



**MASTER-PACK**  
GROUP BERHAD 297020-W

Annual Report **2014**



 **MASTER-PACK**  
GROUP BERHAD

Is Awarded:

*"thebrandlaureate"*

THE SMALL THE BRAND'S AWARD

**BEST BRANDS**

- Corporate Branding -

in:

Packaging  
Corrugated Carton Boxes

2014-2015

# CONTENTS

<b>02</b>	Group Financial Highlights
<b>03</b>	Corporate Information
<b>04</b>	Events
<b>05</b>	Management's Discussion and Analysis
<b>06</b>	Chairman's Statement
<b>08</b>	Notice of Annual General Meeting
<b>12</b>	Recurrent Related Party Transactions Of A Revenue Or Trading Nature
<b>13</b>	Other Information
<b>14</b>	Statement on Risk Management and Internal Control
<b>17</b>	Audit Committee Report
<b>19</b>	Statement on Corporate Governance
<b>26</b>	Corporate Responsibility
<b>28</b>	Financial Statements
<b>75</b>	Group Properties
<b>76</b>	Analysis of Shareholdings
<b>Enclosed</b>	Proxy Form

## GROUP FINANCIAL HIGHLIGHTS

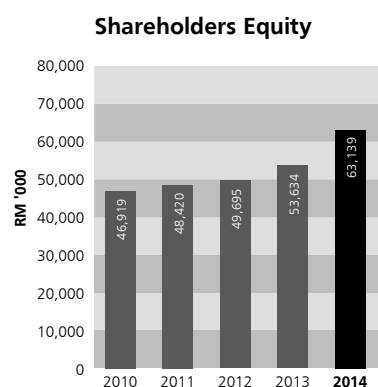
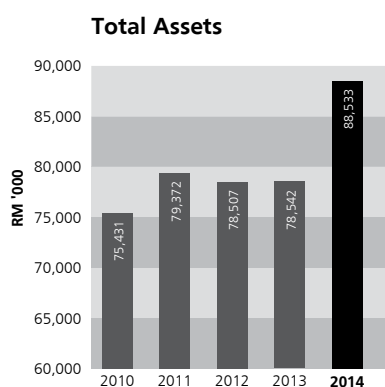
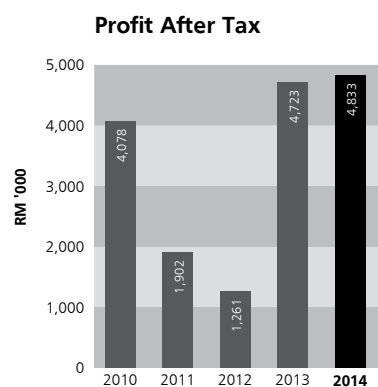
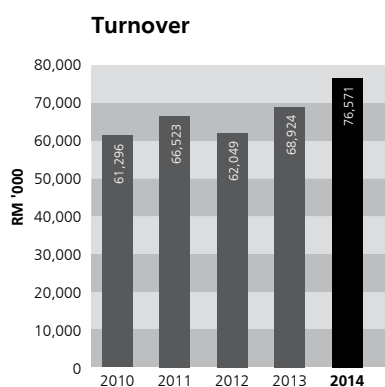
YEAR ENDED 31 DECEMBER

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Turnover	61,296	66,523	62,049	68,924	<b>76,571</b>
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	10,453	7,665	5,841	9,516	<b>9,736</b>
Profit Before Tax	5,498	3,319	1,874	6,009	<b>6,297</b>
Profit After Tax	4,078	1,902	1,261	4,723	<b>4,833</b>
Net Profit Attributable to Equity Holders	4,078	1,899	1,252	4,720	<b>4,874</b>
Total Assets	75,431	79,372	78,507	78,542	<b>88,533</b>
Total Borrowings	20,709	22,495	20,539	15,375	<b>14,757</b>
Shareholders Equity	46,919*#	48,420*#	49,695	53,634	<b>63,139</b>
(Loss)/Earnings per share	8.28	3.83	2.52	9.51	<b>9.82</b>
Net Assets per share	0.94	0.97	1.00	1.08	<b>1.27</b>

# Included in shareholders' equity of the Group for financial years ended 31 December 2010 and 2011 is 434,600 shares repurchased and held as treasury shares with average prices of RM1.65 per share for both years.

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 31 MARCH 2015

### BOARD OF DIRECTORS

**Dato' Syed Mohamad Bin Syed Murtaza** *Executive Chairman*

**Mr. Chew Hock Lin** *Independent and Non-Executive Director*

**Dato' Seri Khor Teng Tong** *Independent and Non-Executive Director*

**En. Aminuddin Bin Saad** *Independent and Non-Executive Director*

**Puan 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)

#### 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

#### AUDITORS

Crowe Horwath AF1018  
*Chartered Accountants*  
Level 6, Wisma Penang Garden,  
42 Jalan Sultan Ahmad Shah,  
10050 Penang.

#### 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	: 2,180

\* On 3 April 2015, the issued and paid-up capital was increased from RM49,620,150 to RM54,620,150 by a private placement of 5,000,000 new ordinary shares of RM1.00 each.

#### 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.

#### WEBSITE

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



## EVENTS



1



2

**1 December 2014**  
Receiving MSWG - 2014 Top Overall Small Capital Corporate Governance Recognition

**2 November 2014**  
Receiving SunEdison Outstanding Quality Award 2014



3

**3 February 2015**  
Receiving The BrandLaureate Awards 2014 - 2015, Best Brands in Manufacturing Packaging

**4 February 2015**  
Management team at the BrandLaureate Awards Gala Night



4

## MANAGEMENT DISCUSSION AND ANALYSIS

---

Packaging will always be in demand as packaging is required to protect and transport goods from one point to another and for many other purposes such as providing marketing appeal and information to the goods it covers. There are many types and forms of packaging using different materials. Packaging using paper is very versatile. The process and techniques of corrugating can transform paper into all kinds of shapes and forms that are not only strong but attractive in design. It can also make other usable articles such as paper plates and cups and even furniture.

Cradle to grave environmental stewardship begins with the production, harvest and responsible use of raw materials. Corrugated original raw material comes from trees, which are managed through replanting and other responsible forest management practices. Long-term renewal of these resources brings the first, natural ingredient of corrugated to the paper mills in a continuous cycle that assures a steady supply of healthy, useful fibre to produce plentiful corrugated material. Today, most corrugated content is approximately 73 percent recovered from recycling i.e. more than any other packaging product material in the world.

Packaging using corrugated cartons has attracted much interest lately as the public is now more informed of the dangers that affect the ozone, the contamination and depletion of natural resources of planet earth. These well-informed buyers' trend towards recyclable packaging embracing sustainable activities henceforth corrugated packaging is one of the preferred options selected. Packaging using corrugated cartons is the natural alternate material in place of other forms such as plastic, foams, wooden crates and metal. Consumers' awareness and preferred selection on sustainable packaging continues to drive the momentum of the corrugating packaging industry.

Master-Pack Group Berhad ("MPG") has put in place in its Sustainable Policy of which best practices on sustainability activities are integrated. The management of MPG at all levels are committed to follow and practice in a continual process of improvement, attempts to achieve the ideals of ethical business practices aimed at achieving sustainability.

### The Group's Financial Performance

While the Global Economy expended 3.3 Percent for 2014, the Gross Domestic Product (GDP) Annual Growth Rate in Malaysia average 4.7 Percent for the year 2014. The manufacturing sector that accounts for 25 percent expanded 5.2 percent. MPG's performance hinges on the health of the manufacturing sector and the strong economic performance drove MPG's revenue to surge by a growth of 11 percent from RM69 million in the previous year to RM77 million for the year 2014. This was achieved by taking strategic steps to enhance customers' confidence in the Group's reputation for its consistent product quality, reliable delivery and at the right price. Earnings per share also surpassed that of the previous year of 9.51 sen to 9.82 sen.

The net tangible assets per share as at 31 December 2014 improved by 19 sen to RM1.27 of which 10 sen was from an increase in the value of properties from the revaluation exercise of its properties while current year's operating profit contributed 9 sen. The Group reinvested RM3.6 million during the year in new machineries to further enhance its manufacturing capabilities. Loan and borrowings were brought down by RM0.6 million. All these efforts placed the Group in a stronger position to explore new opportunities in the future.

### Outlook for 2015

Economists around the world are of the view that growth in 2015 will be better than 2014 albeit slowly but moving forward.

For Malaysia, Bank Negara Malaysia (BNM) projects a growth forecast of 4.5 Percent for 2015. BNM also project increased shipments of E & E (Electrical & Electronics) and other manufacturing products on the back of improved global demand. (Source: BNM Report 2014)

In the view of positive forecasts, MPG will strive forward and take on each new challenge to surpass past results.

## CHAIRMAN'S STATEMENT



**Dear Shareholders,**

**We meet once again; and it is with great pleasure to share with you the improvements and achievements our group of companies attained during the financial year ended 31 December 2014.**

### Financials and Operations Review

Last year, I reported that the group finally passed the accumulated losses barrier and registered an accumulated profit of RM948,000. This year, we manage to strengthen the financials performance further as indicated by the positive financial data in the table below.

	2014	2013	% + / -
Turnover	76,571	68,924	11.1%
Profit After Tax	4,833	4,723	2.3%
Accumulated Profit	6,015	948	534.5%
Total Assets	88,533	78,542	12.7%
Total Borrowings	14,757	15,375	4.0%
Net Assets per share	1.27	1.08	0.19

2014 was a challenging year for Malaysian manufacturing companies as the financial year saw the US Dollar appreciated against the Ringgit; subsidized petrol/ diesel prices was at a high; electricity and water tariffs increased as well as numerous changes in governmental regulations that affected the cost of doing business.

For the packaging operation, sales transactions are locally in Ringgit whilst raw materials are mainly imported in US dollar. As a result of the weakening Ringgit, raw materials cost continued on an upward trend whilst sales prices had not followed in tandem but remain quite static. As previously explained, market competition remains tough as the capacity to supply packaging outweighs the industry demands. Consequently, the increase in material cost puts tremendous pressure on profit margins. To meet KPI targets, the management team is resilient to find ways in their continuous efforts to improve productivity and implementing cost control measures.

### Strengthening the corporate governance

Master-Pack Group Berhad has again been awarded the 2014 Top Overall Corporate Governance – Small Capital category for the second consecutive year. We emphasize on upholding business ethics in business dealings and progressively integrate the best practices in corporate governance into the Group's corporate culture.

### Awards and Achievements

A notable recent achievement by the listed company is winning the 2014-2015 Brandlaureate Awards for the best brand in packaging – *Brand Driven It's the Brand that Drives*. Master-Pack Sdn. Bhd., a wholly own subsidiary, added to its recognition list of trade marks and patents, the internationally recognised US patent for "Quadwall". Not forgetting, Master-Pack Sarawak Sdn. Bhd. was also presented the Outstanding Quality Award by customer Sun Edison.

## CHAIRMAN'S STATEMENT (CONT'D)

---

### Going Forward

As you may know, the Board have embarked on a private placement to raised RM5,000,000 by the issuance of up to 5,000,000 new ordinary shares of RM1.00 each representing approximately 10.08% of the issued and paid-up capital of Master-Pack Group Berhad. The gross proceeds are mainly for the repayment of bank borrowings of approximately RM4.3 million. In the event the private placement is successful, the Group would have lifted a financial burden which in the past had placed a constraint on the Group's cash flow. Consequently, the private placement would not only mean annual interest savings of approximately RM380,000 but also made available unencumbered properties readily in hand for future use.

On 27 February 2015, a new 51% owned subsidiary namely Eng Hong Distribution Sdn. Bhd. (formerly known as Fastrack Industry Sdn. Bhd.) was acquired to pursue business products made from paper. I am optimistic that this new business venture will contribute positively to the Group's financial performance in the current financial year as well as the years to come.

For your information, we had invested in a new accounting software and enhance the existing MRP software to meet the requirements of the impending Goods and Service Tax regulations. All the accounting and the IT personnel are working tirelessly to convert and re-format the system of controls and tailor the systems to suit our needs as well as to be in compliance with the reporting requirements set by the Royal Malaysian Customs.

### Acknowledgement and Appreciation

Thank You to all our loyal shareholders for your continual support especially in the Extra Ordinary Meeting held on 27 February 2015 for approving the private placement and for being together with us. My sincere thanks to my fellow team of Board members who work alongside with me setting exemplary high standards and contributing positively in the Board meetings.

To all my valuable customers, suppliers, business associates, bankers and regulatory authorities, my thanks and appreciation for your unwavering support and close working partnership for continued growth.

To all my Master-Pack employees especially the management team, my hats off to you for the consistent team effort in delivering the excellent financial performance in the financial year 2014.

**Dato' Syed Mohamad Bin Syed Murtaza**  
Group Executive Chairman

Date : 6 April 2015



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 21<sup>st</sup> Annual General Meeting (“AGM”) of the Company will be held at Master-Pack Sdn. Bhd., 1574, Jalan Bukit Panchor, 14300 Nibong Tebal, S.P.S. Penang on Friday, 29 May 2015 at 11.30 a.m. for the following purposes :-

### AGENDA

#### **As Ordinary Business :**

1. To receive the Audited Financial Statements for the year ended 31 December 2014 **Please refer to Note 6** together with the Reports of the Directors and Auditors thereon.
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 AGM of the Company.” **Resolution 1**
  - ii) “That Dato’ Seri 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 AGM of the Company.” **Resolution 2**
  - iii) “That Mr. Chew Hock Lin, 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 AGM of the Company.” **Resolution 3**
3. To re-elect Dato’ Syed Mohamad Bin Syed Murtaza, who retires by rotation in accordance with Article 91 of the Company’s Articles of Association and who, being eligible, offers himself for re-election. **Resolution 4**
4. To approve the increase and the payment of Directors’ Fees of not exceeding RM171,500.00 for the year ended 31 December 2014. **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 resolutions :

#### **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES**

6. “That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued and paid-up share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares to be issued.” **Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING MR. 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 of the Company's Circular to Shareholders dated 7 May 2015 ("Circular") involving Mr. 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 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 8**

**8. AUTHORITY FOR MR. CHEW HOCK LIN TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"That authority be and is hereby given to Mr. Chew Hock Lin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of next AGM of the Company."

**Resolution 9**

**9. AUTHORITY FOR ENCIK AMINUDDIN BIN SAAD TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"That authority be and is hereby given to Encik Aminuddin Bin Saad, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company and to hold office until the conclusion of next AGM of the Company."

**Resolution 10**

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.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 21<sup>st</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 25 May 2015. Only a depositor whose name appears on the Record of Depositors as at 25 May 2015 shall be entitled to attend the said meeting or appoint proxies to attend and/vote on his/her behalf.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

By Order of the Board,  
**LEE PENG LOON (MACS 01258)**  
**P'NG CHIEW KEEM (MAICSA 7026443)**  
 Joint Company Secretaries

Penang  
 7 May 2015

**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. 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, the proxy form, duly completed must be deposited at 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. 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, the proxy form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

**EXPLANATORY NOTE ON ORDINARY BUSINESS**

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

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

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

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

8. The proposed Resolution 8, if passed, will enable the Company's subsidiaries to enter into recurrent transactions involving the interests of a related party, 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 7 May 2015 which has been despatched together with the 2014 Annual Report.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

---

9. The proposed Resolutions 9 and 10, 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 15.02 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 pages 19 to 25 of the 2014 Annual Report.

**2014 Annual Report**

The 2014 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](http://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](mailto: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 12 June 2014, 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 12 June 2014 to latest practicable date on 10 April 2015	Estimated Value of 2014 Mandate
Master-Pack Sdn. Bhd.	Richmond Technology Sdn. Bhd.	N1	Sales of packaging board	RM2,980,956	RM3,500,000

N1 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.

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 21<sup>st</sup> Annual General Meeting. Further information of the Proposed Mandate is set out in the Circular to Shareholders dated 7 May 2015 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 2014, 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 is guided by the *Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers*.

### 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 and financial information and records or against financial losses or fraud.

### RISK MANAGEMENT PROCESS

The Group has in place a documented Risk Management Policy which 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 adequacy and effectiveness of the Risk Management Framework and policy of the Group.

A Risk Working Committee comprising heads of Department 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 yearly report on risk management which summarizes the level of impacts of significant risk and the level of likelihood of such risks was prepared by the Risk Working Committee. The report also highlights residual exposures and the appropriate management control measures / action plans to mitigate such risk exposures. In the Audit Committee and Board meeting held in February 2014, the report on risk management prepared by the Risk Working Committee was reviewed, deliberated upon and the appropriate advice given, if necessary. Additionally, the Board requires the Risk Working Committee to 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 place during the year 2014 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 met six times in the year 2014, 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](http://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. In the year 2014, a committee comprising all the accounts and management information system personnel in Master-Pack was established to review, reformat accounting codes and make changes to procedures to implement the new accounting software in compliance to Goods and Service Tax reporting requirement standards.
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 progressively 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](http://www.master.net.my/ir_code_of_business_conduct.htm), the Group's Code of Business Conduct which includes the Whistle Blowing Policy. In 2014, the Group has included the group's Personal Data Protection Notice in its website [www.master.net.my/ir\\_personal\\_data\\_protection.htm](http://www.master.net.my/ir_personal_data_protection.htm)

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 propose 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 responses and 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 18 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 Directors and Officers Liability indemnity insurance coverage.

**ASSURANCE FROM MANAGEMENT**

The Board has also received reasonable assurance from the Executive Chairman and the Group Financial Controller 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 of the view that the risk management and internal controls system is in place for the year under review and up to the date of approval of this Statement, is sound and sufficient to safeguard the interest of all its stakeholders as well as the group assets.

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

This statement is made in accordance with a resolution of the Board of Directors dated 6 April 2015.

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

---

### **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report for the year ended 31 December 2014 pursuant to Recommended Practice Guide 5 (Revised), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control* Included in the Annual Report issued by the Malaysian Institute of Accountants. The external auditors had reported to the Board that, based on the procedures performed by them, nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed issuers* to be set out, nor is factually inaccurate.

## 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 2014.

### TERMS OF REFERENCE

The term of reference of the Audit Committee can be obtained from the Company's website at [http://www.master.net.my/ir\\_audit\\_committee.htm](http://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	% of Attendance
Mr. Chew Hock Lin (Chairman of Audit Committee)	Independent & Non-Executive Director	Attended 5 out of 5 meetings	100
En. Aminuddin Bin Saad	Independent & Non-Executive Director	Attended 5 out of 5 meetings	100
Puan Nazriah Binti Shaik Alawdin	Non-Independent & Non-Executive Director	Attended 5 out of 5 meetings	100

### ACTIVITIES OF AUDIT COMMITTEE

During the year ended 31 December 2014, 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 Framework, risk register together with its accompanying control measures and action plans to mitigate the risks;
- 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;
- Met with the internal auditors once without the presence of any executive Board members / management staff;
- 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 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;
- Reviewed the recurrent related party transactions as reported by the internal auditors;



## AUDIT COMMITTEE REPORT (CONT'D)

**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 and evaluated the external auditor's 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;
- Evaluated the yearly performance of the external auditors and recommended their re-appointment.

**INTERNAL AUDIT FUNCTION**

During the financial year ended 31 December 2014, the Company has engaged the services of an independent professional accounting firm, Messrs UHY, to carry out the internal audit functions of the Group in order to assist the Committee in discharging its duties and responsibilities particularly in ensuring that a sound system of internal controls is in place.

The internal audit activities were as follows-

- Reviewed the risk assessment by discussing with key management on the risk register 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 deliberations.

Based on the Internal Auditors' report for the financial year ended 31 December 2014, 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. On-going actions were taken by management to rectify any weakness identified in all the internal audit reports.

The cost incurred for the internal audit function in respect of the financial year is RM26,110.

## STATEMENT ON CORPORATE GOVERNANCE

Master-Pack Group Berhad intends to create long-term value through its core business to generate sustainable shareholder value and to protect the stakeholders' interests. In pursuing this corporate objective, the Board of Directors of Master-Pack believes in having strong corporate governance frameworks via maintenance of a high standard of integrity, transparency, accountability and professionalism as key fundamentals in managing the business operations of the Master-Pack Group of companies.

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") both in substance and in form throughout the year under review. The Board is of the view that it has throughout the year complied with the Code as well as Bursa's Listing Requirements and herein below sets forth illustrations of compliance in all material respects of Corporate Governance 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 size and composition of the Board is adequate to provide for a diversity of views to facilitate effective decision making and providing appropriate balance of executive, independent and non-independent directors. The biographical details of all the Directors are in the company website [www.master.net.my/ab\\_bod.htm](http://www.master.net.my/ab_bod.htm).

All of the six Board members possess varied experience, fair knowledge, complementary skills and are of diverse competencies as shown in the matrix of mix and skill set diversity as follows:-

	Functional Experience							Business Strategy	Industry Experience							
	Corporate	Finance/ Audit/ accounting	Law /Govt. Relations	People Management	Sustainability Issues	Professional Services	Risk Management		Multi-national Company	Finance, Banking	Law /Real Estate	Audit/ Business	Academia/ Education	Public Service	Telecommunication/ Electronics	Wealth Management
D1	✓	✓	✓	✓	✓		✓	✓	✓			✓	✓	✓	✓	
D2	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓			✓	
D3	✓		✓	✓	✓		✓	✓			✓	✓		✓		
D4			✓	✓	✓		✓	✓				✓		✓		
D5		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓		
D6	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓

- D1 - Dato' Syed Mohamad bin Syed Murtaza – Executive Chairman  
 D2 - Mr. Chew Hock Lin – Independent and Non- Executive Director  
 D3 - Dato' Seri Khor Teng Tong – Independent and Non- Executive Director  
 D4 - Encik Aminuddin bin Saad – Independent and Non- Executive Director  
 D5 - Puan Nazriah bt. Shaik Alawdin – Non Independent and Non -Executive Director  
 D6 - Dr. Junid bin Abu Saham – Independent and Non-Executive Director

The combined mix and skill set diversity of the board members as tabled, enables the members to contribute positively to the management of the Company. In addition, the Board practices an open policy on boardroom diversity including gender diversity.

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.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**The Board of Directors (cont'd)**

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 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 guides, regulates 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](http://www.master.net.my/ir_roles.htm). During the financial year 2014, some of the agenda tabled at the Board meetings which were duly considered, discussed and approved by the Board were as follows:-

- i. Approved the financial statements
- ii. Approved the annual budget and revision thereto
- iii. Reviewed the risk management framework and the internal controls
- iv. Reviewed the reports of internal and external audits
- v. Approved the Personal Data Protection Notice and Policy
- vi. Approved the fund raising exercise via private placement
- vii. Approved capital expenditure and reviewed the return on capital employed

The schedule of matters reserved for the Board's collective decision is recorded in Appendix A of the Board Charter.

Other than as specifically reserved for the Board's collective decision, 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 Directors' commitment in carrying out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2014:

<b>Name</b>	<b>Status of Directorship</b>	<b>Attendance of Meetings</b>
Dato' Syed Mohamad bin Syed Murtaza	Executive Chairman	Attended 6 out of 6 meetings
Mr. Chew Hock Lin	Independent & Non-Executive Director	Attended 6 out of 6 meetings
Dato' Seri Khor Teng Tong	Independent & Non-Executive Director	Attended 5 out of 6 meetings
Encik. Aminuddin Bin Saad	Independent & Non-Executive Director	Attended 6 out of 6 meetings
Puan Nazriah Binti Shaik Alawdin	Non-Independent & Non-Executive Director	Attended 6 out of 6 meetings
Dr. Junid Bin Abu Saham	Independent & Non-Executive Director	Attended 5 out of 6 meetings

This attendance confirms members of the board who hold multiple board representations are able to and have been devoting sufficient time to discharge their responsibilities adequately.

Code of Business Conduct

All members of the Board are aware that they should set the corporate culture and ethical standards to be adopted, practised and amplified throughout the Master-Pack group. The Master-Pack Code of Business Conduct or "the MPG Code" which includes the Whistle-blowing policy is shown in [www.master.net.my/ir\\_code\\_of\\_business\\_conduct.htm](http://www.master.net.my/ir_code_of_business_conduct.htm). The MPG Code sets the ethical standard of behaviour expected of all Directors and employees. Included therein, the MPG Code touches on the issue of bribery & anti-corruption and how the Company deals with the consequences of such act.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**The Board of Directors (cont'd)**Code of Business Conduct (cont'd)

Customer satisfaction is a key industry factor to Master-Pack in the type of competitive business we are in. From time to time, our sales and customer service personnel are in contact with our customers to ensure that we provide a high standard of customer satisfaction level as well as respecting our customer's privacy and data security. We attempt to be customer centric by not just delivering what the customers wants but also to provide an experience beyond or above the normal customer satisfaction. Master-Pack believes that customer requirements and satisfaction is the key driver towards our business sustainability and profitability. This key driver is made known to employees at all levels and as such it naturally follows that our customer welfare is our area of concern as well.

We are committed in ensuring ethical standards in our business activities. We expect an ethical business practice from our suppliers in their timeliness of delivery, practices in their labour management as well as adherence to human rights of workers. On our part, we attempt to meet their standard of credit and payment practices. Where practical, we patronise local vendors, provided they too practice environmentally friendly measures consistent with promoting sustainable development. Naturally, in all of our business dealings, we are mindfully alert to the needs for preventing corrupt practices, illegal and unethical behaviour. We ensure that protection is given to the people or any person who reveals illegal or unethical behaviour from retaliation. The Whistle-blowing policy at Master-Pack provides the contact details for which the public can use to voice their concerns and/ or complaints.

The company take cognizance the importance of the well-being of its employees as stakeholders. We strive to eliminate friction and attempt to create a culture in the work place where its diverse workforce can enjoy working together. Engagements with our employees as stakeholders are in the Corporate Responsibility Statement [www.master.net/ir\\_corporate\\_social\\_responsibility.htm](http://www.master.net/ir_corporate_social_responsibility.htm)

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested director is required to abstain from deliberations and decisions of the Board on the said transaction and he/she does not exercise any influence over the Board in respect of the transaction. He/ She will further undertake to ensure that persons connected to them similarly abstain from voting on the resolution pertaining to the said transaction. Please refer to page 12 in the 2014 Annual Report for the Recurrent Related Party Transactions of a Revenue or Trading Nature.

**The Committees**

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

**Nominating Committee**

The Nominating Committee comprises exclusively of Non-Executive Directors and all members are Independent Directors. The members are:

Mr. Chew Hock Lin (Independent Non- Executive Director, Chairman )  
 Encik Aminuddin bin Saad (Independent Non-Executive Director)  
 Dr. Junid Bin Abu Saham (Independent Non-Executive Director)

There is only one meeting held on 28 November 2014 and was fully attended by all members. The terms of reference of the Nominating Committee is also published on the company website [www.master.net.my/ir\\_nomination\\_committee.htm](http://www.master.net.my/ir_nomination_committee.htm). Contained therein, is the nomination process for the appointment for new Directors to the Board as well as the performance assessments of the committees and members of board.

During the Nominating Committee meeting, the following annual assessments were carried out for the financial year 2014:-

- i. Performed the annual peer assessment on the contributions of each individual board members;
- ii. Performed and assessed based on criteria set by the Board in accordance with the Nominating Committee Terms of Reference, on the effectiveness of the Board as a whole and it's Board Committees;
- iii. Assessed on an annual basis whether a director is independent as may be defined in the Bursa Malaysia Main Market Listing Requirements.
- iv. To review and recommend to the Board for the appointment and continuation in office of any director who has reached the age of 70 or any independent director who had reached the tenure of nine(9) years.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**Nominating Committee (cont'd)**

The Nominating Committee were satisfied that:-

- i. The size and composition of Board is optimum with appropriate mix of knowledge, skills, attributes and core competencies.
- ii. The Board was able to discharge its duties professionally and effectively as well as uphold the governance standards in their conduct, and that of the Board.
- iii. The directors were able to devote sufficient time commitment to their roles and responsibilities as directors as none hold more than 5 directorship in public listed companies as prescribed in the Bursa Listing Requirements.
- iv. Mr. Chew Hock Lin and Encik Aminuddin Bin Saad, all Independent Non-Executive Directors, with a service length of more than nine years; are demonstrably considered independent irrespective of their length of service exceeding the nine year term on the Board. The three Independent Non-Executive Directors had provided confirmations of their independence to the Board.

Mr. Chew Hock Lin and Encik Aminuddin Bin Saad were found to provide the Board with a diverse set of skills and expertise as shown in the matrix and skill set diversity in page 19. 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 and issues from the Management. Their tenure as Independent Non-Executive Directors has not prejudiced their objectivity nor their judgement, in the discharge of responsibilities as Independent Directors. 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.

**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 the Notice of Annual General Meeting – resolution 1 to 3 page 8 of the 2014 Annual Report. The biographical details of these directors seeking re-election are available [www.master.net.my/ab\\_bod.htm](http://www.master.net.my/ab_bod.htm).

**Remuneration Committee**

The Board has established a Remuneration Committee comprising 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. Full attendance was recorded at the annual Remuneration Committee meeting.

The Remuneration Committee held its annual meeting on 28 November 2014 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.

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.



## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**Remuneration Committee (cont'd)**

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:

**Remuneration of Board of Directors  
For Year Ended 31 December 2014**

No.	Item	Executive (RM)	Non-Executive (RM)
1	Fees	36,000	139,000
2	Salaries*	1,090,000	

\* 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		
RM1,100,001 to RM1,150,000	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](http://www.master.net.my/ir_audit_committee.htm) together with the attendance and activities of the Audit Committee are in the Audit Committee Report.

**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 to better enable them to fulfil their responsibilities. Please refer to the Company website [www.master.net.my/ab\\_bod.htm](http://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**

The board meetings for the ensuing financial year are scheduled well in advance before the end of the current financial year so that all Directors are able to plan ahead the next year's Board and Committee meetings into their respective meeting schedules.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The agenda together with the relevant supporting information is furnished to the Directors at least 5 days before the Board meeting. Information given is inclusive of but not limited to quarterly and yearly financial statements, annual and revised budgets, list of directors dealings, legal issues, project papers, risk management framework and internal controls, draft circular, recurrent related party transactions etc. for discussion in Board Meetings.

The Executive Chairman attends the Board meeting to provide verbal explanation and briefings 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 all Board and Committee Meetings. The Company secretary ensures that meetings are properly convened, proceedings including resolutions are properly and accurately recorded and the statutory register is properly maintained at the registered office of the Company.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**Supply and Access to Information (cont'd)**

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

**Investor Relations and Strengthening Relationship Between Company and Shareholders**

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](http://www.master.net.my/ir_announcements.htm) where public announcements are also posted in addition to the mandatory requirements and postings at Bursa.

The Board supports and encourages active shareholders participation at its Annual General Meeting (AGM) and any other general meetings. In accordance with the Company's Articles of Association, any shareholder may appoint up to a maximum of 2 proxies to attend and vote on his/her behalf in any general meeting.

At the start of the Annual General Meeting, shareholders are informed of their rights to exercise their decision making powers and the rules governing the voting procedures. Matters reserved for shareholders approval were as tabulated in the Notice of Annual General Meeting pages 8 to 11 of the 2014 Annual Report circulated to the shareholders. Board members and management are present at each general meeting to respond to questions from shareholders. The Company's external auditors are also present to address queries about the conduct of audit and the preparation and contents of the auditor's report.

Minutes of the outcome of the Extraordinary General Meeting proceedings can be downloaded at [www.master.net.my/ir\\_announcements.htm](http://www.master.net.my/ir_announcements.htm) dated 27 February 2015.

Encik Aminuddin Bin Saad has been assigned as the Senior Independent & Non-Executive Director, to whom concerns in relation to the Company may be conveyed at the email [aminuddin@master.net.my](mailto:aminuddin@master.net.my). He is also available for shareholders to meet and view their concerns and opinions at the beginning of our Annual General Meeting.

**Financial Reporting**

With the assistance of Audit Committee in reviewing the financial results, the Board aims to present quality financial reporting showing a balanced and understandable assessment of the Company's financial 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 or governing 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 35 to 73 of the 2014 Annual Report. 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 Controls**

The Board acknowledges its responsibility for maintaining the Group's risk management framework and system of internal controls and for reviewing the effectiveness of these systems. The Statement of Risk Management and Internal Controls provide an overview on the state of risk management and internal control system within the Group. Please refer to pages 14 & 16 of the 2014 Annual Report. The Company has adopted a formalised risk management policy and keeps a risk register. As such the nature and extent of risks the board and management is willing to take in achieving its strategic objectives are monitored accordingly.

## STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

**Sustainability Policy Statement**

The Sustainability Statement explicitly provides a framework for sustainable and responsible operations, activities and practices throughout the Master-Pack Group. Please refer to the Company website [www.master.net.my/ir\\_sustainability\\_policy\\_statement.htm](http://www.master.net.my/ir_sustainability_policy_statement.htm).

**Corporate Responsibility**

The Group's corporate responsibilities are explained on [www.master.net.my/ir\\_corporate\\_social.htm](http://www.master.net.my/ir_corporate_social.htm) and page 26 to 27 of the 2014 annual report. Master-Pack Group, as a responsible corporate entity, is conscious of our social obligations towards the environment, community and society in which we operate.

**Related Party Transactions**

The related party transactions in accordance with the latest circular mandate are reviewed by the internal auditors. A report is submitted by the internal auditors for the Audit Committee's review. Details of these transactions are set out on pages 12 of the annual report as well as Note 23 in page 69 of the Financial Statements.

**Relationship with Auditors**

The Board has always maintained formal and transparent relationships with the Company's auditors and the management is responsive to the auditors' enquiries and their recommendations. The Audit Committee meets up with the external auditors at least three times a year to discuss their audit plan, audit findings and the group's financial statement. At least two of these meetings are held without the presence of the Executive Director and the management. In addition, the external auditors are invited to attend the Annual General Meeting and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their report. The Audit Committee is responsible for yearly review of the auditors' performance and recommendations for their re-appointment to the Board. The Audit Committee takes into consideration all adhoc non-audit services performed by the external auditors to ensure that the independence and objectivity of the external auditors are not compromised. The non-audit fee paid to External Auditors for the financial year 2014 amounts to RM3000.00

This statement is made in accordance with the Board meeting held on 6 April 2015.

## CORPORATE RESPONSIBILITY

---

MASTER-PACK group of companies strongly subscribes to corporate sustainability ideas as we want to remain as a business entity that is ethical as well as environmentally and socially responsible. We believe there is value in all of these, and we strive to maintain a business that is reputed to have all of these values as our business imperatives. In achieving the same, we acknowledge our crucial role in aiding the nation to become more sustainable by reducing the environment and social impacts and risks through improved management practices, support for stakeholders and efficient use of natural resources in our manufacturing process.

In simple terms, corporate sustainability consists of Business Sustainability, Environment Sustainability and Social Responsibility; all which the management of Master-Pack at all levels are committed to follow. Sustainability for us is not necessarily an end state, but more of a continuing process of improvement, continual attempts to achieve the ideals of ethical business with practices aimed at achieving sustainability.

### *Business Sustainability*

Master-Pack emphasizes on upholding business ethics in its business dealings and has embedded the Group's culture of integrity, ethical behavior in its policy which is publicly available in the company's website [www.master.net.my/ir\\_code\\_of\\_business\\_conduct.htm](http://www.master.net.my/ir_code_of_business_conduct.htm).

The Group has again, in year 2014, been recognized with the award for Best Corporate Governance- in the small capital category from the Minority Watchdog Group. This award attests to Master-Pack's continuous efforts in integrating and practicing good corporate responsibility and governance in the way we do things.

We strive to have our packaging designed holistically with the product of our clients in order to optimize overall environment performance; using clean production technologies and best practices; optimizing raw materials and energy. The packaging that we produce would be designed to be effective, beneficial and safe for users and communities throughout its life cycle and where possible, we aim at reducing the weight and volume of packaging. We work to ensure our packaging meets market criteria for performance and cost as well as qualitatively meeting our customer's choices and expectations. This is in line with our Business Sustainability Policy which is available at [www.master.net.my/ir\\_sustainability\\_policy\\_statement.htm](http://www.master.net.my/ir_sustainability_policy_statement.htm).

### *Environment Sustainability*

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 which ensure adherence to environment standards, emission standards, treatment of plant effluents and waste water. In addition, one of the subsidiary company had switched from diesel fuel oil to natural gas.

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 the material used 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.

In keeping with environment sustainability, our suppliers are assessed on price, quality, delivery and technical support. Most importantly, we are committed to ensure that our paper commodity sourcing is sustainable meaning our commodity paper purchases are made only from suppliers who fulfils the Forest Stewardship Council standards and other legislation. Our manufacturing paper wastes are sold at a very low price back to the local paper mills for recycling.

## CORPORATE RESPONSIBILITY

---

### *Social Responsibility*

Our sustainability practices get more apparent in the ways we engage with the local community and employees for whom sustainability is equally important.

The Group is conscious of the need to contribute to the Community in which it operates its business. It has been our practice and our social responsibility of offering people living around us the first right of refusal to work for our production facilities. We offer people around us part time jobs when available and donate to the community services that benefit the local community surrounding us. Industrial Training Programme is also provided to assist undergraduates from colleges and universities to gain hands-on experience in selected fields of study related to the packaging industry operations.

The company takes cognizance that the strength and the well-being of its employees are of utmost importance. As such, it embraces that cross diversity can help a company to galvanize the multi-faceted mix of age, gender, race and thus has created a harmonious conducive industrial climate to garner the strength of its diverse workforce by providing fair and equitable employment terms and opportunities. Towards this end, Master-Pack tries to inculcate a good and enjoyable work environment whilst embedding adequate measures on operational and safety procedures. The Company involves all level of employees in organizing major events to inculcate a culture of inclusiveness which encourages employees to mingle cohesively to nurture team synergy.

The Group has set in motion activities to supplement and subsidize the living costs 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.

# FINANCIAL STATEMENTS

29	Directors' Report
32	Statement by Directors
32	Statutory Declaration
33	Independent Auditors' Report
35	Consolidated Statement of Financial Position
36	Consolidated Statement of Comprehensive Income
37	Consolidated Statement of Changes in Equity
39	Consolidated Statement of Cash Flows
40	Statement of Financial Position
41	Statement of Comprehensive Income
42	Statement of Changes in Equity
43	Statement of Cash Flows
44	Notes to the Financial Statements
74	Supplementary Information - Realised and Unrealised Profits or Losses

## DIRECTOR'S 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 2014.

### PRINCIPAL ACTIVITIES

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

### RESULTS

	The Group RM'000	The Company RM'000
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	4,874	3,377
- Non-controlling interests	(41)	0
	4,833	3,377

### 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.



## DIRECTOR'S 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.

MASTER-PACK GROUP BERHAD (297020-W)  
DIRECTOR'S REPORT (CONT'D)

## 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' Seri Khor Teng Tong  
Chew Hock Lin  
Dr. Junid Bin Abu Saham  
Nazriah Binti Shaik Alawdin

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

Name of Director	Number of Ordinary Shares of RM1.00 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2014	Bought	Sold	Balance at 31.12.2014	Balance at 1.1.2014	Balance at 31.12.2014
Aminuddin Bin Saad	10,002	0	0	10,002	0	0
Dato' Seri Khor Teng Tong	420,000	134,400	0	554,400	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 23 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 6 APRIL 2015**

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 35 to 73 give a true and fair view of the financial position of the Group and the Company as at 31 December 2014 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 74 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 6 APRIL 2015**

**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 35 to 73 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 6 April 2015

**Dato' Syed Mohamad Bin Syed Murtaza**

Before me

**Nachatar Singh A/L Bhag Singh,**  
**PKT, PJK, PK**  
Commissioner for Oaths (No. P 126)

## 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 2014 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 35 to 73.

#### *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 2014 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 are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iii) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 74 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.

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

---

**Other Matters**

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

**Crowe Horwath**

Firm No: AF 1018  
Chartered Accountants

Date: 6 April 2015

Penang

**Chan Kheng Hoe**

Approval No: 2979/03/16(J)  
Chartered Accountant

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2014

	<b>Note</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	38,332	31,011
Investment properties	5	13,720	13,440
Goodwill on consolidation		196	196
Investment in associate	7	312	281
Available-for-sale financial assets	8	320	350
		52,880	45,278
<b>CURRENT ASSETS</b>			
Inventories	9	10,144	10,210
Trade and other receivables	10	19,923	18,376
Prepayments		741	555
Current tax assets		312	141
Cash and cash equivalents	11	4,533	3,982
		35,653	33,264
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	5,797	6,133
Loans and borrowings - secured	13	9,817	13,331
Current tax liabilities		87	36
		15,701	19,500
<b>NET CURRENT ASSETS</b>		19,952	13,764
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings - secured	13	4,940	2,044
Deferred tax liabilities	14	4,787	3,357
		9,727	5,401
<b>NET ASSETS</b>		63,105	53,641
<b>EQUITY</b>			
Share capital	15	49,620	49,620
Share premium		471	471
Capital redemption reserve		435	435
Revaluation surplus		6,476	2,020
Fair value reserve		122	152
Currency translation reserve		0	(12)
Retained profits		6,015	948
Equity attributable to owners of the Company		63,139	53,634
Non-controlling interests	16	(34)	7
<b>TOTAL EQUITY</b>		63,105	53,641

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
Revenue	17	76,571	68,924
Other income		464	773
Changes in inventories of work-in-progress and finished goods		141	75
Purchase of finished goods		(1,684)	(2,325)
Raw materials and consumables used		(47,944)	(41,376)
Depreciation		(2,348)	(2,188)
Employee benefits expense	18	(9,375)	(8,704)
Finance costs		(1,091)	(1,319)
Other expenses		(8,468)	(7,872)
Share of associate's profit		31	21
Profit before tax	19	6,297	6,009
Tax expense	20	(1,464)	(1,286)
Profit for the financial year		4,833	4,723
Other comprehensive income:-			
<i>Items that will not be reclassified to profit or loss:-</i>			
- Revaluation increase of properties		5,980	0
- Deferred tax relating to revalued properties		(1,331)	(83)
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Gain on available-for-sale financial assets		9	37
- Currency translation differences for foreign operation		0	(13)
- Reclassification adjustments on:-			
- Derecognition of available-for-sale financial assets		(39)	0
- Impairment of available-for-sale financial assets		0	22
- Dissolution of foreign operation		12	0
Other comprehensive income for the financial year		4,631	(37)
Total comprehensive income for the financial year		9,464	4,686
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		4,874	4,720
- Non-controlling interests	16	(41)	3
		4,833	4,723
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		9,505	4,683
- Non-controlling interests		(41)	3
		9,464	4,686
Earnings per share:-	21		
- Basic (sen)		9.82	9.51
- Diluted (sen)		9.82	9.51

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Non-distributable					Distributable			Equity	
	Share capital 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)/ Retained profits RM'000	attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Balance at 1 January 2013	49,620	471	435	2,366	93	1	(3,291)	49,695	8	49,703
Deferred tax relating to revalued properties	0	0	0	(83)	0	0	0	(83)	0	(83)
Gain on available-for-sale financial assets	0	0	0	0	37	0	0	37	0	37
Currency translation differences for foreign operation	0	0	0	0	0	(13)	0	(13)	0	(13)
Reclassification adjustment on impairment of available-for-sale financial assets	0	0	0	0	22	0	0	22	0	22
Other comprehensive income for the financial year	0	0	0	(83)	59	(13)	0	(37)	0	(37)
Profit for the financial year	0	0	0	0	0	0	4,720	4,720	3	4,723
Total comprehensive income for the financial year	0	0	0	(83)	59	(13)	4,720	4,683	3	4,686
First interim dividend of 1 sen per share, less tax at 25%	0	0	0	0	0	0	(372)	(372)	0	(372)
Second interim dividend of 1 sen per share, less tax at 25%	0	0	0	0	0	0	(372)	(372)	0	(372)
Dividends to owners of the Company	0	0	0	0	0	0	(744)	(744)	0	(744)
Dividend to non-controlling interests	0	0	0	0	0	0	0	0	(4)	(4)
Total transactions with owners	0	0	0	0	0	0	(744)	(744)	(4)	(748)
Transfer of revaluation surplus	0	0	0	(263)	0	0	263	0	0	0
Balance at 31 December 2013	49,620	471	435	2,020	152	(12)	948	53,634	7	53,641

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	Non-distributable				Distributable			Equity attributable to owners of the Company		Total equity RM'000
	Share capital 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	Retained profits RM'000	Non-controlling interests RM'000		
Balance at 1 January 2014	49,620	471	435	2,020	152	(12)	948	53,634	7	53,641
Revaluation increase of properties	0	0	0	5,980	0	0	0	5,980	0	5,980
Deferred tax relating to revalued properties	0	0	0	(1,331)	0	0	0	(1,331)	0	(1,331)
Gain on available-for-sale financial assets	0	0	0	0	9	0	0	9	0	9
Reclassification adjustments on:-										
- Derecognition of available-for-sale financial assets	0	0	0	0	(39)	0	0	(39)	0	(39)
- Dissolution of foreign operation	0	0	0	0	0	12	0	12	0	12
Other comprehensive income for the financial year	0	0	0	4,649	(30)	12	0	4,631	0	4,631
Profit/(Loss) for the financial year	0	0	0	0	0	0	4,874	4,874	(41)	4,833
Total comprehensive income for the financial year	0	0	0	4,649	(30)	12	4,874	9,505	(41)	9,464
Transfer of revaluation surplus	0	0	0	(193)	0	0	193	0	0	0
Balance at 31 December 2014	49,620	471	435	6,476	122	0	6,015	63,139	(34)	63,105

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		6,297	6,009
Adjustments for:-			
Depreciation		2,348	2,188
Dividend income		(5)	(5)
Gain on derecognition of available-for-sale financial assets		(39)	0
Gain on disposal of property, plant and equipment		0	(3)
Gain on fair value adjustment of investment properties		(280)	0
Impairment loss on available-for-sale financial assets		0	22
Impairment loss on loans and receivables		170	112
Interest expense		1,091	1,319
Interest income		(20)	(151)
Inventories written down		75	144
Loss on dissolution of subsidiary		12	0
Property, plant and equipment written off		0	3
Revaluation increase of properties		(62)	0
Reversal of impairment loss on loans and receivables		0	(3)
Reversal of inventories written down		(48)	0
Share of associate's profit		(31)	(21)
Operating profit before working capital changes		9,508	9,614
Changes in:-			
Inventories		39	(427)
Receivables and prepayments		(1,903)	(2,324)
Payables		(336)	1,162
Cash generated from operations		7,308	8,025
Tax paid		(1,620)	(1,125)
Tax refunded		135	1,020
Net cash from operating activities		5,823	7,920
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		5	4
Interest received		20	151
Proceeds from disposal of available-for-sale financial assets		39	0
Proceeds from disposal of property, plant and equipment		0	3
Purchase of property, plant and equipment	22	(2,436)	(969)
Net cash used in investing activities		(2,372)	(811)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		0	(748)
Interest paid		(1,091)	(1,317)
Net increase/(decrease) in short-term loans and borrowings		108	(1,155)
Repayment of hire purchase obligations		(136)	(443)
Repayment of term loans		(3,759)	(2,796)
Term loan raised		1,000	0
Withdrawal of term deposit pledged as security		0	1,500
Net cash used in financing activities		(3,878)	(4,959)
Currency translation differences		0	(13)
Net (decrease)/increase in cash and cash equivalents		(427)	2,137
Cash and cash equivalents brought forward		2,688	551
Cash and cash equivalents carried forward	22	2,261	2,688

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

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2014

	<b>Note</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	12	17
Investment properties	5	2,870	2,590
Investments in subsidiaries	6	16,007	16,090
Available-for-sale financial assets	8	320	350
		19,209	19,047
<b>CURRENT ASSETS</b>			
Other receivables	10	3,636	1,282
Prepayments		1	1
Current tax assets		1	76
Cash and cash equivalents	11	421	392
		4,059	1,751
<b>CURRENT LIABILITIES</b>			
Other payables	12	1,534	2,353
Loans and borrowings - secured	13	77	71
		1,611	2,424
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		2,448	(673)
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings - secured	13	33	110
Deferred tax liabilities	14	26	13
		59	123
<b>NET ASSETS</b>		21,598	18,251
<b>EQUITY</b>			
Share capital	15	49,620	49,620
Share premium		471	471
Capital redemption reserve		435	435
Fair value reserve		122	152
Accumulated losses		(29,050)	(32,427)
<b>TOTAL EQUITY</b>		21,598	18,251

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

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	<b>Note</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Revenue	17	4,801	4,064
Other income		353	71
Depreciation		(13)	(15)
Employee benefits expense	18	(1,054)	(982)
Finance costs		(6)	(105)
Other expenses		(480)	(1,825)
Profit before tax	19	3,601	1,208
Tax expense	20	(224)	(264)
Profit for the financial year		3,377	944
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Gain on available-for-sale financial assets		9	37
- Reclassification adjustments on:-			
- Derecognition of available-for-sale financial assets		(39)	0
- Impairment of available-for-sale financial assets		0	22
Other comprehensive income for the financial year		(30)	59
Total comprehensive income for the financial year		3,347	1,003

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Non-distributable					Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	
Balance at 1 January 2013	49,620	471	435	93	(32,627)	17,992
Gain on available-for-sale financial assets	0	0	0	37	0	37
Reclassification adjustment on impairment of available-for-sale financial assets	0	0	0	22	0	22
Other comprehensive income for the financial year	0	0	0	59	0	59
Profit for the financial year	0	0	0	0	944	944
Total comprehensive income for the financial year	0	0	0	59	944	1,003
First interim dividend of 1 sen per share, less tax at 25%	0	0	0	0	(372)	(372)
Second interim dividend of 1 sen per share, less tax at 25%	0	0	0	0	(372)	(372)
Total transactions with owners	0	0	0	0	(744)	(744)
Balance at 31 December 2013	49,620	471	435	152	(32,427)	18,251
Gain on available-for-sale financial assets	0	0	0	9	0	9
Reclassification adjustment on derecognition of available-for-sale financial assets	0	0	0	(39)	0	(39)
Other comprehensive income for the financial year	0	0	0	(30)	0	(30)
Profit for the financial year	0	0	0	0	3,377	3,377
Total comprehensive income for the financial year	0	0	0	(30)	3,377	3,347
Balance at 31 December 2014	49,620	471	435	122	(29,050)	21,598

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

**STATEMENT OF CASH FLOWS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,601	1,208
Adjustments for:-			
Depreciation		13	15
Dividend income		(2,755)	(2,011)
Gain on derecognition of available-for-sale financial assets		(39)	0
Gain on fair value adjustment of investment properties		(280)	0
Impairment loss on available-for-sale financial assets		0	22
Impairment loss on investments in subsidiaries		83	0
Impairment loss on loans and receivables		79	1,493
Interest expense		6	105
Property, plant and equipment written off		0	1
Operating profit before working capital changes		<u>708</u>	<u>833</u>
Changes in:-			
Receivables and prepayments		0	10
Payables		46	67
Cash generated from operations		<u>754</u>	<u>910</u>
Tax paid		(242)	(114)
Tax refunded		<u>106</u>	<u>0</u>
Net cash from operating activities		618	796
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received		2,755	2,010
Net advance to subsidiaries		(3,298)	(768)
Proceeds from disposal of available-for-sale financial assets		39	0
Purchase of property, plant and equipment	22	<u>(8)</u>	<u>0</u>
Net cash (used in)/from investing activities		(512)	1,242
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		0	(744)
Interest paid		(6)	(105)
Net decrease in short-term loans and borrowings		0	(1,072)
Repayment of term loans		<u>(71)</u>	<u>(65)</u>
Net cash used in financing activities		(77)	(1,986)
Net increase in cash and cash equivalents		29	52
Cash and cash equivalents brought forward		392	340
Cash and cash equivalents carried forward	22	<u>421</u>	<u>392</u>

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

### 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 35 to 39 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 40 to 43 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements 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 6 April 2015.

### 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.

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

MFRS	Effective for annual periods beginning on or after
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 <i>Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group and the Company.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

<b>MFRS (Issued as at the end of the reporting period)</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRSs 2010 - 2012 Cycle</i> "	1 July 2014
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRSs 2011 - 2013 Cycle</i> "	1 July 2014
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements to MFRSs 2012 - 2014 Cycle</i> "	1 January 2016

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 *Financial Instruments*, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under MFRS 9, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.

### 2.2 Basis of Consolidation

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

---

## **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **2.2 Basis of Consolidation (cont'd)**

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.

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

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

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.

### **2.3 Property, Plant and Equipment**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**2.3 Property, Plant and Equipment (cont'd)**

Freehold land is 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.

**2.4 Investment Properties**

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.

**2.5 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 2.7.

**2.6 Investment in Associate**

An associate is an entity over which an investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, investment in associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. 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 2.7.

**2.7 Impairment of Non-financial Assets**

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories and investment properties 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 of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.8 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.

#### 2.9 Financial Assets

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

##### Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

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

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

##### (ii) Held-to-maturity investments

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

##### (iii) Loans and receivables

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

##### (iv) Available-for-sale financial assets

All investments in equity instruments (other than interests in subsidiaries and associate) 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**2.9 Financial Assets (cont'd)**

**Impairment**

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

**(i) Financial assets carried at amortised cost**

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

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

**(ii) Available-for-sale financial assets**

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

**2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

---

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****2.11 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.

**2.12 Foreign Currency Transactions and Translation**

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

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

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.

**2.13 Share Capital**

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

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



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Fair Value Measurement

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

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

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

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

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

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

#### **Non-financial Assets**

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

#### **Financial Assets and Financial Liabilities**

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of quoted investment is directly measured using its unadjusted closing price in an active market (i.e. Level 1).

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

---

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

---

**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 2014, 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:-

Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 9.

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 2014 (CONT'D)

PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land		Short-term leasehold land		Buildings	Plant and machinery	Tools and equipment	Furniture, fittings and office equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000						
<u>Cost/Valuation</u>										
Balance at 1 January 2013	3,500	4,800	17,214	39,929	1,661	2,765	818	70,687		
Additions	0	0	8	882	9	70	0	969		
Disposals/Write-offs	0	0	0	(76)	(7)	(99)	0	(182)		
Balance at 31 December 2013	3,500	4,800	17,222	40,735	1,663	2,736	818	71,474		
<u>Representing:-</u>										
- Cost	0	0	857	40,735	1,663	2,736	818	46,809		
- Valuation	3,500	4,800	16,365	0	0	0	0	24,665		
	3,500	4,800	17,222	40,735	1,663	2,736	818	71,474		
<u>Balance at 1 January 2014</u>										
Balance at 1 January 2014	3,500	4,800	17,222	40,735	1,663	2,736	818	71,474		
Additions	0	0	515	3,012	19	81	0	3,627		
Write-offs	0	0	0	(21)	(101)	(24)	0	(146)		
Revaluation	880	900	728	0	0	0	0	2,508		
Balance at 31 December 2014	4,380	5,700	18,465	43,726	1,581	2,793	818	77,463		
<u>Representing:-</u>										
- Cost	0	0	0	43,726	1,581	2,793	818	48,918		
- Valuation	4,380	5,700	18,465	0	0	0	0	28,545		
	4,380	5,700	18,465	43,726	1,581	2,793	818	77,463		

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group

	Freehold land		Short-term leasehold land		Buildings	Plant and machinery		Tools and equipment		Furniture, fittings and office equipment		Motor vehicles		Total
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Accumulated Depreciation</u>														
Balance at 1 January 2013	0	570	1,547	32,072	1,166	2,497	602	38,454						
Depreciation	0	190	531	1,204	81	109	73	2,188						
Disposals/Write-offs	0	0	0	(76)	(7)	(96)	0	(179)						
Balance at 31 December 2013	0	760	2,078	33,200	1,240	2,510	675	40,463						
Depreciation	0	190	506	1,413	78	95	66	2,348						
Write-offs	0	0	0	(21)	(101)	(24)	0	(146)						
Revaluation	0	(950)	(2,584)	0	0	0	0	(3,534)						
Balance at 31 December 2014	0	0	0	34,592	1,217	2,581	741	39,131						
<u>Carrying Amount</u>														
Balance at 1 January 2013	3,500	4,230	15,667	7,857	495	268	216	32,233						
Balance at 31 December 2013	3,500	4,040	15,144	7,535	423	226	143	31,011						
Balance at 31 December 2014	4,380	5,700	18,465	9,134	364	212	77	38,332						

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The freehold land, short-term leasehold land and buildings were revalued to fair values on 31 December 2014 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). Had the land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the financial statements are as follows:-

	The Group	
	2014 RM'000	2013 RM'000
Freehold land	1,904	1,904
Short-term leasehold land	719	755
Buildings	10,012	9,814
	12,635	12,473

The freehold land, short-term leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

Certain plant and machinery with carrying amounts totalling RM1,235,000 (2013 : NIL) were acquired under hire purchase financing which remained outstanding as at the end of the reporting period.

The Company

	Furniture, fittings and office equipment RM'000
<u>Cost</u>	
Balance at 1 January 2013	997
Write-offs	(2)
Balance at 31 December 2013	995
Additions	8
Balance at 31 December 2014	1,003
<u>Accumulated Depreciation</u>	
Balance at 1 January 2013	964
Depreciation	15
Write-offs	(1)
Balance at 31 December 2013	978
Depreciation	13
Balance at 31 December 2014	991
<u>Carrying Amount</u>	
Balance at 1 January 2013	33
Balance at 31 December 2013	17
Balance at 31 December 2014	12

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

5. INVESTMENT PROPERTIES

The Group

Fair Value	Freehold land RM'000	Buildings RM'000	Office lots RM'000	Total RM'000
Balance at 1 January 2013	2,670	8,180	2,590	13,440
Movement during the year	0	0	0	0
Balance at 31 December 2013	2,670	8,180	2,590	13,440
Fair value adjustments	115	(115)	280	280
Balance at 31 December 2014	2,785	8,065	2,870	13,720

The Company

Fair Value	Office lots RM'000
Balance at 1 January 2013	2,590
Movement during the year	0
Balance at 31 December 2013	2,590
Fair value adjustments	280
Balance at 31 December 2014	2,870

The fair values of investment properties were measured based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2).

The carrying amounts of investment properties pledged as security for credit facilities granted to the Group and the Company are as follows:-

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Freehold land	2,550	2,550	0	0
Buildings	7,950	7,950	0	0
Office lots	2,870	2,590	2,870	2,590
	13,370	13,090	2,870	2,590

6. INVESTMENTS IN SUBSIDIARIES

The Company

	2014 RM'000	2013 RM'000
Unquoted shares, at cost	33,395	33,395
Impairment losses	(17,388)	(17,305)
	16,007	16,090

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2014	2013	
<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>				
Ocean Garden Seafood Products Sdn. Bhd.	Malaysia	53%	53%	Inactive
Master-Pack Vietnam Company Limited	Vietnam	0%	100%	Dissolved

7. INVESTMENT IN ASSOCIATE

The Group

	2014 RM'000	2013 RM'000
Unquoted shares, at cost	100	100
Share of post-acquisition changes in net assets	212	181
	<u>312</u>	<u>281</u>

The details of the associate are as follows:-

Name of Associate	Principal Place of Business	Effective Ownership Interest		Principal Activity
		2014	2013	
Richmond Technology Sdn. Bhd.	Malaysia	20%	20%	Manufacture of packaging materials



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**7. INVESTMENT IN ASSOCIATE (cont'd)**

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

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	683	539
Current assets	2,933	2,244
Non-current liabilities	(43)	(108)
Current liabilities	(2,011)	(1,269)
Net assets	1,562	1,406
Revenue	8,282	7,177
Profit (representing total comprehensive income)	<u>156</u>	<u>108</u>

The reconciliation of the above summarised financial information to the carrying amount of the investment in associate is as follows:-

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Net assets	1,562	1,406
Effective ownership interest	<u>20%</u>	<u>20%</u>
Carrying amount	<u>312</u>	<u>281</u>

**8. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

The Group and the Company

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Shares quoted in Malaysia, at fair value	<u>320</u>	<u>350</u>

The fair values of quoted investments are directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

**9. Inventories**

The Group

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Raw materials	6,722	6,800
Work-in-progress	554	446
Finished goods	947	914
Goods-in-transit	1,921	2,050
	<u>10,144</u>	<u>10,210</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

10. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables:-				
- Associate	930	687	0	0
- Other related parties*	0	147	0	0
- Unrelated parties	20,917	19,430	0	0
- Allowance for impairment	(2,130)	(2,095)	0	0
	18,787	17,335	0	0
	19,717	18,169	0	0
Other receivables:-				
- Subsidiaries	0	0	23,729	21,296
- Allowance for impairment	0	0	(20,124)	(20,045)
	0	0	3,605	1,251
- Unrelated parties	206	207	31	31
	206	207	3,636	1,282
	19,923	18,376	3,636	1,282

\* Being companies in which a director 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	
	2014 RM'000	2013 RM'000
Balance at 1 January	2,095	2,033
Impairment loss recognised	170	112
Impairment loss reversed	0	(3)
Impairment loss written off	(135)	(47)
Balance at 31 December	2,130	2,095

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (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	
	2014 RM'000	2013 RM'000
Not past due	14,582	16,320
Past due 1 to 30 days	2,567	900
Past due 31 to 120 days	2,253	915
Past due more than 120 days	315	34
	<u>19,717</u>	<u>18,169</u>

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 2014, there were 2 (2013 : 2) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM6,506,000 (2013 : RM8,152,000).

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance at 1 January	0	579	20,045	24,569
Impairment loss recognised	0	0	79	1,493
Impairment loss written off	0	(579)	0	(6,017)
Balance at 31 December	<u>0</u>	<u>0</u>	<u>20,124</u>	<u>20,045</u>

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

11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Highly liquid investments	999	700	0	0
Cash and bank balances	<u>3,534</u>	<u>3,282</u>	<u>421</u>	<u>392</u>
	<u>4,533</u>	<u>3,982</u>	<u>421</u>	<u>392</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**12. TRADE AND OTHER PAYABLES**

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	3,174	3,697	0	0
Other payables:-				
- Subsidiaries	0	0	1,151	2,016
- Unrelated parties	2,493	2,306	383	337
	2,493	2,306	1,534	2,353
Compensation received	130	130	0	0
	<u>5,797</u>	<u>6,133</u>	<u>1,534</u>	<u>2,353</u>

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	5,247	4,654	1,534	2,353
US Dollar	550	1,479	0	0
	<u>5,797</u>	<u>6,133</u>	<u>1,534</u>	<u>2,353</u>

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 amounts owing to subsidiaries are repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

**Compensation Received**

This represents compensation received from the seller of a parcel of land purchased by a subsidiary in 1995. The seller sold to the subsidiary the entire land which included a minor portion beneficially owned by other individuals. As the subsidiary has an obligation to compensate these individuals for their entitled portion, the compensation received from the seller has been deferred as a liability, pending the determination of the individuals' entitled portion by the relevant authority.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

13. LOANS AND BORROWINGS - SECURED

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate:-				
- Hire purchase payables	1,055	0	0	0
- Banker acceptances	4,411	4,303	0	0
- Term loan	110	181	110	181
Floating rate:-				
- Bank overdrafts	2,272	1,294	0	0
- Term loans	6,909	9,597	0	0
	<u>14,757</u>	<u>15,375</u>	<u>110</u>	<u>181</u>
Disclosed as:-				
- Current liabilities	9,817	13,331	77	71
- Non-current liabilities	4,940	2,044	33	110
	<u>14,757</u>	<u>15,375</u>	<u>110</u>	<u>181</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) and investment properties (Note 5).

The effective interest rates of loans and borrowings as at 31 December 2014 ranged from 4.75% to 9.35% (2013 : 4.92% to 9.10%) per annum.

Except for hire purchase payables and 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 5 years. The repayment analysis is as follows:-

	The Group	
	2014 RM'000	2013 RM'000
Minimum hire purchase payments:-		
- Within 1 year	278	0
- Later than 1 year and not later than 2 years	277	0
- Later than 2 years and not later than 5 years	648	0
Total contractual undiscounted cash flows	1,203	0
Future finance charges	(148)	0
Present value of hire purchase payables:-		
- Within 1 year	219	0
- Later than 1 year and not later than 2 years	232	0
- Later than 2 years and not later than 5 years	604	0
	<u>1,055</u>	<u>0</u>

The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**13. LOANS AND BORROWINGS - SECURED (cont'd)****Term Loans**

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Gross loan instalments:-				
- Within 1 year	3,382	8,362	84	84
- Later than 1 year and not later than 2 years	3,230	1,184	35	84
- Later than 2 years and not later than 5 years	1,179	1,013	0	38
Total contractual undiscounted cash flows	7,791	10,559	119	206
Future finance charges	(772)	(781)	(9)	(25)
Present value of term loans:-				
- Within 1 year	2,915	7,734	77	71
- Later than 1 year and not later than 2 years	3,001	1,074	33	74
- Later than 2 years and not later than 5 years	1,103	970	0	36
	7,019	9,778	110	181

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

**14. DEFERRED TAX LIABILITIES**

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance at 1 January	3,357	3,294	13	7
Deferred tax expense/(income) recognised in:-				
- Profit or loss	55	(6)	13	6
- Other comprehensive income	1,331	83	0	0
Deferred tax liabilities under/(over) provided in prior year	44	(14)	0	0
Balance at 31 December	4,787	3,357	26	13
In respect of taxable/(deductible) temporary differences of:-				
- Property, plant and equipment	4,798	3,414	2	3
- Investment properties	57	43	24	10
- Inventories	(10)	(36)	0	0
- Financial instruments	(58)	(64)	0	0
	4,787	3,357	26	13

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**14. DEFERRED TAX LIABILITIES (cont'd)**

Save as disclosed above, as at 31 December 2014, 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 RM762,000 (2013 : RM716,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances and unused tax losses over the taxable temporary differences as follows:-

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Unused capital allowances	10,436	10,429
Unused tax losses	33,042	32,952
Taxable temporary differences of:-		
- Property, plant and equipment	(9)	0
- Investment properties	(3,039)	(2,862)
	40,430	40,519

**15. SHARE CAPITAL**

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised:-		
100,000,000 ordinary shares of RM1.00 each	100,000	100,000
Issued and fully paid-up:-		
49,620,000 ordinary shares of RM1.00 each	49,620	49,620

**16. NON-CONTROLLING INTERESTS ("NCI")**

The Group

	<b>Accumulated NCI</b>		<b>Profit/(Loss) Allocated to NCI</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Master-Pack Labs Sdn. Bhd.	(9)	(8)	(1)	(1)
Master-Pack Energy Sdn. Bhd.	(19)	19	(38)	5
Ocean Garden Seafood Products Sdn. Bhd.	(6)	(4)	(2)	(1)
	(34)	7	(41)	3

The details of the subsidiaries that have NCI are as follows:-

<b>Name of Subsidiary</b>	<b>Principal Place of Business/ Country of Incorporation</b>	<b>Effective Ownership Interest Held by NCI</b>		<b>Principal Activity</b>
		<b>2014</b>	<b>2013</b>	
Master-Pack Labs Sdn. Bhd.	Malaysia	32%	32%	Inactive
Master-Pack Energy Sdn. Bhd.	Malaysia	40%	40%	Trading of industrial diesels and additives
Ocean Garden Seafood Products Sdn. Bhd.	Malaysia	47%	47%	Inactive

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**16. NON-CONTROLLING INTERESTS ("NCI") (cont'd)**

The summarised financial information of the above subsidiaries is as follows:-

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	32	39
Current assets	192	464
Non-current liabilities	0	(2)
Current liabilities	(334)	(509)
Net liabilities	(110)	(8)
Revenue	59	1,748
(Loss)/Profit (representing total comprehensive income)	(102)	7
Net cash (used in)/from operating activities	(23)	230
Net cash used in investing activities	0	(3)
Net cash used in financing activities	(116)	(30)
Net cash (outflow)/inflow	(139)	197

**17. REVENUE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Sale of goods	76,488	68,834	0	0
Rendering of services	0	0	1,968	1,968
Dividend income from:-				
- Investments in subsidiaries	0	0	2,750	2,006
- Quoted investments in Malaysia	5	5	5	5
Rental income from investment properties	78	85	78	85
	<u>76,571</u>	<u>68,924</u>	<u>4,801</u>	<u>4,064</u>

**18. EMPLOYEE BENEFITS EXPENSE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits	8,633	8,028	980	914
Defined contribution plan	742	676	74	68
	<u>9,375</u>	<u>8,704</u>	<u>1,054</u>	<u>982</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

19. PROFIT BEFORE TAX

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax is arrived at after charging:-				
Auditors' remuneration	86	85	22	22
Direct operating expenditure for investment properties:-				
- Generating rental income	10	10	10	10
- Not generating rental income	57	63	0	0
Directors' remuneration:-				
- Fee	175	160	172	157
- Other emoluments	1,090	1,005	394	375
Fee expense for financial instruments not at fair value through profit or loss	78	90	2	10
Impairment loss on available-for-sale financial assets	0	22	0	22
Impairment loss on investments in subsidiaries*	0	0	83	0
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	79	1,493
- Unrelated parties	170	112	0	0
Interest expense for financial liabilities not at fair value through profit or loss	1,091	1,319	6	105
Inventories written down	75	144	0	0
Loss on dissolution of subsidiary	12	0	0	0
Property, plant and equipment written off	0	3	0	1
Rental of equipment	4	4	0	0
Rental of premises	121	63	10	9
and crediting:-				
Gain on derecognition of available-for-sale financial assets	39	0	39	0
Gain on disposal of property, plant and equipment	0	3	0	0
Gain on fair value adjustment of investment properties	280	0	280	0
Interest income for financial assets not at fair value through profit or loss	20	151	0	0
Realised gain on foreign exchange	6	1	0	0
Revaluation increase of properties	62	0	0	0
Reversal of impairment loss on loans and receivables	0	3	0	0
Reversal of inventories written down	48	0	0	0

\* Included in other expenses

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**20. TAX EXPENSE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax based on results for the year:-				
Malaysian income tax	1,421	1,306	219	248
Deferred tax	55	(6)	13	6
	<u>1,476</u>	<u>1,300</u>	<u>232</u>	<u>254</u>
Tax (over)/under provided in prior year:-				
Malaysian income tax	(56)	0	(8)	10
Deferred tax	44	(14)	0	0
	<u>1,464</u>	<u>1,286</u>	<u>224</u>	<u>264</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit before tax	<u>6,297</u>	<u>6,009</u>	<u>3,601</u>	<u>1,208</u>
Tax at applicable tax rate of 25%	1,574	1,502	900	302
Non-taxable income	(56)	(11)	(698)	(502)
Non-deductible expenses	357	243	86	444
Expenses eligible for double deduction	(5)	(5)	0	0
Reinvestment allowances claimed	(316)	(472)	0	0
Decrease in unrecognised deferred tax assets	(22)	0	0	0
Effect of differential tax rates	(56)	43	(56)	10
Tax (over)/under provided in prior year	(12)	(14)	(8)	10
Tax expense	<u>1,464</u>	<u>1,286</u>	<u>224</u>	<u>264</u>

**21. EARNINGS PER SHARE**

The Group

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

	<b>2014</b>	<b>2013</b>
Profit for the financial year attributable to owners of the Company (RM'000)	<u>4,874</u>	<u>4,720</u>
Weighted average number of shares in issue ('000)	<u>49,620</u>	<u>49,620</u>
Basic earnings per share (sen)	<u>9.82</u>	<u>9.51</u>

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 2014 (CONT'D)

22. NOTES TO STATEMENT OF CASH FLOWS

Purchase of Property, Plant and Equipment

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cost of property, plant and equipment purchased	3,627	969	8	0
Amount financed through hire purchase	(1,191)	0	0	0
Net cash disbursed	2,436	969	8	0

Cash and Cash Equivalents

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and cash equivalents	4,533	3,982	421	392
Bank overdrafts	(2,272)	(1,294)	0	0
	2,261	2,688	421	392

23. RELATED PARTY DISCLOSURES

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Key management personnel compensation:-				
- Short-term employee benefits	1,974	1,855	544	511
- Defined contribution plan	153	134	22	21
	2,127	1,989	566	532
Dividends declared from subsidiaries	0	0	2,750	2,006
Management fee charged to subsidiaries	0	0	1,968	1,968
Purchase of goods from subsidiary	0	0	2	1
Sale of goods to associate	3,310	2,937	0	0
Sale of goods to other related parties*	34	1,777	0	0
Waiver of debts owing by subsidiary	0	0	0	3,218

\* Being companies in which a director has substantial financial interests

24. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**24. SEGMENT REPORTING (cont'd)**

The Group (cont'd)

**Geographical Information**

Information about geographical areas has not been reported separately as the Group operates and generates revenue principally within Malaysia.

**Major Customer**

For the financial year ended 31 December 2014, there was 1 (2013 : 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 RM16,683,000 (2013 : RM18,795,000).

**25. COMMITMENT FOR PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

The Group

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Contracted but not provided for	471	1,810

**26. Contingent Liabilities**

The Company

**Pledge of Properties - Secured**

The Company is contingently liable up to a limit of RM1,800,000 (2013 : RM1,632,000), being the total carrying amount of its certain investment properties which have been pledged as security for credit facilities granted to a subsidiary.

**Financial Guarantees - Unsecured**

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM49,000,000 (2013 : RM47,000,000). The total utilisation of these credit facilities as at 31 December 2014 amounted to approximately RM15,235,000 (2013 : RM16,221,000).

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 2.10. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

**27. FINANCIAL RISK MANAGEMENT**

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**27. FINANCIAL RISK MANAGEMENT (cont'd)****Credit Risk**

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 26.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

**Liquidity Risk**

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

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

**Currency Risk**

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk.

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

	<b>The Group</b>	
	<b>Increase/ (Decrease) in Profit</b>	<b>Increase/ (Decrease) in Profit</b>
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Appreciation of USD against RM by 10%	(41)	(111)
Depreciation of USD against RM by 10%	41	111
	41	111

**Interest Rate Risk**

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**27. FINANCIAL RISK MANAGEMENT (cont'd)****Interest Rate Risk (cont'd)**

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	Increase/ (Decrease) in Profit
	2014	2013
	RM'000	RM'000
Increase in interest rates by 50 basis points	(43)	(52)
Decrease in interest rates by 50 basis points	43	52

**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			
	2014		2013	
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in OCI	Increase/ (Decrease) in Profit	Increase/ (Decrease) in OCI
	RM'000	RM'000	RM'000	RM'000
Increase in FBMKLCI by 10%	0	32	0	35
Decrease in FBMKLCI by 10%	0	(32)	(1)	(34)

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 (CONT'D)

**28. CAPITAL MANAGEMENT**

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

The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity. The Group's strategy is to maintain the ratio at below 1 : 1 as follows:-

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Total loans and borrowings	14,757	15,375
Total equity	63,105	53,641
Total capital	77,862	69,016
Debt-to-equity ratio	0.23 : 1	0.29 : 1

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

**29. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

On 3 April 2015, the Company increased its issued and fully paid-up share capital from RM49,620,150 to RM54,620,150 by a private placement of 5,000,000 new ordinary shares of RM1.00 each at par, for cash.

**SUPPLEMENTARY INFORMATION - REALISED AND UNREALISED PROFITS OR LOSSES**

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total accumulated losses of the Company and its subsidiaries:-				
- Realised	(36,392)	(41,272)	(29,657)	(32,767)
- Unrealised	(11)	(128)	607	340
	<u>(36,403)</u>	<u>(41,400)</u>	<u>(29,050)</u>	<u>(32,427)</u>
Total share of retained profits of associate:-				
- Realised	212	181	0	0
- Unrealised	0	0	0	0
	<u>(36,191)</u>	<u>(41,219)</u>	<u>(29,050)</u>	<u>(32,427)</u>
Consolidation adjustments and eliminations	42,206	42,167	0	0
Total retained profits/(accumulated losses) as per statement of financial position	<u>6,015</u>	<u>948</u>	<u>(29,050)</u>	<u>(32,427)</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 2014

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
<b>Properties</b>									
1	Lot No. 408, Mukim 7, S.P.S., Penang.	Industrial Land & Factory Building	125,855 sq ft	7.17 acres	Factory for manufacturing facilities	Freehold	19	L:RM3,400,000 B:RM9,165,000	31-Dec-14
2	Plot No. 13 and 14 Mukim 5, S.P.S., Penang.	Industrial Land & Factory Building	72,174 sq ft	2.5 acres	Factory for manufacturing	Freehold	14	L:RM980,000 B:RM5,000,000	31-Dec-14
3	Lot 1270, Section 66, Kuching Town Land District, Kuching, Sarawak.	Industrial Land & Factory Building	83,699 sq ft	4.05 acres	Factory for manufacturing facilities	Leasehold land Expiring in 2035	22	L:RM5,700,000 B:RM4,300,000	31-Dec-14
<b>Investment Properties</b>									
4	Lot 3527, Mukim of Kuala Kurau, Daerah Krian, Perak.	Industrial Land & Factory Building	12,600 sq ft	39,476 sq ft	Factory for manufacturing facilities, suspended operations	Freehold	24	L:RM235,000 B:RM115,000	31-Dec-14
5	Lot 10056 to 10063 Mukim of Parit Buntar Daerah Krian, Perak.	Industrial Land & Factory Building	99,832 sq ft	133,291 sq ft	Vacant and for investment purposes	Freehold	17	L:RM1,330,000 B:RM7,950,000	31-Dec-14
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 purposes	Freehold	19	B:RM2,870,000	31-Dec-14
7	Lot No. 9645/166398 share of Lot. No. 8224 Mukim of Parit Buntar District of Kerian, Perak.	Agricultural Land	Not applicable	20.21 acres	Vacant and for investment purpose	Freehold	Not applicable	L:RM1,220,000	31-Dec-14

L : Land

B : Building

**ANALYSIS OF SHAREHOLDINGS**

AS AT 31 MARCH 2015

**DISTRIBUTION OF SHAREHOLDER AS AT 31 MARCH 2015**

No. of Holders	Holdings	Total Holdings	%
296	Less Than 100	13,376	0.03
123	100 - 1,000	71,232	0.14
1,435	1,001 - 10,000	4,343,772	8.76
276	10,001 – 100,000	8,814,131	17.76
47	100,001 and below 5% of issued shares	17,830,639	35.93
3	5% and above of issued shares	18,547,000	37.38
2180	TOTAL	49,620,150	100

**DIRECTORS' SHAREHOLDINGS**

Name of Director	Direct Interest	%	Deemed Interest	%
Dato' Syed Mohamad Bin Syed Murtaza	-	-	-	-
Dato' Seri Khor Teng Tong	752,900	1.51	1,127,000 <sup>(1)</sup>	2.31
Aminuddin Bin Saad	10,002	0.02	-	-
Chew Hock Lin	-	-	-	-
Dr. Junid Bin Abu Saham	-	-	-	-
Nazriah Binti Shaik Alawdin	-	-	-	-

Note :

<sup>(1)</sup> Deemed interest by virtue of his shareholding in Khor Teng Tong Holdings Sdn. Bhd.**SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

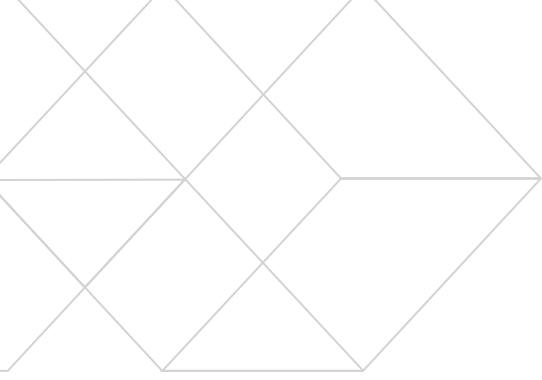
Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Yayasan Bumiputra Pulau Pinang Bhd.	15,872,000	31.99	-	-
Chin Siew Yoong	2,675,000	5.39	-	-

## ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2015 (CONT'D)

### LIST OF TOP 30 SHAREHOLDERS

NO	NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
1	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR YAYASAN BUMIPUTRA PULAU PINANG BHD.. (PEN)	9,500,000	19.15
2	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HDM CAPITAL SDN. BHD. FOR YAYASAN BUMIPUTRA PULAU PINANG BHD.	6,372,000	12.84
3	JF APEX NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHIN SIEW YOONG (MARGIN)	2,675,000	5.39
4	TEO KWEE HOCK	1,695,100	3.42
5	JF APEX NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI (MARGIN)	1,508,100	3.04
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HDM CAPITAL SDN. BHD. FOR CH'NG ENG SEONG	1,235,900	2.49
7	KHOR TENG TONG HOLDINGS SDN. BHD.	1,127,000	2.27
8	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR TK KHOR & ASSOCIATES SDN. BHD.	1,000,000	2.02
9	KHOR TENG TONG	752,900	1.52
10	LINDA TEH SWEE LIAN STEINER	652,000	1.31
11	YIK PHOOI HAR	650,000	1.31
12	LINDA TEH SWEE LIAN STEINER	606,300	1.22
13	KHOR CHING WEE	491,000	0.99
14	TAN BOO NAM	433,511	0.87
15	CH'NG ENG SEONG	400,000	0.81
16	KOO SIEW KENG	384,000	0.77
17	CHENG LEE WAH	365,200	0.74
18	TK KHOR & ASSOCIATES SDN. BHD.	350,078	0.71
19	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR YEW TEK HOON (E-BMM)	337,400	0.68
20	NG SWEE YONG	314,000	0.63
21	UNG PENG JOO	302,000	0.61
22	KHOR CHEW WAN	268,250	0.54
23	TEH AH GIM	261,200	0.53
24	LEE KAY HUAT	225,000	0.45
25	SIEOW CHONG SENG	222,400	0.45
26	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR TAN CHEE WOOL (E-PPG)	222,000	0.45
27	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: ALEX CHAN YEE LUP	200,400	0.40
28	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR SOH MAN TONG	200,000	0.40
29	KHOR AH YEAM	200,000	0.40
30	NG KIANG HWA	200,000	0.40



MASTER-PACK GROUP BERHAD (297020-W)

*This page is intentionally left blank.*

**PROXY FORM**

\*I/We, \_\_\_\_\_ \*NRIC No./ Passport No./ Company No. \_\_\_\_\_ of  
(Full Name in Block Letters)

\_\_\_\_\_ being a member/members of the abovenamed Company,  
(Address)

hereby appoint \_\_\_\_\_ \*NRIC No./ Passport No./ Company No. \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_ or failing whom, the Chairman  
(Address)

of the Meeting as \*my/our proxy to vote for \*me/us on \*my/our behalf at the 21<sup>st</sup> Annual General Meeting of the Company to be held at Master-Pack Sdn. Bhd., 1574, Jalan Bukit Panchor, 14300 Nibong Tebal, S.P.S. Penang on Friday, 29 May 2015 at 11.30 a.m. and at any adjournment thereof.

No.	Resolutions	FOR	AGAINST
1.	To re-appoint Dr. Junid Bin Abu Saham as a Director.		
2.	To re-appoint Dato' Seri Khor Teng Tong as a Director.		
3.	To re-appoint Mr. Chew Hock Lin as a Director.		
4.	To re-elect Dato' Syed Mohamad Bin Syed Murtaza as a Director.		
5.	To approve the increase and the payment of Directors' Fees.		
6.	To re-appoint Messrs. Crowe Horwath as auditors of the Company.		
7.	To authorise the Directors to issue shares pursuant to Section 132D of Companies Act, 1965.		
8.	To obtain a renewal of shareholders' mandate for recurrent related party transactions.		
9.	To retain Mr. Chew Hock Lin as an Independent Non-Executive Director.		
10.	To retain Encik Aminuddin Bin Saad as an Independent Non-Executive Director.		

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 \_\_\_\_\_, 2015.

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

**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, 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. 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 authorized 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 authorized.
- (6) In respect of deposited securities, only a depositor whose name appear on the Record of Depositors on 25 May 2015 shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.

Fold this flag sealing

---

2nd fold here

---

Stamp

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

1st fold here

---

**MASTER-PACK GROUP BERHAD** 297020-W

1574, Jalan Bukit Panchor,  
14300 Nibong Tebal, S.P.S. Penang.

Tel : (04)-593 1550

Fax : (04)-593 9034

Website : [www.master.net.my](http://www.master.net.my)

