreements, arrangements, undertakings, indemnities, transfers, assignments and guarantees with any party or parties with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or permitted by any relevant authorities and in any manner as they may deem necessary or expedient in order to implement, finalised, give full effect to and complete the Proposed Private Placement.”

4. TERMINATION

As the Company had not received any notice to transact any other business, the meeting was declared closed at 11.55 a.m.

CONFIRMED CORRECT,

DATO' SYED MOHAMAD BIN SYED MURTAZA

Chairman

APPENDIX “A”

Question 1

What were the reasons for Master-Pack to opt for Private Placement instead of right issue as the former method of fund raising not only does not provide opportunity for existing shareholders to further increase their equity stake in the Company but will instead dilute their existing shareholdings?

Management Reply

The Board is of the view that a Private Placement would be the most expeditious way to raise funds after having considered the following:

- (i) The shares of the Company have been trading at below par of RM1.00 for the past 3 years. The last transacted market price of the Company’s shares as at 10 February 2015 is RM0.82;
- (ii) Any new issue of shares must not be lower than the par value per share of RM1.00;
- (iii) The Company’s intention to raise RM5.0 million to repay bank borrowings amounting to RM4.3 million with the balance for working capital and estimated expenses for the proposal.
- (iv) The private placement will provide the Company with flexibility and control over the timing and amount of shares allocated. In addition, the company is able to select placee(s) based on their ability to contribute to the growth and prospect of the Company;
- (v) The private placement amount of up to 10.08% of the issued and paid-up share capital of the Company, arrived at based on the funds to be raised at the minimum issue price per new share of RM1.00, is not considered unusually large and is comparable with typical Section 132D general mandate placements of up to 10.00% by listed companies;
- (vi) The effects of the private placement; and
- (vii) A rights issue may not be feasible at this juncture as the amount to be raised is not large, the minimum issue price of RM1.00 per new share may not be deemed attractive to existing shareholders given the current market price, the longer time to complete, additional documentation and higher costs involved. In addition, given the unattractive issue price for the rights issue, existing shareholders’ shareholdings’ will be diluted if they do not subscribe to their entitlements.

APPENDIX "A"

Question 2

What are the criteria considered in selecting the placees? Would a strategic investor be an important placee to be considered? Would the Board be able to make known the identity of the placees at this juncture?

Management Reply

The Placement Shares will be placed out to investor(s) who are keen to participate in the growth of the Company. Such investor(s) shall be person(s) qualified under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

In accordance with Paragraph 6.04(c) and 6.06(1) of the Listing Requirements, the Placement Shares will not be placed out to the following parties:

- (i) a director, major shareholder or chief executive of the listed issuer or a holding company of the listed issuer;
- (ii) a person connected with a director, major shareholder or chief executive of the listed issuer or a holding company of the listed issuer; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

As far as possible, it is the intention of the Company to identify placee(s) after having considered their ability to contribute to the growth and prospect of the Company. At this juncture, the Company has not identified any placees.

Question 3

Placement Shares are normally issued at a discount of not more than 10% to the five (5)-day Volume Weighted Average Market Price (VWAMP) immediately preceding the price-fixing date and such issue price shall not be lower than the par value of the shares.

The par value of Master-Pack share is RM1.00 and if its share price continues to be hovering below RM1.00, therefore the lowest price of the Placement Shares can be issued is at RM1.00 which could be a significant premium over its VWAMP.

Under such circumstances, would the Proposed Private Placement be successfully carried out? Would the Board not be concerned and able to institute any measures to ensure the success of the Proposed Private Placement?

Management Reply

The Board, having considered the outlook and prospects of the Group as mentioned in Section 4 of the Circular and the effects of the private placement, is of the view that the private placement is feasible.

In the event that the private placement is not successfully implemented, the Board will explore other avenues to raise fund.

Please note that in the event the VWAMP of the Company's share is above RM1.00 at the time the private placement is implemented, the minimum issue price of RM1.00 will be at a discount to its VWAMP. At this juncture, the issue price for the private placement has yet to be fixed.

APPENDIX “A”

Question 4

On the Page 7 of the Circular, it was stated that EPS of the Group for FYE 31 December 2015 may be diluted as a results of increase in the number of Master-Pack shares in issue upon completion of the Proposed Private placement. How soon (by which year or number of years) is the EPS expected to revert to its original EPS figure before the Proposed Private Placement or to surpass it?”

Management Reply

The proportionate dilution to the EPS of the Group for the FYE 31 December 2015 is due to the increase in the number of shares pursuant to the private placement, assuming the earnings of the Group remain unchanged.

The effects of the Private Placement on the EPS of the Group for future financial years cannot be ascertained at this moment since it would depend upon, amongst others, the issue price and number of the new shares issued, the timing for utilisation of proceeds raised and the future performance of the Group.

Question 5

On Page 6 (paragraph 4.4) of the Circular, it was stated that the weakening of Malaysian Ringgit against US Dollar remains one of the key challenges which will affect the profitability of the Group. However, what percentage of its revenue is generated from exports and if it is significant and denominated in US Dollar, the Group will benefit? What is the sensitivity analysis in terms of increase in revenue and profits for every 1% strengthening of US Dollar against Ringgit Malaysia.

Management Reply

The Group generates revenue principally within Malaysia in Malaysian Ringgit. As such, there is no impact on revenue of the Group due to the weakening of the Malaysian Ringgit against the US Dollar.

However, the profitability of the Group will be impacted by the fluctuations of the Malaysian Ringgit against the US Dollar. Currently, approximately 70% of the Group’s current purchases are denominated in US Dollar. The profit before tax of the Group is expected to decrease by approximately 2.7% for every 1% strengthening of the US Dollar against Ringgit Malaysia.

The Group has and will continue to take proactive steps to minimise the impact of currency fluctuations by negotiating with suppliers and sourcing for alternative suppliers for lower prices to mitigate the effect of the currency fluctuations and will continue to monitor closely to minimise any adverse effect on the Group’s profitability.