



MASTER-PACK
GROUP BERHAD 297020-W



Annual Report
2012



Advancing
Our
Growth

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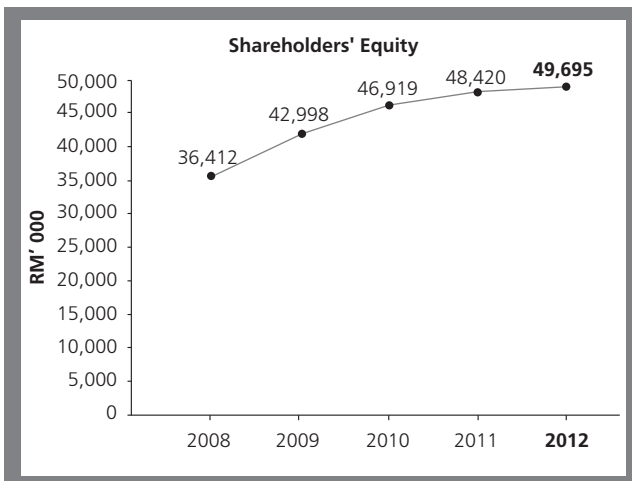
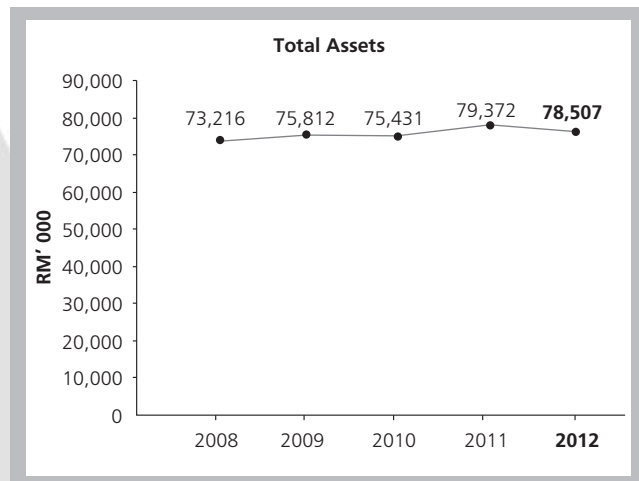
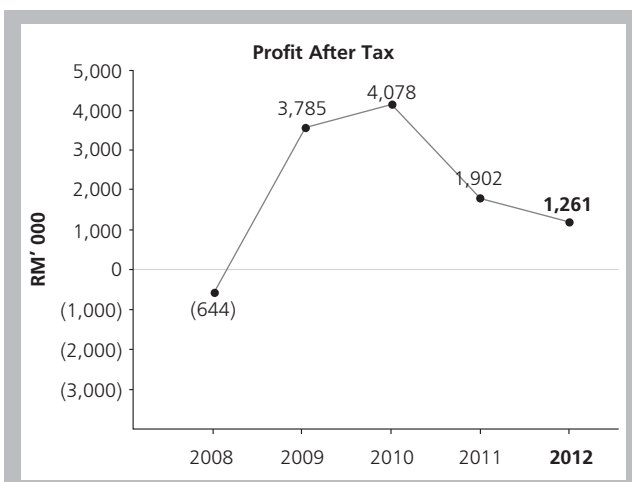
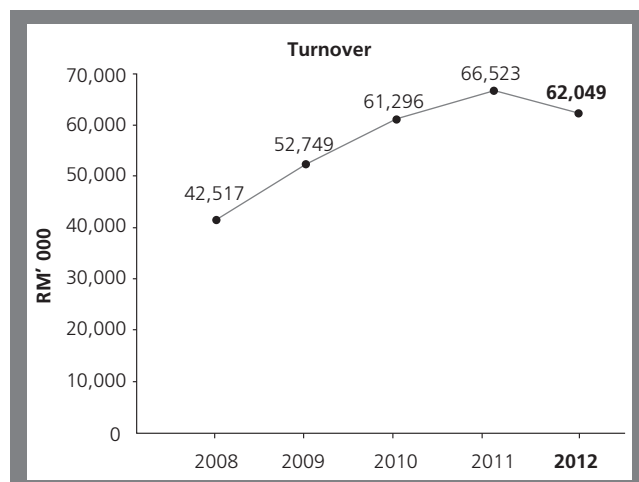
GROUP FINANCIAL HIGHLIGHTS
YEAR ENDED 31 DECEMBER

	2008 RM' 000	2009 RM' 000	2010 RM' 000	2011 RM' 000	2012 RM' 000
Turnover	42,517	52,749	61,296	66,523	62,049
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	6,008	10,439	10,453	7,665	5,841
Profit Before Tax	18	5,054	5,498	3,319	1,874
Profit/(Loss) After Tax	(644)	3,785	4,078	1,902	1,261
Net Profit/(Loss) Attributable to Equity Holders	(644)	3,785	4,078	1,899	1,252
Total Assets	73,216	75,812	75,431	79,372	78,507
Total Borrowings	29,354	24,061	20,709	22,495	20,539
Shareholders Equity	36,412#	42,998*#	46,919*#	48,420*	49,695
(Loss)/Earnings per share	(1.30)	7.69	8.28	3.83	2.52
Net Assets per share	0.73	0.85	0.94	0.97	1.00

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

As per announcement dated 12 December 2011, the treasury shares of 434,600 units held in hand were cancelled with immediate effect upon the approval from Bursa Malaysia Securities Berhad.

* Restated Amount.



CORPORATE INFORMATION

AS AT 30 APRIL 2013

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***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 Accountants*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, Lebuhr 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	: RM49,620,150
Class of Share	: Ordinary shares of RM1.00 each
Voting Right	: One voting right for one ordinary share
Number of Shareholders	: 2,293

WEBSITE<http://www.master.net.my>

CHAIRMAN'S STATEMENT



Dear Shareholders,

I would like to take this opportunity to share with you the performance of our Company for the financial year ended 31 December 2012.

Results / Performance

We had a slow start in the beginning of financial year 2012 as reported in our Bursa first quarter's announcement. The Group turnover for the financial year 2012 was RM 62 million or 6.7% lower than the preceding year. Profit for this year contracted by 33.7% as compared with RM 1.9 million registered in the previous financial year. The average selling price in the year 2012 registered a decrease as compared to the year 2011 due to a significant excess capacity in the local packaging industry which put pressure on packaging margins.

The upgrading and automating of our production processes invested in the year 2011 have improved efficiency and productivity in our packaging plants. The management team has taken action to reinforce on-the-job training, and further strengthen controls by launching various programmes to educate and inculcate the desired working culture, habits and skills in our production workforce.

The sale of blended fuel additives achieved a turnover of RM2 million in the year 2012. Although only a small contribution to the Group turnover in 2012, this product line still has potential to grow. The introductory "Maz Power" sachets promotions via the Malaysian Motorcycle Club Prix circuits had shown encouraging response.

We shall stay focus in our core packaging business and continue to seek ways to realise or develop our unutilized investment property. Hence, in the financial results of 2012 a fair value adjustment was made to the investment property.

Market Outlook

Generally, the Group anticipates a small positive economic growth in the local market for the year 2013. On the international market, Malaysian exports will still be affected by developments in United States and in the European Union where the debt crisis and high unemployment still remain largely unresolved. The easing in Asia's regional demand coupled with volatile commodity prices is expected to continue to affect Malaysia's open economy.

The financial year 2013 will be another challenging year for us as many in the manufacturing industries including ourself have to tackle the increasing overhead costs attributed to reductions in government subsidies and implementing various changes in regulations governing corporations which have inflationary effects.

CHAIRMAN'S STATEMENT (CONT'D)

Market Outlook (cont'd)

We are however, upbeat on the packaging division, we had launched market development outside our normal local coverage areas. There is huge unexplored potential outside the local areas that requires dedications of our sales team to nurture and to build the potential customers' trust and patronage in our company.

Malaysian Corporate Governance

The corporate regulatory changes referred to as The Malaysian Code of Corporate Governance 2012 introduced by Securities Commission and subsequently by Bursa Malaysia Securities Berhad effective 31 December 2012 had prompted the Board and the management team to initiate reviews of the existing policies and procedures of the Group. Where necessary and appropriate, we have put pen to paper to formalize, among others, the Risk Management Policy and documented the assessment of risks and the accompanying internal controls.

I am pleased to say that the reviews and changes to policies and procedures which commenced in 2012 are progressing well, and those completed can be viewed in the Company website www.master.net.my.

Acknowledgement and Appreciation

Thank You to all our shareholders for your continual strong support and for being together with us. My sincere thanks to my fellow Board members and management team for their trust, support and contributions during the year. Also to all my valuable customers, suppliers, business associates, bankers and regulatory authorities, my sincere appreciation and thanks in your continuing and unwavering support.

Dato' Syed Mohamad Aidid Bin Syed Murtaza
Group Executive Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Malaysian domestic market remains resilient with moderate inflation in the financial year 2012. However, Malaysia is not insulated from the global economic uncertainty of United States and the European Union which will take a lengthy time to resolve. In addition, the easing of Asia's regional demand coupled with volatile commodity prices continues to affect the exports of Malaysian products.

Based on this overall business environment, the demand for corrugated packaging remains low for exports and is sustained by Malaysia's internal consumption only. The current packaging industry's capacity outweighs the demands for packaging products and the excess capacity in the industry had placed pressure on packaging industry margins.

For the financial year 2012, the packaging division sales tonnage decreased by 8.6% with a corresponding drop of 8.8% in the packaging sales value. On the other hand, revenue increased for blended "Maz" diesel as it was sold for a whole year in 2012 compared to only five months in the year 2011. The overall result is a decrease of 6.7% in the group's revenue.

An analysis of the decrease in packaging turnover indicated that the dip came from major customers whose industries are correlated with global exports. In comparison to the 1st quarter of 2012 where sales volume decreased, these multi-national customers now forecasted first quarter 2013 to be stable which will consequently sustain the group's turnover. Domestic market margins are thin due to very stiff price competition among the packaging industry players.

The higher than normal waste reported last year had been resolved but continuous efforts are still being made to improve production efficiency.

Although, a portion of raw material purchases are imported in United States Dollar, the Group does not practice foreign exchange hedging. Payments for purchases are immediately settled on arrival at port or converted to low interest financial instruments, as and when necessary. Careful monitoring and good financial management had improved the Group's Consolidated Statement of Cash Flows as shown in page 40.

In accordance with the ongoing divestment strategy, certain unutilized property, plant and equipment had been written off, and a loss on fair value adjustment of investment property had also been made. These impairments had an unfavourable impact of RM792,000 on the profits for the year.

The financial position as at 31 December 2012 had improved as net assets rose to RM49 million this financial year. Group loans and borrowing decreased to a total of RM20.5 million as shown in Note 13 on page 63 on repayments during the year and this had led to a better gearing ratio.

Non-current assets decreased by 4% as compared with RM48 million registered in the last financial year. The decrease was attributed to property, plant and equipment depreciation, assets written off and impairment loss on fair value adjustment of investment property.

The management team continues to practise strong risk management and internal controls in customer credit control evaluation, cash management, inventory management and last but not least has a strong and hands-on purchasing committee for raw material purchases. This is evidence by the year on year strengthening of the Groups' Consolidated Statement of Financial Position in the five year financial highlights table in page 2.

STATEMENT OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

INTRODUCTION

On 26 February 2013, the Board of Directors of Master-Pack Group Berhad ("the Company" or Master-Pack") announced that the Company proposed to amend its Articles of Association to be in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board wishes to seek the shareholders' approval for the special resolution pertaining to the Proposed Amendments to the Articles of Association of the Company ("Proposed Articles Amendments") to be tabled at the forthcoming Nineteenth Annual General Meeting ("AGM").

Shareholders are advised to read and carefully consider the contents of the amendments before voting on the special resolution relating to the Proposed Articles Amendments at the forthcoming Nineteenth AGM.

DETAILS OF THE PROPOSED ARTICLES AMENDMENTS

The Company proposes to amend its Articles of Association as follows :

Article No.	Existing Article	Proposed Article Amendments
2	Central Depositories Act - The Securities Industry (Central Depositories) Act, 1991.	Central Depositories Act - the Securities Industry (Central Depositories) Act, 1991 and/or any statutory modification, amendment or re-enactment thereof
2	Depositor - A holder of securities account.	Depositor - A holder of securities account, established by the Depository
2	New Definition	Dividend Reinvestment Scheme - a scheme which enables members to reinvest cash dividends into new shares of the Company.
2	New Definition	Employees Share Option Scheme - Share Issuance Scheme and a Share Grant Scheme, collectively.
2	New Definition	Exempt Authorized Nominee - an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
2	Record of Depositors - A record provided by the Depository to the Company or its issuing house pursuant to an application Chapter 24.0 of the Rules.	Record of Depositors - A record provided by the Depository to the Company under Chapter 24.0 of the Rules.
2	Rules - The Rules of the Central Depository, as defined in Section 2 of the Securities Industry Act, 1983.	Rules - The Rules of the Depository including any amendments thereto that may be made from time to time.
2	Securities Account - An account established by the Depository for a Depositor for the recording of deposit or withdrawal of securities and for dealing in such securities by the Depositor.	Securities Account - An account established by the Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor.
2	New Definition	Share Issuance Scheme - a scheme involving a new issuance of shares to employees and Directors of the Company and its subsidiaries.

STATEMENT OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION (CONT'D)

DETAILS OF THE PROPOSED ARTICLES AMENDMENTS (cont'd)

The Company proposes to amend its Articles of Association as follows : (cont'd)

Article No.	Existing Article	Proposed Article Amendments
2	New Definition	Share Grant Scheme - a scheme involving the grant of the Company's existing shares to employees of the Company and its subsidiaries.
2	New Definition	Take-Overs and Mergers Code - The Malaysian Code on Take-Overs and Mergers 2010, including any amendment that may be made from time to time.
5	<p>(a) every issue of shares or options to employees and/or Directors of the Company shall be approved by the members in general meeting and no Director shall participate in such issue of shares or options unless :-</p> <p>(i) the members in general meeting have approved of the specific allotment to be made to such Director, and</p> <p>(ii) such Director holds office in the Company in an executive capacity provide always that a Director not holding office in any executive capacity may so participate in an issue of shares pursuant to a public issue.</p>	<p>(a) every Employees Share Option Scheme shall be approved by the members in general meeting and no Director shall participate in Share Issuance Scheme unless the members in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in an executive capacity.</p> <p>A Director not holding office in any executive capacity may so participate in an issue of shares pursuant to a public issue.</p>
6	<p>Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and <u>audited accounts</u>, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, proposal to wind-up or during the winding-up of the company, or a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the Dividend or part of the Dividend on the preference shares is in arrears for more than six (6) months.</p>	<p>Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and <u>financial statements</u>, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, proposal to wind-up or during the winding-up of the company, or a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the Dividend or part of the Dividend on the preference shares is in arrears for more than six (6) months.</p>

STATEMENT OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION (CONT'D)

DETAILS OF THE PROPOSED ARTICLES AMENDMENTS (cont'd)

The Company proposes to amend its Articles of Association as follows : (cont'd)

Article No.	Existing Article	Proposed Article Amendments
18	<p>The Company shall have first and paramount lien on every Company's share (not being a fully paid share) for all money (whether presently payable or not) called or payable at a fixed time in respect of that share, including all unpaid installments and interest thereon and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a member for all money (whether presently payable or not) payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from provisions of this Article.</p> <p><u>The Company's lien, if any, on a share shall extend to all Dividends payable thereon and shall also be subject to such amount as the Company may be required by law to pay in respect of the member or deceased member.</u></p>	<p>The Company shall have first and paramount lien on every Company's share (not being a fully paid share) for all money (whether presently payable or not) called or payable at a fixed time in respect of that share, including all unpaid installments and interest thereon and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a member for all money (whether presently payable or not) payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from provisions of this Article.</p> <p><u>The Company's lien, if any, on a share shall extend to all Dividends declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the member or deceased member.</u></p>
38	<p>Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall, in either case, have the same rights to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy. Before recognising any executor or administrator, the Directors may require him to take out probate or letter of administration as evidence. Where the share is a Deposited Security, a transfer <u>or withdrawal</u> of the share may be carried out by one person becoming so entitled in accordance with the Rules.</p>	<p>Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall, in either case, have the same rights to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy. Before recognising any executor or administrator, the Directors may require him to take out probate or letter of administration as evidence. Where the share is a Deposited Security, a transfer of the share may be carried out by one person becoming so entitled in accordance with the Rules.</p>
64	<p>(d) New Article</p>	<p>(d) Every notice of meeting in writing to the Exchange must include the date of the Record of Depositors to be obtained pursuant to Article 64(c) for the purposes of determining whether a Depositor shall be regarded as a member entitled to attend, speak and vote at the general meeting.</p>

STATEMENT OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION (CONT'D)

DETAILS OF THE PROPOSED ARTICLES AMENDMENTS (cont'd)

The Company proposes to amend its Articles of Association as follows : (cont'd)

Article No.	Existing Article	Proposed Article Amendments
75	<p>(ii) Subject to any rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, members may vote in person or by proxy or by attorney and every person who is member or representative or proxy of a member shall have one (1) vote. The proxy shall entitled to vote on show of hands on any question at general meeting.</p> <p>(iii) Subject to any rights or restriction as to voting attached to any class or classes of shares by or in accordance with these Articles, a poll every member present in person or by proxy or by attorney or other duly authorized representative shall have(1) vote for each share he holds.</p>	<p>(ii) Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of members or classes of members, each member entitled to attend and vote at a meeting of the Company or at the meeting of any class of members of the Company, may vote in person or shall be entitled to appoint any person as his proxy to attend and vote instead of him. There shall be no restriction as to the qualification of the proxy.</p> <p>(iii) <u>On a resolution to be decided on a show of hands, every person who is a member or representative or proxy of a member shall have one (1) vote and on a poll every member present in person or by proxy or by attorney or other duly authorized representative shall have one (1) vote for each share he holds. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.</u></p>
82	<p>The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under hand of officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. <u>A member shall entitled to appoint one (1) or more proxies to attend and vote at the same meeting and where the member appoints more than one (1) proxy, such appointment shall be invalid unless the member specified the proportion of his shareholdings to be represented by each proxy.</u></p>	<p>The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under hand of officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. <u>A member shall entitled to appoint one (1) but not more than (2) proxies to attend and vote at the same meeting and where the member appoints more than one (1) proxy, such appointment shall be invalid unless the member specified the proportion of his shareholdings to be represented by each proxy.</u></p>
83	<p>The instrument appointing, a proxy shall be in the following form with such variations as circumstances may require or the Statutes permit or in such other form as the Exchange authorities may approve :-</p> <p><i>(Kindly refer to Appendix "A" for the existing Proxy Form)</i></p>	<p>The instrument appointing, a proxy shall be in the following form with such variations as circumstances may require or the Directors may approve or the Act may permits:-</p> <p><i>(Kindly refer to Appendix "B" for proposed amended Proxy Form)</i></p>

STATEMENT OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION (CONT'D)

DETAILS OF THE PROPOSED ARTICLES AMENDMENTS (cont'd)

The Company proposes to amend its Articles of Association as follows : (cont'd)

Article No.	Existing Article	Proposed Article Amendments
84	New Paragraph	<p>The instrument appointing a proxy can be sent to the office by facsimile not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting. In case of poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.</p> <p>However, the original copy of the instrument appointing a proxy sent by facsimile must be deposited at the registration counter or to the Company Secretary or his authorised representative at least half one hour before the time appointed for holding the meeting or adjourned meeting otherwise the instrument appointing a proxy sent by facsimile shall be treated as void.</p>
86A	Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy in respect of each securities account it holds with the ordinary shares of the Company standing to the credit of the said securities account.	Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
142	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting <u>such profit and loss accounts, balance sheets and reports as are referred to in the section.</u> The interval between the close of a financial year of the Company and the issuance of accounts thereof, shall not exceed four (4) months or any such period as may be prescribed by the Exchange. A copy of each such documents shall not less than twenty one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange. PROVIDED THAT this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member shall be entitled to receive a copy free of charge on application at the office.	The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting <u>such audited financial statements, the directors' and auditors' reports.</u> The interval between the close of a financial year of the Company and the issuance of accounts thereof, shall not exceed four (4) months or any such period as may be prescribed by the Exchange. A copy of each such documents shall not less than twenty one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange. PROVIDED THAT this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member shall be entitled to receive a copy free of charge on application at the office.

STATEMENT OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION (CONT'D)

DETAILS OF THE PROPOSED ARTICLES AMENDMENTS (cont'd)

The Company proposes to amend its Articles of Association as follows : (cont'd)

Article No.	Existing Article	Proposed Article Amendments
144	The Company in general meeting may declare Dividends, but no Dividend shall exceed the amount recommended by the Directors.	The Company in general meeting may declare Dividends, but no Dividend shall exceed the amount recommended by the Directors. <u>The Company must ensure all Dividends are paid not later than 3 months from the date of declaration or the date on which approval is obtained in a general meeting, whichever is applicable.</u>
146	No Dividend shall be paid otherwise than out of profits or shall bear interest against the Company.	Subject to the approval of the members in general meeting, these Articles, the Act, the Listing Requirements, the Take-Overs and Mergers Code, the Income Tax Act, 1967 and/or any other relevant authorities, the Company may upon the recommendation of the Directors establish a Dividend Reinvestment Scheme. However, any member of the Company may elect not to participate in such scheme.

RATIONALE FOR THE PROPOSED ARTICLES AMENDMENTS

The Proposed Articles Amendments is to update the existing Company's Articles of Association for better clarifications and to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

EFFECTS OF THE PROPOSED ARTICLES AMENDMENTS

The Proposed Articles Amendments will not have any effect on the share capital and substantial shareholding of Master-Pack, net assets per share, earnings per share and gearing of the Master-Pack Group.

CONDITIONS OF THE PROPOSED ARTICLES AMENDMENTS

The Proposed Articles Amendments is conditional upon approval being obtained from the shareholders of the Company at the forthcoming Nineteenth AGM.

DIRECTORS', MAJOR SHAREHOLDERS' AND PERSONS CONNECTED WITH DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors, Major Shareholders and persons connected with them have any interest, direct or indirect, in respect of Proposed Articles Amendments.

DIRECTORS' RECOMMENDATION

The Directors, having considered the rationale of the Proposed Articles Amendments is of the opinion that the Proposed Articles Amendments is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the special resolution in relation to the Proposed Articles Amendments to be tabled at the forthcoming Nineteenth AGM.

PROXY FORM

Appendix "A" referred to, in Page 10

I/We, of being a member/members of the abovenamed Company, hereby appoint of or failing, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the (Annual or Extraordinary, as the case may be) General Meeting of the Company, to be held onday of....., 19..... and at any adjournment thereof.

Signature of Member(s)

Signed this _____ day of _____ 19 _____

This form is to be use *in favour / against the resolution.

Number of shares held _____

*Strike out whichever is not desired.

(unless otherwise instructed, the proxy may vote as he thinks fit)

Notes :

- (1) A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- (2) To be valid this form duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting.
- (3) A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meetings.
- (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 its attorney.

PROXY FORM

Appendix "B" referred to, in Page 10

*I/We, *NRIC No./ Passport No./ Company No. of
(Full Name in Block Letters)
..... being a member/members of the abovenamed
(Address)
Company, hereby appoint..... *NRIC No./ Passport No./ Company No.
(Full Name In Block Letters)
of or failing whom, the Chairman of the meeting
(Address)
as *my/our proxy to vote for *me/us on *my/our behalf at the (Annual or Extraordinary, as the case may be)
General Meeting of the Company, to be held at(place of meeting)
onday of..... at (time of meeting) and at any adjournment thereof.

Resolution(s)	
For	
Against	

Please indicate with an "x" in the appropriate space(s) 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 thisday of.....

No. of shares held

.....
Signature(s)/Common Seal of member(s)

For appointment of two(2) proxies, percentage of shareholdings to be represented by the proxies :		
	No. of shares	%
Proxy 1		
Proxy 2		
		100

*Strike out whichever is not desired.

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) A member shall be entitled to appoint a maximum of two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- (3) Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- (4) For a proxy to be valid, this form, duly completed must be deposited at registered office of the Company not less than forty-eight (48) hours before the time appointed for holding the meeting. If this form is sent by facsimile to the registered office before forty-eight (48) hours before the meeting, this original form must be deposited at the registration counter or to the Company Secretary or his authorised representative at least half one hour before the time appointed for holding the meeting or adjourned meeting otherwise this form sent by facsimile shall be treated as void.
- (5) In the case of a corporate member, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at Master-Pack Sdn. Bhd., 1574, Jalan Bukit Panchar, 14300 Nibong Tebal, S.P.S. Penang on Thursday, 27 June 2013 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 2012 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 7**
2. To consider and if thought fit, to pass with or without modifications, the following special resolutions pursuant to Section 129(6) of the Companies Act, 1965:-
 - i) "That Dr. Junid Bin Abu Saham, who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 1**
 - ii) "That Dato' Khor Teng Tong, who retires pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 2**
3. To re-elect the following Directors who retire by rotation in accordance with Article 91 of the Company's Articles of Association and who, being eligible, offers themselves for re-election :-
 - i) Dato' Syed Mohamad Bin Syed Murtaza **Resolution 3**
 - ii) Cik Nazriah Binti Shaik Alawdin **Resolution 4**
4. To approve the increase and the payment of Directors' Fees of not exceeding RM110,100 for the year ended 31 December 2012. **Resolution 5**
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. **Resolution 6**

As Special Business

To consider and, if thought fit, to pass with or without modifications, the following ordinary / special resolutions :

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING DATO' SYED MOHAMAD BIN SYED MURTAZA

6. "That, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum & Articles of Association of the Company, the requirements of Bursa Malaysia Securities Berhad and/or any other regulatory authorities, approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business as specified in Section 2.5(A) of the Company's Circular to Shareholders dated 5 June 2013 ("Circular") involving Dato' Syed Mohamad Bin Syed Murtaza which are necessary for the day-to-day operations and on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandate shall continue to be in full force until:

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING DATO' SYED MOHAMAD BIN SYED MURTAZA (CONT'D)

6. (a) the conclusion of the next annual general meeting ("AGM") of the Company following the AGM at which the ordinary resolution for the Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), or
- (c) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is the earlier:

And that, authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution."

Resolution 7

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING KHOR CHAI SEANG

7. "That, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum & Articles of Association of the Company, the requirements of Bursa Malaysia Securities Berhad and/or any other regulatory authorities, approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business as specified in Section 2.5(B) of the Company's Circular to Shareholders dated 5 June 2013 ("Circular") involving Khor Chai Seang which are necessary for the day-to-day operations and on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandate shall continue to be in full force until:

- (a) the conclusion of the next annual general meeting ("AGM") of the Company following the AGM at which the ordinary resolution for the Proposed New Shareholders' Mandate was passed, at which time it will lapse unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), or
- (c) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is the earlier:

And that, authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution."

Resolution 8

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

"That, the amendments to the Articles of Association of the Company as set out in the Annual Report for the year ended 31 December 2012 be approved and that the Directors be authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to proposed amendments."

Resolution 99. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

(i) "That authority be and is hereby given to Mr. Chew Hock Lin to act as Independent Non-Executive Director of the Company and to hold office until the next AGM of the Company."

Resolution 10

(ii) "That authority be and is hereby given to Encik Aminuddin Bin Saad to act as Independent Non-Executive Director of the Company and to hold office until the next AGM of the Company."

Resolution 11

10. 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.

FUTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the Nineteenth Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 21 June 2013. Only a depositor whose name appears on the Record of Depositors as at 21 June 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/vote on his/her behalf.

By Order of the Board,

LEE PENG LOON (MACS 01258)

P'NG CHIEW KEEM (MAICSA 7026443)

Joint Company Secretaries

Penang
5 June 2013

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.
6. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTE ON ORDINARY BUSINESS

7. 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

8. The proposed Resolution 7 and 8, if passed, will enable the Company's subsidiaries to enter into recurrent transactions involving the interests of related parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of minority shareholders of the Company, particulars of which are set out in the Circular to Shareholders dated 5 June 2013 which has been despatched together with the 2012 Annual Report.
9. The Proposed Resolution 9, if passed, will allow the Directors to update the existing Company's Articles of Association for better clarifications and to be in line with the Main Market Listing Requirements.
10. The proposed Ordinary Resolution 10 to 11, if passed, will allow the Independent Non-Executive Directors to be retained and continue acting as Independent Non-Executive Directors to fulfill the requirements of Paragraph 3.04 of the Main Market Listing Requirements and to be in line with the recommendations 3.2 and 3.3 of the Malaysian Code of Corporate Governance 2012. The details of justifications are set out in the Statement of Corporate Governance in page 25 to 28 of the 2012 Annual Report.

2012 Annual Report

The 2012 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.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Directors recognise that they have to declare their respective interests in transactions with the Master-Pack Group Berhad and its subsidiaries ("MPG Group"), and they abstain from deliberation and voting on relevant resolution in respect of such transactions, at the Board meeting or at any general meeting convened to consider the matter.

Parties are considered related to MPG Group, if MPG Group has the ability directly or in-directly, to control the party, or exercise significant influence over the party in making financial and operational decisions, or vice versa; or where MPG Group and the party are subject to common control or common significant influence. Related parties maybe individuals or entities.

At the Annual General Meeting held on 27 June 2011, the Company obtained its Shareholders' mandate to allow the MPG Group to enter into recurrent related party transactions of a revenue or trading nature.

Details of the recurrent related party transactions pursuant to shareholders' mandate are disclosed as follows:

MPG/ Subsidiaries involved	Related Party	Nature of relationship	Nature of Transaction	Actual Value of Transaction from 27 June 2012 to latest practicable date on 10 May 2013
Master-Pack Sdn. Bhd.	Armstrong Auto Parts Sdn. Bhd.	N1	Sales of Carton Boxes	RM45,473
Master-Pack Energy Sdn. Bhd.	Armstrong Auto Parts Sdn. Bhd.	N1	Sales of Diesel and Fuel Additives	RM1,811,033

N1 - Armstrong Auto Parts Sdn. Bhd., a subsidiary of Oriental Holdings Berhad, is a leading manufacturer and supplier of component parts for all models of Honda motorcycles assembled locally as well as components for other motorcycle assemblers.

Armstrong Auto Parts Sdn. Bhd. was incorporated on 10 July 1978 in Malaysia under the Companies Act, 1965, as a private limited company and has an authorized share capital of RM40,000,000.00 comprising of 40,000,000 ordinary shares of RM1.00 each. The existing paid-up share capital of Armstrong Auto Parts Sdn. Bhd. is RM36,100,000.00. Dato' Syed Mohamad Bin Syed Murtaza, who is the Group's Executive Chairman, being also the Managing Director and substantial shareholder of Armstrong Auto Parts Sdn. Bhd., is deemed to have interest in the transactions.

The Company had pursuant to Paragraph 10.08(1)(b) of the Main Market Listing Requirements, made announcements to Bursa Securities on 8 March 2013 and 9 April 2013 that Master-Pack Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into Recurrent Related Parties Transactions with a Related Party as follows:

MPG/ Subsidiaries involved	Related Party	Nature of relationship	Nature of Transaction	Announcement – 8 March 2013 (Period 1 Jan 2012 to 31 Dec 2012)	Announcement – 9 April 2013 (Period 1 Jan 2013 to 31 Mar 2013)
Master-Pack Sdn. Bhd.	Richmond Technology Sdn. Bhd.	N2	Sales of packaging board	RM2,413,917	RM705,000

N2 - Richmond Technology Sdn. Bhd., a 20%-owned associate of MPG, is principally involved in the manufacturing of packaging materials.

Richmond Technology Sdn. Bhd. was incorporated on 9 March 1998 in Malaysia under the Companies Act, 1965, as a private limited company and has an authorized share capital of RM500,000.00 comprising of 500,000 ordinary shares of RM1.00 each. The existing paid-up share capital of Richmond Technology Sdn. Bhd. is RM500,000.00.

Mr. Khor Chai Seang, who is Director of Master-Pack Sdn. Bhd., a wholly-owned subsidiary of the Company and Richmond Technology Sdn. Bhd., is deemed to have interest in the transaction.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (CONT'D)

The related party transactions are reviewed by the independent out-sourced internal auditors. The Board through its Audit Committee reviews any related party transaction and conflict of interest situation, which may arise within MPG Group, including any transaction, procedure or course of conduct that may raise questions or issues on the management's integrity.

The Company recommended a renewal mandate for recurrent related party transactions of revenue or trading nature to be tabled to the shareholders at the forthcoming 19th Annual General Meeting. Further information of the Proposed Mandate is set out in the Circular to Shareholders dated 5 June 2013 which is enclosed together with this Annual Report.

OTHER INFORMATION

Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposal.

Share Buy-Backs

During the financial year, there were no share buy-backs by the Company.

Options, Warrants or Convertible Securities

The Company has not issued any options, warrants or convertible securities during the financial year.

Depository Receipt Programme

The Company does not have any depository receipt programme in place.

Variation in Results

The Company did not announce any profit estimate, forecast, projection and unaudited results during the financial year which differ by 10% or more from the audited results.

Profit Guarantee

During the financial year, there were no profit guarantee given by the Company.

Sanctions and/or Penalties 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, save for road traffic offences, if any.

Material Contracts involving Directors' & Major Shareholders' Interests

There were no material contracts between the Company and its subsidiaries involving directors' and major shareholders' interest either still subsisting at the end of the financial year ended 2012, or entered into since the end of the previous financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ('Bursa Securities') and are guided by the *Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Companies*.

BOARD'S RESPONSIBILITY

The Board of Directors of Master-Pack Group Berhad acknowledges its responsibility for the risk management framework and internal control system of the Group. The Board recognizes that the risk management framework and internal control system are designed to manage the Group's risk within an acceptable risk appetite, rather than eliminate the risk of failure to achieve the business objectives of the Group. It can therefore only provide reasonable but not absolute assurance of the effectiveness against material misstatement of management, financial information and records or against financial losses or fraud.

RISK MANAGEMENT PROCESS

During the year, the Group has formalised the risk management policy and processes. With the documentation of the Risk Management Policy, it provides guidance to employees to be more conscious of the risk management process and presents a standardise understanding on the application of risk management throughout the Group. The Group's Risk Management Framework has been aligned towards the International Standard ISO 3100:2009 Risk Management-Principles and Guidelines. The Audit Committee has been delegated by the Board to review the establishment, adequacy and effectiveness of the Risk Management Framework and policy of the Group.

A Risk Working Committee comprising heads of departments led by the Executive Director has been tasked by the Board to comprehensively identify, analyse, and evaluate all risks in terms of consequential impact and level of likelihood. The relevant internal controls or application of mechanism in place to manage, mitigate, avoid these risks were also identified.

A written report on risk management had been presented to the Audit Committee and the Board on the significant risk impacting the Group and measures taken by the management to address such risks. The report also highlights residual exposures and the appropriate management control measures / action plans to mitigate such exposures. The Board shall annually review and discuss with management at the Board meetings, the summary of the risk tolerance and additional controls to be implemented, if any. However, the Board requires the Risk Working Committee to additionally report on risk management in the event of a major change in business or a new potential business venture.

INTERNAL CONTROLS

The key internal control processes that have been embedded in our system of internal controls which are functioning and in placed during the year 2012 include the following:

1. The Board has established an organisation structure with clear defined lines of responsibilities with the appropriate levels of delegation and authority limits. It had extended the responsibilities of the Audit Committee to include the review on the effectiveness of the risk management framework and the assessment of the internal controls system through the Internal Audit function.
2. The Board meets at least four times a year, and has a formal agenda on matters for discussion. A list of matters reserved for the collective decision of the Board is available in the website www.master.net.my/ir_roles.htm. Due notice is given of the scheduled meetings and the Board meeting papers relating to the agenda items are disseminated to all directors at least five working days before the meeting to provide sufficient time for the papers to be reviewed. Key management personnel are invited to brief the Board members, as and when necessary.
3. The Executive Committee (EXCO) is tasked to manage the business of the Group and to ensure that the Group's operations are in accordance with the business strategies & plans and annual budget approved by the Board. The EXCO implements both financial and operational tasks and addresses issues arising from changes in both the external business environment and internal operating conditions. The EXCO meets on a monthly basis where the financial and operational performance of three key subsidiaries are reported, discussed and when applicable the appropriate corrective action taken promptly.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL CONTROLS (cont'd)

4. Each individual subsidiary has various committees such as sales, credit control, purchasing, production and management team committees. These committees comprise the heads of department as well as senior executives that meet on a regular basis where progress is presented, results are compared against budgets/ targets and identified problems are resolved.
5. There are formalised and documented policies, standard operating procedures and work instructions on various functions. This enables the Group to communicate with all subsidiaries and ensure compliance with internal controls, relevant laws and regulations. The policies and standard operating procedures are in the process of being reviewed and updated following changes in the latest laws and regulations. In relation to the Malaysian Code of Corporate Governance 2012, the Board had adopted and placed on its website at www.master.net.my/ir_code_of_business_conduct.htm, the Group's Business Code of Conduct which includes the Whistle Blowing Policy.
6. The internal controls system are checked for compliance by independent audit teams from the Standards and Industrial Research Institute of Malaysia (SIRIM), customers and independent out-sourced internal auditors, Messrs. UHY. Audits by SIRIM are in relation to the ISO 9001:2008 Quality Management System and ISO 14001:2004 Environment Management Systems. Whereas, audits by customer and internal auditors' covers different aspects ranging from Human Resources policies and practices to security and asset management. The internal auditors would recommend improvements and obtain management's comments or proposed corrective action on the audit findings raised. Internal audit reports are circulated to the members of the Audit Committee who review the findings together with the management's comments. Subsequent follow-ups where applicable, are performed to ensure that the internal audit recommendations have been implemented and as such provide the assurance the Board requires.

Please refer to page 24 on the function and activities of the out-sourced internal auditors.

7. There exists sufficient insurance coverage and physical safeguards on major assets to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken in which Management reviews the coverage based on the current fixed asset inventory and the respective net book values and "replacement values" i.e. the prevailing market price for the same or similar item, where applicable. In addition, there is also a professional indemnity insurance coverage.

ASSURANCE FROM MANAGEMENT

The Board has also received reasonable assurance from the Executive Chairman and the Finance Manager that the Group's risk management and internal control system are operating adequately and effectively, in all material respects, based on the risk management and internal control system of the Group.

CONCLUSION

The Board is satisfied that the risk management and internal controls system are operating adequately and effectively. Based on the assessment of the Group's risk management and internal controls system for year under review and up to the date of approval of this statement, no significant control failures or weaknesses that would result in material loss, contingency or uncertainty requiring disclosure in the Group's annual report were noted.

This risk management and internal control statement excludes the state of risk management and internal control of the associated company, Richmond Technology Sdn. Bhd.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control in compliance with paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities and pursuant to the scope set out in the Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report for the year ended 31 December 2012. The auditors had reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system.

AUDIT COMMITTEE REPORT

The Board presents the Audit Committee Report to provide insights into the discharge of the Audit Committee's functions for the Group in 2012.

TERMS OF REFERENCE

The terms of reference of the Audit Committee can be obtained from the Company's website at www.master.net.my/ir_audit_committee.htm.

COMPOSITION OF THE AUDIT COMMITTEE

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

Name	Status of Directorship	Attendance of Meetings
Mr. Chew Hock Lin (Chairman of Audit Committee)	Independent & Non-Executive Director	Attended 5 out of 5 meetings
En. Aminuddin Bin Saad	Independent & Non-Executive Director	Attended 5 out of 5 meetings
Cik Nazriah Binti Shaik Alawdin	Non-Independent & Non-Executive Director	Attended 4 out of 5 meetings

ACTIVITIES OF AUDIT COMMITTEE

During the year ended 31 December 2012, the Audit Committee carried out the following activities:

Financial results

- Reviewed the annual audited financial statements of the Company/Group and prior to Bursa announcement, the unaudited quarterly results of the Group, and thereafter, submitting them to the Board for approval.
- Reviewed the Risk Management and Internal Control Statement pursuant to paragraph 15.26(b) of the Listing Requirements for the Board's approval.
- Reviewed the Risk Management policy and the accompanying Risk Register.
- Discussed together with the external auditors and management the relevant changes in accounting principles and standards that may or will affect the financial statements when reviewing the annual audited financial statements.
- Reviewed the nature of related party transactions, the shareholder's circular mandate and recommended them for the Board's approval.

Internal Audit

- Reviewed the adequacy of scope, functions, competency and resources of the internal audit functions;
- Evaluated the yearly performance of the out-sourced internal auditors and recommended their re-appointment;
- Discussed and approved the Internal Audit Plan presented by the internal auditors for execution in the current financial year;
- Reviewed and discussed the findings and recommendations as reported by the internal auditors;
- Reviewed the results of the Group's internal audit procedures and the adequacy of actions taken by the management based on the Internal Audit reports;
- Reviewed the Internal Audit reports pertaining to the follow-up reviews following each audit.

External Audit

- Reviewed the competency, independence and suitability of the external auditors and recommended to the Board for re-appointment;
- Met with the external auditors twice without the presence of any executive Board members / management staff;
- Reviewed the external auditors' audit plan, audit strategy and scope of audits relating to the Company/Group;
- Ensured the external auditors evaluated the system of internal controls of the Company /Group and noted the review report of the external auditors to the Board, mentioned in the Statement on Risk Management and Internal Control of the annual report;
- Reviewed and noted the external Audit Review Memorandum presented by the external auditors.

AUDIT COMMITTEE REPORT (CONT'D)

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2012, 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 internal audit activities were as follows:

- Performed a risk assessment by discussing with key management to determine the auditable areas, prepared the audit plan for the current year and submit for the approval of the Audit Committee.
- Performed the audit in accordance with the internal audit plan which comprised the following:
 - reviewed the systems of internal control and ascertain the extent of compliance with the established policies, procedures and statutory requirements.
 - identified areas to improve controls of operations and processes in the Group.
 - reviewed the relevancy, reliability, integrity, accuracy, completeness of financial and operational information.
 - reviewed the recurrent related party transactions entered into by the Group to ensure that it complies with the requirements as set out in the Shareholders Circular Mandate and Bursa Listing Requirements.
 - conducted an exit meeting with management on their audit findings.
 - liaised with the management to obtain comments and actions to be taken.
 - followed up reviews on actions that have been agreed to be implemented by the management.
- The audit findings and management comments were compiled into Internal Audit Reports and tabled in the Audit Committee Meetings for its review and discussion.

Based on the Internal Auditors' reports for the financial year ended 31 December 2012, the system of internal control appears to be working adequately. Based on the work done there were no material weaknesses in the system of internal control that may affect the integrity of our financial statements.

The cost incurred for the internal audit function in respect of the financial year is RM22,003.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Master-Pack Group Berhad is committed towards adhering to the requirements and guidelines of the Malaysian Code on Corporate Governance 2012 ("the Code") as well as the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"). The Board strives to adopt the substance behind the corporate governance prescription and not merely in form. The Board is of the view that it has complied with the Code as well as Bursa's Listing Requirements and herein below sets forth illustrations of compliance by our Company.

The Board of Directors

Currently, the Board consists of six members, comprising four Independent & Non-Executive Directors, one Non-independent Non-Executive Director and one Executive Chairman. The brief profiles of all the Directors are in the company website www.master.net.my/ab_bod.htm. The presence of four Independent & Non-Executive Directors on the Board gives the Board a majority independent element and fairly reflects and represents the interest of the minority shareholders of the Company. In view of a majority of Independent Directors on our Board, the balance of power and authority of the Board is not compromised by the combined roles of Chairman and the Executive Director held by Dato' Syed Mohamad bin Syed Murtaza even though he is not an Independent Non-Executive Director. Furthermore, the responsibility of matters material to the Group is in the hands of the entire Board with no individual having unfettered powers to make material decisions.

The current Board members provide a wealth of knowledge, experiences, perspectives and diverse skills in areas such as accountancy, economics, tax, law, finance, strategic business operations & development and risk management amongst others expected to qualify the Board to make positive contributions to the progress of the Company. The Board affirms to have an open policy on boardroom diversity as it had welcomed the inclusion of Cik Nazriah Binti Shaik Alawdin directorship since 2007.

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions and this is formally documented in the Company's Board Charter. The Board Charter had recently been reviewed and updated to guide, regulate and remind all Board members of their duties and responsibilities on the various regulations affecting their conduct and dealings as Board members of the Company. The Board Charter is available in the Company's website at www.master.net.my/ir_roles.htm which, following the spirit of Corporate Governance, basically outline the primary responsibilities of the Board in reviewing the strategic direction for Master-Pack Group, overseeing and evaluating the business of the Group, reviewing the adequacy of internal controls, identifying principal risks and ensuring the risks are properly managed, establishing a succession plan and implementing an investor relations programme.

Other than as specifically reserved for the Board's collective decision as set out in the Board Charter, the responsibility for managing the Groups' business activities is carried out by an Executive Committee comprising Heads of Department led by the Executive Chairman.

The attendance of Members at the Board of Directors meetings is as follows:

Name	Status of Directorship	Attendance of Meetings
Dato' Syed Mohamad bin Syed Murtaza	Executive Chairman	Attended 5 out of 5 meetings
Mr. Chew Hock Lin	Independent & Non-Executive Director	Attended 5 out of 5 meetings
Dato' Khor Teng Tong	Independent & Non-Executive Director	Attended 4 out of 5 meetings
Encik Aminuddin Bin Saad	Independent & Non-Executive Director	Attended 5 out of 5 meetings
Cik Nazriah Binti Shaik Alawdin	Non-Independent & Non-Executive Director	Attended 4 out of 5 meetings
Dr. Junid Bin Abu Saham	Independent & Non-Executive Director	Attended 5 out of 5 meetings

All members of the Board are aware that they should set the corporate culture and ethical standards to be practised and amplified throughout the Group. Under the recommendation of the Code, the Board had approved in February 2013, Master-Pack- Code of Business Conduct including the Whistleblowing policy as shown in www.master.net.my/ir_code_of_business_conduct.htm. The Code of Business Conduct sets the ethical standard of behaviour expected of all Directors and employees. Included in its contents, it requires Directors and employees to declare and disclose their interest to accept a new directorship or committee position in the event they wish to serve on the boards of government agencies, bodies, trade associations, companies or unincorporated entities, where applicable.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

The Committees

The Board appoints and delegates specific duties to various committees such as the Nomination Committee, Remuneration Committee and Audit Committee to assist in discharging their duties.

Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, the majority of whom are Independent Directors. There was full attendance in the Nomination Committee meeting held on 30 November 2012. The updated terms of reference of the Nomination Committee is also published on the Company website. Contained therein, is the nomination process for the appointment for new Directors to the Board.

During the Nomination Committee meeting, the following annual assessments were carried out:

- i. Review the term of office and the performance of the Audit Committee and each of its members in accordance with 15.20 of the Bursa Main Market Listing Requirements.
- ii. Perform the annual assessment of the effectiveness of the Board as a whole, the Board Committees and the contributions of each individual board member.

The Independent Non-Executive Directors of Mr. Chew Hock Lin and Encik Aminuddin Bin Saad are demonstrably considered independent irrespective of their length of service exceeding the nine year term on the Board. They provide the Board with a diverse set of skills and expertise and have been contributing in matters of corporate governance, internal control and risk management. These Directors had performed their duties diligently and in the best interest of the Company. They continue to provide independent and balance assessments of proposals from the Management. That being the case, the Independent Directors have essentially complied with the definition and requirement of an Independent Director as defined by Bursa Main Market Listing Requirements.

The Directors are able to provide sufficient time commitment to their roles and responsibilities as the directors of the Group and none hold more than 5 directorships in public listed companies as prescribed in the Bursa Listing requirements.

Re-Appointment and Re-Election of Directors

Pursuant to Section 129(2) of the Companies Act 1965, Directors who are over the age 70 years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

The Articles of Association of Master-Pack Group Berhad provide that at every annual general meeting, one-third of Directors for the time being and those appointed during the year shall retire from office and shall be eligible for re-election. The Articles further provide that each director of the Company shall retire at least once every three years but shall be eligible for re-election.

The Board shall seek shareholders' approval in the forthcoming Annual General Meeting to retain the independent directors who had served the company for more than the nine year term. The directors standing for re-election in the forthcoming Annual General Meeting are stated in page 15 to 18.

Remuneration Committee

The Board has established a Remuneration Committee comprising of directors, all whom are Independent and Non-Executive Directors; namely Mr. Chew Hock Lin (Chairman), Encik Aminuddin Bin Saad and Dr. Junid Bin Abu Saham.

The Remuneration Committee held its annual meeting on 30 November 2012 to review the remuneration package of the Executive Chairman / Directors. This is to ensure the remuneration packages offered are in line with the group policies and can attract or retain Executive Chairman / Directors who contribute to the success of the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Remuneration Committee (cont'd)

The Board as a whole determines the remuneration of the Non-Executive Directors. However, the level of the remuneration received by each Non-Executive Director is generally determined by the extent of responsibilities undertaken by the respective Non-Executive Director.

The remuneration of Executive Director and the aggregate remuneration of directors according to the successive band of RM50,000 in compliance with Bursa's Main Market Listing Requirements are as follows:

No.	Item	Executive (RM)	Non-Executive (RM)
1	Fees	-	112,700
2	Salaries*	879,136	-

*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 RM 900,000	1	-

Audit Committee

The Audit Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors. The terms of reference of the Audit Committee is available on www.master.net.my/ir_audit_committee.htm and the activities of the Audit Committee are on page 23.

Directors Training

Training is an on-going process and the Directors recognize the need to continually develop and refresh their level of knowledge and skills, to update themselves on the changes in the regulatory, statutory and professional requirements, as well as on the changing business risks and environment. Please refer to the Company website www.master.net.my/ab_bod.htm for the list of training attended by the Board members during the financial year.

Supply and Access to Information

All directors are supplied with necessary and adequate information on timely basis to carry out their duties. Information given is inclusive of but not limited to financial statements, yearly budgets, business plans, list of directors dealings, legal issues, project papers, draft circular etc. for discussion in Board Meetings. Verbal explanation and briefings are also provided by the executive director / management/ external consultant to enhance the understanding of matters in relation to the Company's business and regulatory requirements. Each Board member is entitled to obtain independent professional advice at the cost of the Company. They are also given unrestricted access to the Group's management.

The Company Secretary attends and ensures that all Board and Committee Meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company.

The Company Secretary also keeps the Board apprised of any changes to regulations and guidelines issued by Bursa Securities and Securities Commission. Additionally, the directors also have direct and unrestricted access to the Company Secretary to seek his independent professional advice if required, in furtherance of their duties.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Investor Relations and Shareholder Communication

Announcements on important matters and financial results of the Company are promptly released to Bursa so that the investing public is provided with an overview of the performance and operations of the Company. The Company has established a website at www.master.net.my/ir_announcements.htm where public announcements are also posted in addition to the mandatory requirements of Bursa. Shareholders are encouraged to participate in each general meeting where the directors are present to address concerns, issues and questions raised by them. The Board shall take into consideration poll voting in the forthcoming annual general meeting for resolutions other than the resolution approving related party transactions.

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 31 to 72. 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.)

Risk Management Framework and Internal Control

The Board acknowledges its responsibility for maintaining the Group's system of internal controls and risk management and for reviewing the effectiveness of these systems. The Statement on Risk Management and Internal Control is set out on page 21 to 22 and provide an overview on the state of risk management and internal control system within the Group.

Corporate Social Responsibility

The Group's corporate social responsibilities are explained on page 29. Master-Pack Group, as a responsible corporate entity, are conscious of our social obligations towards the society in which we operate. In our own small ways, we introduce small initiatives targeted at enhancing the quality of livelihood of the community we get most in contact with.

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. The non-audit fee paid to External Auditors for the financial year amounts to RM2,000.

CORPORATE SOCIAL RESPONSIBILITY

Master-Pack Group Berhad group of companies ("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 Penang and Sarawak 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, one of the subsidiary companies had also switched from diesel fuel oil to natural gas.

Elimination of Waste

Products manufactured by both the Group's Packaging factories are fully **recyclable products**. These packaging factories endeavor 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.

Pollution Control

The business venture which conforms with our Group's policy on corporate social responsibility and our commitment to be a responsible corporate citizen is the distribution of Maz fuel additive. The Maz fuel additive, patented in USA, China and numerous other countries 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 help 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 resources development is an integral part of our 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. 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.

Community Services

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.

Charitable initiatives

Community Charity begins at home. In view of the rising cost of main food staples such as rice, sugar and flour, the Group has set in motion activities to supplement and subsidize the living cost of the lower income earning employees. Master-Pack (Sarawak) Sdn. Bhd. provides cooked rice for lunch and dinner for production workers thus supplementing the workers living cost. During festival occasions, the Employee Welfare Committee will purchase sugar, coffee, cooking oil to be re-sold at subsidized prices to the lower income workers. For the lower income employees with school going children, the Employee Welfare Committee donates school bags and school shoes at the beginning of the new school term.

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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

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	1,252	(3,488)
- Non-controlling interests	9	0
	<u>1,261</u>	<u>(3,488)</u>

DIVIDENDS

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

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.

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.

DIRECTORS' REPORT (CONT'D)**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

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY (CONT'D)

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:-

Name of Director	Number of Ordinary Shares of RM1.00 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012	Balance at 1.1.2012	Balance at 31.12.2012
Aminuddin Bin Saad	10,002	0	0	10,002	0	0
Dato' Khor Teng Tong	420,000	0	0	420,000	1,127,000	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 except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 21 to the financial statements.

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 29 APRIL 2013

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 37 to 71 give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 72 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 29 APRIL 2013**

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 37 to 71 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 29 April 2013

Dato' Syed Mohamad Bin Syed Murtaza

Before me

Nachatar Singh A/L Bhag Singh
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 2012 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 37 to 71.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible 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 give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 6 to the financial statements.
- (iii) 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.
- (iv) 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MASTER-PACK GROUP BERHAD (Incorporated in Malaysia) (CONT'D)**Report on Other Legal and Regulatory Requirements (cont'd)**

The supplementary information set out on page 72 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

- (i) As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.
- (ii) 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

Date: 29 April 2013

Penang

Eddy Chan Wai Hun

Approval No: 2182/10/13(J)
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	4	32,233	33,773	31,252
Investment property	5	13,440	13,940	13,940
Goodwill on consolidation		196	196	196
Investments in associates	7	260	245	218
Available-for-sale financial assets	8	313	291	308
		<u>46,442</u>	<u>48,445</u>	<u>45,914</u>
CURRENT ASSETS				
Inventories	9	9,927	9,169	7,722
Trade and other receivables	10	16,265	18,041	18,035
Prepayments		451	291	331
Current tax assets		1,305	584	83
Cash and cash equivalents	11	4,117	2,842	3,346
		<u>32,065</u>	<u>30,927</u>	<u>29,517</u>
CURRENT LIABILITIES				
Trade and other payables	12	4,971	5,287	4,595
Loans and borrowings - secured	13	10,753	11,877	9,851
Current tax liabilities		0	19	344
		<u>15,724</u>	<u>17,183</u>	<u>14,790</u>
NET CURRENT ASSETS		16,341	13,744	14,727
NON-CURRENT LIABILITIES				
Loans and borrowings - secured	13	9,786	10,618	10,858
Deferred tax liabilities	14	3,294	3,148	2,864
		<u>13,080</u>	<u>13,766</u>	<u>13,722</u>
NET ASSETS		<u>49,703</u>	<u>48,423</u>	<u>46,919</u>
EQUITY				
Share capital	15	49,620	49,620	50,055
Treasury shares		0	0	(714)
Share premium		471	471	1,185
Capital redemption reserve		435	435	0
Revaluation surplus		2,366	2,630	2,894
Fair value reserve		93	71	97
Currency translation reserve		1	0	0
Accumulated losses		(3,291)	(4,807)	(6,598)
Equity attributable to owners of the Company		<u>49,695</u>	<u>48,420</u>	<u>46,919</u>
Non-controlling interests		8	3	0
TOTAL EQUITY		<u>49,703</u>	<u>48,423</u>	<u>46,919</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Revenue	16	62,049	66,523
Other income		93	520
Changes in inventories of work-in-progress and finished goods		(138)	375
Raw materials and consumables used		(39,423)	(42,152)
Depreciation		(2,368)	(2,616)
Employee benefits expense	17	(7,375)	(7,308)
Finance costs		(1,599)	(1,730)
Other expenses		(9,380)	(10,320)
Share of profit of associate		15	27
Profit before tax	18	<u>1,874</u>	<u>3,319</u>
Tax expense	19	(613)	(1,417)
Profit for the financial year		<u>1,261</u>	<u>1,902</u>
Other comprehensive income:-			
Gain/(Loss) on available-for-sale financial assets		22	(26)
Currency translation differences for foreign operation		1	0
Other comprehensive income for the financial year		<u>23</u>	<u>(26)</u>
Total comprehensive income for the financial year		<u>1,284</u>	<u>1,876</u>
Profit for the financial year attributable to:-			
- Owners of the Company		1,252	1,899
- Non-controlling interests		9	3
		<u>1,261</u>	<u>1,902</u>
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		1,275	1,873
- Non-controlling interests		9	3
		<u>1,284</u>	<u>1,876</u>
Earnings per share (sen)	20		
- Basic		2.52	3.83
- Diluted		<u>2.52</u>	<u>3.83</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Non-distributable					Equity attributable to owners of the Company			Non-controlling interests	Total equity	
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Capital redemption reserve RM'000	Revaluation surplus RM'000	Fair value reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Company RM'000	RM'000	RM'000
Balance at 1 January 2011	50,055	(714)	1,185	0	2,894	97	0	(6,598)	46,919	0	46,919
Loss on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	0	0	(26)	0	0	(26)	0	(26)
Profit for the financial year	0	0	0	0	0	0	0	1,899	1,899	3	1,902
Total comprehensive income for the financial year	0	0	0	0	0	(26)	0	1,899	1,873	3	1,876
Interim dividend of 1 sen per share, less tax at 25% (representing total transactions with owners)	0	0	0	0	0	0	0	(372)	(372)	0	(372)
Cancellation of treasury shares	(435)	714	(714)	435	0	0	0	0	0	0	0
Transfer of revaluation surplus	0	0	0	0	(264)	0	0	264	0	0	0
Balance at 31 December 2011	49,620	0	471	435	2,630	71	0	(4,807)	48,420	3	48,423
Gain on available-for-sale financial assets	0	0	0	0	0	22	0	0	22	0	22
Currency translation differences for foreign operation	0	0	0	0	0	0	1	0	1	0	1
Other comprehensive income for the financial year	0	0	0	0	0	22	1	0	23	0	23
Profit for the financial year	0	0	0	0	0	0	0	1,252	1,252	9	1,261
Total comprehensive income for the financial year	0	0	0	0	0	22	1	1,252	1,275	9	1,284
Dividend to non-controlling interests (representing total transactions with owners)	0	0	0	0	0	0	0	0	0	(4)	(4)
Transfer of revaluation surplus	0	0	0	0	(264)	0	0	264	0	0	0
Balance at 31 December 2012	49,620	0	471	435	2,366	93	1	(3,291)	49,695	8	49,703

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,874	3,319
Adjustments for:-			
Depreciation		2,368	2,616
Dividend income		(6)	(4)
Gain on disposal of property, plant and equipment		0	(98)
Impairment loss on loans and receivables		353	1,505
Interest expense		1,599	1,730
Interest income		(3)	(15)
Loss on fair value adjustment of investment property		500	0
Property, plant and equipment written off		292	4
Reversal of impairment loss on loans and receivables		(1)	(305)
Share of profit of associate		(15)	(27)
Operating profit before working capital changes		<u>6,961</u>	<u>8,725</u>
Changes in:-			
Inventories		(758)	(1,447)
Receivables and prepayments		1,264	(1,166)
Payables		(316)	692
Cash generated from operations		<u>7,151</u>	<u>6,804</u>
Tax paid		(1,290)	(1,958)
Tax refunded		84	0
Net cash from operating activities		<u>5,945</u>	<u>4,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		5	3
Interest received		3	15
Proceeds from disposal of available-for-sale financial assets		0	3
Proceeds from disposal of property, plant and equipment		0	98
Purchase of available-for-sale financial assets		0	(12)
Purchase of property, plant and equipment		(1,120)	(5,141)
Net cash used in investing activities		<u>(1,112)</u>	<u>(5,034)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(4)	(372)
Interest paid		(1,599)	(1,730)
Long-term loans raised		1,000	4,000
Net decrease in short-term loans and borrowings		(376)	(825)
Repayment of hire purchase obligations		(469)	(465)
Repayment of long-term loans		(2,326)	(1,149)
Net cash used in financing activities		<u>(3,774)</u>	<u>(541)</u>
Currency translation differences		1	0
Net increase/(decrease) in cash and cash equivalents		1,060	(729)
Cash and cash equivalents brought forward		(509)	220
Cash and cash equivalents carried forward	11	<u>551</u>	<u>(509)</u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	4	33	49	33
Investment property	5	2,590	2,590	2,590
Investments in subsidiaries	6	16,090	16,314	16,364
Available-for-sale financial assets	8	313	291	308
		<u>19,026</u>	<u>19,244</u>	<u>19,295</u>
CURRENT ASSETS				
Other receivables	10	538	4,675	4,639
Prepayments		12	3	4
Current tax assets		219	0	0
Cash and cash equivalents	11	340	229	625
		<u>1,109</u>	<u>4,907</u>	<u>5,268</u>
CURRENT LIABILITIES				
Other payables	12	818	813	796
Loans and borrowings - secured	13	1,137	1,603	2,023
Current tax liabilities		0	19	163
		<u>1,955</u>	<u>2,435</u>	<u>2,982</u>
NET CURRENT (LIABILITIES)/ASSETS		(846)	2,472	2,286
NON-CURRENT LIABILITIES				
Loans and borrowings - secured	13	181	247	307
Deferred tax liabilities	14	7	11	6
		<u>188</u>	<u>258</u>	<u>313</u>
NET ASSETS		<u>17,992</u>	<u>21,458</u>	<u>21,268</u>
EQUITY				
Share capital	15	49,620	49,620	50,055
Treasury shares		0	0	(714)
Share premium		471	471	1,185
Capital redemption reserve		435	435	0
Fair value reserve		93	71	97
Accumulated losses		(32,627)	(29,139)	(29,355)
TOTAL EQUITY		<u>17,992</u>	<u>21,458</u>	<u>21,268</u>

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
Revenue	16	3,579	4,229
Other income		124	215
Depreciation		(17)	(24)
Employee benefits expense	17	(862)	(845)
Finance costs		(191)	(263)
Other expenses		(6,052)	(2,384)
(Loss)/Profit before tax	18	<u>(3,419)</u>	<u>928</u>
Tax expense	19	(69)	(340)
(Loss)/Profit for the financial year		<u>(3,488)</u>	<u>588</u>
Other comprehensive income:-			
Gain/(Loss) on available-for-sale financial assets		22	(26)
Other comprehensive income for the financial year		<u>22</u>	<u>(26)</u>
Total comprehensive income for the financial year		<u>(3,466)</u>	<u>562</u>

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Share capital RM'000	Treasury shares RM'000	Non-distributable Capital			Accumulated losses RM'000	Total equity RM'000
			Share premium RM'000	redemption reserve RM'000	Fair value reserve RM'000		
Balance at 1 January 2011	50,055	(714)	1,185	0	97	(29,355)	21,268
Loss on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	0	(26)	0	(26)
Profit for the financial year	0	0	0	0	0	588	588
Total comprehensive income for the financial year	0	0	0	0	(26)	588	562
Interim dividend of 1 sen per share, less tax at 25% (representing total transactions with owners)	0	0	0	0	0	(372)	(372)
Cancellation of treasury shares	(435)	714	(714)	435	0	0	0
Balance at 31 December 2011	49,620	0	471	435	71	(29,139)	21,458
Gain on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	0	22	0	22
Loss for the financial year	0	0	0	0	0	(3,488)	(3,488)
Total comprehensive income for the financial year	0	0	0	0	22	(3,488)	(3,466)
Balance at 31 December 2012	49,620	0	471	435	93	(32,627)	17,992

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(3,419)	928
Adjustments for:-			
Depreciation		17	24
Dividend income		(1,712)	(2,404)
Gain on disposal of property, plant and equipment		0	(10)
Impairment loss on investments in subsidiaries		224	50
Impairment loss on loans and receivables		5,518	1,982
Interest expense		191	263
Interest income		0	(6)
Property, plant and equipment written off		1	0
Reversal of impairment loss on loans and receivables		(60)	(159)
Operating profit before working capital changes		<u>760</u>	<u>668</u>
Changes in:-			
Receivables and prepayments		310	11
Payables		5	17
Cash generated from operations		<u>1,075</u>	<u>696</u>
Tax paid		(310)	(478)
Net cash from operating activities		<u>765</u>	<u>218</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		1,711	2,403
Interest received		0	6
Net advance to subsidiaries		(1,640)	(1,869)
Proceeds from disposal of available-for-sale financial assets		0	3
Proceeds from disposal of property, plant and equipment		0	10
Purchase of available-for-sale financial assets		0	(12)
Purchase of property, plant and equipment		(2)	(40)
Net cash from investing activities		<u>69</u>	<u>501</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		0	(372)
Interest paid		(191)	(263)
Net decrease in short-term loans and borrowings		(471)	(425)
Repayment of long-term loans		(61)	(55)
Net cash used in financing activities		<u>(723)</u>	<u>(1,115)</u>
Net increase/(decrease) in cash and cash equivalents		111	(396)
Cash and cash equivalents brought forward		229	625
Cash and cash equivalents carried forward	11	<u>340</u>	<u>229</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 37 to 40 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 41 to 44 together with the notes thereto cover the Company solely.

The presentation currency is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 29 April 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

These are the first MFRS financial statements of the Group and the Company, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The Group and the Company adopted MFRSs on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. The Group and the Company prepared their previous financial statements in accordance with Financial Reporting Standards ("FRSs"). The effects of transition from FRSs to MFRSs are disclosed in Note 2.2.

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

	Effective for annual periods beginning on or after
MFRS (Issued as at the end of the reporting period)	
MFRS 9 <i>Financial Instruments</i>	1 January 2015
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
MFRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
Amendments to MFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRSs contained in the document entitled "Annual Improvements 2009 - 2011 Cycle"	1 January 2013

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes to the existing measurement bases of financial assets of the Group and the Company.

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces the consolidation guidance in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

2.2 Transition to MFRSs

The effects of transition from FRSs to MFRSs on the reported financial position are as follows:-

	FRSs RM'000	Effects of transition RM'000	MFRSs RM'000
<u>Consolidated Statement of Financial Position (Extract)</u>			
<u>As at 1 January 2011</u>			
Deferred tax liabilities	2,952	(88)	2,864
Accumulated losses	(6,686)	88	(6,598)
Total equity	46,831	88	46,919
<u>As at 31 December 2011</u>			
Deferred tax liabilities	3,236	(88)	3,148
Accumulated losses	(4,895)	88	(4,807)
Total equity	48,335	88	48,423

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Transition to MFRSs (cont'd)

The effects of transition from FRSs to MFRSs on the reported financial position are as follows:-

	FRSs RM'000	Effects of transition RM'000	MFRSs RM'000
<u>Statement of Financial Position (Extract)</u>			
<u>As at 1 January 2011</u>			
Deferred tax liabilities	94	(88)	6
Accumulated losses	(29,443)	88	(29,355)
Total equity	<u>21,180</u>	<u>88</u>	<u>21,268</u>
<u>As at 31 December 2011</u>			
Deferred tax liabilities	99	(88)	11
Accumulated losses	(29,227)	88	(29,139)
Total equity	<u>21,370</u>	<u>88</u>	<u>21,458</u>

Upon transition to MFRSs, the Group and the Company applied MFRS 112 Income Taxes which presumes that the carrying amount of investment property stated at fair value will be recovered entirely through sale. Accordingly, unless the presumption is rebutted, the measurement of deferred tax shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. The deferred tax liabilities as at 1 January 2011 and 31 December 2011 in relation to the investment property were reduced by RM88,000.

The transition from FRSs to MFRSs did not have any significant effects on the reported financial performance and cash flows.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Basis of Consolidation (cont'd)

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

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

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

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

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	2-3%
Plant and machinery	10-33%
Tools and equipment	10-33%
Furniture, fittings and office equipment	10-33%
Motor vehicles	20-25%

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

2.5 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 2.8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 2.8.

2.8 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 and investment property stated at fair value, 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.

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.

2.9 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Assets (cont'd)

Recognition and Measurement (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Financial Assets (cont'd)

Determination of Fair Values

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.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of quoted investments are determined by reference to their quoted closing bid prices at the end of the reporting period (i.e. Level 1).

2.11 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.

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.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 (i.e. Level 3).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 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.

2.13 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.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 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.

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.

2.15 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.

2.16 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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Income Taxes

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

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

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

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

2.19 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:-

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 2012, the Group and the Company have 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:-

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 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

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 2011	3,500	4,800	16,377	48,063	1,886	3,684	891	409	79,610
Additions	0	0	14	4,371	259	112	79	306	5,141
Disposals/Write-offs	0	0	0	(739)	(2)	(43)	(177)	0	(961)
Reclassification	0	0	705	0	0	0	0	(705)	0
Balance at 31 December 2011	3,500	4,800	17,096	51,695	2,143	3,753	793	10	83,790
Representing:-									
- Cost	0	0	731	51,695	2,143	3,753	793	10	59,125
- Valuation	3,500	4,800	16,365	0	0	0	0	0	24,665
	3,500	4,800	17,096	51,695	2,143	3,753	793	10	83,790
Balance at 1 January 2012	3,500	4,800	17,096	51,695	2,143	3,753	793	10	83,790
Additions	0	0	98	747	96	44	125	10	1,120
Disposals/Write-offs	0	0	0	(12,513)	(578)	(1,032)	(100)	0	(14,223)
Reclassification	0	0	20	0	0	0	0	(20)	0
Balance at 31 December 2012	3,500	4,800	17,214	39,929	1,661	2,765	818	0	70,687
Representing:-									
- Cost	0	0	849	39,929	1,661	2,765	818	0	46,022
- Valuation	3,500	4,800	16,365	0	0	0	0	0	24,665
	3,500	4,800	17,214	39,929	1,661	2,765	818	0	70,687
Accumulated Depreciation									
Balance at 1 January 2011	0	190	497	42,174	1,531	3,221	745	0	48,358
Depreciation	0	190	521	1,567	91	184	63	0	2,616
Disposals/Write-offs	0	0	0	(735)	(2)	(43)	(177)	0	(957)
Balance at 31 December 2011	0	380	1,018	43,006	1,620	3,362	631	0	50,017
Depreciation	0	190	529	1,320	106	152	71	0	2,368
Disposals/Write-offs	0	0	0	(12,254)	(560)	(1,017)	(100)	0	(13,931)
Balance at 31 December 2012	0	570	1,547	32,072	1,166	2,497	602	0	38,454
Carrying Amount									
Balance at 1 January 2011	3,500	4,610	15,880	5,889	355	463	146	409	31,252
Balance at 31 December 2011	3,500	4,420	16,078	8,689	523	391	162	10	33,773
Balance at 31 December 2012	3,500	4,230	15,667	7,857	495	268	216	0	32,233

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

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

The land and buildings stated at valuation 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 total carrying amounts of the entire class of land and buildings that would have been recognised in the financial statements are as follows:-

	The Group	
	2012	2011
	RM'000	RM'000
Freehold land	1,904	1,904
Short-term leasehold land	790	826
Buildings	10,162	10,347
	<u>12,856</u>	<u>13,077</u>

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

	The Group	
	2012	2011
	RM'000	RM'000
Freehold land	3,500	3,500
Short-term leasehold land	4,230	4,420
Buildings	15,667	16,078
Plant and machinery	0	524
Tools and equipment	0	35
Furniture, fittings and office equipment	0	12
	<u>23,397</u>	<u>24,569</u>

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	
	2012	2011
	RM'000	RM'000
Plant and machinery	1,480	1,727
Tools and equipment	0	53
Motor vehicles	0	4
	<u>1,480</u>	<u>1,784</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

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

The Company

	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
<u>Cost</u>			
Balance at 1 January 2011	1,070	102	1,172
Additions	40	0	40
Disposals/Write-offs	(1)	(102)	(103)
Balance at 31 December 2011	1,109	0	1,109
Additions	2	0	2
Disposals/Write-offs	(114)	0	(114)
Balance at 31 December 2012	997	0	997
<u>Accumulated Depreciation</u>			
Balance at 1 January 2011	1,037	102	1,139
Depreciation	24	0	24
Disposals/Write-offs	(1)	(102)	(103)
Balance at 31 December 2011	1,060	0	1,060
Depreciation	17	0	17
Disposals/Write-offs	(113)	0	(113)
Balance at 31 December 2012	964	0	964
<u>Carrying Amount</u>			
Balance at 1 January 2011	33	0	33
Balance at 31 December 2011	49	0	49
Balance at 31 December 2012	33	0	33

5. INVESTMENT PROPERTY

The Group

	Freehold land and buildings RM'000	Office lots RM'000	Total RM'000
<u>Fair Value</u>			
Balance at 1 January 2011	11,350	2,590	13,940
Movement during the year	0	0	0
Balance at 31 December 2011	11,350	2,590	13,940
Fair value adjustment	(500)	0	(500)
Balance at 31 December 2012	10,850	2,590	13,440

The Company

	Office lots RM'000
<u>Fair Value</u>	
Balance at 1 January 2011	2,590
Movement during the year	0
Balance at 31 December 2011	2,590
Movement during the year	0
Balance at 31 December 2012	2,590

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

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 RM13,090,000 (2011 : RM13,590,000) and RM2,590,000 (2011 : 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

	2012 RM'000	2011 RM'000
Unquoted shares, at cost	33,395	33,395
Impairment losses	(17,305)	(17,081)
	16,090	16,314

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2012	2011	
<u>Direct Subsidiaries</u>				
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%	Inactive
Master-Pack Labs Sdn. Bhd.	Malaysia	68%	68%	Inactive
Master-Pack Energy Sdn. Bhd.	Malaysia	60%	60%	Trading of industrial diesels and additives
Sin Wan Fatt Marine Products Sdn. Bhd.	Malaysia	100%	100%	Inactive
Tung Hai Fishing Sendirian Berhad	Malaysia	100%	100%	Inactive
<u>Indirect Subsidiaries</u>				
Master-Pack Nutraceuticals Sdn. Bhd.	Malaysia	68%	68%	Inactive
Ocean Garden Seafood Products Sdn. Bhd.	Malaysia	53%	53%	Inactive
Master-Pack Vietnam Company Limited*	Vietnam	100%	100%	Inactive

* Not audited by Crowe Horwath

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

7. INVESTMENTS IN ASSOCIATES

The Group

	2012 RM'000	2011 RM'000
Unquoted shares, at cost	100	100
Share of post-acquisition profit or loss	160	145
	<u>260</u>	<u>245</u>

The details of the associates are as follows:-

Name of Associate	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2012	2011	
Richmond Technology Sdn. Bhd.	Malaysia	20%	20%	Manufacture of packaging materials

The summarised financial information of the associate is as follows:-

	2012 RM'000	2011 RM'000
Total assets	2,703	2,706
Total liabilities	1,405	1,482
Revenue	6,630	6,481
Profit for the financial year	<u>74</u>	<u>133</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group and the Company

	2012 RM'000	2011 RM'000
Shares quoted in Malaysia, at fair value (Level 1)	<u>313</u>	<u>291</u>

9. INVENTORIES

The Group

	2012 RM'000	2011 RM'000
Raw materials	6,894	7,151
Work-in-progress	556	559
Finished goods	729	864
Goods-in-transit	1,748	595
	<u>9,927</u>	<u>9,169</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables:-				
- Associate	643	495	0	0
- Other related parties*	331	53	0	0
- Unrelated parties	17,201	19,156	0	0
- Allowance for impairment	(2,033)	(2,561)	0	0
	15,168	16,595	0	0
	16,142	17,143	0	0
Other receivables:-				
- Subsidiaries	0	0	24,498	23,395
- Allowance for impairment	0	0	(23,990)	(19,398)
	0	0	508	3,997
- Unrelated parties	702	1,148	609	928
- Allowance for impairment	(579)	(250)	(579)	(250)
	123	898	30	678
	123	898	538	4,675
	16,265	18,041	538	4,675

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

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	
	2012 RM'000	2011 RM'000
Balance at 1 January	2,561	1,210
Impairment loss recognised	24	1,503
Impairment loss reversed	(1)	(146)
Impairment loss written off	(551)	(6)
Balance at 31 December	2,033	2,561

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

10. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade Receivables (Cont'd)

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

	The Group	
	2012 RM'000	2011 RM'000
Not past due	14,283	13,886
Past due:-		
- 1 to 30 days	914	1,117
- 31 to 120 days	618	1,486
- More than 120 days	327	654
	16,142	17,143

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 2012, there were 2 (2011 : 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 RM7,668,000 (2011 : RM7,914,000).

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Balance at 1 January	250	409	19,648	17,827
Impairment loss recognised	329	2	5,518	1,982
Impairment loss reversed	0	(159)	(60)	(159)
Impairment loss written off	0	(2)	(537)	(2)
Balance at 31 December	579	250	24,569	19,648

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

11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Term deposit with financial institution (fixed rate)	1,500	1,500	0	0
Cash and bank balances	2,617	1,342	340	229
	4,117	2,842	340	229

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

11. CASH AND CASH EQUIVALENTS (CONT'D)

The term deposit has been pledged as security for credit facilities granted to the Group. Accordingly, it is not freely available for use.

The effective interest rate of term deposit as at 31 December 2012 was 2.85% (2011 : 2.90%) per annum.

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and cash equivalents	4,117	2,842	340	229
Term deposits pledged as security	(1,500)	(1,500)	0	0
Bank overdrafts	(2,066)	(1,851)	0	0
	551	(509)	340	229

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables	2,586	2,624	0	0
Other payables:-				
- Subsidiary	0	0	548	549
- Unrelated parties	2,385	2,663	270	264
	2,385	2,663	818	813
	4,971	5,287	818	813

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Ringgit Malaysia	4,812	5,075	818	813
US Dollar	159	212	0	0
	4,971	5,287	818	813

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 60 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiary is 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 90 days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

13. LOANS AND BORROWINGS - SECURED

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fixed rate:-				
- Hire purchase payables	443	912	0	0
- Banker acceptances	4,384	4,289	0	0
- Short-term loan	1,072	1,543	1,072	1,543
- Long-term loans	247	307	246	307
Floating rate:-				
- Bank overdrafts	2,066	1,851	0	0
- Long-term loans	12,327	13,593	0	0
	<u>20,539</u>	<u>22,495</u>	<u>1,318</u>	<u>1,850</u>
Disclosed as:-				
- Current liabilities	10,753	11,877	1,137	1,603
- Non-current liabilities	9,786	10,618	181	247
	<u>20,539</u>	<u>22,495</u>	<u>1,318</u>	<u>1,850</u>

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 deposit (Note 11).

The effective interest rates of loans and borrowings as at 31 December 2012 ranged from 3.23% to 9.60% (2011 : 3.29% 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.

Hire Purchase Payables

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

	The Group	
	2012 RM'000	2011 RM'000
Minimum hire purchase payments:-		
- Within 1 year	436	509
- Later than 1 year and not later than 2 years	23	444
- Later than 2 years and not later than 5 years	0	22
Total contractual undiscounted cash flows	459	975
Future finance charges	(16)	(63)
Present value of hire purchase payables:-		
- Within 1 year	421	462
- Later than 1 year and not later than 2 years	22	428
- Later than 2 years and not later than 5 years	0	22
	<u>443</u>	<u>912</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

13. LOANS AND BORROWINGS - SECURED (CONT'D)**Long-term Loans**

Long-term loans are repayable over 5 to 15 years. The repayment analysis is as follows:-

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Gross loan instalments:-				
- Within 1 year	3,703	4,706	84	84
- Later than 1 year and not later than 2 years	8,507	4,667	84	84
- Later than 2 years and not later than 5 years	2,207	6,953	126	212
Total contractual undiscounted cash flows	14,417	16,326	294	380
Future finance charges	(1,843)	(2,426)	(48)	(73)
Present value of long-term loans:-				
- Within 1 year	2,810	3,732	65	60
- Later than 1 year and not later than 2 years	7,717	3,871	68	63
- Later than 2 years and not later than 5 years	2,047	6,297	113	184
	<u>12,574</u>	<u>13,900</u>	<u>246</u>	<u>307</u>

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.

14. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Balance at 1 January	3,148	2,864	11	6
Deferred tax expense/(income) relating to origination and reversal of temporary differences	155	249	(4)	5
Deferred tax liabilities (over)/under provided in prior year	(9)	35	0	0
Balance at 31 December	<u>3,294</u>	<u>3,148</u>	<u>7</u>	<u>11</u>
In respect of taxable/(deductible) temporary differences of:-				
- Property, plant and equipment	3,323	3,312	7	11
- Financial instruments	(29)	(164)	0	0
	<u>3,294</u>	<u>3,148</u>	<u>7</u>	<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

14. DEFERRED TAX LIABILITIES (CONT'D)

Save as disclosed above, as at 31 December 2012, 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 RM682,000 (2011 : RM797,000). 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:-

	The Group	
	2012 RM'000	2011 RM'000
Deductible temporary differences of financial instruments	1,886	1,886
Unused capital allowances	11,092	11,092
Unused tax losses	34,026	34,026
Taxable temporary differences of:-		
- Property, plant and equipment	0	(318)
- Investment property	(2,726)	(2,870)
	44,278	43,816

15. SHARE CAPITAL

	2012		2011	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Ordinary shares of RM1.00 each				
Authorised	100,000	100,000	100,000	100,000
Issued and fully paid-up:-				
Balance at 1 January	49,620	49,620	50,055	50,055
Cancellation of treasury shares	0	0	(435)	(435)
Balance at 31 December	49,620	49,620	49,620	49,620

16. REVENUE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of goods	61,976	66,494	0	0
Rendering of services	0	0	1,800	1,800
Dividend income from:-				
- Investments in subsidiaries	0	0	1,706	2,400
- Quoted investments in Malaysia	6	4	6	4
Rental income from investment property	67	25	67	25
	62,049	66,523	3,579	4,229

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

17. EMPLOYEE BENEFITS EXPENSE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term employee benefits	6,844	6,825	798	783
Defined contribution plan	531	483	64	62
	7,375	7,308	862	845

18. PROFIT/(LOSS) BEFORE TAX

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(Loss) before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	82	76	20	20
- Prior year	3	0	0	0
Direct operating expenditure for investment property:-				
- Generating rental income	10	6	10	6
- Not generating rental income	65	68	0	5
Directors' remuneration:-				
- Fee	113	95	110	92
- Other emoluments	879	835	350	335
Fee expense for financial instruments not at fair value through profit or loss	73	74	7	5
Impairment loss on investments in subsidiaries*	0	0	224	50
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	5,190	1,980
- Unrelated parties	353	1,505	328	2
Interest expense for financial liabilities not at fair value through profit or loss	1,599	1,730	191	263
Loss on fair value adjustment of investment property	500	0	0	0
Property, plant and equipment written off	292	4	1	0
Rental of equipment	4	4	0	0
Rental of premises	78	52	9	9
and crediting:-				
Gain on disposal of property, plant and equipment	0	98	0	10
Interest income for financial assets not at fair value through profit or loss	3	15	0	6
Realised gain on foreign exchange	2	0	0	0
Reversal of impairment loss on loans and receivables:-				
- Subsidiaries	0	0	60	0
- Unrelated parties	1	305	0	159
	1	305	0	159

* Included in other expenses

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

19. TAX EXPENSE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Tax based on results for the year:-				
Malaysian income tax	903	1,082	210	335
Deferred tax	155	249	(4)	5
	1,058	1,331	206	340
Tax (over)/under provided in prior year:-				
Malaysian income tax	(436)	51	(137)	0
Deferred tax	(9)	35	0	0
	613	1,417	69	340

The numerical reconciliation between the product of profit/(loss) 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(Loss) before tax	1,874	3,319	(3,419)	928
Tax at applicable tax rate of 25%	469	830	(855)	232
Non-taxable income	(4)	(291)	(442)	(271)
Non-deductible expenses	540	845	1,503	379
Expenses eligible for double deduction	(4)	(6)	0	0
Reinvestment allowances claimed	(101)	(407)	0	0
Increase in unrecognised deferred tax assets	116	360	0	0
Effect of differential tax rates	42	0	0	0
Tax (over)/under provided in prior year	(445)	86	(137)	0
Tax expense	613	1,417	69	340

20. 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 as follows:-

	2012	2011
Profit for the financial year attributable to owners of the Company (RM'000)	1,252	1,899
Weighted average number of shares in issue ('000)	49,620	49,620
Basic earnings per share (sen)	2.52	3.83

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

21. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Key management personnel compensation:-				
- Short-term employee benefits	1,654	1,601	440	408
- Defined contribution plan	104	98	20	19
	1,758	1,699	460	427
Dividends declared from subsidiaries	0	0	1,706	2,400
Management fee charged to subsidiaries	0	0	1,800	1,800
Purchase of goods from subsidiary	0	0	1	1
Sale of goods to associates	2,413	3,185	0	0
Sale of goods to other related parties*	2,365	1,070	0	0

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

22. SEGMENT REPORTING

The Group

Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysia	61,208	66,010	45,869	47,905
Foreign countries	841	513	0	4
	62,049	66,523	45,869	47,909

Major Customer

For the financial year ended 31 December 2012, there was 1 (2011 : 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 RM17,587,000 (2011 : RM18,995,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

23. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Group

	2012 RM'000	2011 RM'000
Contracted but not provided for	270	0

24. 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 who occupied part of the subsidiary's land alleged that they have beneficial interests over certain portion of the 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 their share of the subdivided plots of approximately 30% of the total land area. The total value of the said subdivided plots of land is not expected to be material. The subsidiary's counterclaim against the third party for indemnity was disallowed by the court. The subsidiary filed an appeal against the Court order.

The parties had reached an out of court settlement in that the subsidiary has withdrawn the appeal and settlement were made by third party to the subsidiary to account for the pending transfer of sub-divided plots to the plaintiffs.

The Company

Pledge of Property - Secured

The Company is contingently liable up to a limit of RM1,632,000 (2011 : 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 RM47,000,000 (2011 : RM48,500,000). The total utilisation of these credit facilities as at 31 December 2012 amounted to approximately RM19,914,000 (2011 : RM21,163,000).

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 2.11. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

25. 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 24.

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	
	Increase/ (Decrease) in Profit 2012 RM'000	Increase/ (Decrease) in Profit 2011 RM'000
Increase in interest rates by 50 basis points	(64)	(70)
Decrease in interest rates by 50 basis points	64	70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONT'D)

25. 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			
	2012	2011	2012	2011
	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	0	29
Decrease in FBMKLCI by 10%	0	(31)	0	(29)

26. CAPITAL MANAGEMENT

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

The Group's strategy is to maintain its debt-to-equity ratio at below 1 : 1 as follows:-

	2012	2011
	RM'000	RM'000
Total loans and borrowings	20,539	22,495
Total equity	49,703	48,423
Total capital	<u>70,242</u>	<u>70,918</u>
Debt-to-equity ratio	<u>0.4 : 1</u>	<u>0.5 : 1</u>

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		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total accumulated losses of the Company and its subsidiaries:-				
- Realised	(47,931)	(44,469)	(32,973)	(29,481)
- Unrealised	(59)	342	346	342
	<u>(47,990)</u>	<u>(44,127)</u>	<u>(32,627)</u>	<u>(29,139)</u>
Total share of retained profits of associates:-				
- Realised	160	145	0	0
- Unrealised	0	0	0	0
	<u>(47,830)</u>	<u>(43,982)</u>	<u>(32,627)</u>	<u>(29,139)</u>
Consolidation adjustments and eliminations	44,539	39,175	0	0
Total accumulated losses as per statement of financial position	<u>(3,291)</u>	<u>(4,807)</u>	<u>(32,627)</u>	<u>(29,139)</u>

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.

GROUP PROPERTIES

AS AT 31 DECEMBER 2012

No.	Location	Description Of Property	Build-up Area	Land Area	Existing Use	Tenure	Approx. Age Of Buiding (years)	Fair Value / Net Book 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	Freehold	17	L:RM2,740,000 B:RM8,410,000	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	Freehold	12	L:RM760,000 B:RM4,640,000	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	Leasehold land Expiring in 2035	20	L:RM4,230,000 B:RM2,617,000	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, suspended operations	Freehold	22	L:RM100,000 B:RM250,000	31-Dec-12
5	Lot No. 10056 to 10063 Mukim of Parit Buntar Daerah Krian, Perak.	Industrial Land & Factory Building	90,000 sq ft	133,291 sq ft	Factory for manufacturing, suspended operations	Freehold	15	L:RM1,330,000 B:RM7,950,000	31-Dec-12
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	Rental, for investment purpose	Freehold	18	B:RM2,590,000	31-Dec-12
7	9645/166398 share of Lot. No. 8224, 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	31-Dec-12

L : Land
B : Building

ANALYSIS OF SHAREHOLDINGS

AS AT 30 APRIL 2013

DISTRIBUTION OF SHAREHOLDERS

No. of Holders	Holdings	Total Holdings	%
293	Less Than 100	13,510	0.03
129	100 – 1000	78,271	0.16
1534	1,001 -10,000	4,398,247	8.86
285	10,001 -100,000	9,082,278	18.30
50	100,001 and below 5% of issued shares	20,175,844	40.66
2	5% and above of issued shares	15,872,000	31.99
2,293	TOTAL	49,620,150	100.00

DIRECTORS' SHAREHOLDINGS

Name of Director	Direct Interest	%	Deemed Interest	%
Dato' Syed Mohamad Bin Syed Murtaza	-	-	-	-
Dato' 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	-	-	-	-

(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	-	-

ANALYSIS OF SHAREHOLDINGS
AS AT 30 APRIL 2013 (CONT'D)

LIST OF TOP 30 SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD- BENEFICIARY: PLEDGED FOR YAYASAN BUMIPUTRA PULAU PINANG BERHAD	9,500,000	19.15
2	HDM NOMINESS (TEMPATAN) SDN. BHD.- BENEFICIARY : HDM CAPITAL SDN. BHD. FOR YAYASAN BUMIPUTRA PULAU PINANG BERHAD	6,372,000	12.84
3	CHAN WEE FANG	1,586,800	3.20
4	TAN KIM KEE @TAN KEE	1,547,000	3.12
5	HDM NOMINEE(TEMPATAN) SDN. BHD. - BENEFICIARY : HDM CAPITAL SDN. BHD. FOR TAN KOO CHING	1,328,700	2.68
6	KHOR TENG TONG HOLDINGS SDN. BHD.	1,127,000	2.27
7	ONG SEW NGO	1,030,000	2.08
8	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. - BENEFICIARY : PLEDGED FOR TK KHOR & ASSOCIATES SDN. BHD.	1,000,000	2.02
9	YIK PHOOI HAR	928,000	1.87
10	BU YAW SENG	586,000	1.18
11	TAN BOO NAM	523,511	1.06
12	KHOR CHING WEE	523,000	1.05
13	KHOR CHIN SENG	460,000	0.93
14	KHOR KEOW KUANG	450,000	0.91
15	TK KHOR & ASSOCIATES SDN. BHD.	446,478	0.90
16	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - BENEFICIARY: PLEDGED FOR BU YAW SENG	442,400	0.89
17	KHOR TENG TONG	420,000	0.85
18	CHAN CHOR NGIAK	417,800	0.84
19	TIEW SIEW CHIN	400,000	0.81
20	TAN KIM KEE @TAN KEE	371,700	0.75
21	CHENG LEE WAH	365,200	0.74
22	KHOR CHEW WAN	358,250	0.72
23	KHOR CHAI SEANG	320,000	0.64
24	CITIGROUP NOMINESS (TEMPATAN) SDN. BHD. - BENEFICIARY : PLEDGED FOR NG SWEE YONG	314,000	0.63
25	QUAH AI LING	282,500	0.57
26	TAN KOON HEO	280,000	0.56
27	CHUA YONG SONG	267,000	0.54
28	UNG PENG JOO	255,000	0.51
29	NEW HAI HUA@NEO HAI HUA	253,000	0.51
30	THIOH LEENA	245,000	0.49

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PROXY FORM

*I/We _____
(FULL NAME IN BLOCK LETTERS & I.C. NO. OR COMPANY NO.)

of _____
(ADDRESS)

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

(FULL NAME IN BLOCK LETTERS & I.C. NO. OR COMPANY NO.)

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 Nineteenth 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 Thursday, 27 June 2013 at 3.00 p.m. and at any adjournment thereof.

No.	RESOLUTIONS	FOR	AGAINST
1.	To re-appoint Dr. Junid Bin Abu Saham as a Director of the Company.		
2.	To re-appoint Dato' Khor Teng Tong as a Director of the Company.		
3.	To re-elect Dato' Syed Mohamad Bin Syed Murtaza as a Director of the Company.		
4.	To re-elect Cik Nazriah Bin Shaik Alawdin as a Director of the Company.		
5.	To approve the increase and the payment of Directors' Fees of not exceeding RM110,100 for the year ended 31 December 2012.		
6.	To re-appoint Messrs. Crowe Horwath as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
7.	To obtain a renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
8.	To obtain a new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.		
9.	To amend the Articles of Association of the Company.		
10.	To retain Mr. Chew Hock Lin as Independent Non-Executive Director of the Company.		
11.	To retain Encik Aminuddin Bin Saad as Independent Non-Executive Director of the Company.		

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 _____, 2013.

No. of shares held

Signature(s)/Common Seal 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.
6. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

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

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MASTER-PACK GROUP BERHAD 297020-W

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14300 Nibong Tebal, S.P.S. Penang.
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Website : www.master.net.my