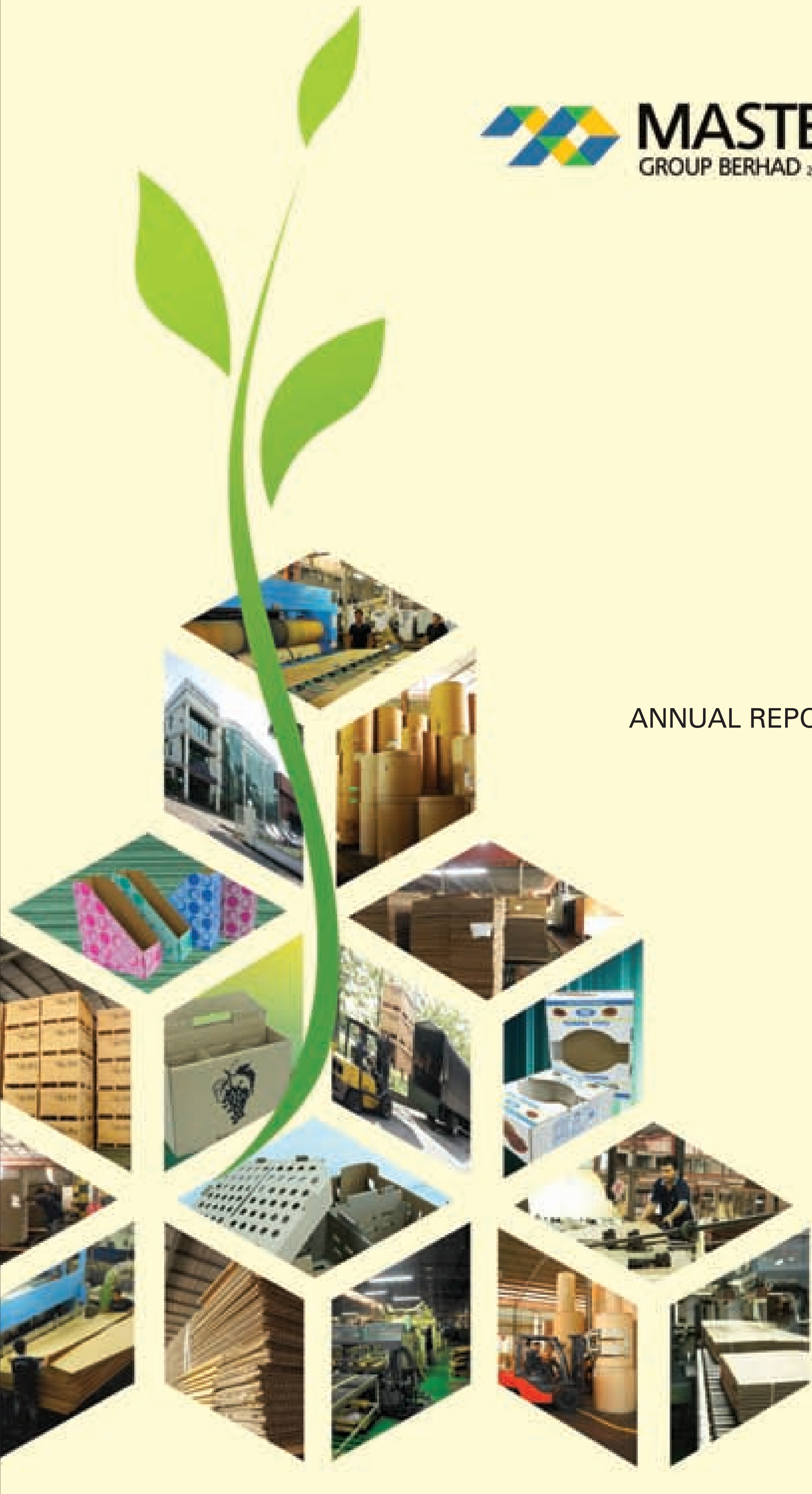
MASTER-PACK
GROUP BERHAD 297020-W



ANNUAL REPORT 2010

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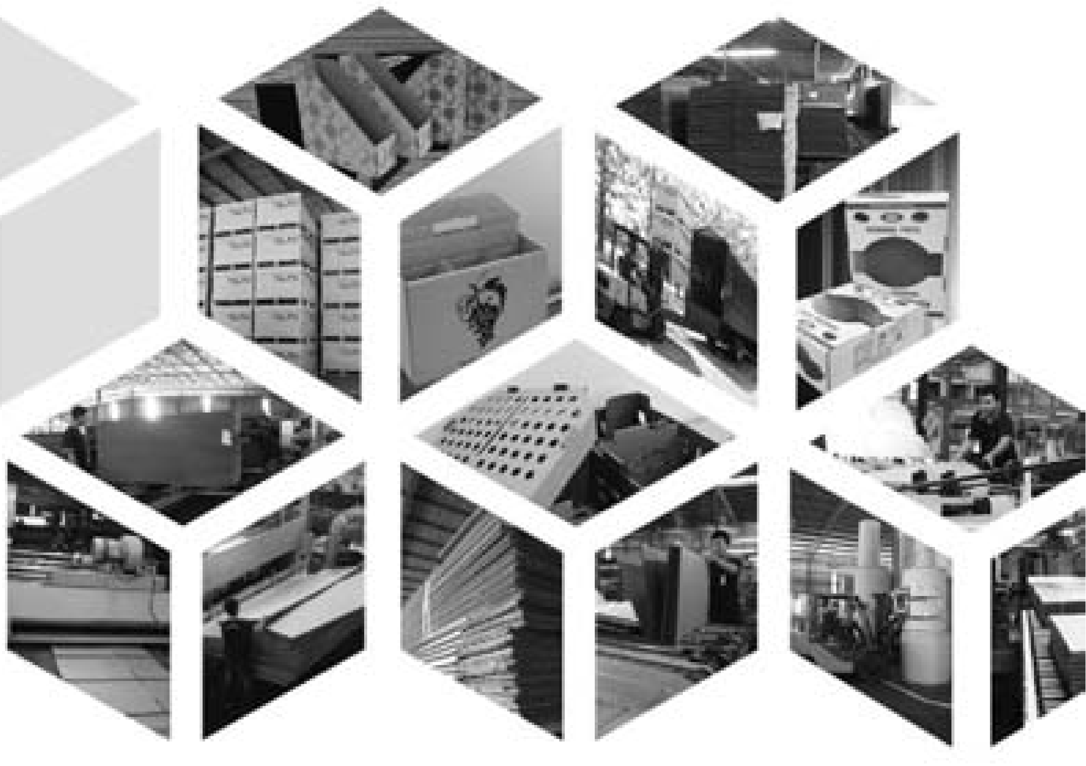


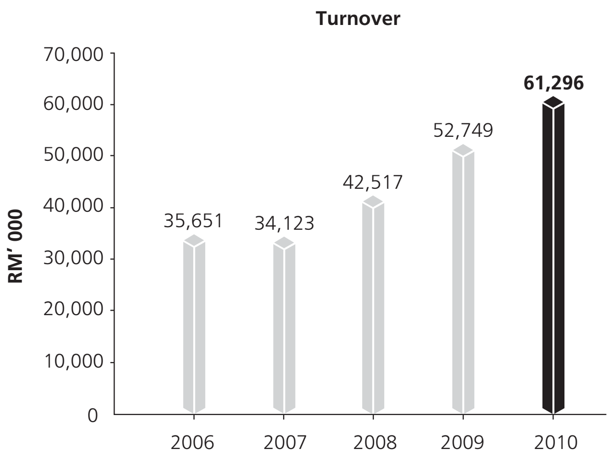
GROUP FINANCIAL HIGHLIGHTS
YEAR ENDED 31 DECEMBER

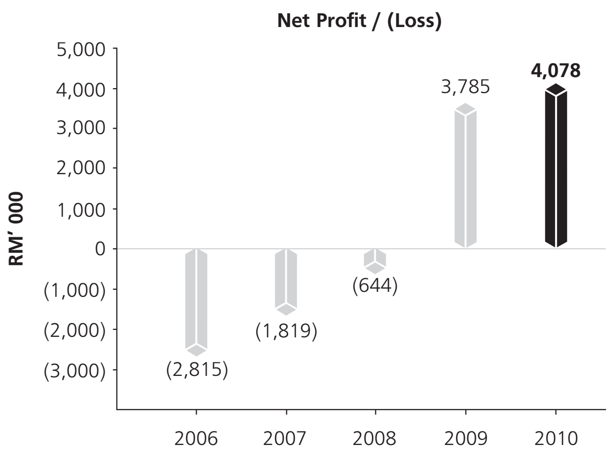
	2006 RM' 000	2007 RM' 000	2008 RM' 000	2009 RM' 000	2010 RM' 000
Turnover	35,651	34,123	42,517	52,749	**61,296**
Profit / (Loss) Before Tax	(2,634)	(2,785)	18	5,054	**5,498**
Net Profit / (Loss)	(2,815)	(1,819)	(644)	3,785	**4,078**
Total Assets	73,941	67,845	73,216	75,812	**75,431**
Shareholders' Equity	38,808* #	37,056* #	36,412 #	42,998*#	**46,831 #**

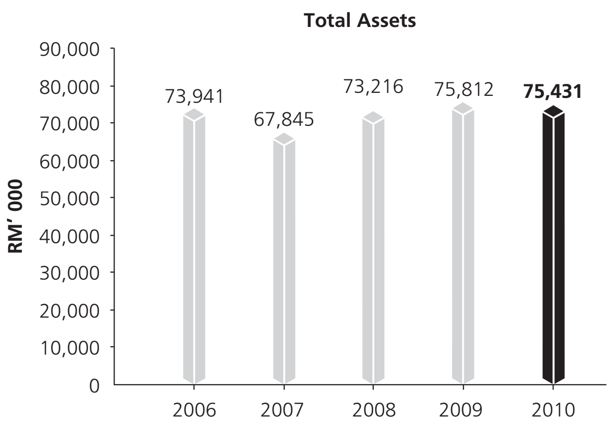
Included in shareholders' equity of the Group for financial years ended 31 December 2006, 2007, 2008, 2009 and 2010 are 433,400, 433,600, 434,000, 434,400 and 434,600 shares repurchased and held as treasury shares with average prices of RM1.65, RM1.65, RM1.65, RM1.65 and RM1.65 per share respectively.

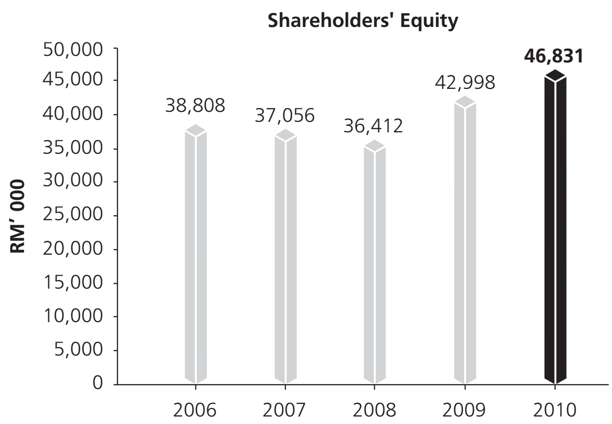
As per announcement on 23 April 2010, the Board has decided not to renew the authority given to the Company to repurchase its own shares.

* Restated Amount.









BOARD OF DIRECTORS

DATO' SYED MOHAMAD BIN SYED MURTAZA
Executive Chairman

Dato' Syed Mohamad Bin Syed Murtaza, age 63, a Malaysian, was appointed to the Board of Directors and the Executive Chairman of Master-Pack Group Berhad ("MPGB") and its group of companies on 17 December 2004. He represents Yayasan Bumiputra Pulau Pinang Bhd., one of the major shareholders of MPGB. He served as a member of the Remuneration Committee until his recent resignation on 23 February 2010.

Dato' Syed has over 41 years of vast experience in the business, corporate and entrepreneurial exposures. After completing his education at Penang Free School, he joined Kah Motors and has since then been appointed to several key positions in various business and non-business organizations, both locally and internationally. He has served in reputable multinational companies such as Shell Malaysia and was the Chairman of Penang Port Commission. Dato' Syed is experience in a diverse range of businesses from automotive and manufacturing to exports, trading, property and oil and gas.

Dato' Syed is the Chairman of DRB-HICOM Bhd., Hicom Holdings Berhad and HICOM Berhad. He sits on the boards of Universiti Sains Malaysia, Yayasan Bumiputra Pulau Pinang Bhd., PBA Holdings Bhd., MITTAS Bhd., Boon Siew Credit Bhd., Penang Tourists Centre Bhd., Tourism Entrepreneur Centre Bhd. and several private limited companies.

Currently, he is the Managing Director of Armstrong Auto Parts Sdn. Bhd. He also heads Penang Tourist Centre Bhd., MITTAS Bhd., Motorcycle, Scooter Assembly & Distributor Association of Malaysia and Usains Group of Companies. He is the president of The Federation of Asian Motorcycle Industries and Steering Committee of International Motorcycle Manufacturers Association. In addition, he has held many other appointments at state and national levels.

Dato' Syed does not have any conflict of interest with the Company and is not related to any director of the Company. He attended all five Board Meetings held in the financial year.

MR. CHEW HOCK LIN
Independent & Non-Executive Director

Mr. Chew Hock Lin, age 67, a Malaysian, was appointed to the Board of Directors as Independent & Non-Executive Director of MPGB on 27 December 2001. He is Chairman of Audit, Nomination and Remuneration Committees of the Company. Other Malaysian public listed companies in which he is a director are Hunza Properties Berhad and GUH Holdings Berhad.

He graduated from University of Western Australia with a Bachelor in Commerce Degree and has more than 30 years experience in audit and accountancy profession. He is a former partner of an international audit firm. Currently, he is a member of The Institute of Chartered Accountants in Australia. He is also a Certified Public Accountant (Malaysia), a Chartered Accountant (Malaysia) and a Fellow of Chartered Tax Institute of Malaysia.

He does not have any conflict of interest with the Company and is not related to any director or major shareholders of the Company. He attended all five Board Meetings held in the financial year.

DATO' KHOR TENG TONG
Independent & Non-Executive Director

Dato' Khor Teng Tong, age 68, a Malaysian, is presently an Independent & Non-Executive Director of MPGB. He was re-designated from an Executive Chairman and founder of Master-Pack Group Berhad (previously known as Hunza Consolidation Berhad) upon his disposal of all his shareholdings in MPGB on 17 December 2004. He is also the Chairman and founder of Hunza Properties Berhad, a public listed company.

Dato' Khor has over 50 years of vast experience. He completed his primary school education at Yew Chai Primary School, Perak before starting his business career in 1958, as a sole proprietor in fish trading for at least 12 years, trading under the name of Syarikat Soon Seng Fisheries. In the early 1970s, he established Soon Seng Frozen Foods Sdn. Bhd. (now known as Golden Frontier Bhd.) to start the business in processing and exporting of frozen cooked and peeled shrimps. He maintained his substantial shareholdings in Golden Frontier Bhd. until prior to its listing in 1989. In the mid 1970s, Dato' Khor undertook a business diversification programme. He was involved in the business projects of the first cocoa processing plant in Malaysia, oil palm plantation, supermarket chains and then in property development. During the mid 1980s, Malaysia faced its first serious recession and this affected Dato' Khor's diversification plans. He decided to dispose off those unprofitable businesses.

Dato' Khor does not have any conflict of interest with the Company and is not related to any director or major shareholders of the Company. He attended four out of five Board Meetings held in the financial year.

EN. AMINUDDIN BIN SAAD
Independent & Non-Executive Director

En. Aminuddin Bin Saad, age 51, a Malaysian, was appointed to the Board of Directors as Independent & Non-Executive Director of MPGB on 26 March 1994. He serves as a member of the Audit, Nomination and Remuneration Committees.

He graduated from Mara Institute of Technology with a Diploma in Mass Communication in 1983. He served in the public sector upon graduation with the Information Office with several departments including the Information Department, Public Services Department and Immigration Department. He resigned in 1991 after serving 8 years of public service to join the private sector. He joined the Seng Seng Group of Companies, which are involved in property development as a project manager of Seng Seng Lite-On Sdn. Bhd. from 1991 to 1992 and later as the Director of Ausma Sdn. Bhd., a property development company from 1992 to 1995. Currently, he also sits on the Board of Directors of various other private limited companies.

He does not have any conflict of interest with the Company and is not related to any director or major shareholders of the Company. He attended all five Board Meetings held in the financial year.

CIK NAZRIAH BINTI SHAIK ALAWDIN
Non-Independent & Non-Executive Director

Cik Nazriah Binti Shaik Alawdin, age 40, a Malaysian, was appointed to the Board of Directors as Non-Independent & Non-Executive Director of MPGB on 23 November 2007. She is a member of the Audit and Nomination Committees. Cik Nazriah was re-designated as Non-Independent & Non-Executive Director of MPGB on 5 May 2010 upon her appointment as a trustee in Yayasan Bumiputra Pulau Pining Bhd, a major shareholder of MPGB.

Cik Nazriah graduated from the University of Malaya with LL.B (Hons) in 1994 and was called to the Malaysian Bar as an Advocate and Solicitor in February 1995. She is now a partner of a reputable law firm based in Penang, with branch offices in Butterworth and Kuala Lumpur. She has extensive experience in various aspects of the Legal practice. Cik Nazriah has also served in the management committee of the Bar Council Legal Aid Centre, Penang for several years now and previously held the position of Honorary Treasurer for a period of three years. She was also former committee member of the Bar Council, Human Rights Committee.

Cik Nazriah does not have any conflict of interest with the Company and is not related to any director of the Company. She attended all five Board Meetings held in the financial year.

DR. JUNID BIN ABU SAHAM
Non-Independent & Non-Executive Director

Dr. Junid Bin Abu Saham, age 68, a Malaysian, was appointed to the Board of Directors as a Non-Independent & Non-Executive Director of MPGB on 10 March 2006. He is a nominee director of Permodalan Nasional Bhd., a major shareholder of MPGB. He has been appointed as a member of the Remuneration Committee on 23 February 2010.

He graduated from the University of Canterbury, New Zealand with both a Bachelor and a Master of Arts in Economics and subsequently obtained his PhD in Economics from the University of Hull, United Kingdom. He had been a tutor and lecturer in Economics and Business Administration in several institutions of higher learning before working in the corporate sector.

His career in the corporate world started in the early 1970's when he was appointed as an Investment Manager in Bank Rakyat. Since then Dr. Junid has accumulated vast working experience in corporate banking, corporate finance and business consulting with Am Merchant Bank Bhd. (formerly known as Arab-Malaysian Merchant Bank Bhd.) He was the General Manager of AmMerchant Bank Bhd. before he left in 1992 for private business.

Since 1993, Dr. Junid has been involved as Corporate Adviser, Financial Adviser and Corporate Affairs Adviser to a number of corporations, namely in Shapadu Group of Companies, Sunrise Group, Indah Water Konsortium and Pernec Group of Companies.

Dr. Junid also sits on the Board of two other Malaysian public listed companies namely, Industronics Berhad, Dialog Group Berhad and a directorship in Areca Capital Sdn Bhd, a fund management company.

He does not have any conflict of interest with the Company and is not related to any director or major shareholders of the Company. He attended all five Board Meetings held in the financial year.

Note: None of the above six directors had committed any offences within the past ten years other than traffic offences.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

It gives me great pleasure to present our Annual Report and audited financial statements of the Group and the Company for the financial year ended 31 December 2010.

Results /Performance

We started the year on a good note particularly boost by the significant recovery process of the Malaysian economy. The New Economic Model (NEM) unveiled by the Government during the year 2010 also played its part in the country's continued growth. The NEM essentially provides the blueprint for Malaysia's Economic Transformation, formulating new strategies for Malaysia to achieve a high-income status by 2020.

For the financial year ended 31 December 2010, the Group achieved a turnover of RM 61 million or 16% higher than the same period last year mainly backed by strong support from the electronic and food & beverage sector. Even though turnover posted an increase, profits for the year at RM 4 million or 6.6% net profit margin remains relatively the same as compared to the results in 2009 (7% net profit margin). This is mainly due to higher cost of raw and sub-materials.

The full economic implication to the world paper commodity prices resulting from the earthquake, numerous aftershocks, tsunami and nuclear leakage disaster in Japan will definitely put pressure on world demands on re-cycle paper as well as the supply of paper. As such, it would be challenging in the current year to go a step higher but nonetheless my team and I will always put our best effort in facing the challenges ahead. We are confident that with the commitment of our people, good business management and adherence to internal controls, the group will be able to perform within expectations.

Since breaking even two years back, it is timely now to relook at ploughing back some of the profits into upgrading and automating certain production processes. These new investments in the packaging production lines shall be carried out in phases this year. With the latest technological advancement and upgrading in placed by year-end, production outputs should increase in tandem with improve cycle times. We will then work ever harder to escalate on our strategic plans to achieve our goals of reducing waste, improving efficiencies and bringing new innovations to meet customer needs.

Sale proceeds from investment properties disposed and government land acquisition recognised in the previous years have all been duly received during the financial year. We will continue renting and divesting unutilised investment properties, as required. We have managed to make progress on the fuel additive testing which gave positive savings in tests completed. As such, we shall be looking forward to opening new in-roads to test other types of machinery this year. We shall strive to create market awareness on the savings gain and the accompanying carbon reduction results which are attuned to the government's latest campaign to create a healthier living environment.

Prospect

We are cautiously optimistic that the strong sales in the last quarter of 2010 will flow through on to this year. This sentiment is supported by economic indicators which are showing that Malaysia should register a positive economic growth in 2011. The Group shall strive to expand our market share in the packaging business especially from recent market developments transpiring in East Malaysia i.e. the Sarawak Corridor of Renewal Energy and the Sabah Development Corridor giving impetus to foreign investment in that region.

Malaysia's origins as a multi-racial and multi-cultural nation are no less talented and intellectually creative than any other country. It has been said that Malaysian's are shy and seldom step up to show the world their creative inventiveness. Well no longer true, for in Master-Pack I have decided to push to the fore and am pleased to say that we are in the midst of applying for intellectual property. If successful, it sets a new wave in which business can compete whilst gaining a competitive edge.

Sustainable Development

Sustainability in business means managing the company in a way that takes into account the social, economic and environment aspects and balancing the three aspects together. Business sustainability cannot happen over-night and it is not just a matter of setting policies or organizing philanthropy events.

As usual there will be a learning curve to adjust and getting things right. There is much to be done as we are still at the very beginning of our journey compared to the big multinational corporations. In our own way, corporate social responsibility initiatives have been progressively integrated into our business operations. I assure you that as we progress to develop and expand our business operations, steps will be taken to consider the implications our actions will have socially, economically and environmentally.

Dividend

In appreciation to all our loyal shareholders and based on the financial performance during the year 2010, the Board had declared and paid an interim dividend of 1 sen per share in respect of the financial year ended 31 December 2010. The dividend declared and paid although small, marks a new beginning after a dry spell of six years without any dividend.

Acknowledgement and Appreciation

I would like to take this opportunity to express my heartfelt thanks to the management and staff for their diligent performance in delivering the Group's results during the year. I would also like to record my thanks to my fellow board members for their views, counsel and continuing support. Also to all our customers, suppliers, business associates, bankers and regulatory bodies, my sincerest thanks for your continuous support. In ending, I would like to invite the shareholders to visit us at the forth coming Annual General Meeting.

Dato' Syed Mohamad Aidid Bin Syed Murtaza
Group Executive Chairman

CORPORATE INFORMATION
AS AT 29 APRIL 2011

BOARD OF DIRECTORS

Dato' Syed Mohamad Bin Syed Murtaza
Executive Chairman

Mr. Chew Hock Lin
Independent and Non-Executive Director

Dato' Khor Teng Tong
Independent and Non-Executive Director

En. Aminuddin Bin Saad
Independent and Non-Executive Director

Cik Nazriah Binti Shaik Alawdin
Non-Independent and Non-Executive Director

Dr. Junid Bin Abu Saham
Non-Independent and Non-Executive Director

COMPANY SECRETARIES

Mr. Lee Peng Loon
(MACS 01258)

Ms. P'ng Chiew Keem
(MAICSA 7026443)

AUDITORS

Crowe Horwath *AF1018*
Chartered Accountant
Penang Office :
17.01 Menara Boustead Penang,
39 Jalan Sultan Ahmad Shah,
10050 Penang.

REGISTERED OFFICE

51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang.
Tel : 04 - 210 8833
Fax : 04 - 210 8831

PRINCIPAL BANKERS

Malayan Banking Berhad
Penang Main Branch,
No. 9, Lebuh Union,
10200 Penang.

HSBC Bank Malaysia Berhad
No. 1, Downing Street,
10300 Penang.

REGISTRAR

Bina Management (M) Sdn. Bhd.
Lot 10, The Highway Centre,
Jalan 51/205, 46050 Petaling Jaya, Selangor.
Tel : 03 - 7784 3922
Fax : 03 - 7784 1988

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad,
Main Market

SHARE CAPITAL

Authorized	: RM100,000,000
Issued & Paid-Up	: RM50,054,750*
Class of Share	: Ordinary shares of RM1.00 each
Voting Right	: One voting right for one ordinary share
Number of Shareholders	: 2,395

* Inclusive of 434,600 shares bought back and held as treasury shares

WEBSITE

http://www.master.net.my

DIRECTORS' REMUNERATION

REMUNERATION OF BOARD OF DIRECTORS
For Year Ended December 31, 2010

No.	Item	Executive (RM)	Non-Executive (RM)
1	Fees	-	84,700
2	Salaries*	853,172	-

* Salaries include bonus, employer provident fund and performance benefits

Number of Directors whose remuneration falls under each range

Range	Executive (No.)	Non-Executive (No.)
RM1/- to RM50,000/-	-	5
RM50,001/- to RM100,000/-	-	-
RM100,001/- to RM150,000/-	-	-
RM150,001/- to RM200,000/-	-	-
RM800,000/- to RM850,000/-	-	-
RM850,001/- to RM900,000/-	1	-

SHARE BUY-BACK

Month	No. of shares	Consideration RM *	Highest price	Lowest price	Weighted Average Price
Mar-10	200	125.03	0.42	0.42	0.42

The balance of treasury shares as at 31 December 2010 is 434,600 (inclusive of 434,400 treasury shares forward from financial year 2009).

** the consideration is inclusive of brokerage commission, clearing house fee and stamp duty*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Company will be held at Master-Pack Sdn. Bhd., 1574, Jalan Bukit Panchor, 14300 Nibong Tebal, S.P.S. Penang on Friday, 24 June 2011 at 3.00 p.m. for the following purposes :-

AGENDA

As Ordinary Business :

1. To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 6**

2. To re-elect Dato' Khor Teng Tong, the Director who retires pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **Ordinary Resolution 1**

3. To re-elect Cik Nazriah Binti Shaik Alawdin, the Director who retires pursuant to Article 91 of the Company's Articles of Association and who, being eligible, offers herself for re-election. **Ordinary Resolution 2**

4. To approve an increase in Directors' Fees of RM9,700.00 and the payment of Directors' Fees for the year ended 31 December 2010. **Ordinary Resolution 3**

5. To re-appoint Messrs. Crowe Horwath as auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

As Special Business :
To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :

6. **Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares**
   "That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued and paid-up share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued." **Ordinary Resolution 5**

7. To transact any other business of which due notices shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board,

LEE PENG LOON (MACS 01258)
P'NG CHIEW KEEM (MAICSA 7026443)
Joint Company Secretaries

Penang
02 June 2011

NOTES ON APPOINTMENT OF PROXY

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*

2. *For a proxy to be valid, the Proxy Form must be duly completed and deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.*

3. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.*

4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

5. *If the appointor is a corporation, the Proxy Form must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*

EXPLANATORY NOTE ON ORDINARY BUSINESS

6. *The Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

7. *The Ordinary Resolution 5 proposed under Agenda 6 is to seek a renewal of the general mandate for the Directors of the Company to allot and issue shares in the Company up to an amount not exceeding 10% of the total issued and paid-up share capital of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.*

   As at the date of notice of meeting, no new shares has been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company and of which, it will lapse at the conclusion of the 17th Annual General Meeting of the Company to be held on 24 June 2011.

   The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

2010 Annual Report
The 2010 Annual Report is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within four (4) market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at **www.master.net.my**

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Mr. Ang of Master-Pack Group Berhad at telephone no. 04-5931550 (Ext 302) or email your request to **angfh@master.net.my.**

STATEMENT ABOUT THE STATE OF INTERNAL CONTROL

Pursuant to paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors of Master-Pack Group Berhad hereunder provides the following statement on the state of internal control of the Group. It is prepared in accordance with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining sound systems of internal control that provide reasonable assessment and management of risks. Such systems ensure effective and efficient operations through internal standard operating procedures, guidelines and policies as well as compliance with laws and regulations.

The Board recognizes that the systems of internal control are designed to manage rather than eliminate the risks of failure to achieve business objectives and can only provide reasonable but not absolute assurance.

RISK MANAGEMENT AND INTERNAL CONTROL

RISK

The Group practices a quarterly review on significant risks identification, particularly any major proposed transactions, change in nature of activities or venturing into new operating environment which may entail different risks and put in place the strategies and action plans to monitor and manage such risks.

INTERNAL CONTROL

The Group's systems of internal control include:-

1. An organizational structure with clear defined lines of responsibilities with appropriate levels of delegation and authority.

2. Internal control system procedures covering financial, human resources, management information system, operational system guided by the MS ISO 9001 : 2008 and MS ISO 14001 : 2004 documented procedures.

3. In-built controls on Computer Intergrated Manufacturing (CIM) system are used to control the traceability of sales orders, materials manufacturing process and provide security controls on users access levels.

4. Regular internal audits by independent audit teams e.g. Industrial Research Institute of Malaysia (SIRIM), customers as well as the outsourced internal auditors, Messrs. UHY provide assurance that the systems of internal control are in place.

5. A comprehensive business planning and budgeting process which establishes plans and targets against which performance is monitored on an on-going basis.

6. Regular scheduled meetings on operations, financial and business plans performance.

7. Regular trainings and development programs which are attended by the employees with the objective to enhance their knowledge and competency.

The Group's internal control systems are designed to provide reasonable assurance but not absolute assurance against the risks of material errors, fraud or financial losses from occurring because internal controls may be circumvented or overridden. The rationale for the internal control system is to enable the Group to achieve its business objectives within an acceptable risk profile. The Group will take appropriate steps to strengthen its internal controls systems whenever necessary.

INTERNAL AUDIT FUNCTION

The Group outsourced the internal audit function to Messrs. UHY, an independent professional firm of consultants.

Regular internal audit visits are carried out to assess the adequacy and integrity of the systems of internal control of the Group based on the internal audit plan reviewed and approved by the Audit Committee. The Internal Auditors would recommend improvements and also obtain management's comments or proposed corrective action on audit findings.

Internal audit reports are circulated to the members of the Audit Committee who review the findings together with the management's comments at the quarterly meetings. The Internal Auditors will subsequently follow-up to determine the extent their recommendations have been implemented. As such, the internal audit function provides the Board assurances it requires on the systems of internal control.

Based on the Internal Auditors' reports for the financial year ended 31 December 2010, the systems of internal control appear to be working satisfactorily. Based on the work done, there were no material weaknesses in the systems of internal control.

This statement has been reviewed by the External Auditors in compliance with paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities.

REPORT OF THE AUDIT COMMITTEE

The Board has appointed the Audit Committee to assist the Board in its duties of ensuring the implementation of appropriate system of internal controls, to manage identified principal risks and ensure that the systems are working effectively to safeguard the Group's assets and shareholders' investment.

TERMS OF REFERENCE

1. Membership

The Committee shall be appointed by the Board from among its members and shall consist of not less than three (3) members of whom all members must be Non-Executive Directors, with a majority of them being Independent Directors. Alternate Directors shall not be appointed as a member of the Committee and all members of the Committee should be financially literate.

The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director. At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or other as specified in paragraph 15.10 of the Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Securities").

All members including the Chairman will hold office as long as they serve as Directors. The term of office and performance of members should be reviewed by the Board once every three (3) years.

If the number of members in the Committee is, for any reason, reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make the minimum of three (3) members.

2. Meetings

Meetings shall be held at least four (4) times a year. On a continuous basis, the Chairman of the Audit Committee should meet up with the senior management, such as Chairman, the Chief Executive Officer, Head of Finance / Accounts Department, Internal and External Auditors in order to be kept informed of matters affecting the Company.

The quorum necessary of the transaction of business of the Committee shall be two (2) independent members to constitute a valid meeting.

Questions arising at any meeting shall be decided by a majority of votes, each member having one (1) vote and in case of equality of votes, the Chairman shall have a second or casting vote. Save that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or that which only two (2) members are competent to vote on the question of issue, shall not have a casting vote.

The Internal and External Auditors have a right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required by the Company. The External Auditors should attend the meeting at least twice a year or as the Committee deems fit. A meeting with External Auditors shall be held at least twice a year without the presence of the Executive Chairman / Director and senior management members.

Upon request of the Internal or External Auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters the auditors believes should be brought to the attention of the Board of Directors or shareholders.

Company Secretary shall be the Secretary to the Committee.

3. Authority

The Committee is authorised by the Board to investigate any activities within its terms of reference and shall have the resources required to perform its duties. The Committee has full and unrestricted access to all information and documents relevant to its activities as well as to the Internal and External Auditors and all employees of the Group.

The Committee is authorised by the Board to obtain external legal, independent or other professional advice and be able to convene meetings with external parties whenever deemed necessary. The Audit Committee is empowered to engage and retain persons having special competence or skills and knowledge as necessary to assist the Committee in fulfilling its responsibilities.

The Audit Committee may invite the Executive Directors or any employee within the Group who the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports.

The Internal Auditors engaged by the Company reports directly to Audit Committee.

4. Duties and Responsibilities

The duties and responsibilities of the Committee shall be –

- To review both the Internal and External Auditors' audit plans, the scope of their audits, and evaluation of the system of internal controls and audit reports;
- To consider the adequacy of Management's actions taken on internal and external audit reports;
- To review the adequacy of the functions, scopes, competency and resources of the internal audit functions;
- To review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls;
- To nominate, a person or persons to the Board as the Internal or External Auditors, the fee thereof, assess the re-appointment of existing Internal and External Auditors and consider, if any, their resignation;
- To review the assistance and co-operation provided by the Company's officers to the Internal and External Auditors;
- To review the quarterly and year-end financial statements before submission to the Board of Directors;
- To review related party transactions and conflict of interest situation that may arise within the Company and the Group;
- To review any major proposed transaction or change in the nature of the business in line with the Risk Management Framework of the Group; and
- To perform such other duties as may be agreed to by the Committee and the Board.

ACTIVITIES OF AUDIT COMMITTEE

- During the financial year ended 31 December 2010, the Committee carried out duties and responsibilities as set out above.
- The Committee recommended the re-appointment of Messrs. Crowe Horwath as the External Auditors, for the ensuing year.
- The committee recommended the re-appointment of Messrs. UHY as Internal Auditors, for the ensuing year.

COMPOSITION OF AUDIT COMMITTEE

The compositions of the Company's Audit Committee and their respective attendance of the meetings held are tabled below:

Name	Status of Directorship	Attendance of Meetings
(i) Mr. Chew Hock Lin (Chairman of Audit Committee)	Independent & Non-Executive Director	Attended 5 out of 5 meetings
(ii) En. Aminuddin Bin Saad	Independent & Non-Executive Director	Attended 5 out of 5 meetings
(iii) Cik Nazriah Binti Shaik Alawdin	Non-Independent & Non-Executive Director	Attended 5 out of 5 meetings

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2010, the Company has engaged the services of an independent professional accounting firm, Messrs. UHY, to carry out the internal audit function of the Group in order to assist the Committee in discharging its duties and responsibilities. The cost incurred for the internal audit function in respect of the financial year is RM17,000.00.

The internal audit activities were carried out in accordance with the internal audit plan which comprises the following-

- to review systems of internal control and ascertain the extent of compliance with the established policies, procedures and statutory requirements.
- identifying areas to improve controls of operations and processes in the Group.

The findings by the internal audit function have been presented to the Committee who has taken steps to ensure that appropriate actions are being taken to continuously improve the current systems of internal control. Please also see "Statement about the State of Internal Control" in page 11.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") recognizes the importance of maintaining good standard of corporate governance. The application of the principles and the extent of compliance with the best practices set out in Malaysian Code on Corporate Governance ("the Code") by the Company is as follows:-

APPLICATION ON PRINCIPLES OF THE CODE

The Board of Directors & Board Balance

Currently, the Board has six members, comprising three Independent & Non-Executive Directors, two Non-Independent & Non-Executive Directors and one Executive Chairman. The number of Independent & Non-Executive Directors makes up more than 1/3 of the membership of the Board and their presence provides fair and independent view to the Board. The Board also delegates specific responsibilities to various committees such as Audit Committee, Remuneration Committee and Nomination Committee to assist in discharging their duties. The brief profiles of all directors are given in pages 3 and 4.

Dato' Syed Mohamad Bin Syed Murtaza is the Executive Chairman. This reflects the relatively small size of the Board, which at the same time has adequate independent element. As mentioned above, more than 1/3 of the memberships of the Board are independent directors and this fairly reflects the interest of the minority shareholders in the Company.

Supply of Information

All directors are supplied with necessary information on timely basis to carry out their duties. Information given is inclusive of but not limited to financial figures, yearly budgets, business plans, list of directors' dealings, legal issues, project papers, draft circulars etc. for discussions in Board Meetings as well as other occasions. Verbal explanations and briefings are also provided by the executive director/ management/ external consultants to enhance the understanding of matters in relation to the Company's business. This is to facilitate informed decision making by the directors. The Company Secretary is normally present to record its deliberations, issues discussed and conclusions in discharging his duties and responsibilities and also advises on issues relating to rules and regulations that govern the Company.

In view of the Company Secretary's pivotal role in the context of board management, the directors have access to his advice and may seek independent professional advice if required, in furtherance of their duties.

Appointments to the Board

Nomination Committee is to ensure the process of nominating and appointing new members to the Board is fair and transparent. Currently, the Committee comprises two Independent & Non-Executive Directors, namely Mr. Chew Hock Lin and En. Aminuddin Bin Saad and one Non-Independent & Non-Executive Director, Cik Nazriah Binti Shaik Alawdin.

The basic functions of the Committee are:

a) to recommend candidates/ consider candidates proposed by other directors or major shareholders to sit on the Board and Board committees.
b) to review the effectiveness of the whole Board by accessing its size, balance as well as the mix of skills, experiences and other qualities of the Board members on an on-going basis.
c) to carry out annually an assessment of the effectiveness of the Board as a whole, the committees of the Board and contribution of each individual director.

The Committee shall hold at least one meeting per year and the meetings for 2010 was held on 24 February and 26 November 2010 to perform the revision and assessment of the above. The Committee is of the opinion that the current size of the board and the skill-sets, experience and qualities of its existing members are adequate for the Board to work effectively as a whole.

Final decisions on appointments of directors shall be responsibility of the full Board after considering the Committee's recommendations. However, this does not abrogate the powers of shareholders to re-elect individual to the Board (see paragraph on Re-election (per Articles of Association)). All meetings are properly minuted by the Company Secretary.

Re-election (per Articles of Association)

Each director of the Company shall retire at least once every three years. Also, they shall be eligible to stand for re-election at the Annual General Meetings upon their retirement. Any new director who is appointed by the Board shall be subjected to election by shareholders in Annual General Meeting held immediately after his/ her appointment. The directors who are standing for re-election in the forthcoming Annual General Meeting are stated in page 9.

The Level and Make-up of Remuneration, Procedures & Disclosure

Remuneration Committee comprises two Independent & Non-Executive Directors and a Non-Independent & Non-Executive Director, namely Mr. Chew Hock Lin, En. Aminuddin Bin Saad and Dr. Junid Bin Abu Saham.

The basic function of the Committee is to recommend the remuneration of the Executive Chairman. (Whereas, the remuneration of Non-Executive Directors shall be the responsibility of the Board as a whole.)

The Remuneration Committee shall hold at least one meeting per year to review the remuneration packages of Executive Chairman/ Directors. This is to ensure the remuneration packages offered can attract or retain Executive Chairman/ Directors who can contribute to the success of the Company. The remuneration of directors are stated in page 8. Aggregate remuneration of Directors according to the successive band of RM50,000 is clearly stated, in compliance with Main Market Listing Requirements Appendix 9C(11) of Bursa Securities Berhad ("Bursa Securities"). The Board is of the opinion that this is sufficient and no further reference to detailed breakdown of each Director's remuneration is necessary. All meetings are properly minuted by the Company Secretary.

Directors' Training

The Directors received updates and training courses from time to time on issues relevant to the Group's operations, Directors' responsibilities, Corporate Governance as well as changes to regulatory, statutory and professional requirements.

Name of Directors	Date	Course Title
Dato' Syed Mohamad Bin Syed Murtaza	16 June 2010	Corporate Governance Guide - Towards Boardroom Excellence
	22-24 June 2010	The Regional Cambridge International Symposium on Economic Crime 2010 on Attaining Corporate Resilience through Governance and Integrity
	19 -20 July 2010	Annual Conference - Governance and Ethical Practices in the Boardroom
Chew Hock Lin	9 March 2010	New Era of Financial Reporting for Developers
	15 April 2010	Corporate Governance Guide - Towards Boardroom Excellence
	14 December 2010	Malaysia Reporting Standards update 2010
Dato' Khor Teng Tong	15 April 2010	Corporate Governance Guide - Towards Boardroom Excellence
En. Aminuddin Bin Saad	26 October 2010	2011 Budget & Tax Planning
Cik Nazriah Binti Shaik Alawdin	15 October 2010	Finance For Non-Finance Executives
	11 November 2010	Sukuk (Bond) and Islamic Capital Market
Dr. Junid Bin Abu Saham	9 March 2010	Audit Committee Institute Roundtable Discussion titled: Going Forward: Risk & Reform - Implications for Audit Committee Oversight
	1 July 2010	ACCA/MSWG Corporate Governance Forum - Corporate Governance, Professionalism and Accountants: How to Enhance the Synergy
	19-20 July 2010	Annual Conference - Governance and Ethical Practices in the Boardroom
	1 December 2010	The Non-Executive Director Development Series

Dialogue between Companies and Investors & Annual General Meeting

Announcements on important matters and financial results of the Company are promptly released to the investing public to provide an overview of the performance and operations of the Company. The Company has also established a website at www.master.net.my where information on the Company is available to the public.

Shareholders are encouraged to participate in each general meeting where the directors are present to address concerns and questions raised by them.

En. Aminuddin Bin Saad has been assigned as the Senior Independent & Non-Executive Director, to whom concerns in relation to the Company may be conveyed.

Financial Reporting

With the assistance of Audit Committee in reviewing the financial results, the Board aims to present a balanced and understandable assessment of the Company's position and prospect via the Audited Financial Statements and quarterly financial reports on timely basis. The Company's financial statements are prepared in accordance with applicable approved accounting standards pronounced by Malaysian Accounting Standards Board and other relevant authorities.

Statements of Directors' Responsibility for Preparation of Audited Financial Statements

The Directors are responsible for ensuring that a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results and cash flows of the Company and the Group for the financial year are reflected in the Audited Financial Statements, as set out in pages 19 to 61. The directors are required to ensure these Audited Financial Statements are prepared in accordance with applicable approved accounting standards in Malaysia, provisions of Companies Act, 1965 and Bursa Securities Listing Requirements. (Refer also to write-up on "Financial Reporting" above.)

Internal Controls

The Board recognizes the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded. As for the application of "Internal Controls", please see "the Report of Audit Committee" in pages 12 and 13 and as for the state of internal controls, please refer to "Statement about the State of Internal Controls" in page 11.

Relationship with Auditors

The Board has always maintained formal and transparent relationship with the Company's auditors and the management is responsive to the auditors' enquiries and their recommendations. The Audit Committee is responsible for yearly review of the auditors' performance and recommendations of their re-appointment to the Board.

Extent of Compliance on the Best Practices of the CODE

The Board is pleased to state that the best practices set out in the Code have been complied by the Company on a continuing basis.

OTHER INFORMATION

Material Contracts Involving Directors' & Major Shareholders' Interests

For contracts involving directors' and major shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year, please see Note 23 and 25 in page 58 and 59 respectively.

Penalties & Sanctions Imposed By Regulatory Bodies

There was no material penalty or sanction imposed on the Company, its subsidiaries, directors or management by any regulatory bodies during the financial year.

Non-Audit Fee Paid To External Auditors

Non-audit fee paid to External Auditors for the financial year amounts to RM2,000.00.

CORPORATE SOCIAL RESPONSIBILITY

Master-Pack Group Berhad group of companiess ("the Group") has been progressively integrating Corporate Social Responsibility ("CSR") initiatives as part of the way we operate our business.

The Group has taken cognizance of its responsibility to the ***environment.*** Both the Group's packaging factories in west and east Malaysia are certified with the Environment Management System ("EMS") MS ISO 14001 : 2004 as well as the MS ISO 9001 : 2008. EMS ensures adherence to environmental standards, emission standards, treatment of plant effluents and waste water. In addition, MPSB has also switched from diesel fuel oil to natural gas.

Products manufactured by both the Group's Packaging factories are fully ***recyclable products***. These packaging factories endeavors to enhance ways corrugated paper can be utilized and had been successful in producing paper pallets and layer pads to replace wooden pallets and packing saw dust or plastic bubble pads. These paper pallets are ideally used in containerized shipment and are acceptable to countries supporting the World Green Movement ideology, as it is easily recycled. We continuously work with customers to best design corrugated carton boxes that minimize superfluous material/ over design. In addition, the Group's office and production departments proactively collect all scrap papers, production rejects and waste materials for recycling.

The business venture that underlines our Group's policy on corporate social responsibility which reiterates our commitment to be a responsible corporate citizen is the distribution of Maz fuel additive. The Maz fuel additive, patented in USA and China had been acclaimed to be a positive contributor to the reduction of air pollution. The Maz fuel additive range of products when applied to vehicles and industrial machinery helps to improve and sustain fuel economy, lower carbon deposits and clean exhaust emissions. This is our Group's small contribution towards minimizing carbon footprint as well as towards a healthier and cleaner environment.

Human development is integral in the culture that is being nurtured as employees are continuously trained in-house or sponsored to attend seminars and conferences externally. This is part of the core values of the Group. Employees are encouraged to voice their thoughts and show their skills and ideas in Kaizen and Small Group Activities initiated to improve both product quality and cost efficiency. Employees are paid a small incentive upon achieving the targeted performance. Social and recreational activities are frequently organized to encourage employees' interaction, as well as to cultivate team spirit among the employees. The Group also ensures a conducive and healthy workplace, by providing a clean and safe ***working environment*** for all employees. Each factory has their own Safety and Health Committee which monitors and inculcates the awareness and practices on Group's safety and health policies and guidelines.

The Group believes in interacting with the ***Community*** in which it operates its business. The Group provides training under its Industrial Training Programme to assist undergraduates from colleges and universities to gain hands-on experience in selected fields of study related to the packaging operation.

FINANCIAL STATEMENTS

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	4,108	762
- Non-controlling interests	(30)	0
	4,078	762

DIVIDENDS

During the financial year, the Company declared and paid an interim dividend of 1 sen per share, less tax at 25%, amounting to RM372,145 in respect of the financial year ended 31 December 2010.

The directors do not propose any final dividend in respect of the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

ISSUE OF SHARES OR DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No share options were granted by the Company during the financial year.

PURCHASE OF OWN SHARES

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 20 May 1998, approved the Company's plan to purchase its own shares.

During the financial year, the Company purchased 200 ordinary shares of RM1.00 each from the open market using internally generated funds. The total amount of consideration paid, including directly attributable costs, amounted to RM84. The shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965.

The shareholders' mandate for the purchase of own shares has expired on 25 June 2010 and the directors did not intend to seek shareholders' approval of renewing the mandate.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and the Company were made out, 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance 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 allowance made for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

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

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and 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 that has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group or the Company 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 substantially affect the ability of the Group or the Company to meet their obligations as and 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 in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

Except for any effects arising from the changes in accounting policies following the adoption of the amended/revised/new Financial Reporting Standards as disclosed in Note 2.2 to the financial statements, the results of the operations of the Group and the Company for 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 and the Company for the financial year in which this report is made.

DIRECTORS OF THE COMPANY

The directors who served since the date of the last report are:-

Dato' Syed Mohamad Bin Syed Murtaza
Aminuddin Bin Saad
Dato' Khor Teng Tong
Chew Hock Lin
Dr. Junid Bin Abu Saham
Nazriah Binti Shaik Alawdin

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

	Number of Ordinary Shares of RM1.00 Each					
	Direct Interest				Deemed Interest	
Name of Director	**Balance at 1.1.2010**	**Bought**	**Sold**	**Balance at 31.12.2010**	**Balance at 1.1.2010**	**Balance at 31.12.2010**
Aminuddin Bin Saad	10,002	0	0	10,002	0	0
Dato' Khor Teng Tong	420,000	0	0	420,000	1,147,000	1,127,000

Save as disclosed above, none of the directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangement 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.

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 APRIL 2011

Dato' Syed Mohamad Bin Syed Murtaza **Aminuddin Bin Saad**

STATEMENT BY DIRECTORS

We, Dato' Syed Mohamad Bin Syed Murtaza and Aminuddin Bin Saad, being two of the directors of Master-Pack Group Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 24 to 61 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 62 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 22 APRIL 2011

Dato' Syed Mohamad Bin Syed Murtaza **Aminuddin Bin Saad**

STATUTORY DECLARATION

I, Dato' Syed Mohamad Bin Syed Murtaza, being the director primarily responsible for the financial management of Master-Pack Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 24 to 61 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by Dato' Syed Mohamad Bin Syed Murtaza at Georgetown in the State of Penang on this 22 April 2011

Dato' Syed Mohamad Bin Syed Murtaza

Before me

Goh Suan Bee
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MASTER-PACK GROUP BERHAD (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Master-Pack Group Berhad, which comprise the statements of financial position as at 31 December 2010 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 a summary of significant accounting policies and other explanatory information, as set out on pages 24 to 61.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

(i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(ii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(iii) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 62 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Eddy Chan Wai Hun
Approval No: 2182/10/11(J)
Chartered Accountant

Date: 22 April 2011

Penang

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31.12.2010 RM'000	31.12.2009 RM'000 (Restated)	1.1.2009 RM'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	4	31,252	31,715	30,895
Investment property	5	13,940	13,940	15,839
Goodwill on consolidation		196	196	196
Investments in associates	7	218	199	178
Available-for-sale financial assets	8	308	245	192
		45,914	46,295	47,300
CURRENT ASSETS				
Assets held for sale	9	0	1,899	0
Inventories	10	7,722	7,438	8,495
Trade and other receivables	11	18,035	17,814	15,472
Prepayments		331	574	320
Current tax assets		83	135	371
Cash and cash equivalents	12	3,346	1,657	1,258
		29,517	29,517	25,916
CURRENT LIABILITIES				
Trade and other payables	13	4,595	5,132	5,294
Loans and borrowings - secured	14	9,851	16,627	18,427
Current tax liabilities		344	434	43
		14,790	22,193	23,764
NET CURRENT ASSETS		14,727	7,324	2,152
NON-CURRENT LIABILITIES				
Loans and borrowings - secured	14	10,858	7,434	10,927
Deferred tax liabilities	15	2,952	3,157	2,087
		13,810	10,591	13,014
NET ASSETS		46,831	43,028	36,438
EQUITY				
Share capital	16	50,055	50,055	50,055
Treasury shares	16	(714)	(714)	(714)
Share premium		1,185	1,185	1,185
Revaluation surplus		2,894	3,164	765
Fair value reserve		97	0	0
Accumulated losses		(6,686)	(10,692)	(14,879)
Equity attributable to owners of the Company		46,831	42,998	36,412
Non-controlling interests		0	30	26
TOTAL EQUITY		46,831	43,028	36,438

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000 (Restated)
Revenue	17	61,296	52,749
Other income		1,116	425
Changes in inventories of work-in-progress and finished goods		119	51
Raw materials and consumables used		(36,430)	(28,014)
Depreciation		(3,299)	(3,462)
Employee benefits expense	18	(6,357)	(6,219)
Finance costs		(1,656)	(1,923)
Other expenses		(9,310)	(8,574)
Share of profit of associate		19	21
Profit before tax	19	5,498	5,054
Tax expense	20	(1,420)	(1,269)
Profit for the financial year		4,078	3,785
Other comprehensive income:-			
Revaluation increase of property, plant and equipment:-			
- Gross revaluation increase		0	3,687
- Deferred tax effects thereof		0	(922)
Gain on available-for-sale financial assets		120	0
Reclassification adjustments on derecognition of available-for-sale financial assets		(23)	0
Other comprehensive income for the financial year		97	2,765
Total comprehensive income for the financial year		4,175	6,550
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		4,108	3,818
- Non-controlling interests		(30)	(33)
		4,078	3,785
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		4,205	6,583
- Non-controlling interests		(30)	(33)
		4,175	6,550
Earnings per share (sen)			
- Basic	21	8.28	7.69
- Diluted		8.28	7.69

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

			Non-distributable						
	Share capital RM'000	**Treasury shares RM'000**	**Share premium RM'000**	**Revaluation surplus RM'000**	**Fair value reserve RM'000**	**Accumulated losses RM'000**	**Equity attributable to owners of the Company RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
Balance at 1 January 2009	50,055	(714)	1,185	765	0	(14,879)	36,412	26	36,438
Purchase of own shares (Note 16)	0	(*)	0	0	0	0	(*)	0	(*)
Issue of shares to non-controlling interests	0	0	0	0	0	3	3	37	40
Transfer of revaluation surplus	0	0	0	(366)	0	366	0	0	0
Total comprehensive income for the financial year	0	0	0	2,765	0	3,818	6,583	(33)	6,550
Balance at 31 December 2009	50,055	(714)	1,185	3,164	0	(10,692)	42,998	30	43,028
Balance at 1 January 2010									
- As previously reported	50,055	(714)	1,185	2,097	0	(10,692)	41,931	30	41,961
- Effects of adopting amendments to FRS 117	0	0	0	1,067	0	0	1,067	0	1,067
- As restated	50,055	(714)	1,185	3,164	0	(10,692)	42,998	30	43,028
Purchase of own shares (Note 16)	0	(*)	0	0	0	0	(*)	0	(*)
Interim dividend of 1 sen per share, less tax at 25%	0	0	0	0	0	(372)	(372)	0	(372)
Transfer of revaluation surplus	0	0	0	(270)	0	270	0	0	0
Total comprehensive income for the financial year	0	0	0	0	97	4,108	4,205	(30)	4,175
Balance at 31 December 2010	50,055	(714)	1,185	2,894	97	(6,686)	46,831	0	46,831

** Denotes RM84 (2009 : RM160)*

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,498	5,054
Adjustments for:-			
Bad debts written off		0	398
Depreciation		3,299	3,462
Dividend income		(4)	(5)
Gain on derecognition of available-for-sale financial assets		(23)	(2)
Gain on disposal of property, plant and equipment		(80)	0
Impairment loss on loans and receivables		1,610	347
Interest expense		1,656	1,923
Interest income		(10)	(9)
Inventories written down		0	404
Loss on disposal of assets held for sale		209	0
Property, plant and equipment written off		1	30
Reversal of allowance for diminution in value of quoted investments		0	(72)
Reversal of impairment loss on loans and receivables		(421)	0
Share of profit of associate		(19)	(21)
Waiver of debts		(199)	0
Operating profit before working capital changes		11,517	11,509
Changes in:-			
Inventories		(284)	653
Receivables and prepayments		(1,181)	(3,360)
Payables		(338)	578
Cash generated from operations		9,714	9,380
Tax paid		(1,744)	(816)
Tax refunded		82	323
Net cash from operating activities		8,052	8,887
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		3	4
Interest received		10	10
Issue of shares to non-controlling interests		0	40
Proceeds from disposal of assets held for sale		1,690	0
Proceeds from disposal of available-for-sale financial assets		57	21
Proceeds from disposal of property, plant and equipment		120	0
Purchase of property, plant and equipment	22	(2,556)	(625)
Net cash used in investing activities		(676)	(550)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(372)	0
Interest paid		(1,642)	(1,903)
Net decrease in short-term loans and borrowings		(1,927)	(2,412)
Net repayment to directors		0	(742)
Placement of term deposits pledged as security		(1,128)	(7)
Purchase of own shares		(*)	(*)
Repayment of hire purchase obligations		(446)	(452)
Repayment of long-term loans		(793)	(1,197)
Net cash used in financing activities		(6,308)	(6,713)
Net increase in cash and cash equivalents		1,068	1,624
Cash and cash equivalents brought forward		(848)	(2,472)
Cash and cash equivalents carried forward	12	220	(848)

** Denotes RM84 (2009 : RM160)*

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	33	61
Investment property	5	2,590	2,590
Investments in subsidiaries	6	16,364	17,008
Available-for-sale financial assets	8	308	245
		19,295	19,904
CURRENT ASSETS			
Other receivables	11	4,639	3,609
Prepayments		4	0
Cash and cash equivalents	12	625	729
		5,268	4,338
CURRENT LIABILITIES			
Other payables	13	796	493
Loans and borrowings - secured	14	2,023	2,481
Current tax liabilities		163	112
		2,982	3,086
NET CURRENT ASSETS		2,286	1,252
NON-CURRENT LIABILITIES			
Loans and borrowings - secured	14	307	362
Deferred tax liabilities	15	94	101
		401	463
NET ASSETS		21,180	20,693
EQUITY			
Share capital	16	50,055	50,055
Treasury shares	16	(714)	(714)
Share premium		1,185	1,185
Fair value reserve		97	0
Accumulated losses		(29,443)	(29,833)
TOTAL EQUITY		21,180	20,693

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
Revenue	17	4,330	4,485
Other income		344	108
Depreciation		(35)	(38)
Employee benefits expense	18	(804)	(750)
Finance costs		(335)	(344)
Other expenses		(2,208)	(1,186)
Profit before tax	19	1,292	2,275
Tax expense	20	(530)	(572)
Profit for the financial year		762	1,703
Other comprehensive income:-			
Gain on available-for-sale financial assets		120	0
Reclassification adjustments on derecognition of available-for-sale financial assets		(23)	0
Other comprehensive income for the financial year		97	0
Total comprehensive income for the financial year		859	1,703

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

			Non-distributable			
	Share capital RM'000	**Treasury shares RM'000**	**Share premium RM'000**	**Fair value reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
Balance at 1 January 2009	50,055	(714)	1,185	0	(31,536)	18,990
Purchase of own shares (Note 16)	0	(*)	0	0	0	(*)
Total comprehensive income for the financial year	0	0	0	0	1,703	1,703
Balance at 31 December 2009	50,055	(714)	1,185	0	(29,833)	20,693
Purchase of own shares (Note 16)	0	(*)	0	0	0	(*)
Interim dividend of 1 sen per share, less tax at 25%	0	0	0	0	(372)	(372)
Total comprehensive income for the financial year	0	0	0	97	762	859
Balance at 31 December 2010	50,055	(714)	1,185	97	(29,443)	21,180

* Denotes RM84 (2009 : RM160)

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,292	2,275
Adjustments for:-			
Depreciation		35	38
Dividend income		(2,524)	(3,285)
Gain on derecognition of available-for-sale financial assets		(23)	(2)
Impairment loss on investments in subsidiaries		644	32
Impairment loss on loans and receivables		1,239	918
Interest expense		335	344
Interest income		(9)	(7)
Reversal of allowance for diminution in value of quoted investments		0	(72)
Reversal of impairment loss on loans and receivables		(95)	0
Waiver of debts		(199)	0
Operating profit before working capital changes		695	241
Changes in:-			
Receivables and prepayments		13	20
Payables		(20)	140
Cash generated from operations		688	401
Tax paid		(305)	(152)
Tax refunded		0	323
Net cash from operating activities		383	572
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investments in subsidiaries		0	(2,060)
Dividends received		2,343	2,899
Interest received		9	8
Net advance to subsidiaries		(2,191)	(498)
Proceeds from disposal of available-for-sale financial assets		57	21
Purchase of property, plant and equipment		(7)	(1)
Net cash from investing activities		211	369
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(372)	0
Interest paid		(335)	(344)
Net advance from subsidiaries		522	27
Net (decrease)/increase in short-term loans and borrowings		(463)	2
Net repayment to directors		0	(742)
Purchase of own shares		(*)	(*)
Repayment of long-term loans		(50)	(48)
Withdrawal/(Placement) of term deposits pledged as security		372	(7)
Net cash used in financing activities		(326)	(1,112)
Net increase/(decrease) in cash and cash equivalents		268	(171)
Cash and cash equivalents brought forward		357	528
Cash and cash equivalents carried forward	12	625	357

** Denotes RM84 (2009 : RM160)*

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

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 activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang and its principal place of business is located at 1574, Jalan Bukit Panchor, 14300 Nibong Tebal, Seberang Perai Selatan, Penang.

The consolidated financial statements set out on pages 24 to 27 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interests in associates. The separate financial statements of the Company set out on pages 28 to 31 together with the notes thereto cover the Company solely.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 April 2011.

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 Financial Reporting Standards ("FRSs") and the Companies Act 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The following amended/revised/new FRSs became effective for the financial year under review:-

FRS	Effective for financial periods beginning on or after
Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2010
Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations*	1 January 2010
Amendments to FRS 132 *Financial Instruments: Presentation*	1 January 2010
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 January 2010
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*	1 January 2010
Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2009)"*	1 January 2010
FRS 4 *Insurance Contracts*	1 January 2010
FRS 7 *Financial Instruments: Disclosures*	1 January 2010
FRS 8 *Operating Segments*	1 July 2009
FRS 101 *Presentation of Financial Statements* (revised in 2009)	1 January 2010
FRS 123 *Borrowing Costs*	1 January 2010
FRS 139 *Financial Instruments: Recognition and Measurement*	1 January 2010
IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 January 2010
IC Interpretation 10 *Interim Financial Reporting and Impairment*	1 January 2010
IC Interpretation 11 FRS 2 - *Group and Treasury Share Transactions*	1 January 2010
IC Interpretation 13 *Customer Loyalty Programmes*	1 January 2010
IC Interpretation 14 FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	1 January 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of Preparation of Financial Statements (Cont'd)

The adoption of the above amended/revised/new FRSs did not result in any significant changes in the accounting policies of the Group and the Company except as disclosed in Note 2.2.

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

FRS	**Effective for financial periods beginning on or after**
Amendment to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*	1 January 2011
Amendments to FRS 1 *Additional Exemptions for First-time Adopters*	1 January 2011
Amendments to FRS 2 *Share-based Payment*	1 July 2010
Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*	1 January 2011
Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
Amendments to FRS 7 *Improving Disclosures about Financial Instruments*	1 January 2011
Amendments to FRS 132 *Financial Instruments: Presentation*	1 March 2010
Amendments to FRS 138 *Intangible Assets*	1 July 2010
Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*	1 July 2010
Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*	1 July 2011
Amendments to FRSs contained in the document entitled *"Improvements to FRSs (2010)"*	1 January 2011
FRS 1 *First-time Adoption of Financial Reporting Standards* (revised in 2010)	1 July 2010
FRS 3 *Business Combinations* (revised in 2010)	1 July 2010
FRS 124 *Related Party Disclosures* (revised in 2010)	1 January 2012
FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)	1 July 2010
IC Interpretation 4 *Determining whether an Arrangement contains a Lease*	1 January 2011
IC Interpretation 12 *Service Concession Arrangements*	1 July 2010
IC Interpretation 15 *Agreements for the Construction of Real Estate*	1 January 2012
IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
IC Interpretation 17 *Distributions of Non-cash Assets to Owners*	1 July 2010
IC Interpretation 18 *Transfers of Assets from Customers*	1 January 2011
IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011

Management foresees that the initial application of the above amended/revised/new FRSs will not have any significant impacts on the financial statements except as follows:-

FRS 3 *Business Combinations* (revised in 2010)

FRS 3 (revised in 2010), which supersedes FRS 3 *Business Combinations* (issued in 2005), introduces significant changes to the accounting for business combinations, both at the acquisition date and post acquisition, and requires greater use of fair values. In addition, all acquisition-related costs, other than the costs to issue debt or equity securities, shall be recognised in profit or loss as incurred. In accordance with the transitional provisions of FRS 3 (revised in 2010), the Group and the Company will apply the standard prospectively to business combinations for which the acquisition date is on or after the effective date.

FRS 127 *Consolidated and Separate Financial Statements* (revised in 2010)

FRS 127 (revised in 2010), which supersedes FRS 127 *Consolidated and Separate Financial Statements* (revised in 2005), requires the total comprehensive income of a subsidiary to be 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. The revised standard also requires the changes in a parent's ownership interest in a subsidiary that do not result in a loss of control to be accounted for as equity transactions. In accordance with the transitional provisions of FRS 127 (revised in 2010), the aforementioned amendments will be applied prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in Accounting Policies

Significant changes in the accounting policies of the Group and the Company following the adoption of the amended/revised/new FRSs are summarised below:-

Amendments to FRS 117 Leases

Included in *Improvements to FRSs (2009)* are amendments to FRS 117 which clarify that the classification of leasehold land as a finance lease or an operating lease shall be based on the extent to which risks and rewards incidental to ownership lie.

Prior to the adoption of the amendments to FRS 117, leasehold land was classified as an operating lease and recognised as prepaid lease payments.

In accordance with the transitional provisions of the amendments, the Group has reassessed the classification on the effective date on the basis of information existing at the inception of the lease. Accordingly, the effects of adopting the amendments have been accounted for retrospectively in accordance with FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* by restating the following comparative figures:-

	As previously reported RM'000	Effects of adopting amendments to FRS 117 RM'000	As restated RM'000
Consolidated Statement of Financial Position (Extract)			
As at 1 January 2009			
Property, plant and equipment	27,384	3,511	30,895
Prepaid lease payments	3,511	(3,511)	0
As at 31 December 2009			
Property, plant and equipment	26,915	4,800	31,715
Prepaid lease payments	3,377	(3,377)	0
Deferred tax liabilities	2,801	356	3,157
Revaluation surplus	2,097	1,067	3,164
Consolidated Statement of Comprehensive Income (Extract)			
For the financial year ended 31 December 2009			
Other comprehensive income:-			
Revaluation increase of property, plant and equipment:-			
- Gross revaluation increase	2,264	1,423	3,687
- Deferred tax effects thereof	(566)	(356)	(922)

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 sets out the accounting principles for recognising and measuring financial instruments. Some of the key principles established are disclosed in Notes 2.11 and 2.12.

Prior to the adoption of FRS 139 (and the amendments thereto), financial assets and financial liabilities were mainly recorded at cost less, in the case of a financial asset, any allowance for diminution in value or impairment.

In accordance with the transitional provisions of FRS 139, the Group and the Company have applied the standard prospectively and concluded that no adjustment to any opening balance as at 1 January 2010 was necessary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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 purchase method, except for certain business combinations entered into prior to 1 January 2006 which were accounted for using the merger method in accordance with MAS 2 *Accounting for Acquisitions and Mergers* prevailing at the date of combination. In accordance with the transitional provisions of FRS 3 *Business Combinations* which requires all business combinations to be accounted for using the purchase method, the Group has applied the standard prospectively and business combinations entered into prior to 1 January 2006 have not been restated to comply with the standard.

Under the purchase method, the results of the subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date represents goodwill. Goodwill is recognised as an asset at cost less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. When the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired at the acquisition date exceeds the cost of acquisition, the excess (hereinafter referred to as "negative goodwill"), after reassessment, is recognised in profit or loss.

Under the merger method, the results of the subsidiary are presented as if the merger had been effected throughout the current and previous financial years. Any difference between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiary is taken to merger reserve. Any merger debit arising on consolidation is written off against reserves.

All intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

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 2.9.

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.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated on a straight-line basis over the lease term of 43 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:-

Buildings	2%
Plant and machinery	10-33%
Tools and equipment	10-33%
Furniture, fittings and office equipment	10-33%
Motor vehicles	20-25%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Property, Plant and Equipment (Cont'd)

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.

During the financial year, the estimated useful life of a building was reviewed and revised from 20 years to 43 years prospectively. This change in accounting estimate has caused the depreciation charges of the Group to decrease and its profit before tax to increase by RM513,000.

2.5 Investment Property

Investment property, being a property held to earn rentals and/or for capital appreciation, is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

2.6 Investments in Subsidiaries

As required by the Companies Act 1965, 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 2.9.

2.7 Investments in Associates

An associate is an entity, other than a subsidiary or a joint venture, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

In the consolidated financial statements, investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is initially recognised at cost and the carrying amount is subsequently adjusted to recognise the Group's share of the post-acquisition profit or loss and other comprehensive income of the associate. After application of the equity method, the carrying amount of the investment is subject to further impairment assessment. The impairment policy is disclosed in Note 2.9.

2.8 Non-current Assets Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Immediately before the initial classification as held for sale, the carrying amount of the relevant asset is measured in accordance with applicable FRSs. Upon classification as held for sale, the asset, other than financial assets within the scope of FRS 139 *Financial Instruments: Recognition and Measurement* and investment property stated at fair value, is measured at the lower of its carrying amount and fair value less costs to sell. Any initial or subsequent write-down to, or any subsequent increase in, fair value less costs to sell is recognised in profit or loss.

2.9 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 inventories, investment property stated at fair value and non-current assets classified as held for sale, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs to sell 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 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.

2.10 Inventories

Inventories of materials and goods 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.

2.11 Financial Assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables and cash and cash equivalents.

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. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets classified under this category.

(ii) Held-to-maturity investments

The Group and the Company do not have any financial assets classified under this category.

(iii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

(iv) Available-for-sale financial assets

All investments in equity instruments (other than interests in subsidiaries and associates) are classified under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value, except for impairment loss, is recognised in other comprehensive income and accumulated in equity as fair value reserve until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial Assets (Cont'd)

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as follows:-

(i) Financial assets carried at amortised cost

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Such cumulative loss reclassified from equity to profit or loss represents an impairment loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. The impairment loss is not reversed through profit or loss in any subsequent period.

Determination of Fair Values

The fair values of investments in equity instruments are determined by reference to quoted market prices in an active market, if any.

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

2.12 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and financial guarantee contracts.

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 less directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process. After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial Liabilities (Cont'd)

Determination of Fair Values

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors.

2.13 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is 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 are 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 is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

2.14 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.

2.15 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Share Capital (Cont'd)

Own shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of share premium and/or distributable reserves. When treasury shares are cancelled, an amount equivalent to their nominal value is transferred from share capital to a capital redemption reserve and the total cost of the treasury shares cancelled is adjusted to share premium and/or other suitable reserves.

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.

2.16 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Income from the rendering of services is recognised when the services are performed.

Dividend income is recognised when the shareholder's right to receive payment is established.

Rental income is recognised on an accrual basis.

Interest income is recognised using the effective interest method.

2.17 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 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 in the period in which the associated services are rendered by the employee.

2.18 Borrowings 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.

2.19 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Income Taxes (Cont'd)

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, negative 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.

2.20 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (excluding those pledged as security), bank overdrafts 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.

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 makes the following judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements:-

(i) Classification of leasehold land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to ownership of the land through a finance lease.

(ii) Impairment of available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative decline represents an impairment loss. The determination of what constitutes "significant or prolonged" requires judgement. In making this judgement, management continuously evaluates the historical share price movements and the duration and extent of the decline in fair value below cost. For the financial year ended 31 December 2010, the Group has not recognised any impairment loss on available-for-sale financial assets.

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:-

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives to be within 3 to 50 years. Changes in the expected level of usage and technological development will impact on the economic useful lives and residual values of the assets and therefore, future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 4.

3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

Sources of Estimation Uncertainty (Cont'd)

(ii) Impairment of non-financial assets

When the recoverable amount of a non-financial asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows. The non-financial assets subject to impairment assessment and their carrying amounts as at 31 December 2010 are as follows:-

	The Group RM'000	The Company RM'000
Property, plant and equipment	31,252	33
Goodwill on consolidation	196	0

(iii) Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 10.

(iv) Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 11.

(v) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimates. The Group and the Company recognise tax assets/liabilities based on their understanding of the prevailing tax laws and estimates of whether such assets/liabilities will be realised/settled in the ordinary course of business. Where the final tax outcome of these matters is different from the amounts initially recognised, the difference will impact on the tax recognition in the period in which the outcome is determined. The carrying amounts of tax assets/liabilities as at 31 December 2010 are as follows:-

	The Group RM'000	The Company RM'000
Current tax assets	83	0
Current tax liabilities	344	163
Deferred tax liabilities	2,952	94

4. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation									
Balance at 1 January 2009									
- As previously reported	3,500	0	17,065	47,185	1,707	4,046	1,168	0	74,671
- Effects of adopting amendments to FRS 117	0	3,930	0	0	0	0	0	0	3,930
- As restated	3,500	3,930	17,065	47,185	1,707	4,046	1,168	0	78,601
Additions	0	0	1	464	52	108	0	0	625
Disposals/Write-offs	0	0	0	(1,037)	(1)	(314)	0	0	(1,352)
Revaluation	0	870	(701)	0	0	0	0	0	169
Balance at 31 December 2009	3,500	4,800	16,365	46,612	1,758	3,840	1,168	0	78,043
Representing:-									
- Cost	0	0	0	46,612	1,758	3,840	1,168	0	53,378
- Valuation	3,500	4,800	16,365	0	0	0	0	0	24,665
	3,500	4,800	16,365	46,612	1,758	3,840	1,168	0	78,043
Balance at 1 January 2010									
- As previously reported	3,500	0	16,365	46,612	1,758	3,840	1,168	0	73,243
- Effects of adopting amendments to FRS 117	0	4,800	0	0	0	0	0	0	4,800
- As restated	3,500	4,800	16,365	46,612	1,758	3,840	1,168	0	78,043
Additions	0	0	12	2,014	129	183	130	409	2,877
Disposals/Write-offs	0	0	0	(563)	(1)	(339)	(407)	0	(1,310)
Balance at 31 December 2010	3,500	4,800	16,377	48,063	1,886	3,684	891	409	79,610
Representing:-									
- Cost	0	0	12	48,063	1,886	3,684	891	409	54,945
- Valuation	3,500	4,800	16,365	0	0	0	0	0	24,665
	3,500	4,800	16,377	48,063	1,886	3,684	891	409	79,610

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group

	Freehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated Depreciation									
Balance at 1 January 2009									
- As previously reported	0	0	2,236	39,083	1,350	3,622	996	0	47,287
- Effects of adopting amendments to FRS 117	0	419	0	0	0	0	0	0	419
- As restated	0	419	2,236	39,083	1,350	3,622	996	0	47,706
Depreciation	0	134	729	2,349	90	109	51	0	3,462
Disposals/Write-offs	0	0	0	(1,009)	(1)	(312)	0	0	(1,322)
Revaluation	0	(553)	(2,965)	0	0	0	0	0	(3,518)
Balance at 31 December 2009	0	0	0	40,423	1,439	3,419	1,047	0	46,328
Depreciation	0	190	497	2,314	92	141	65	0	3,299
Disposals/Write-offs	0	0	0	(563)	0	(339)	(367)	0	(1,269)
Balance at 31 December 2010	0	190	497	42,174	1,531	3,221	745	0	48,358
Carrying Amount									
Balance at 1 January 2009 (Restated)	3,500	3,511	14,829	8,102	357	424	172	0	30,895
Balance at 31 December 2009 (Restated)	3,500	4,800	16,365	6,189	319	421	121	0	31,715
Balance at 31 December 2010	3,500	4,610	15,880	5,889	355	463	146	409	31,252

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The land and buildings were revalued on 31 December 2009 based on the market values given by independent professional valuers using the comparison method. Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been recognised in the financial statements are as follows:-

	The Group	
	2010	**2009**
	RM'000	**RM'000**
		(Restated)
Freehold land	1,904	1,904
Short-term leasehold land	862	897
Buildings	9,948	10,234
	12,714	13,035

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	The Group	
	2010	**2009**
	RM'000	**RM'000**
		(Restated)
Freehold land	3,500	3,500
Short-term leasehold land	4,610	4,800
Buildings	15,880	16,365
Plant and machinery	969	1,546
Tools and equipment	60	91
Furniture, fittings and office equipment	18	26
	25,037	26,328

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Plant and machinery	1,975	1,860
Tools and equipment	63	73
Motor vehicles	20	50
	2,058	1,983

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
Balance at 1 January 2009	1,240	102	1,342
Additions	1	0	1
Balance at 31 December 2009	1,241	102	1,343
Additions	7	0	7
Disposals/Write-offs	(178)	0	(178)
Balance at 31 December 2010	1,070	102	1,172
Accumulated Depreciation			
Balance at 1 January 2009	1,142	102	1,244
Depreciation	38	0	38
Balance at 31 December 2009	1,180	102	1,282
Depreciation	35	0	35
Disposals/Write-offs	(178)	0	(178)
Balance at 31 December 2010	1,037	102	1,139
Carrying Amount			
Balance at 1 January 2009	98	0	98
Balance at 31 December 2009	61	0	61
Balance at 31 December 2010	33	0	33

5. INVESTMENT PROPERTY

The Group

Fair Value	Freehold land and buildings RM'000	Short-term leasehold land RM'000	Office lots RM'000	Total RM'000
Balance at 1 January 2009	11,350	1,899	2,590	15,839
Transfer to assets held for sale	0	(1,899)	0	(1,899)
Balance at 31 December 2009	11,350	0	2,590	13,940
Movement during the year	0	0	0	0
Balance at 31 December 2010	11,350	0	2,590	13,940

The Company

Fair Value	Office lots RM'000
Balance at 1 January 2009	2,590
Movement during the year	0
Balance at 31 December 2009	2,590
Movement during the year	0
Balance at 31 December 2010	2,590

5. INVESTMENT PROPERTY (CONT'D)

The fair values of investment property were determined based on the market values given by independent professional valuers using the comparison method.

Certain investment property of the Group and the Company with total carrying amounts of RM13,590,000 (2009 : RM13,590,000) and RM2,590,000 (2009 : RM2,590,000) respectively has been pledged as security for credit facilities granted to the Group and the Company.

6. INVESTMENTS IN SUBSIDIARIES

The Company

	2010 RM'000	**2009 RM'000**
Unquoted shares, at cost	33,395	33,395
Impairment losses	(17,031)	(16,387)
	16,364	17,008

The details of the subsidiaries are as follows:-

Name of Subsidiary	**Country of Incorporation**	**Effective Ownership Interest 2010**	**Effective Ownership Interest 2009**	**Principal Activity**
Direct Subsidiaries				
Master-Pack Sdn. Bhd.	Malaysia	100%	100%	Manufacture of corrugated cartons and distribution of packaging materials
Master-Pack (Sarawak) Sdn. Bhd.	Malaysia	100%	100%	Manufacture and sale of corrugated fibreboard cartons
Master-Pack Marine Products Sdn. Bhd.	Malaysia	100%	100%	Renting of property, equipment and machinery
Master-Pack Labs Sdn. Bhd.	Malaysia	68%	68%	Inactive
Master-Pack Energy Sdn. Bhd.	Malaysia	60%	60%	Inactive
Sin Wan Fatt Marine Products Sdn. Bhd.	Malaysia	100%	100%	Inactive
Tung Hai Fishing Sendirian Berhad	Malaysia	100%	100%	Inactive
Indirect Subsidiaries				
Master-Pack Diversity Sdn. Bhd.*	Malaysia	0%	100%	Inactive
Master-Pack Nutriceuticals Sdn. Bhd.	Malaysia	68%	68%	Inactive
Ocean Garden Seafood Products Sdn. Bhd.	Malaysia	53%	53%	Inactive

** Disposed of in November 2010*

7. INVESTMENTS IN ASSOCIATES

The Group

	2010 RM'000	2009 RM'000
Unquoted shares, at cost	145	145
Share of post-acquisition profit or loss	73	54
	218	199

The details of the associates are as follows:-

Name of Associate	Country of Incorporation	Effective Ownership Interest 2010	Effective Ownership Interest 2009	Principal Activity
Hugh Packaging (Selangor) Sdn. Bhd.	Malaysia	30%	30%	Manufacture of packaging materials
Richmond Technology Sdn. Bhd.	Malaysia	20%	20%	Manufacture of packaging materials

The summarised financial information of Hugh Packaging (Selangor) Sdn. Bhd. is not disclosed as the Group's share of losses has been recognised to the extent of its interest in the associate. The unrecognised share of loss of the associate for the financial year amounted to RM15,000 (2009 : RM14,000) whereas the unrecognised share of losses cumulatively amounted to RM32,000 (2009 : RM17,000).

The summarised financial information of Richmond Technology Sdn. Bhd. is as follows:-

	2010 RM'000	2009 RM'000
Total assets	2,614	2,419
Total liabilities	1,523	1,422
Revenue	7,565	5,918
Profit for the financial year	93	105

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group and the Company

	2010 RM'000	2009 RM'000
Shares quoted in Malaysia:-		
- At cost less impairment losses	0	245
- At fair value	308	0
	308	245
Market value	308	245

9. ASSETS HELD FOR SALE

The Group

	Short-term leasehold land RM'000
Balance at 1 January 2009	0
Transfer from investment property	1,899
Balance at 31 December 2009	1,899
Disposals	(1,899)
Balance at 31 December 2010	0

10. INVENTORIES

The Group

	2010 RM'000	2009 RM'000
Raw materials	5,846	5,598
Work-in-progress	432	522
Finished goods	616	407
Goods-in-transit	828	911
	7,722	7,438

11. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade receivables:-				
- Associates	1,615	1,263	0	0
- Allowance for impairment	(233)	0	0	0
	1,382	1,263	0	0
- Unrelated parties	16,966	14,776	0	0
- Allowance for impairment	(977)	(444)	0	0
	15,989	14,332	0	0
	17,371	15,595	0	0
Other receivables:-				
- Subsidiaries	0	0	21,526	19,421
- Allowance for impairment	0	0	(17,418)	(16,769)
	0	0	4,108	2,652
- Unrelated parties	1,073	1,033	940	957
- Allowance for impairment	(409)	0	(409)	0
	664	1,033	531	957
- Compensation receivable from compulsory acquisition of land by government	0	1,186	0	0
	664	2,219	4,639	3,609
	18,035	17,814	4,639	3,609

11. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 150 day terms.

The movements in allowance for impairment are as follows:-

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Balance at 1 January	444	197
Impairment recognised	1,198	347
Impairment reversed	(421)	0
Impairment written off	(11)	(100)
Balance at 31 December	1,210	444

The above impairment was individually determined after considering the unfavourable financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Not past due	10,396	9,122
Past due:-		
- 1 to 30 days	2,688	2,568
- 31 to 120 days	2,176	2,308
- More than 120 days	2,111	1,597
	17,371	15,595

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentration in terms of counterparties. As at 31 December 2010, there were 2 (2009 : 2) 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 RM6,436,000 (2009 : RM7,374,000).

Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balance at 1 January	0	0	16,769	15,851
Impairment recognised	412	0	1,239	918
Impairment reversed	0	0	(95)	0
Impairment written off	(3)	0	(86)	0
Balance at 31 December	409	0	17,827	16,769

The above impairment was individually determined after considering the unfavourable financial conditions of the debtors who have defaulted/delayed in payments.

12. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate term deposits with:-				
- Licensed banks	402	372	402	372
- Other financial institution	1,500	0	0	0
Cash and bank balances	1,444	1,285	223	357
	3,346	1,657	625	729

Certain term deposits of the Group and the Company totalling RM1,500,000 (2009 : RM372,000) and NIL (2009 : RM372,000) respectively have been pledged as security for credit facilities granted to the Group and the Company. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 31 December 2010 ranged from 1.50% to 2.60% (2009 : 1.50%) per annum.

For the purpose of statements of cash flows, cash and cash equivalents exclude term deposits pledged as security and are presented net of bank overdrafts as follows:-

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and cash equivalents	3,346	1,657	625	729
Term deposits pledged as security	(1,500)	(372)	0	(372)
Bank overdrafts	(1,626)	(2,133)	0	0
	220	(848)	625	357

13. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	2,262	1,778	0	0
Other payables:-				
- Subsidiaries	0	0	549	27
- Other related parties*	0	201	0	201
- Unrelated parties	2,333	3,153	247	265
	2,333	3,354	796	493
	4,595	5,132	796	493

** Being companies in which a director of the Company has substantial financial interests*

The currency profile of trade and other payables is as follows:-

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ringgit Malaysia	4,471	5,132	796	493
US Dollar	124	0	0	0
	4,595	5,132	796	493

13. TRADE AND OTHER PAYABLES (CONT'D)

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

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to subsidiaries and other related parties are repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 60 days.

14. LOANS AND BORROWINGS - SECURED

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate:-				
- Hire purchase payables	1,377	1,502	0	0
- Banker acceptances	4,689	6,061	0	0
- Receivable finance	0	92	0	0
- Short-term loans	1,968	1,979	1,968	1,979
- Long-term loans	362	413	362	412
Floating rate:-				
- Bank overdrafts	1,626	2,133	0	0
- Share margin financing	0	452	0	452
- Long-term loans	10,687	11,429	0	0
	20,709	24,061	2,330	2,843
Disclosed as:-				
- Current liabilities	9,851	16,627	2,023	2,481
- Non-current liabilities	10,858	7,434	307	362
	20,709	24,061	2,330	2,843

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4), investment property (Note 5) and term deposits (Note 12).

The effective interest rates of loans and borrowings as at 31 December 2010 ranged from 3.59% to 10.00% (2009 : 3.53% to 10.00%) per annum.

Except for hire purchase payables and long-term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

14. LOANS AND BORROWINGS - SECURED (CONT'D)

Hire Purchase Payables

Hire purchase payables are repayable over 4 to 5 years. The repayment analysis is as follows:-

	The Group	
	2010	**2009**
	RM'000	**RM'000**
Minimum hire purchase payments:-		
- Within 1 year	537	480
- Later than 1 year and not later than 2 years	516	454
- Later than 2 years and not later than 5 years	467	778
Total contractual undiscounted cash flows	1,520	1,712
Future finance charges	(143)	(210)
Present value of hire purchase payables:-		
- Within 1 year	458	386
- Later than 1 year and not later than 2 years	468	388
- Later than 2 years and not later than 5 years	451	728
	1,377	1,502

The carrying amounts of hire purchase payables are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

Long-term Loans

Long-term loans are repayable over 6 to 15 years. The repayment analysis is as follows:-

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross loan instalments:-				
- Within 1 year	1,884	6,318	84	84
- Later than 1 year and not later than 2 years	3,684	3,684	84	84
- Later than 2 years and not later than 5 years	7,744	3,268	251	251
- Later than 5 years	48	131	48	131
Total contractual undiscounted cash flows	13,360	13,401	467	550
Future finance charges	(2,311)	(1,559)	(105)	(138)
Present value of long-term loans:-				
- Within 1 year	1,110	5,524	55	50
- Later than 1 year and not later than 2 years	2,954	3,204	58	53
- Later than 2 years and not later than 5 years	6,940	2,993	204	188
- Later than 5 years	45	121	45	121
	11,049	11,842	362	412

The carrying amounts of long-term loans are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

15. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2010 RM'000	2009 RM'000 (Restated)	2010 RM'000	2009 RM'000
Balance at 1 January				
- As previously reported	2,801	2,087	101	108
- Effects of adopting amendments to FRS 117	356	0	0	0
- As restated	3,157	2,087	101	108
Deferred tax (income)/expense relating to origination and reversal of temporary differences recognised in:-				
- Profit or loss	(346)	160	(7)	(7)
- Other comprehensive income	0	922	0	0
Deferred tax income relating to differential tax rates	0	(133)	0	0
Deferred tax liabilities under provided in prior year	141	121	0	0
Balance at 31 December	2,952	3,157	94	101
In respect of taxable/(deductible) temporary differences of:-				
- Property, plant and equipment	2,988	3,275	6	13
- Investment property	88	88	88	88
- Inventories	0	(101)	0	0
- Financial instruments	(124)	(105)	0	0
	2,952	3,157	94	101

Save as disclosed above, as at 31 December 2010, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM904,000 (2009 : RM976,000). No further deferred tax assets have been recognised for the excess of the deductible temporary differences, unused capital allowances and unused tax losses over the taxable temporary differences as follows:-

	2010 RM'000	2009 RM'000
Deductible temporary differences of financial instruments	691	0
Unused capital allowances	11,144	11,204
Unused tax losses	34,004	34,022
Taxable temporary differences of:-		
- Property, plant and equipment	(754)	(1,218)
- Investment property	(2,862)	(2,687)
	42,223	41,321

16. SHARE CAPITAL

	2010 RM'000	2009 RM'000
Authorised:-		
100,000,000 ordinary shares of RM1.00 each	100,000	100,000
Issued and fully paid-up:-		
50,054,750 ordinary shares of RM1.00 each	50,055	50,055

16. SHARE CAPITAL (CONT'D)

Purchase of Own Shares

The shareholders of the Company, by a resolution passed at the Extraordinary General Meeting held on 20 May 1998, approved the Company's plan to purchase its own shares.

The details of the shares purchased from the open market using internally generated funds and held as treasury shares are as follows:-

	2010		2009	
	No. of Shares '000	Cost RM'000	No. of Shares '000	Cost RM'000
Balance at 1 January	434	714	434	714
Shares purchased	*	**	*	**
Balance at 31 December	435	714	434	714
Average unit cost for the year (sen)		42		40

*   *Denotes 200 (2009 : 400)*

** *Denotes RM84 (2009 : RM160)*

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	2010 No. of Shares '000	2009 No. of Shares '000
Balance at 1 January	49,620	49,621
Shares purchased	(*)	(*)
Balance at 31 December	49,620	49,620

** Denotes 200 (2009 : 400)*

The shareholders' mandate for the purchase of own shares has expired on 25 June 2010 and the directors did not intend to seek shareholders' approval of renewing the mandate.

17. REVENUE

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of goods	60,205	51,654	0	0
Rendering of services	0	0	1,800	1,200
Dividend income from:-				
- Investments in subsidiaries	0	0	2,520	3,280
- Quoted investments in Malaysia	4	5	4	5
Rental income	1,087	1,090	6	0
	61,296	52,749	4,330	4,485

18. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits	5,899	5,781	746	696
Defined contribution plan	458	438	58	54
	6,357	6,219	804	750

19. PROFIT BEFORE TAX

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	71	62	20	17
- Prior year	0	(2)	0	0
Bad debts written off	0	398	0	0
Direct operating expenditure for investment property:-				
- Generating rental income	65	65	2	0
- Not generating rental income	24	19	9	10
Directors' remuneration:-				
- Fee	87	77	85	75
- Other emoluments	853	770	340	318
Fee expense for financial instruments not at fair value through profit or loss	100	95	3	3
Impairment loss on investments in subsidiaries*	0	0	644	32
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	830	918
- Associates	233	0	0	0
- Unrelated parties	1,377	347	409	0
Interest expense for financial liabilities not at fair value through profit or loss	1,656	1,923	335	344
Inventories written down	0	404	0	0
Loss on disposal of assets held for sale	209	0	0	0
Property, plant and equipment written off	1	30	0	0
Realised loss on foreign exchange	0	12	0	0
Rental of equipment	4	4	0	0
Rental of premises	49	45	9	9
and crediting:-				
Gain on derecognition of available-for-sale financial assets	23	2	23	2
Gain on disposal of property, plant and equipment	80	0	0	0
Interest income for financial assets not at fair value through profit or loss	10	9	9	7
Realised gain on foreign exchange	4	0	0	0
Rental income from:-				
- Investment property, equipment and machinery	1,087	1,090	0	0
- Others	0	195	0	0
Reversal of allowance for diminution in value of quoted investments	0	72	0	72
Reversal of impairment loss on loans and receivables:-				
- Subsidiaries	0	0	95	0
- Unrelated parties	421	0	0	0
Waiver of debts	199	0	199	0

** Included in other expenses*

20. TAX EXPENSE

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Tax based on results for the year:-				
Malaysian income tax	1,688	1,284	534	562
Deferred tax	(346)	27	(7)	(7)
	1,342	1,311	527	555
Tax (over)/under provided in prior year:-				
Malaysian income tax	(63)	(163)	3	17
Deferred tax	141	121	0	0
	1,420	1,269	530	572

The numerical reconciliation between the product of profit before tax multiplied by the applicable tax rate, which is the statutory income tax rate, and the tax expense is as follows:-

	The Group		The Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit before tax	5,498	5,054	1,292	2,275
Tax at applicable tax rate of 25%	1,375	1,264	323	569
Non-taxable income	(73)	(5)	(185)	(314)
Non-deductible expenses	661	687	389	300
Expenses eligible for double deduction	(10)	(3)	0	0
Reinvestment allowances claimed	(837)	(339)	0	0
Increase/(Decrease) in unrecognised deferred tax assets	226	(117)	0	0
Effect of differential tax rates	0	(176)	0	0
Tax under/(over) provided in prior year	78	(42)	3	17
Tax expense	1,420	1,269	530	572

21. EARNINGS PER SHARE

The Group

The basic 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, after adjusting for the effect of shares purchased, as follows:-

	2010	2009
Profit for the financial year attributable to owners of the Company (RM'000)	4,108	3,818
Number of shares in issue as at 1 January ('000)	49,620	49,621
Effect of shares purchased ('000)	(*)	(*)
Weighted average number of shares in issue ('000)	49,620	49,621
Basic earnings per share (sen)	8.28	7.69

** Denotes 168 (2009 : 235)*

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

22. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

The Group

Purchase of Property, Plant and Equipment

	2010 RM'000	2009 RM'000
Cost of property, plant and equipment purchased	2,877	625
Amount financed through hire purchase	(321)	0
Net cash disbursed	2,556	625

23. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Key management personnel compensation:-				
- Short-term employee benefits	1,588	1,296	406	375
- Defined contribution plan	112	74	19	18
	1,700	1,370	425	393
Additional investments in subsidiaries	0	0	0	2,060
Dividends declared from subsidiaries	0	0	2,340	2,895
Management fee charged to subsidiaries	0	0	1,800	1,200
Sale of goods to associates	4,198	3,628	0	0
Trademark fee charged by other related party*	0	2	0	1
Waiver of debts by other related parties*	199	0	199	0

** Being companies in which a director of the Company has substantial financial interests*

24. SEGMENT REPORTING

The Group

Operating Segments

Information about operating segments has not been reported separately as the Group's profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture and sale of corrugated fibreboard cartons and packaging materials.

Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	60,750	52,310	45,388	45,851
Foreign countries	546	439	0	0
	61,296	52,749	45,388	45,851

24. SEGMENT REPORTING (CONT'D)

Major Customer

For the financial year ended 31 December 2010, there was 1 (2009 : 1) major customer that contributed 10% or more of the Group's total revenue and the total revenue generated from this major customer amounted to RM15,649,000 (2009 : RM18,227,000).

25. CAPITAL COMMITMENTS

	The Group		The Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Contracted but not provided for:-				
- Property, plant and equipment	1,938	875	0	0
- Investment in unquoted shares	*326	*346	*326	*346

** Representing Rp950,000,000 translated using closing rates as at 31 December 2010 and 2009 respectively*

26. CONTINGENT LIABILITIES

The Group

Pending Litigation - Unsecured

In 2002, a writ of summon was filed against a subsidiary and a third party by a few individuals. The plaintiffs alleged that they have interests over certain portion of a piece of land purchased by the subsidiary from the third party in 1995.

In January 2011, the plaintiffs succeeded in their claim against the subsidiary. The court order requires the subsidiary to apply to the authorities for subdivision or partition in order to transfer to the plaintiffs the subdivided plots of approximately 30% of the total land area. The total awarded value of the plots of land to be subdivided to the plaintiffs is not expected to be material.

The subsidiary's counterclaim against the third party for indemnity was also disallowed by the court. However, the subsidiary has submitted an appeal against the court order.

The Company

Pledge of Property - Secured

The Company is contingently liable up to a limit of RM1,632,000 (2009 : RM1,632,000), being the total carrying amount of its certain investment property which has been pledged as security for credit facilities granted to a subsidiary.

Financial Guarantees - Unsecured

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM49,550,000 (2009 : RM57,500,000). The total utilisation of these credit facilities as at 31 December 2010 amounted to approximately RM20,543,000 (2009 : RM20,587,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.12. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

27. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, interest rate risk and other price 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 Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 26.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. 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.

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.

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	(Decrease)/ Increase in Profit 2010 RM'000	(Decrease)/ Increase in Profit 2009 RM'000	(Decrease)/ Increase in Profit 2010 RM'000	(Decrease)/ Increase in Profit 2009 RM'000
Increase in interest rates by 50 basis points	(60)	(67)	0	(2)
Decrease in interest rates by 50 basis points	60	67	0	2

27. FINANCIAL RISK MANAGEMENT (CONT'D)

Other Price Risk

The Group's exposure to other price risk arises mainly from quoted investments.

The Group manages its investments on an individual basis by continuously evaluating the share price movements, investment returns and the general industrial conditions relevant to the investees.

The Group's quoted investments are listed on Bursa Malaysia Securities Berhad. Based on the assumption that the share prices of these investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI"), the following table demonstrates the sensitivity of profit or loss and other comprehensive income ("OCI") to changes in FBMKLCI that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group and the Company			
	2010		2009	
	Increase/ (Decrease) in Profit RM'000	Increase/ (Decrease) in OCI RM'000	Increase/ (Decrease) in Profit RM'000	Increase/ (Decrease) in OCI RM'000
Increase in FBMKLCI by 10%	0	31	25	0
Decrease in FBMKLCI by 10%	0	(31)	(25)	0

28. CAPITAL MANAGEMENT

The Group's objective in capital management is to maintain a strong capital base to support its business and maximise shareholders' value.

During the financial year, the Group maintains its debt-to-equity ratio within the range of 0.4 : 1 to 1 : 1. The ratio is as follows:-

	2010 RM'000	2009 RM'000
Total loans and borrowings	20,709	24,061
Total equity	46,831	43,028
Total capital	67,540	67,089
Debt-to-equity ratio	0.4 : 1	0.6 : 1

There were no changes in the Group's approach to capital management during the year.

SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES

	The Group 2010 RM'000	The Company 2010 RM'000
Total accumulated losses of the Company and its subsidiaries:-		
- Realised	(44,091)	(29,702)
- Unrealised	626	259
	(43,465)	(29,443)
Total share of retained profits of associates:-		
- Realised	118	0
- Unrealised	0	0
	(43,347)	(29,443)
Consolidation adjustments and eliminations	36,661	0
Total accumulated losses as per statement of financial position	(6,686)	(29,443)

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad. Comparative figures are not required in the first financial year of complying with the directive.

GROUP PROPERTIES
AS AT 31 DECEMBER 2010

No.	Location	Description Of Property	Build-up Area	Land Area	Existing Use	Tenure	Approx. Age Of Buiding (years)	Fair Value	Date Of Last Revaluation / Date Of Acquisition
	Properties								
1	Lot No. 408, Mukim 7, S.P.S., Penang.	Industrial Land & Factory Building	107,061 sq ft	7.17 acres	Factory for manufacturing facilities	Freehold	15	L:RM2,740,000 B:RM9,165,000	7-Dec-09
2	Plot No. 13 and 14 Mukim 5, S.P.S., Penang.	Industrial Land & Factory Building	77,200 sq ft	2.5 acres	Factory for manufacturing facilities	Freehold	10	L:RM760,000 B:RM5,000,000	7-Dec-09
3	Lot 1270, Section 66, Kuching Town Land District, Kuching, Sarawak.	Industrial Land & Factory Building	72,613 sq ft	4.05 acres	Factory for manufacturing facilities	Leasehold land Expiring in 2035	18	PL:RM4,800,000 B:RM2,200,000	31-Dec-09
	Investment Properties								
4	Lot 3527, Mukim of Kuala Kurau, Daerah Krian, Perak.	Industrial Land & Factory Building	13,677 sq ft	39,476 sq ft	Factory for manufacturing facilities, suspended operations	Freehold	20	L:RM100,000 B:RM250,000	30-Dec-10
5	Lot No. 1889, 1895, 1891, 1893, 4313 to 4315, 8029 and 8030, Mukim of Parit Buntar Daerah Krian, Perak.	Industrial Land & Factory Building	90,000 sq ft	133,291 sq ft	Rented out for seafood processing	Freehold	13	L:RM1,330,000 B:RM8,450,000	30-Dec-10
6	Office units-5-3-1 to Office units-5-3-6, Hunza Complex, Greenlane Heights, Jalan Gangsa, 11600 Penang. Parent Lot: 4744, Section 5, Town of Georgetown, North East District, Penang.	Commercial Lots	8,530 sq ft	Not Applicable	Vacant and for investment purposes	Freehold	16	B:RM2,590,000	30-Dec-10
7	Lot No. 4329, Mukim of Parit Buntar District of Kerian, Perak.	Oil Palm Estate	Not applicable	18.70 acres	Fruits harvested if available and for investment purposes	Freehold	Not applicable	L:RM1,220,000	30-Dec-10

L : Land
B : Building

ANALYSIS OF SHAREHOLDINGS
AS AT 29 APRIL 2011

DISTRIBUTION OF SHAREHOLDERS

No. of Holders	Holdings	Total Holdings	%
278	Less Than 100	12,973	0.03
143	100 – 1,000	88,767	0.18
1,678	1,001 – 10,000	4,743,519	9.56
256	10,001 – 100,000	7,442,621	15.00
37	100,001 and below 5% of issued shares	12,079,958	24.34
3	5% and above of issued shares	25,252,312	50.89
2,395	**TOTAL**	**49,620,150**	**100.00**

DIRECTORS' SHAREHOLDINGS

Name of Director	Direct Interest	%	Deemed Interest	%
Dato' Syed Mohamad Bin Syed Murtaza	-	-	-	-
Dato' (Dr) Khor Teng Tong	420,000	0.85	1,127,000 (1)	2.27
Aminuddin Bin Saad	10,002	0.02	-	-
Chew Hock Lin	-	-	-	-
Dr. Junid Bin Abu Saham	-	-	-	-
Nazriah Binti Shaik Alawdin	-	-	-	-

Note :

(1) Deemed interest by virtue of his shareholding in Khor Teng Tong Holdings Sdn. Bhd.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Yayasan Bumiputra Pulau Pinang Bhd.	15,872,000	31.99	-	-
Permodalan Nasional Berhad	9,380,312	18.90	-	-
Yayasan Pelaburan Bumiputra	-	-	9,380,312 (1)	18.90

Notes :

(1) Deemed interest by virtue of its shareholding in Permodalan Nasional Berhad.

LIST OF TOP 30 SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
1	EB NOMINEES(TEMPATAN) SENDIRIAN BERHAD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR YAYASAN BUMIPUTRA PULAU PINANG BERHAD	9,500,000	19.15
2	PERMODALAN NASIONAL BERHAD	9,380,312	18.90
3	HDM NOMINEES(TEMPATAN)SDN BHD BENEFICIARY : HDM CAPITAL SDN BHD FOR YAYASAN BUMIPUTRA PULAU PINANG BERHAD	6,372,000	12.84
4	HDM NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : HDM CAPITAL SDN BHD FOR TAN KOO CHING	1,282,400	2.58
5	KHOR TENG TONG HOLDINGS SDN. BHD	1,127,000	2.27
6	CIMB GROUP NOMINEES (TEMPATAN)SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR TK KHOR & ASSOCIATES SDN BHD (49552 JBAH)	1,000,000	2.02
7	TAN BOO NAM	523,411	1.05
8	KHOR CHING WEE	523,000	1.05
9	YIK PHOOI HAR	482,400	0.97
10	KHOR CHIN SENG	460,000	0.93
11	KHOR TENG TONG	420,000	0.85
12	CHENG LEE WAH	365,200	0.74
13	KHOR KEOW KUANG	360,000	0.73
14	KHOR CHEW WAN	358,250	0.72
15	AMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR KHOR CHAI TIAN	340,142	0.69
16	NG ENG SIONG	337,400	0.68
17	CITIGROUP NOMINEES (TEMPATAN)SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR NG SWEE YONG	314,000	0.63
18	EWE CHOR LAY	313,000	0.63
19	QUAH AI LING	282,500	0.57
20	KHOR CHAI SEANG	260,000	0.52
21	KHOR CHAI KOAN	250,000	0.50
22	LIM BUN CHOON	240,800	0.49
23	LIM PEIK CHOO	236,000	0.48
24	HLG NOMINEE (ASING) SDN BHD BENEFICIARY : EXEMPTAN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	233,300	0.47
25	TIEW SIEW CHIN	229,800	0.46
26	OOI LAY SEE	218,605	0.44
27	BUMIKONSO SDN.BHD.	209,000	0.42
28	OOI PEY WONG	200,000	0.40
29	TAN YOK JIN	173,750	0.35
30	TAN YUAK MING	172,350	0.35

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PROXY FORM

MASTER-PACK GROUP BERHAD
(Company No. 297020-W) (Incorporated In Malaysia)

I/We ____
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

being a member/members of the abovenamed Company, hereby appoint ______________________________

____
(FULL NAME IN BLOCK LETTERS)

of ____
(ADDRESS)

or failing him, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Seventeenth Annual General Meeting of the Company to be held at Master-Pack Sdn. Bhd., 1574, Jalan Bukit Panchor, 14300 Nibong Tebal, S.P.S. Penang on Friday, 24 June 2011 at 3.00 p.m. and at any adjournment thereof.

ORDINARY RESOLUTION	**FOR**	**AGAINST**
1. To re-elect Dato' Khor Teng Tong as a Director of the Company.		
2. To re-elect Cik Nazriah Binti Shaik Alawdin as a Director of the Company.		
3. To approve an increase in Directors' Fees of RM9,700.00 and the payment of Directors' Fees for the year ended 31 December 2010.		
4. To re-appoint Messrs. Crowe Horwath as auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.		
5. Authority under Section 132D of the Companies Act, 1965 for the Directors to allot and issue shares.		

Please indicate with an 'x' in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Signed this ________ day of ______________, 2011.

Number of shares held:

______________________________ ______________________________
Signature of member(s)

Notes :

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies' Act, 1965 shall not apply to the Company.*

2. *For a proxy to be valid, this form must be duly completed and deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.*

3. *A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.*

4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

5. *If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*

Please Fold Here To Seal

Stamp

The Company Secretary
Master-Pack Group Berhad **(297020-W)**
51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang.

Please Fold Here To Seal

MASTER-PACK GROUP BERHAD 297020-W

1574, Jalan Bukit Panchor,
14300 Nibong Tebal, S.P.S. Penang.
Tel : (04)-593 1550
Fax : (04)-593 9034
Website : www.master.net.my