



MASTER-PACK

GROUP BERHAD 297020-W

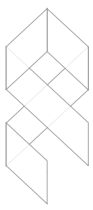
Creating Value
Sustaining Growth

annual report 2016



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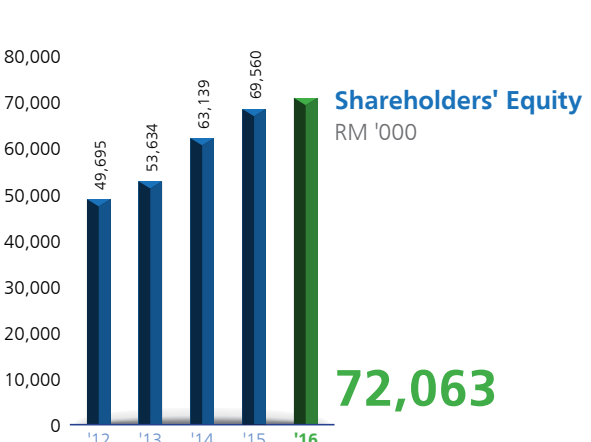
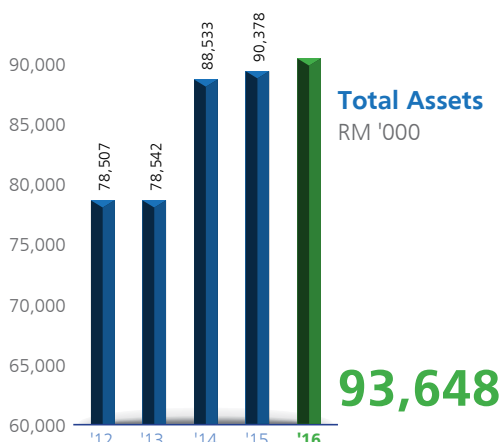
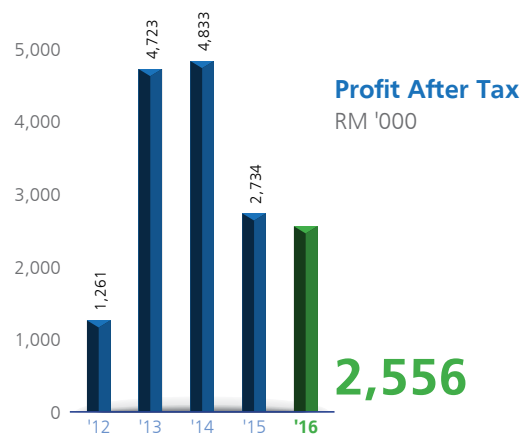
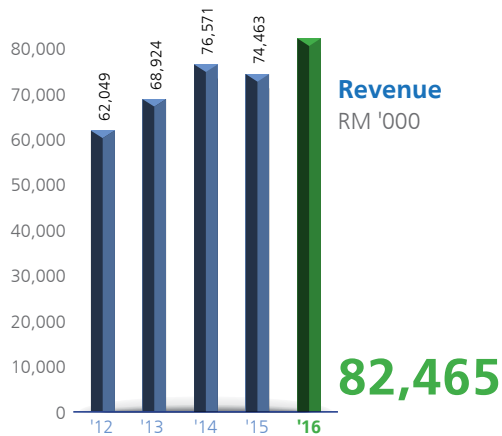
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Group Financial Highlights

Year Ended 31 December

	2012	2013	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	62,049	68,924	76,571	74,463	82,465
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	5,841	9,516	9,736	7,193	7,132
Profit Before Tax	1,874	6,009	6,297	3,736	3,512
Profit After Tax	1,261	4,723	4,833	2,734	2,556
Net Profit Attributable to Owners of the Company	1,252	4,720	4,874	2,872	3,067
Total Assets	78,507	78,542	88,533	90,378	93,648
Total Borrowings	20,539	15,375	14,757	8,938	11,069
Shareholders' Equity	49,695	53,634	63,139	69,560	72,063
Capital Expenditure	1,120	969	2,436	2,687	1,182
Earnings per share	2.52 sen	9.51 sen	9.82 sen	5.38 sen	5.62 sen
Net Assets per share	RM 1.00	RM 1.08	RM 1.27	RM 1.27	RM 1.32





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*



PRINCIPAL BANKERS

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

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

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.

REGISTERED OFFICE

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

STOCK EXCHANGE LISTING

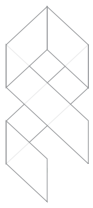
Bursa Malaysia Securities Berhad, Main Market

SHARE CAPITAL

Issued & Paid-Up	: RM54,620,150
Class of Share	: Ordinary shares
Voting Right	: One voting right for one ordinary share
Number of Shareholders	: 2103

WEBSITE

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



Chairman's Statement



DEAR SHAREHOLDERS,

This year in 2017,
Master-Pack Group Berhad
enters its twentieth year
since listing.

Since 1997, the group has evolved through difficult years of economic downturn and financial crisis to become a stronger group of companies focus primarily in the packaging industry. Reflecting back on its growth and evolution, Master-Pack has accomplished many notable milestones including merit awards of recognition in the last 10 years under my watch. Notable corporate milestones in the last 10 years -

- Private Placement of RM5 million to redeem banking facilities, saving interest expense for the group
- Patented innovation in manufacturing the "QUADWALL" which is a registered trade mark and patent in the company's name in many countries
- Closing down the loss making companies or the Seafood Division companies
- Breaking the barrier of past losses to become a profitable group of companies
- Rebranding the name to "Master-Pack" group of companies
- Silver Award of Excellence by the Federation of Malaysian Manufacturers in 2015
- Best Brand Award in Packaging by The Brandlaureate
- Excellent Supplier globally by a customer
- Top Overall Small Capital Corporate Governance by Minority Shareholders Watchdog Group for 3 years running

Undoubtedly, this could not have happened without the support of Master-Pack's loyal customers that have supported us to grow from strength to strength until its present day. In the year 2016, we have achieved an increase revenue of 10.7% as shown in page 8 of the Management Discussion and Analysis. The increase is no mean feat, as through the year 2016, we had work alongside our customers to maintain the selling prices to almost all customers sharing the challenges of market conditions as well as compliance to changes in regulations imposed by the government.

With the increasingly challenging market conditions and competitive industry landscape in recent times, the packaging industry is facing continuous margin compression. It is not surprising that many SME's including some of the larger companies had faltered in the year 2016 when multiple economic events affected the health and growth of their business. We still remain profitable albeit a drop of 6% compared to last year and the small drop in the profitability is to be expected bearing in mind that we had not made adjustments to the selling price of customers to maintain our market share on top of absorbing the additional costs the market and regulations insists upon us.



We have always upheld ethical standards in the way we do business and have communicated our vendor evaluation criteria and ethical standards to those vendors that supply us. Together with my board members, we are committed to building trust and confidence with all stakeholders by upholding exemplary corporate governance and conduct. Our Business Code of Conduct and Whistle Blowing policy is accessible in the company website. The same ethical standard is explained and sign by new recruits during induction when joining the company.

Against the challenging macro environment such as escalating commodity prices, weakening Malaysian Ringgit, increasing labour cost and other adversities, the group had demonstrated its resilience in the last 2 years. I am confident that with the help of my fellow board members and management team, we will continue to be able to drive the group forward this year.

Forward Looking

Twenty years for a company in my consideration is considered a very young establishment and as such the group has the potential to grow in the coming years. The management team age as seen in the charts in page 14 are being groomed and will hopefully become the potential leaders of tomorrow.

The group will remain focus on its core competencies and continue with its growth strategies in the pursuit of product innovation for better products and services. The group shall continue to benchmark and inculcate good corporate governance and sound risk management practices as the corner stone in which all world class companies are built and consequently towards a sustainable future for Master-Pack.

To be able to move up to another notch in terms of productivity and efficiency as well as to innovate and improve on customized designs which is researched and developed in-house, we are planning to invest into the latest technology trend in machinery to supplement our manufacturing processes. This will ensure that the group is current and able to meet customer's expectation by delivering in a very short lead time.

Dividends

For the financial year ended 31 December 2016, a single tier interim dividend of 1.0% amounting to RM546,201.50 was paid on 10 June 2016. The total dividend paid during the year 2016 is 1.0% compared to 2.5% dividend paid in the last financial year 2015.

Acknowledgement and Appreciation

To our shareholders, I sincerely appreciate your trust, confidence and continual support that you have placed in Master-Pack.

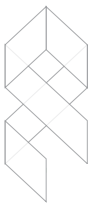
To our customers, thank you for your support and I assure you that Master-Pack is committed to be a business vendor-partner that can be relied for customised, innovative, quality products and superior services.

To all my Master-Pack employees especially the management team, your commitment and dedication has contributed to our success to bring the group through this 20 years journey. I say "well done" again for consistently making the effort to make Master-Pack a brand recognise for quality excellence.

Not forgetting my fellow team of Board members who work alongside with me setting exemplary high performance standards and contributing positively in the Board meetings, my deepest gratitude and appreciation.

Dato Syed Mohamad bin Syed Murtaza

Group Executive Chairman



Management Discussion and Analysis

AN OVERVIEW OF MASTER-PACK GROUP BERHAD BUSINESS OPERATIONS

Master-Pack Group Berhad (“MPG”) and its subsidiaries are primarily engaged in the business of manufacturing corrugated cartons and providing one-stop packaging solutions to its customers. The Master-Pack Group of companies has over the last 26 years, made a name for itself as an innovative niche market player in the packaging industry.

The two main company subsidiaries’ packaging plants are located in NibongTebal and Sungai Baong, Penang under Master-Pack Sdn Bhd that serves West Malaysia, and Master-Pack (Sarawak) Sdn Bhd located in Kuching, Sarawak serves the East Malaysian market and Brunei.

MISSION AND VISION

Our vision is to be the “Preferred Total Packaging Solutions Provider”. Our mission statement is “We are in the Business of Providing Total Packaging Solutions in Partnership with Our Customers”.

The vision and mission are communicated internally through various mechanisms within the company such as the employee handbook to all employees within the Group.

CORE VALUES

- EXCEL IN SERVING OUR CHOSEN MARKETS

We specialize in customized packaging and as such we attend to customers and work closely to understand the pertinent needs to that customer, wherever possible, in order to innovate packaging best suited for each individual customer. We are a customer focused company as evidenced by our total concentration in one area of industry that is customized packaging solution for our customers. We do not sell retail products to public customers as such our website only states details where each of our companies may be contacted.

- DELIVER HIGH QUALITY AND VALUED PRODUCTS TO OUR CUSTOMERS

Our strength lies in being professionally knowledgeable in many aspects of the business such as in design, in suitable materials and reengineering. We are one of the pioneers to obtain accreditation for ISO 14001:2004 Environment Management System signifying our commitment in doing what we think is ethically right from the start. We serve domestic and international customers adhering to high standards, conditions and structures demanded by multi-national customers.

- CARE FOR THE WELFARE OF OUR EMPLOYEES

The Group take 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 i.e. company annual dinners to inculcate a culture of inclusiveness which encourages employees to mingle freely and cohesively to nurture team spirit and synergy.

As part of “work life benefits” provided by the group, employees are allowed two days paternity leave per year up to the fifth child and a maximum of six days exam leave for those motivated to gain professional qualifications. Two days compassionate leave is also provided for bereavement on the demise of the spouse, parent, grandparent, brother, sister or child of the employee including in-law.

- SERVE THE INTERESTS OF OUR SHAREHOLDERS AND STAKENOLDERS

It is our core value that we serve the best interests of all parties who are concerned with and have interest in Master-Pack’s continuous growth of business and well-being. We are focused on serving the interests of our shareholders who are after all, the owners of the company. Our shareholders are primarily interested in the return of their investments in terms of Master-Pack’s profitability or dividends distributed. In a nutshell, our shareholders are interested in us, maximizing their shareholders value whilst the other stakeholders are very interested in the total well-being of our company.



CORE VALUES (cont'd)

- CONTRIBUTE TO OUR SOCIETY

The Group believes in interacting with the community in which it operates its business. It has been our practice and our corporate social responsibility of offering people living around us as the first right of refusal to work for our production facilities

PRODUCTS AND SERVICES

Corrugated cartons manufactured by MPG plants are fully recyclable products. Please refer to the Group website www.master.net.my to pre-view samples of the various models of corrugated products manufactures by our company.

Our packaging is designed holistically with the product of our clients in mind 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 the packaging itself. We work to ensure our packaging meets market criteria for performance and cost as well as qualitatively meeting our customer's choices and expectations.

Services provided to our current customers include one stop packaging solution, warehousing as well as Vendor Managed Inventory.

BUSINESS SUSTAINABILITY

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 on the goods the package covers. There are many types and forms of packaging using different materials.

Packaging using paper is by and large 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. Corrugated materials can also be made into other usable articles such as paper plates and cups and even furniture.

Packaging using corrugated cartons has attracted much interest lately as the public is now more aware and more informed of the dangers that affect the ozone, the contamination and depletion of natural resources and the warming of the planet earth. So these well-informed buyers' trend towards using recyclable packaging embracing sustainable activities; and henceforth corrugated packaging is one of the preferred options selected.

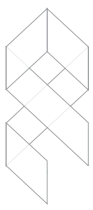
Packaging using corrugated cartons is the natural alternate material in place of other forms such as plastic, foams, wooden crates and metal. Consumer awareness and preferred selection on sustainable packaging continues to provide the drive and the momentum of the entire corrugating packaging industry.

OPERATION AND FINANCIAL RISK

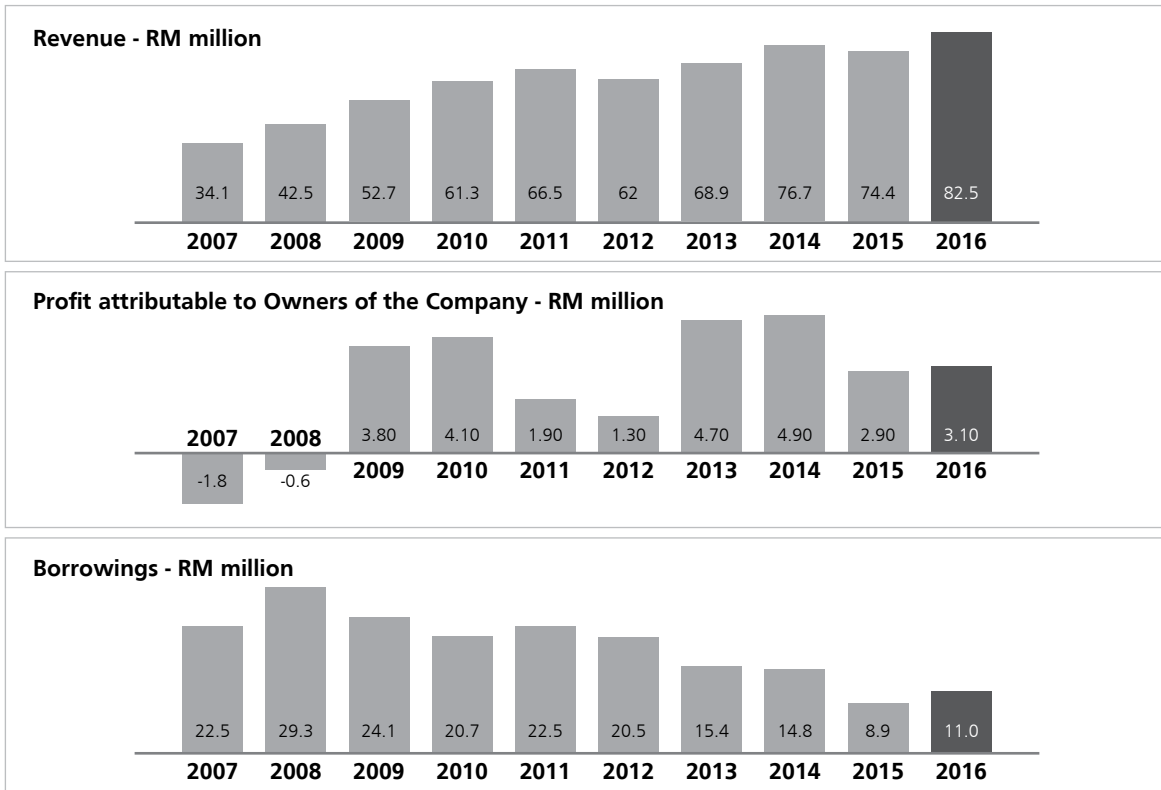
Corrugated original raw material comes from trees, which are managed through careful replanting and other responsible forest management practices. Long-term renewal of these resources brings the first, natural ingredient of corrugated to the paper mills in a continuous cycle that assures a steady supply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

In keeping with MPG Sustainable Policy and our Corporate Social Responsibility, our suppliers are assessed on price, quality, timely delivery and practical 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 fulfills the Forest Stewardship Council standards and other related legislation. Our manufacturing paper wastes are sold back to the paper mills for recycling.

The main challenge in our operations is to ensure a consistently high volume of sales. The management has embarked on a program to widen its sales base to cover various industry sectors and not to rely heavily on any single industry. Currently the group's turnover is spread over a multitude of industries with the top five leading industries being solar energy, food-beverage & agro based, electronics & electrical, converter and ceramics. Furthermore, as it turns out products manufactured by the company are patented, thus providing the added advantage to us over the competitors.



THE GROUP'S FINANCIAL PERFORMANCE FOR THE PAST TEN YEARS



Master-Pack Group has strived relentlessly since our Group Executive Chairman, Dato' Syed Mohamad bin Syed Murtaza took charge of the Group's affairs in 2004 to arrive at its current position where revenue has grown from RM34.1 million in 2007 to RM82.5 million in 2016. Results Attributable to Owners of the Company is at a profit of RM3.1million compared to a loss of RM1.8million in 2007. Borrowings was brought down from RM22.5 million to RM11.0 million. Loss making operations were discontinued and unutilized investment properties were divested. The funds derived plus fresh funds from private placements were used to pay-off long term borrowings. With the savings in interest and borrowings and improved efficiencies and productivity from its core business of packaging has resulted in a much leaner operating environment.

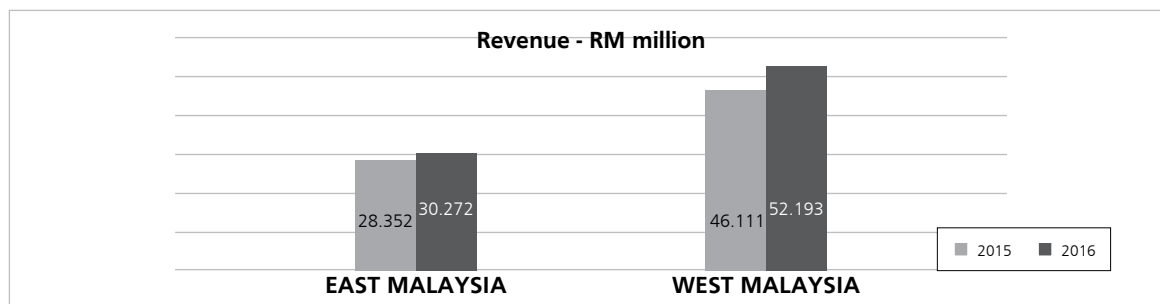
COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2016

From the Statement in Consolidated Statement of Comprehensive Income (Page 46), the change against the previous financial year is tabulated as follows:-

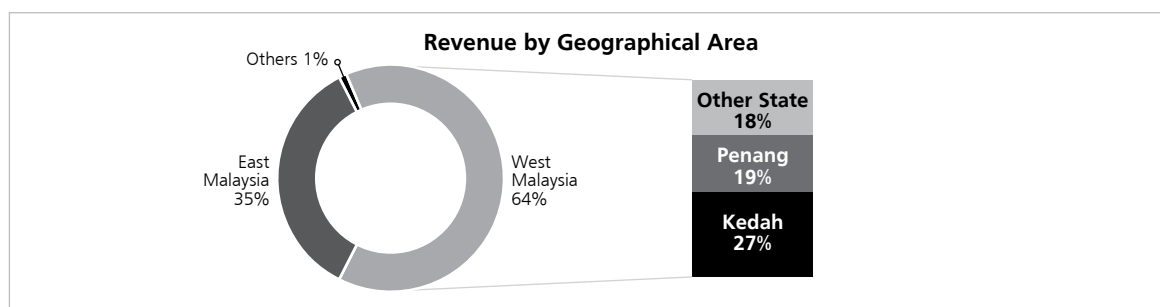
	Change RM'000	%
Revenue	8,002	10.7%
Raw materials, consumables and related input cost	5,552	11.2%
Employee benefits expense	1,139	12.1%
Other expenses	1,845	21.0%
Other income	(473)	-110.8%
	8,063	
Change in EBITA	(61)	
Depreciation	199	7.2%
Finance Cost	(36)	-5.3%
Change in Profit Before Tax	(224)	
Taxation	(46)	-4.6%
Change in Profit After Tax	(178)	

COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2016 (cont'd)

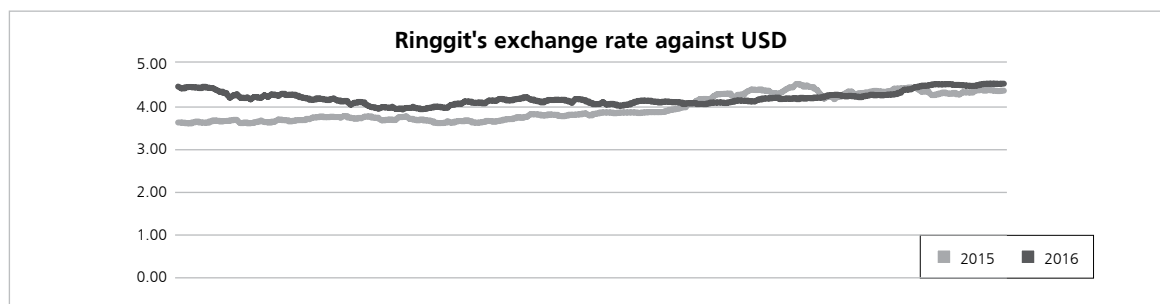
Total revenue for the year 2016 increased by RM8.0 million or 10.7 percent compared to the previous year mainly contributed by the packaging plants in Penang, West Malaysia. Growth for West Malaysia was better at 13.2 percent higher due to new customers secured during the year while growth for East Malaysia was 6.8 percent from higher deliveries to its existing customers.



For the year 2016, the Group only serves the Malaysian market of which 35 percent was from East Malaysia and 64 percent from West Malaysia and just 1 percent to Brunei. For West Malaysia, the largest is from the state of Kedah (27 percent), Penang (19 percent) and from all the other states of West Malaysia making up a total of 18 percent.



Subsequent to the weakening of the Malaysian Ringgit from 2015, earnings dropped due to higher cost of raw materials. The Ringgit traded between RM3.87 and RM4.49 in 2016 as compared to RM3.51 and RM4.47 in 2015 which translate to an increase of 6 percent on the cost of imported raw materials in 2016 as well as increase in prices by local suppliers.



Total input material and related cost increased by 11.2 percent and labor cost increased by 12.1 percent which reflect in tandem to the increase in revenue while other expenses increased by 21.0 percent. This is due to increase in cost of natural gas and transportation cost due to increase in oil and diesel prices. Maintenance cost also increased substantially as both packaging plants and machinery in both East and West Malaysia are aging.

Included in Other income is RM312,000 being gain from loss of control of a subsidiary (Refer to Note 6 of the Financial Statements) and RM200,000 insurance claim for stocks damaged due to floods in Kuching in January 2016.

Depreciation increased by 7.2 percent while finance cost decreased by 4.6 percent, having settled older long term loans that carried higher interest rates.

All in Profit After Tax decreased by RM178,000 or 6.5 percent. Taxation for the year 2016 is lower due to income tax rate at 24 percent instead of 25 percent for 2015.



Management Discussion and Analysis (cont'd)

Financial Position of the Group

	2015 RM'000	2016 RM'000	Change RM'000	%
Non-current Assets	53,133	52,452	(681)	-1.3%
Current Assets	37,245	41,196	3,951	10.6%
Borrowings	8,938	11,069	2,131	-23.8%

Non-current Assets comprised properties, plant and equipment and other long term investments. New machinery amounting to RM1.2 million were added during the year to replace retired machinery and the reduction in book value is due to depreciation.

Included in current assets is Inventories amounting to RM11.2 million as at 31 December 2016 against RM9.5 million the previous year, an increase of RM1.7 million due to higher level of raw material stocks as more materials have been brought in during the last quarter of 2016, in anticipation of worldwide material shortages which has resulted in higher prices from suppliers as well as stronger US dollar conversion. Total tonnage for stocks was 16 percent higher while value increased by 20 percent.

Trade Receivables are managed well at RM21.7 million as at 31 December 2016 as compared to RM21.0 million as at 31 December 2015 despite the increase in revenue.

There is an increase in prepayment of RM1.0 million being deposit paid for new machinery that will be delivered in 2017.

The significant increase in borrowings were mainly due to an increase of RM1.7 million under hire-purchase agreements for purchase of new machinery and an increase of RM2.3 million in trade loans for purchases of raw materials.

Cash-flow

	2015 RM'000	2016 RM'000	Change RM'000	%
Net cash from operating activities	6,383	2,359	(4,024)	-63.0%
Net cash used in investing activities	(2,601)	(1,486)	1,115	42.9%
Net cash (used in)/from financing activities	(3,527)	1,182	4,709	133.5%
Net increase in cash and cash equivalents	255	2,055	1,800	

Cash flow from operating activities for the year ended 31 December 2016 was RM2.4 million as compared to RM6.4 million in the previous year. This was mainly due to higher stock-holding and receivables as at 31 December 2016. The Group is taking some cautious measures in meeting possible shortages of raw materials in the world market and any possibility in delay in receiving raw materials. It is the Group's commitment to ensure demand by customers are met as required.

Lower cash used in investing activities due to capital expenditure in 2016 of was RM1.2 million compared to RM2.7 million in 2015.

In 2015 RM5.0 million was raised from private placements to pay off a long term loan. Net cash used in financing activities for 2015 was RM3.5 million while net cash from financing activities in 2016 was RM1.2 million derived from increase in short-term borrowings, hire-purchase proceeds and issuance of shares by a subsidiary and lower payment of dividend at RM 0.5 million compared to RM1.4 million in 2015.

LOOKING AHEAD

The Malaysian economy saw great challenges during the last two years with volatility in commodity prices, crude oil and CPO in particular, and the Malaysian Ringgit being battered down against the world's most in demand currency, the US dollar and other currencies. The Group was not spared or shielded from these adversities, but the Group was able to overcome these challenges by monitoring very closely the fluctuation of currencies exchange rates and taking preemptive measures against negative impacts.

LOOKING AHEAD (cont'd)

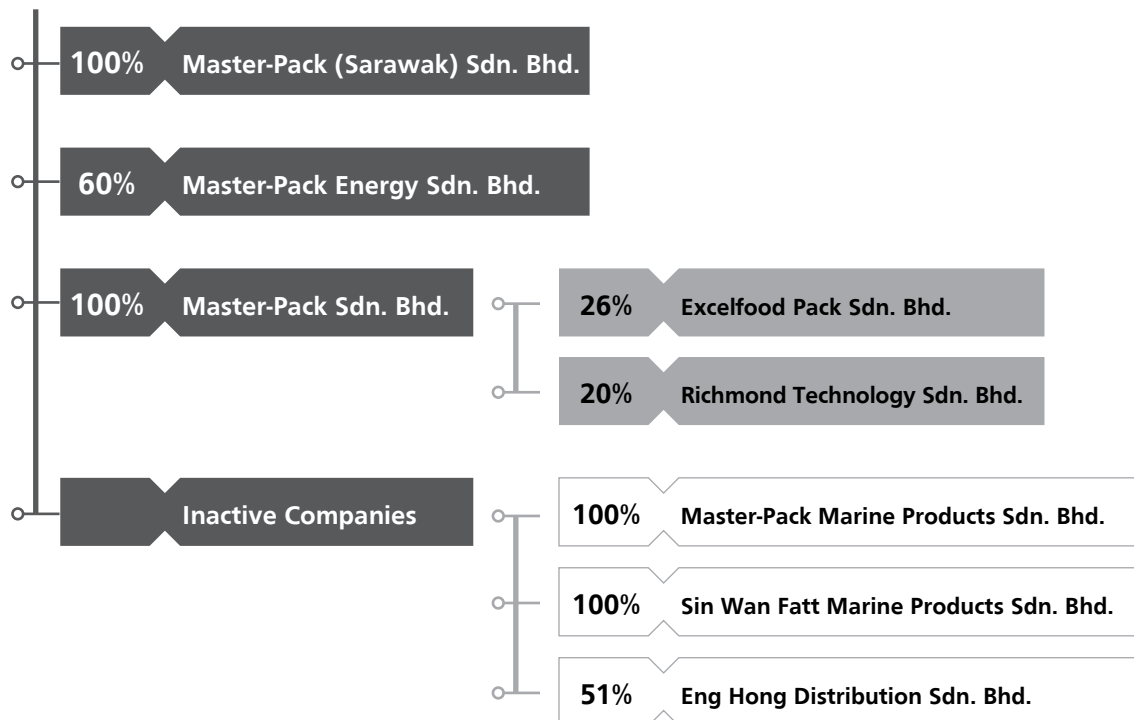
The Group is optimistic it will continue to overcome these challenges and remain resilient based on the strong and continuous support from its customers. The New Year may see new difficulties in shortages of input materials and further increases in prices. To address these issues, the Group will always be proactive in seeking new solutions in the form of innovative designs to help its customers to reduce its cost of packaging. The corrugated cartons from paper being versatile as it is, with new manufacturing process can find solutions to save space and weight while not reducing its strength, indirectly reducing transportation costs. Or with new aesthetic designs can add value to customers' products without increasing their cost. With these regard, the Group is investing in new machinery to improve efficiencies and flexibility in its processes and to ensure the Group is able to sustain its business in the long run.

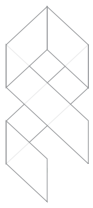
The Group has contracted for the purchase of new machinery amounting to RM2.5 million as at 31 December 2016. The purchase will be financed by hire-purchase facilities.

The Board and management are also mindfully alerted to any possible opportunity they can seize in order that we may just have any or a slight chance to add to the growth and wellbeing of the Group in these trying times.

Dividend Policy

The Board of Directors has not adopted any dividend policy and would prefer to consider payment of dividends based on availability of surplus cash and current year's profits while also taking into consideration retention of profits for working capital and capital expenditure on the back of ease of obtaining borrowings from financial institutions. However, the Board is also mindful that Equity Holders are rewarded for their loyal following and confidence in the Group. The decision for payout will be deliberated annually.

Corporate Structure



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.

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. An innovative process improvement was to recycle steam which is normally released during production back into operation process resulting in a reduction of energy and water consumption. 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.

All new employees are briefed during induction training of the corporate ethical standard of behaviour expected and practised in the Company in accordance with the Master-Pack Code of Business Conduct or "MPG Code". Upon completing the induction training, all employees are required to sign affirmation of adherence to the MPG Code. New employees are also informed of the Whistle-blowing policy which provides the employees including the public to lodge complaints of any unethical practices without fear of reprisal.

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. The emission of fumes from the chimney of the subsidiary which uses natural gas energy has consistently recorded well below the standards allowed by the Department of Environment in Malaysia.

Products manufactured by both of our 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.

Employees are encouraged to practise the 5 R's – Refuse, Reuse, Reduce, Repair and Recycle' in their daily activities both at home as well as in the factory. This practice is encouraged as it supports the segregation of garbage for recycling/ disposal as advocated in the state of Penang which became effective 1 January 2016. The use of polystyrene packaging for food is prohibited in the company premises as polystyrene is non-cyclable. Employees are requested to use plastic food containers and tiffin containers when bringing packed food to work.

Office employees practice switching off the lights in the office during break times. Additionally, as an electricity efficiency measure, all electrical lights at the production floor have already been changed to LED lightings.



Environment Sustainability (cont'd)

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.

During the year, the group was not penalized for any instance of non-compliance with environmental laws and regulations.

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.

In line with the changes of the Minimum Wage Order 2016, the basic salary for employees with a basic salary of below RM1,000 has been revised with effect from 1 July 2016 to the minimum wage of RM1,000. The reduction of 30% of minimum wage rate for probationers has also been revoked.

Workplace

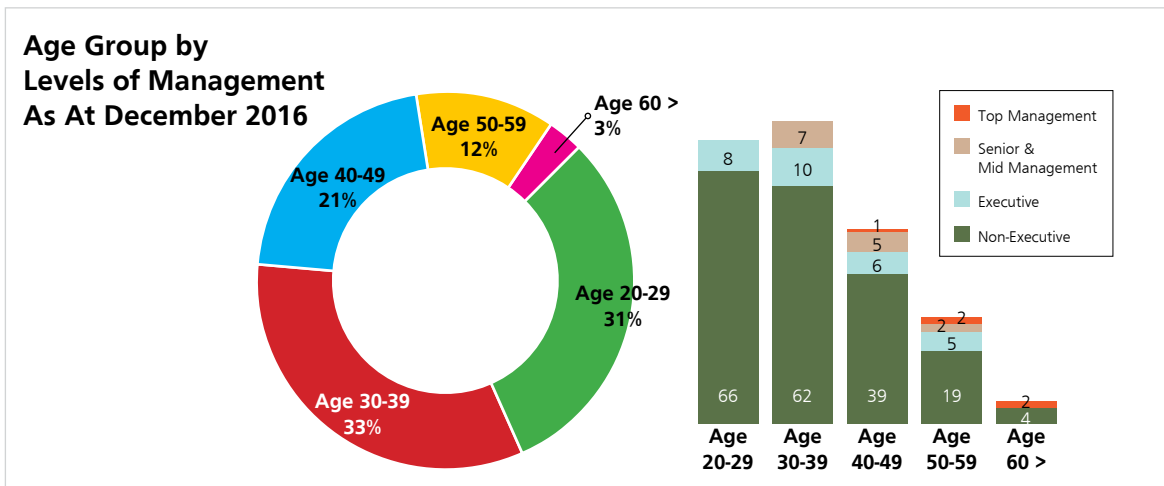
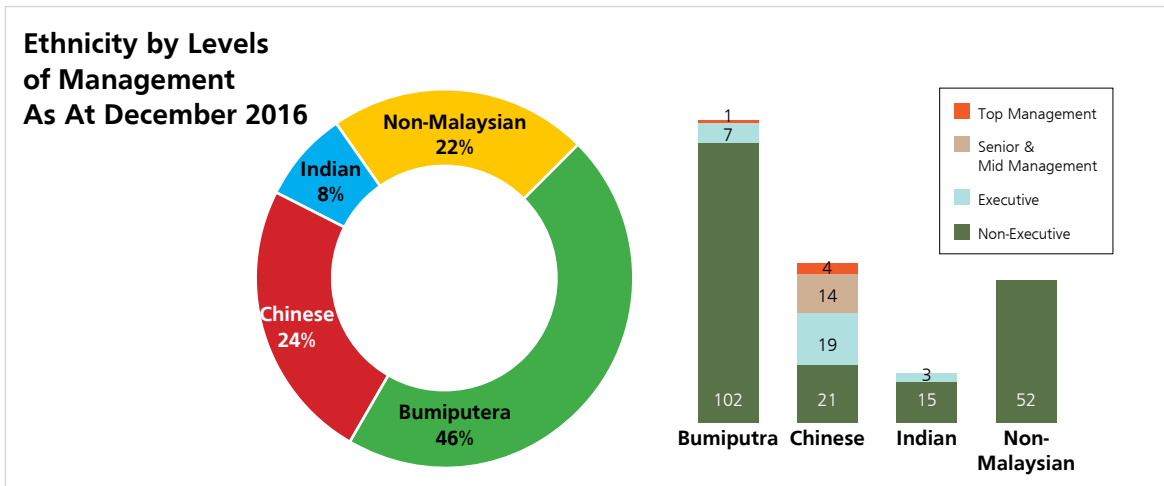
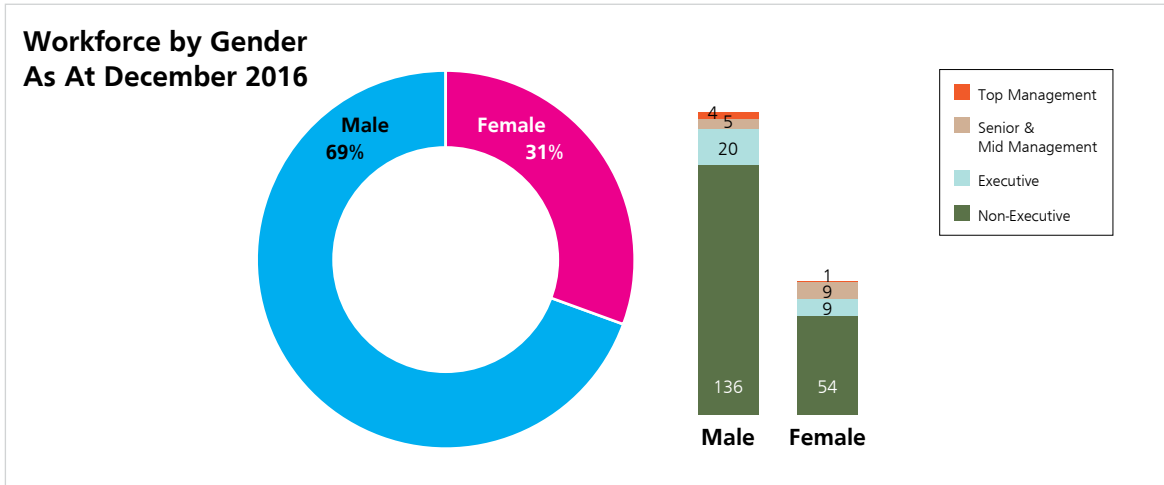
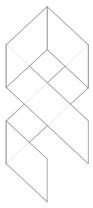
The company takes cognizance that the strength and the well-being of its employees are of utmost importance. As such, it embraces that cross diversity can help a company to galvanize the multi-faceted mix of age, gender, race and thus has created a harmonious conducive industrial climate to garner the 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 freely and cohesively to nurture team spirit and synergy.

The Company takes its duties as employers conscientiously and works to see that the welfare of the employees is cared for hence it rarely encounters unresolved complaints to the extent of requiring reporting the case to the Malaysian Labour Department. The Company provides it workers with proper health and safety apparels such as face mask, safety boots, ear plugs and cotton gloves and organizes training to promote the awareness of Occupational Hazard to its employees annually. During the year 2016, a team of 6 employees completed CPR training whilst 2 employees underwent BOMBA Fire Fighting course.

Diversity for the workforce in terms of gender, ethnicity and age are shown in the charts in the next page. Master-Pack has 53% women participation in top and senior management category which is within the targeted ratio of 30% women holding management positions. There is also no gender inequality in terms of remuneration package. There is sufficient cross diversity in the company to ensure smooth operations during the various ethnic cultural festivities. The group adopts a policy where vacancies are being filled by internal talent and recognizes employee's loyalty on every 5th year of the employee's service to the group. The workforce is relatively stable as a high percentage of workers length of service with the group is above 10 years.

The Group has a total of thirteen (13) single parents employed in various designations within the Master-Pack Group Berhad group of companies. The Group provides a steady employment income for these single parents enabling them to support their families.

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.



Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the 23rd 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 Wednesday, 24 May 2017 at 11.00 a.m. for the following purposes :-

AGENDA

As Ordinary Business :

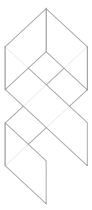
- | | | |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. | Please refer to Note 6 |
| 2. | To re-elect Encik Aminuddin Bin Saad, who retires by rotation in accordance with Article 91 of the Company’s Constitution and who, being eligible, offers himself for re-election. | Resolution 1 |
| 3. | To re-appoint Dato’ Seri Khor Teng Tong as a director of the Company. | Resolution 2
Please refer to Note 7 |
| 4. | To re-appoint Mr. Chew Hock Lin as a director of the Company. | Resolution 3
Please refer to Note 7 |
| 5. | To re-appoint Dr. Junid Bin Abu Saham as a director of the Company. | Resolution 4
Please refer to Note 7 |
| 6. | To approve the increase and the payment of Directors’ Fees up to an amount not exceeding RM201,000.00 for the financial year ended 31 December 2016. | Resolution 5 |
| 7. | To approve the payment of Directors’ Benefits excluding Directors’ Fees to the Directors up to an amount not exceeding RM63,000.00 from 31 January 2017 until the conclusion of the next AGM of the Company. | Resolution 6 |
| 8. | To re-appoint Messrs. Crowe Horwath as auditors of the Company to hold office until the conclusion of next AGM of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

As Special Business

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

PROPOSED NEW SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

9. “That, subject always to the provisions of the Companies Act, 2016, the Company’s Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and/or any other regulatory authorities, the authority be and is hereby given for Master-Pack Sdn Bhd, a wholly-owned subsidiary of the Company to enter into recurrent related party transactions of a revenue or trading nature (“Proposed Shareholders’ Mandate”) as set out in Section 2.5 of the circular to shareholders in relation to the Proposed Shareholders’ Mandate provided that such transactions are in the ordinary course of business which are necessary for the day-to-day operations on terms not more favourable to Excelfood Pack Sdn. Bhd., the related party than those generally available to the public and are not to the detriment of the minority shareholders and that such authority shall continue to be in force until :
- (a) the conclusion of the next AGM of the Company following the AGM at which the ordinary resolution for the Proposed Shareholders’ Mandate was passed, at which time it will lapse unless by a resolution passed at the meeting, the authority is renewed;



Notice of Annual General Meeting (cont'd)

- (b) the expiration of the period within which the next AGM of the Company is required to be held after the approval was given,
- (c) revoked or varied at any time by an ordinary resolution passed by the shareholders in 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 resolution."

Resolution 8

PROPOSED RENEWAL OF GENERAL MANDATE FOR DIRECTORS TO ALLOT AND ISSUE NEW SHARES IN THE COMPANY

10. "That, subject always to the provisions of the Companies Act, 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the regulations, guidelines and practice notes issued from time to time by Bursa Securities or any other regulatory authorities, approval be hereby given for the Directors of the Company to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, PROVIDED THAT the aggregate number of shares to be issued does not exceed 10% of the total issued shares of the Company and that the approval conferred by this resolution shall take effect immediately upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the AGM of the Company held next after the approval was given;
- (b) the expiration of the period within which the next AGM of the Company is required to be held after the approval was given,

whichever is the earlier; or

- (c) revoked or varied at any time by an ordinary resolution passed by the shareholders in a general meeting;

whichever is the earlier;

That, the Directors of the Company be hereby authorised to enter into such transactions, arrangements, agreements and documents as are necessary with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors, in their absolute discretion deem fit and in the best interest of the Company.

And that, any Executive Director and/or the Secretary of the Company be hereby authorised to obtain the approval from Bursa Securities for the listing and quotation of the additional shares to be issued and to do all such acts and things as are necessary to give full effect to such transactions as authorised by this resolution."

Resolution 9

11. PROPOSED CONTINUATION OF DATO' SERI KHOR TENG TONG IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR

"That authority be and is hereby given to Dato' Seri Khor Teng Tong, 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



12. PROPOSED CONTINUATION OF MR. CHEW HOCK LIN 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 11

13. PROPOSED CONTINUATION OF ENCIK AMINUDDIN BIN SAAD 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 12

14. To transact any other business of which due notices shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend the 23rd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 15 May 2017. Only a depositor whose name appears on the Record of Depositors as at 15 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/vote on his/her behalf.

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

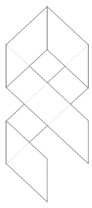
Penang
 25 April 2017

NOTES ON APPOINTMENT OF PROXY

1. A proxy may but need not be a member of 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 the proxy form is sent by facsimile to the registered office before forty-eight (48) hours before the meeting, this original proxy 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 the proxy 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 Audited Financial Statements in Agenda 1 had been approved by the Board pursuant to Section 251(1) of the Companies Act 2016. Hence, this agenda does not require formal approval of shareholders of the Company and is meant for discussion pursuant to Section 248(2) of the Companies Act 2016.



Notice of Annual General Meeting (cont'd)

7. There is no age limit to act as directors in a public company pursuant to the Companies Act 2016 which came in force on 31 January 2017. In this respect, Dato' Seri Khor Teng Tong, Mr. Chew Hock Lin and Dr. Junid Bin Abu Saham, aged above 70 who were re-appointed pursuant to Section 129 of the Companies Act, 1965 at the last Annual General Meeting of the Company, their term in office will end at the conclusion of the forthcoming 23rd Annual General Meeting of the Company to be held on 24 May 2017.

The proposed resolutions 2 to 4, if passed, will enable Dato' Seri Khor Teng Tong, Mr. Chew Hock Lin and Dr. Junid Bin Abu Saham, who had offered themselves for re-appointment to continue to act as directors of the Company and they shall be subject to retirement by rotation at a later date.

EXPLANATORY NOTES ON SPECIAL BUSINESS

8. The Resolution 8 is to seek the mandate for Master-Pack Sdn. Bhd., a wholly-owned subsidiary to enter into recurrent transactions involving the interests of a related party, Excelfood Pack Sdn. Bhd. 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 25 April 2017 which has been despatched together with the 2016 Annual Report.
9. The Resolution 9 is to seek a renewal of 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 shares of the Company for the time being for such purposes as the Directors consider will be in the best interest of the Company. This mandate, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next AGM.

As at the date of notice of 23rd AGM, no shares has been issued pursuant to the general mandate granted at the last AGM of the Company and of which, it will be lapse at the conclusion of the 23rd AGM of the Company to be held on 24 May 2017.

The general mandate for issuance 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.

10. The Resolutions 10 to 12, if passed, are to seek shareholders' approval for the existing Independent Non-Executive Directors to be retained and continued to act 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 recommendation 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 26 to 35 of the 2016 Annual Report.

2016 Annual Report

The 2016 Annual Report is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within four (4) market days from the date of receipt of the verbal or written request. A copy of the Annual Report can also be downloaded at www.master.net.my

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

Statement 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 FRAME WORK

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 standardised 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 annually the adequacy and effectiveness of the Risk Management Framework and policy of the Group.

For the year 2016, A Risk Working Committee comprising heads of Department led by the Executive Director has been tasked by the Audit Committee and has 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. The Risk Working Committee reports to the Audit Committee at least once a year. 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.

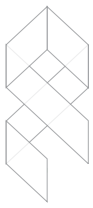
RISK MANAGEMENT PROCESS

The yearly report on risk management which summarizes the level of impacts of significant risk in 5 ratings ranging from catastrophic to insignificant and the level of likelihood of such risks in 5 ratings ranging from almost certain to rare 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 26 February and 25 November 2016, the report on risk management prepared by the Risk Working Committee was reviewed, deliberated upon and the appropriate advice given, when necessary.

An extract of risks identified by the Risk Working Committee in three significant categories:

Categorization	Risk Identified
1. High level of competition will result in the erosion of market share and margin	<ul style="list-style-type: none"> • Bad debts • Customer satisfaction • Market development
2. Not achieving forecast budget will result in multiple negative consequence	<ul style="list-style-type: none"> • Negative cash flow • Bad reputation from vendors • Banking facilities retracted by banker • Fluctuation of USD exchange rate
3. Management Information system failure will result in disruption of operations	<ul style="list-style-type: none"> • System failure to enterprise risk management and accounting software • Hardware failure • Virus attack • Email failure • System being hacked

In response to the 1st category - high level of competition will result in the erosion of market share and margin, the management have put in place standard operating procedures to review new customers profile prior to establishing credit accounts, monitor the customer outstanding balances in credit control review meeting, review the credit limits and terms according to level of sales ordered and continuously follow up on slow moving debts. These implemented internal controls are to mitigate the occurrence of bad debts.



Statement on Risk Management and Internal Control (cont'd)

RISK MANAGEMENT PROCESS (cont'd)

Customer feedbacks are carried out annually as it helps us identify areas where we can further upgrade our sales and customer services to an even higher level. The team aims to meet a 90% customer satisfaction target as this factor is a key driver in our business sustainability.

The management has also strategized action plans on market development to expand existing customer market share as well as to build new market segments by developing new customised or innovative products. Market development analysed by industrial segments and region to disperse market concentration on a single region or industry is being carried out.

The management is fully aware that reputation with bankers and vendors are important in managing the business. 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.

A procurement committee consisting of department heads from marketing, finance, production and planning headed by the Executive Director will collectively decide on procurements of raw materials. In this way, the finance department will project and monitor cash flow requirements to ensure the company will be able to meet all its liabilities as at when they fall due. The finance department also monitors gearing ratio, debtors' turnover and foreign exchange fluctuations to analyse financial trends.

The Group's system may be vulnerable to security breaches e.g. virus attacks, resulting in disruption of the group's operations. As such there are standard operating procedures and policies such as retaining a copy of the source code for essential operating programs, have maintenance agreements with software suppliers, perform daily server back up and ensure that backup are stored at a separate location, checks on system health and ensure that the latest firewall version is functioning.

Other categorizations with its accompanying risks other than the main three categories mentioned above are:

- Any catastrophe will result in shut down of business;
- High turnover of key personnel will result in disruption of operations;
- Weak security may result in losses;
- Disruption to timely delivery / quality of raw material and sub material will result in failure in commitment to customers;
- Non adherence to regulatory and environmental issue will result in disruption of operation.

INTERNAL CONTROLS

The Group's internal control is embedded in the daily operational routine of processes and procedures. The standard operating procedures practice is in compliance with ISO 9001:2008 Quality Management System ("QMS") and ISO 14001:2004 Environment Management Systems ("EMS") which are audited by SIRIM on a yearly basis. The company also meets the high expectation of MNC customers by fulfilling their vendor profile criteria in ethical, environment and international regulatory practices in order to supply Master-Pack products.

There are other formalised and documented policies, standard operating procedures and work instructions on various functions beyond the scope define by the QMS and EMS international guidelines such as human resources, management information system standard operating procedures as well as Master-Pack Code of Business Conduct. 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.

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 and 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 the key subsidiaries are reported, discussed and when applicable, the appropriate corrective action taken promptly.

The Audit Committee is responsible to the Board for reviewing and monitoring the effectiveness of the Group's internal control system. A professional firm is tasked by the Audit Committee to perform audits on the Group's operations and reports directly to the Audit Committee.



Statement on Risk Management and Internal Control (cont'd)

INTERNAL CONTROLS (cont'd)

The External Auditor provides assurance in the form of their annual statutory audit of the financial statements and reports to the Audit Committee that for the year 2016, there are no discrepancies or areas of improvement identified in their Audit Review Memorandum issued by the External Auditor.

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2016, the Company has engaged the services of an independent professional consulting firm, Messrs JWC Consulting Sdn. Bhd., 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.

For the financial year under review, the internal audit's scope covered:

- Procurement – encompassing purchase planning, sourcing supply, managing and processing of purchases, incoming quality control, supplier selection and performance review and supplier database and relation management.
- Property, Plant and Equipment Management – encompassing maintenance of register, capitalization and depreciation policies, identification and maintenance of assets, acquisition, disposal and transfer of assets and safeguarding of assets.
- Sales and Marketing – encompassing sales forecasting, managing and processing of sales, product pricing, shipping arrangements, outgoing quality control, customer database and relation management.

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 risk based approach 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;
 - 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 on 26 August 2016 and 27 February 2017 for the calendar year 2016 for its deliberations.

Based on the Internal Auditors' report for the financial year ended 31 December 2016, 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 weaknesses identified in all the internal audit reports.

The cost incurred for the internal audit function in respect of the financial year is RM21,344.

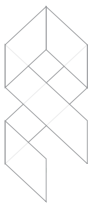
REVIEW OF EFFECTIVENESS

The Board is committed to operating a sound system of internal control and recognizes that the system must continuously evolve to support the business.

The processes for identifying, evaluating and managing risks as outlined in this Statement is in place for the year under review and up to the date of approval of this statement. During the financial year 2016, a number of improvements to internal control were implemented. However, there have been no significant material internal control issues which have resulted in material losses to the Company.

The Board has also received reasonable assurance from the Executive Director 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.

The external auditors have provided assurance that they have complied with ethical requirements regarding independence to audit the Master-Pack Group to the Audit Committee.



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 2016 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.

CONCLUSION

The Board is of the opinion 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 companies, Richmond Technology Sdn. Bhd. and Excelfood Pack Sdn. Bhd.

This statement is made in accordance with a resolution of the Board of Directors dated 31 March 2017.

**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

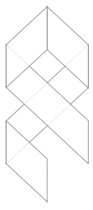
During the financial year, there were no profit guarantee given by the Company.

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 2016, or entered into since the end of the previous financial year.



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 2016.

TERMS OF REFERENCE ("TOR")

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

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	Meeting Attendance
Mr. Chew Hock Lin (Chairman of Audit Committee)	Independent & Non-Executive Director	5/5 (100%)
En. Aminuddin Bin Saad	Independent & Non-Executive Director	5/5 (100%)
Cik Nazriah Binti Shaik Alawdin	Non-Independent & Non-Executive Director	5/5 (100%)

AUDIT COMMITTEE SUMMARY OF WORK

The performance of the Audit Committee for the year 2016 was assessed by the Nominating Committee through an Audit Committee evaluation and an individual member peer evaluation in accordance to main listing requirement 15.20. Based on the results of the aforesaid evaluations, the Board has found that the Audit Committee had discharged its functions and carried out its duties as set out in the TOR.

Minutes of the Audit Committee Meeting were distributed to each Board member and the Chairman of the Audit Committee highlights key issues and the minutes of the Audit Committee meeting were duly noted by the Board.

During the year ended 31 December 2016, the Audit Committee 5 scheduled meetings were held on 26 February, 25 March, 13 May, 26 August and 25 November 2016 and the following duties were performed to discharge its functions:

Terms of Reference

- Perused through the existing Terms of Reference of Audit Committee and found in compliance.

Financial results

- Reviewed the annual audited financial statements of the Company / Group on 25 March 2016 prior to Bursa announcement and the unaudited quarterly results of the Group on the scheduled meetings, 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 on 26 February 2016 for the financial year 2016 and again on 25 November 2016 in respect of financial year 2017;
- Discussed and reviewed the new business venture in food packaging products before submitting them to the Board for approval;
- 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;
- Only one matter highlighted by the external auditors in the Audit Review Memorandum and was duly noted and explanations as well as actions taken by management were discussed.
- Reviewed the nature of related party transactions as well as identify any new related party transactions and recommended them for the Board's approval.



AUDIT COMMITTEE SUMMARY OF WORK (cont'd)

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;
- Received a letter from the Messrs. UHY, out-sourced internal audit firm pertaining to changes in the firm's management. The Board on the Committee's recommendation discontinued the services with the out-sourced internal audit firm;
- Consequently, evaluated and appointed JWC Consulting Sdn. Bhd., as the out-sourced internal audit firm;
- Met with the internal auditors once on 26 February 2016 without the presence of any executive Board members / management staff;
- Discussed and approved the risk based approach Internal Audit Plan presented by the newly appointed internal auditors for execution in the current financial year;
- Reviewed and discussed the findings and recommendations as reported by the internal auditors. There were an overall sixteen audit findings for the audits field work carried out during the year;
- 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.

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 on 25 March and 25 November 2016 without the presence of any executive Board members / management staff;
- Reviewed and evaluated the external auditor's audit plan on 25 November 2016, audit strategy and scope of audits relating to the Company/Group;
- A meeting was held on 25 August 2016 with the external auditors specifically to discuss the changes to the Group's disclosures and financial statements including the new disclosure format of the independent auditors report arising from the changes to international standards of auditing;
- Reviewed and recommended the increment in audit fee of the company and its subsidiaries for the financial year 2016 to the Board;
- 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;
- The external auditors have provided assurance that they have complied with the ethical requirements regarding independence with respect to the audit of the company;
- Reviewed and noted the external Audit Review Memorandum key audit matters presented on 26 February and 25 March 2016 by the external auditors;
- Evaluated and discussed the results of the annual assessment on the suitability and the independence of the external auditors in accordance to the Company's External Auditors Performance and Independence Evaluation form.

Significant Matters in the Financial Statements

In the year 2016, the group have not only managed to increase revenue by 10.7% but stayed profitable albeit a smaller profit. It is not surprising that many SMI's including some of the larger companies had faltered in the year 2016 where multiple economic events affected the health and growth of the local business.

The regulatory change in the Minimum Wage Order 2016 which came into effect 1 July 2016 raised wages to a minimum of RM1,000 which increased labour cost. The increase in electricity, gas tariff as well as petroleum prices saw transportation cost including local materials price hike up. Paper rolls which are a commodity and the main material in the packaging business not only increased in price but were doubly affected by the weakening Malaysian Ringgit. The foreign exchange fluctuation translated to thinning profit margins whilst selling prices to customers could not be increased to prevent the erosion of market share.

The Audit Committee members had in their meetings discussed the acceptable risk appetites and accompanying internal controls implemented by management.



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"), the 2nd Edition of Corporate Governance Guide ("CG Guide") 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, CG Guide 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.

Board Composition and Balance

Currently, the Board consists of six members, comprising four Independent and 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.

All 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 binti 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, are essentials functional experience in which the Nominating Committee addresses during the evaluation of any new Board member. Currently, the Board members come from varied educational background and each member holds different professional qualifications hence contributing to the board a diversified knowledge and expertise.



Board Composition and Balance (cont'd)

The Board does not have a formalised boardroom diversity policy but keeps an open mind to eligible female candidates as candidates are nominated and selected based on key competencies, knowledge and experience to further strengthen the board composition.

Table tabulating Master-Pack Boardroom Gender, Ethnicity and Age

	40 to 50 years	50 to 60 years	60 to 70 years	Above 70 years
Bumiputra	1 (F)	1 (M)	1(M)	1 (M)
Chinese	-	-	-	2 (M)

M- Male F- Female

Independence

The Board recognizes the importance of Independent Non-Executive Directors in bringing independent and objective judgement to the Board in decision making.

Independence as prescribed under the main market listing states that Independent Non-Executive Directors should be independent and free from any business or other relationships that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and is willing to express his/ her opinion to the Board free of concern about his/ her position or any third party.

Being Independent is a state of mind; it has nothing to do with the years one serves as an independent director. Independence is the ability to think and express ideas and formulate reasonable actions that are in the best interest of the company whose board of directors one serves.

So long as a person on our board can think rationally and express ideas critically, in the best interest of the Company and meets the definition as prescribed above, we consider the person independent.

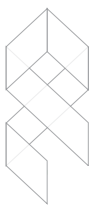
An annual independency assessment covering a list of questions on independency, including a self-declaration of any involvement or relation which could interfere with an independent judgement or ability to act in the best interests of the company was carried out for the year 2016. Moreover, the Independent Non-Executive Directors did not participate in any business dealings or the daily management or are involve in any other relationships with the Company. The Board is satisfied that all of the Board members are not related to each other and the 4 Independent Non-Executive Directors have declared their independence based on the provisions of the main market listing requirement.

The presence of four Independent and Non-Executive Directors on the Board gives the Board a majority independent element and fairly reflects and represents the interest of the minority shareholders of the Company.

In view of a majority (4/6) 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.

Board Charter

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 reminds 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 was adopted in 2012 and shall be reviewed from time to time to ensure that the Board's objectives are aligned with the latest regulations.



Statement on Corporate Governance (cont'd)

Board Charter (cont'd)

The Board Charter is available in the Company's website at www.master.net.my/ir_roles.htm. During the financial year 2016, 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 quarterly unaudited 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. Reviewed the performance of the Audit Committee as a whole and it has performed all duties in accordance to the Audit Committee Terms of Reference;
- vi. Reviewed the Recurrent Related Party Transactions of a Revenue or Trading Nature;
- vii. Approved capital expenditure and reviewed the return on capital employed. Capital expenditure above RM1 Million requires approval from the Board;
- viii. The Non-Executive Directors deliberated and approved on the Remuneration of the Executive Chairman;
- ix. The Non-Executive Directors contributed to the formulation and approval of policies in Ethics and Business Code of Conduct;
- x. Reviewed and approved a new business in food packaging;
- xi. The company secretary and external auditors briefed and discussed with the Board members on the amendments to the Main Listing Requirement relating to the disclosure and corporate governance requirements as well as ISA 260 (Revised) Communication with those Charged with Governance including the implications and changes to the External Audit's Report.

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

Executive Director

The profile of the Executive Director is accessible in the company website www.master.net.my/ab_business_contact.htm. The Executive Director is not a board member and has no relationship to any of the board members or the major shareholder of the company. During the year 2016, there were no material contracts or loans that had been entered into by the Executive Director. The shareholding of the company held by the Executive Director does not exceed 1%.

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 the Executive Director, General Manager as well as various Heads of Department led by the Executive Chairman.

Time and Commitment

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 2016:

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

This attendance confirms members of the board who hold multiple board representations are able to devote sufficient time to discharge their responsibilities adequately. None of the Board members serve more than 5 listed companies.



Time and Commitment (cont'd)

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. 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.

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. Annual customer satisfaction survey conducted indicates trends of improvement in the different criteria of customer satisfaction thus encouraging our sales team to perform even better than the preceding year. Master-Pack believes that customer requirements and satisfaction are 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 alerted 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 diversified workforce can enjoy working together. The Company takes its duties as employers conscientiously and works to see that the welfare of the employees is cared for hence it rarely encounters unresolved complaints to the extent of requiring reporting the case to the Malaysian Labour Department. Included in a total workforce of 238 people, there are 13 single parents employed in various designations within the group. The Company is mindful of the responsibilities of a single parent and provides a steady employment income for these single parents enabling them to support their families. The Company provides it workers with proper health and safety apparels such as face mask, safety boots, ear plugs and cotton gloves and organizes training to promote the awareness of Occupational Hazard to its employees annually.

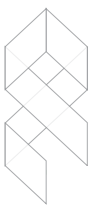
There is no formalised career development plan but there is without a doubt a clear succession plan for the top leadership position in the packaging division recognised by all employees in the group. The company inculcates and practises a dual-functional career development plan for the second and third liners of employees giving them a chance to develop their skills and enhance their knowledge not just in a single functional expertise.

Engagements with our employees as stakeholders are in the Corporate Responsibility Statement 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.

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.



Statement on Corporate Governance (cont'd)

Nominating Committee

The Nominating Committee was tasked by the Board in nominating suitable candidates to the Board as well as assesses the performance of all the Directors of the Company.

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 25 November 2016 and was fully attended by all members. The terms of reference of the Nominating Committee are also published on the company website www.master.net.my/ir_nomination_committee.htm.

Selection Criteria as Board Member

In evaluating any new Director for appointments, the Nominating Committee considers:

1. Skills, knowledge, expertise, experience, professionalism, integrity which will contribute and strengthen the board composition;
2. Competing time commitments if the candidate also holds other directorships;
3. Composition requirements or identified gaps to further strengthen the Board and Committee;
4. Independence especially for Independent Directors.

Induction/ Orientation of New Board Member

The induction procedures of a new board member shall be co-ordinated by both the Executive Chairman and Executive Director to provide an overview of the Company's operations as well as a clear understanding of the group structure, corporate mission & vision, business strategies and market challenges, the Business Code of Conduct, Risk Management & Internal Controls, policies and the financial statements in a briefing as well a site visit to the plants for a better understanding.

Two weeks prior to the Nominating Committee Meeting held on 25 November 2016, several evaluation forms were send out to all the directors. The duly completed evaluation forms received from all directors were then compiled by the Company Secretary into reports and tabled before the Nominating Committee for discussion and consideration.

The criteria's included in the evaluation form for Independent Directors covers a list of questions on independency, quality and value of contributions, ability to diplomatically and convincingly listen and voice their views including an independent self-declaration of any involvement or relation which could interfere with an independent judgement or ability to act in the best interests of the company.

Self and Peer evaluation form is to assess the contribution of each individual board member's contribution to the board in terms of personality and working relationship with peers, company secretary and management, bringing his/ her knowledge and experience to the agenda discussed at the quarterly meetings, devotes sufficient time to be prepared for the board meeting, able to voice his/ her opinion in non-confrontational and comprehensive manner and effectively communicates with the shareholders at the annual general meetings.

Evaluation forms for Board and Board Committees covers the board structure, board operations, board roles and responsibilities, board chairman's role and responsibilities and the performance of the board committees.

The evaluation form for the Performance of the Audit Committee as a whole assess the understanding of the Audit Committee Terms of Reference, objectively & responsibly performed their duties and the results of the evaluation have shown that with the help of the out-source internal auditors and external auditors were able to give the Board the assurance on risk management and internal control.

A list of trainings attended by all board members is reviewed and encouragement was given to directors to attend topics where they were required to further update their knowledge.



Nominating Committee (cont'd)

Induction/ Orientation of New Board Member (cont'd)

The Nominating Committee is satisfied that:-

- i. The size and composition of Board are 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 Audit Committee as a whole and its members have carried out their duties as laid out by the Audit Committee Terms of Reference.
- iv. The directors were able to devote sufficient time commitment to their roles and responsibilities as directors as none hold more than 5 directorships in public listed companies as prescribed in the Bursa Listing Requirements.
- v. Dato' Seri Khor Teng Tong, 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.
- vi. All Board members have devoted sufficient time to update their knowledge and skills including the latest change of the regulatory and statutory and professional requirements.

Dato' Seri Khor Teng Tong, Mr. Chew Hock Lin and Encik Aminuddin Bin Saad were found to provide the Board with a diversified set of skills and expertise as shown in the matrix and skill set diversity in page 26 of the Annual Report. 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

The Constitution 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 Constitution further provide that each director of the Company shall retire at least once every three years but shall be eligible for re-election. The Constitution of the company is available www.master.net.my/ir_AA_MA.htm

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 4 page 15 of the 2016 Annual Report. The biographical details of these directors seeking re-election are available 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 two Remuneration Committee meetings held in the year 2016.

The Remuneration Committee held its meetings on 26 February and 25 November 2016 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 details of Directors' remuneration comprising remuneration received from the Company and the subsidiaries respectively for the financial year 2016 are as follows:

Aggregate remuneration of Directors categorized into components is as follows:

Received from Master-Pack Group Berhad

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emolument RM'000	Total RM'000
Executive Director	-	40	-	3	43
Non Executive Directors	-	161	-	15	176

Received on Group Basis

	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emolument RM'000	Total RM'000
Executive Director	808	40	316	267	1,431
Non Executive Directors	-	164	-	15	179

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:

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	-	-
RM1,400,001 to RM 1,450,000	1	-

Professional fees payable to a firm in which a director has interest is RM4,000.

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. 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 directorship responsibilities. Please refer to the Company website www.master.net.my/ab_bod.htm for the list of training attended by the Board members during the financial year.



Supply and Access to Information to the Board

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. The Board meets quarterly to review its quarterly performances and discuss matters tabled for discussion e.g. the internal audit report, budget, risk management and internal controls etc. Additional meetings will be called as and when necessary. In the intervals between the Board meetings, any matters requiring the attention of the Board approval will sought via circular resolutions supported with the relevant information and explanations required for an informed decision to be made.

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.

Independent Professional Advice

Each Board member is entitled to obtain independent professional advice at the cost of the Company as per Board Charter. They are also given unrestricted access to the Group's management, Company Secretary, external and internal auditors.

Company Secretaries

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.

For the year 2016, the Company Secretary did a presentation on the Disclosure and Corporate Governance Amendments to the Board of Directors. Circulars received from Bursa Malaysia Securities Berhad are promptly emailed out to all Board members and again tabled in the Board meetings for discussion. In this way the secretary ensures that the Board is well informed of any changes to regulations and guidelines issued by Bursa Securities and Securities Commission. The directors also have direct and unrestricted access to the Company Secretary to seek his independent professional advice if required.

The Company Secretaries are qualified to act as chartered secretaries and had continuously kept abreast with regulatory changes and development in corporate governance.

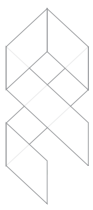
Investor Relations and Strengthening Relationship Between Company and Shareholders

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 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 Constitution, 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 especially resolution to be voted by poll. Matters reserved for shareholders approval were as tabulated in the Notice of Annual General Meeting page 15 to 18 of the 2016 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 Annual General meeting proceedings can be downloaded at www.master.net.my/ir_announcements.htm dated respectively.



Statement on Corporate Governance (cont'd)

Investor Relations and Strengthening Relationship Between Company and Shareholders (cont'd)

Mr. Chew Hock Lin has been assigned as the Senior Independent & Non-Executive Director, to whom concerns in relation to the Company may be conveyed at the email hocklin.chew@gmail.com. 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. In compliance with the Bursa Main Listing Requirement, the quarterly financial statements is announced to the public via the Bursa Link and the company's website not later than 2 months after the end of each quarter of the financial year. 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 45 to 85 of the 2016 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, 2016 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 page 19 to 22 of the 2016 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 are willing to take in achieving its strategic objectives are monitored accordingly.

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

Corporate Responsibility

The Group's corporate responsibilities are explained on www.master.net.my/ir_corporate_social.htm. and page 12 to 14 of the 2016 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 Company intends to obtain a circular mandate in the forthcoming Annual General Meeting. Reference is made to the announcement dated 27 February 2017 for details of the recurrent related party transactions which commence 28 November 2016 as well as Note 24 in page 82 of the Financial Statement.

**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. There were two meetings held without the presence of the Executive Directors and the management.

In addition, the external auditors 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 recommends for their re-appointment to the Board. The Audit Committee takes into consideration the importance of the external auditor's independence and objectivity and therefore adopts a strong view that all non-audit services shall be limited and approved, only when necessary. This is to ensure that the independence of the external auditors are not in any way impaired. The group audit fee and non-audit fee paid to External Auditors for the financial year 2016 amounts to RM104,000 and RM3,000 respectively.

This statement is made in accordance with the Board meeting held on 31 March 2017.



Financial Statements

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The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2016. All values shown in this report are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

Principal Activities

The principal activity of the Company is that of investment holding. 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	3,067	1,351
- Non-controlling interests	(511)	0
	2,556	1,351

Dividends

During the financial year, the Company declared and paid an interim single tier dividend of 1 sen per share amounting to RM546,000 in respect of the financial year ended 31 December 2016.

The directors do not propose any final dividend in respect of the financial year ended 31 December 2016.

Reserves And Provisions

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

Issue Of Shares Or Debentures

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

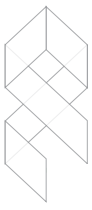
Options Granted Over Unissued Shares

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

Bad And Doubtful Debts

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

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



Directors' Report (cont'd)

Current Assets

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

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

Valuation Methods

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

Contingent And Other Liabilities

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

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

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

Change Of Circumstances

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

Items Of An Unusual Nature

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

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



Directors Of The Company

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

Dato' Syed Mohamad Bin Syed Murtaza
 Aminuddin Bin Saad
 Dato' 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 1.1.2016	Bought	Sold	Balance at 31.12.2016	Balance at 1.1.2016	Balance at 31.12.2016
Aminuddin Bin Saad	10,002	0	0	10,002	0	0
Dato' Seri Khor Teng Tong	752,900	510,000	0	1,262,900	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.

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.

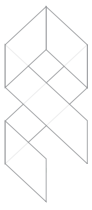
Auditors

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

**Signed In Accordance With A Resolution Of The Directors
 Dated 31 March 2017**

Aminuddin Bin Saad

Nazriah Binti Shaik Alawdin



Statement by Directors

We, Aminuddin Bin Saad and Nazriah Binti Shaik Alawdin, 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 45 to 85 give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 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 86 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 31 MARCH 2017**

Aminuddin Bin Saad

Nazriah Binti Shaik Alawdin

Statutory Declaration

I, Gooi Ai Bin, being the Group Financial Controller primarily responsible for the financial management of Master-Pack Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 85 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
Gooi Ai Bin at Georgetown in the State of
Penang on this 31 March 2017

Gooi Ai Bin

Before me

Mok Cheng Yoon
No. P140
Commissioner for Oaths

Independent Auditors' Report To The Members

of Master-Pack Group Berhad (Incorporated in Malaysia)



Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Master-Pack Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 85.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, 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.

Basis for Opinion

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

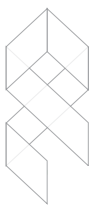
Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><u>Allowance for inventories (Refer to Notes 3 and 9 to the financial statements)</u></p> <p>The Group carries significant inventories as disclosed in Note 9 to the financial statements. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involved judgements and estimation uncertainty in forming expectations about future sales and demands.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> - the Group's inventory management process; - how the Group identifies and assesses inventory write-downs; and - how the Group makes the accounting estimates for inventory write-downs. • Reviewing the ageing analysis of inventories and testing the reliability thereof. • Examining the perpetual records for inventory movements and to identify slow moving aged items. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the net realisable value of major inventories. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

Independent Auditors' Report To The Members (cont'd)
of Master-Pack Group Berhad (Incorporated in Malaysia)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of loans and receivables (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant receivables as disclosed in Note 10 to the financial statements and is subject to major credit risk exposures. The assessment of recoverability of receivables involved judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none">• Obtaining an understanding of:-<ul style="list-style-type: none">- the Group's control over the receivable collection process;- how the Group identifies and assesses the impairment of receivables; and- how the Group makes the accounting estimates for impairment.• Reviewing the ageing analysis of receivables and testing the reliability thereof.• Reviewing subsequent cash collections for major receivables and overdue amounts.• Making inquiries of management regarding the action plans to recover overdue amounts.• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.• Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.• Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 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 of the Group and the Company that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

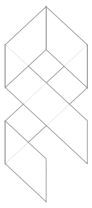
As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

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

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

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

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



Independent Auditors' Report To The Members (cont'd)
of Master-Pack Group Berhad (Incorporated 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.

Other Reporting Responsibilities

The supplementary information set out on page 86 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Crowe Horwath

Firm No.: AF 1018
Chartered Accountants

Date: 31 March 2017

Penang

Eddy Chan Wai Hun

Approval No.: 2182/10/17(J)
Chartered Accountant

Consolidated Statement of Financial Position

As At 31 December 2016



	Note	2016 RM'000	2015 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	37,418	38,284
Investment properties	5	13,980	13,980
Goodwill on consolidation		196	196
Investments in associates	7	581	370
Available-for-sale financial assets	8	277	303
		<u>52,452</u>	<u>53,133</u>
CURRENT ASSETS			
Inventories	9	11,248	9,488
Trade and other receivables	10	21,933	21,244
Prepayments		1,549	556
Current tax assets		140	565
Cash and cash equivalents	11	6,326	5,392
		<u>41,196</u>	<u>37,245</u>
CURRENT LIABILITIES			
Trade and other payables	12	6,553	7,262
Loans and borrowings - secured	13	8,858	7,658
Current tax liabilities		163	53
		<u>15,574</u>	<u>14,973</u>
NET CURRENT ASSETS		25,622	22,272
NON-CURRENT LIABILITIES			
Loans and borrowings - secured	13	2,211	1,280
Deferred tax liabilities	14	3,760	4,435
		<u>5,971</u>	<u>5,715</u>
NET ASSETS		<u>72,103</u>	<u>69,690</u>
EQUITY			
Share capital	15	54,620	54,620
Share premium		284	284
Capital redemption reserve		435	435
Revaluation surplus		5,742	6,184
Fair value reserve		87	105
Retained profits		10,895	7,932
Equity attributable to owners of the Company		<u>72,063</u>	<u>69,560</u>
Non-controlling interests	16	40	130
TOTAL EQUITY		<u>72,103</u>	<u>69,690</u>

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



Consolidated Statement Of Comprehensive Income

For The Financial Year Ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Revenue	17	82,465	74,463
Other income		900	427
Changes in inventories of work-in-progress and finished goods		(251)	(129)
Purchase of finished goods		(1,148)	(3,030)
Raw materials and consumables used		(53,674)	(46,362)
Depreciation		(2,971)	(2,772)
Employee benefits expense	18	(10,533)	(9,376)
Finance costs		(649)	(685)
Other expenses		(10,644)	(8,858)
Share of associate's profit		17	58
Profit before tax	19	<u>3,512</u>	<u>3,736</u>
Tax expense	20	(956)	(1,002)
Profit for the financial year		<u>2,556</u>	<u>2,734</u>
Other comprehensive income:-			
<i>Item that will not be reclassified to profit or loss:-</i>			
- Deferred tax income relating to change in tax rate		0	134
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
- Loss on available-for-sale financial assets		(18)	(17)
Other comprehensive income for the financial year		<u>(18)</u>	<u>117</u>
Total comprehensive income for the financial year		<u>2,538</u>	<u>2,851</u>
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		3,067	2,872
- Non-controlling interests	16	<u>(511)</u>	<u>(138)</u>
		<u>2,556</u>	<u>2,734</u>
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		3,049	2,989
- Non-controlling interests		<u>(511)</u>	<u>(138)</u>
		<u>2,538</u>	<u>2,851</u>
Earnings per share:-	21		
- Basic (sen)		5.62	5.38
- Diluted (sen)		<u>5.62</u>	<u>5.38</u>

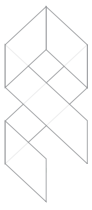
Consolidated Statement Of Changes In Equity

For The Financial Year Ended 31 December 2016



	Non-distributable				Distributable			Equity attributable to owners of the Company		Total equity
	Share capital	Share premium	Capital redemption reserve	Revaluation surplus	Fair value reserve	Retained profits	Non-controlling interests	RM'000	RM'000	
Balance at 1 January 2015	49,620	471	435	6,476	122	6,015	63,139	(34)	63,105	
Deferred tax income relating to change in tax rate	0	0	0	134	0	0	134	0	134	
Loss on available-for-sale financial assets	0	0	0	0	(17)	0	(17)	0	(17)	
Other comprehensive income for the financial year	0	0	0	134	(17)	0	117	0	117	
Profit/(Loss) for the financial year	0	0	0	0	0	2,872	2,872	(138)	2,734	
Total comprehensive income for the financial year	0	0	0	134	(17)	2,872	2,989	(138)	2,851	
Issue of shares	5,000	0	0	0	0	0	5,000	0	5,000	
Share issue transaction costs	0	(187)	0	0	0	0	(187)	0	(187)	
Equity transactions with non-controlling interests	0	0	0	0	0	(16)	(16)	302	286	
Dividends (Note 22)	0	0	0	0	0	(1,365)	(1,365)	0	(1,365)	
Total transactions with owners	5,000	(187)	0	0	0	(1,381)	3,432	302	3,734	
Transfer of revaluation surplus	0	0	0	(426)	0	426	0	0	0	
Balance at 31 December 2015	54,620	284	435	6,184	105	7,932	69,560	130	69,690	

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



Consolidated Statement Of Changes In Equity (cont'd)
For The Financial Year Ended 31 December 2016

	Non-distributable				Distributable			Equity attributable to owners of the Company		Total equity
	Share capital	Share premium	Capital redemption reserve	Revaluation surplus	Fair value reserve	Retained profits	Non-controlling interests	RM'000	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2016	54,620	284	435	6,184	105	7,932	69,560	130	69,690	
Loss on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	0	(18)	0	(18)	0	(18)	
Profit/(Loss) for the financial year	0	0	0	0	0	3,067	3,067	(511)	2,556	
Total comprehensive income for the financial year	0	0	0	0	(18)	3,067	3,049	(511)	2,538	
Issue of shares by subsidiary Dividend (Note 22)	0	0	0	0	0	0	0	1,280	1,280	
Total transactions with owners	0	0	0	0	0	(546)	(546)	1,280	734	
Loss of control of subsidiary	0	0	0	0	0	0	0	(859)	(859)	
Transfer of revaluation surplus	0	0	0	(442)	0	442	0	0	0	
Balance at 31 December 2016	54,620	284	435	5,742	87	10,895	72,063	40	72,103	

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

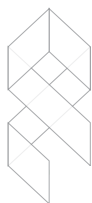
Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2016



	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,512	3,736
Adjustments for:-			
Depreciation		2,971	2,772
Dividend income		(3)	(10)
Gain on disposal of property, plant and equipment		(15)	(30)
Gain on fair value adjustment of investment properties		0	(260)
Gain on loss of control of subsidiary		(312)	0
Impairment loss on available-for-sale financial assets		8	0
Impairment loss on loans and receivables		1,535	900
Impairment loss on property, plant and equipment		0	26
Interest expense		649	685
Interest income		(43)	(46)
Inventories written down		75	46
Property, plant and equipment written off		8	0
Reversal of impairment loss on loans and receivables		(5)	(21)
Reversal of inventories written down		(25)	(96)
Share of associate's profit		(17)	(58)
Waiver of debts		(5)	0
Operating profit before working capital changes		<u>8,333</u>	<u>7,644</u>
Changes in:-			
Inventories		(2,369)	706
Receivables and prepayments		(3,801)	(2,015)
Payables		<u>1,292</u>	<u>1,555</u>
Cash generated from operations		3,455	7,890
Tax paid		(1,627)	(1,618)
Tax refunded		<u>531</u>	<u>111</u>
Net cash from operating activities		<u>2,359</u>	<u>6,383</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash and cash equivalents of subsidiary over which control is lost	6	(365)	0
Dividends received		3	10
Interest received		43	46
Proceeds from disposal of property, plant and equipment		15	30
Purchase of property, plant and equipment	23	<u>(1,182)</u>	<u>(2,687)</u>
Net cash used in investing activities		<u>(1,486)</u>	<u>(2,601)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(546)	(1,365)
Interest paid		(638)	(684)
Issue of shares by subsidiary		1,280	196
Issue of shares by the Company		0	5,000
Net increase/(decrease) in short-term loans and borrowings		2,321	(632)
Repayment of hire purchase obligations		(477)	(228)
Repayment of term loans		(758)	(5,627)
Share issue transaction costs paid		<u>0</u>	<u>(187)</u>
Net cash from/(used in) financing activities		<u>1,182</u>	<u>(3,527)</u>
Net increase in cash and cash equivalents		2,055	255
Cash and cash equivalents brought forward		2,516	2,261
Cash and cash equivalents carried forward	23	<u><u>4,571</u></u>	<u><u>2,516</u></u>

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



Statement of Financial Position

As At 31 December 2016

	Note	2016 RM'000	2015 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	12	10
Investment properties	5	3,130	3,130
Investments in subsidiaries	6	15,538	15,538
Available-for-sale financial assets	8	277	303
		<u>18,957</u>	<u>18,981</u>
CURRENT ASSETS			
Other receivables	10	8,998	8,588
Current tax assets		80	85
Cash and cash equivalents	11	922	633
		<u>10,000</u>	<u>9,306</u>
CURRENT LIABILITIES			
Other payables	12	253	338
Loans and borrowings - secured	13	0	33
		<u>253</u>	<u>371</u>
NET CURRENT ASSETS		9,747	8,935
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	39	38
NET ASSETS		<u>28,665</u>	<u>27,878</u>
EQUITY			
Share capital	15	54,620	54,620
Share premium		284	284
Capital redemption reserve		435	435
Fair value reserve		87	105
Accumulated losses		(26,761)	(27,566)
TOTAL EQUITY		<u>28,665</u>	<u>27,878</u>

Statement of Comprehensive Income

For The Financial Year Ended 31 December 2016



	Note	2016 RM'000	2015 RM'000
Revenue	17	1,551	3,116
Other income		52	928
Depreciation		(3)	(3)
Employee benefits expense	18	(234)	(220)
Finance costs		(3)	(6)
Other expenses		(258)	(961)
Profit before tax	19	1,105	2,854
Tax income/(expense)	20	246	(5)
Profit for the financial year		1,351	2,849
Other comprehensive income:-			
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
- Loss on available-for-sale financial assets		(18)	(17)
Other comprehensive income for the financial year		(18)	(17)
Total comprehensive income for the financial year		1,333	2,832

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



Statement of Changes In Equity

For The Financial Year Ended 31 December 2016

	Non-distributable				Accumulated losses	Total equity
	Share capital	Share premium	Capital redemption reserve	Fair value reserve		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2015	49,620	471	435	122	(29,050)	21,598
Loss on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	(17)	0	(17)
Profit for the financial year	0	0	0	0	2,849	2,849
Total comprehensive income for the financial year	0	0	0	(17)	2,849	2,832
Issue of shares	5,000	0	0	0	0	5,000
Share issue transaction costs	0	(187)	0	0	0	(187)
Dividends (Note 22)	0	0	0	0	(1,365)	(1,365)
Total transactions with owners	5,000	(187)	0	0	(1,365)	3,448
Balance at 31 December 2015	54,620	284	435	105	(27,566)	27,878
Loss on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	(18)	0	(18)
Profit for the financial year	0	0	0	0	1,351	1,351
Total comprehensive income for the financial year	0	0	0	(18)	1,351	1,333
Dividend (representing total transactions with owners) (Note 22)	0	0	0	0	(546)	(546)
Balance at 31 December 2016	54,620	284	435	87	(26,761)	28,665

Statement of Cash Flows

For The Financial Year Ended 31 December 2016



	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,105	2,854
Adjustments for:-			
Depreciation		3	3
Dividend income		(1,503)	(3,010)
Gain on fair value adjustment of investment properties		0	(260)
Impairment loss on available-for-sale financial assets		8	0
Impairment loss on investments in subsidiaries		0	604
Impairment loss on loans and receivables		0	7
Interest expense		3	6
Interest income		(5)	(5)
Property, plant and equipment written off		1	0
Reversal of impairment loss on loans and receivables		0	(79)
Waiver of debts		0	(548)
Operating loss before working capital changes		(388)	(428)
Changes in:-			
Receivables		0	12
Payables		(85)	(165)
Cash absorbed by operations		(473)	(581)
Tax paid		(29)	(105)
Tax refunded		281	28
Net cash used in operating activities		(221)	(658)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		1,503	3,010
Interest received		5	5
Net advance to subsidiaries		(410)	(5,509)
Purchase of property, plant and equipment	23	(6)	(1)
Net cash from/(used in) investing activities		1,092	(2,495)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(546)	(1,365)
Interest paid		(3)	(6)
Issue of shares		0	5,000
Repayment of term loan		(33)	(77)
Share issue transaction costs paid		0	(187)
Net cash (used in)/from financing activities		(582)	3,365
Net increase in cash and cash equivalents		289	212
Cash and cash equivalents brought forward		633	421
Cash and cash equivalents carried forward	23	922	633

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



Notes To The Financial Statements

For The Financial Year Ended 31 December 2016

1. General Information

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 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 45 to 49 together with the notes thereto cover the Company and its subsidiaries ("the Group") and the Group's interests in associates. The separate financial statements of the Company set out on pages 50 to 53 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 31 March 2017.

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
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</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 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Annual Improvements to MFRS Standards 2012 - 2014 Cycle	1 January 2016

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



2. Significant Accounting Policies (cont'd)

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

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

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i> (IFRS 9 <i>Financial Instruments</i> as issued by IASB in July 2014)	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle:-	
(i) Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i>	1 January 2018
(ii) Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2017
(iii) Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i>	1 January 2018

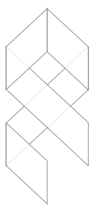
Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

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.

MFRS 16 *Leases*

MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. At the date of initial application of MFRS 16, the Group and the Company will recognise such assets and liabilities for leases previously classified as an operating lease applying MFRS 117.



2. Significant Accounting Policies (cont'd)

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.

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.



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 Investments in Associates

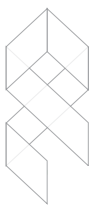
An associate is an entity over which an investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, investments in associates are 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.



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

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



2. Significant Accounting Policies (cont'd)

2.9 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

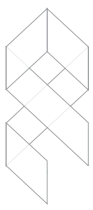
A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs.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

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.



2. Significant Accounting Policies (cont'd)

2.11 Leases (cont'd)

Finance Lease (cont'd)

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.

2.13 Share Capital

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

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

2.14 Fair Value Measurement

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

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

- (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.



2. Significant Accounting Policies (cont'd)

2.14 Fair Value Measurement (cont'd)

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.

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

Rental income is recognised on an accrual basis.

Interest income is recognised using the effective interest method.

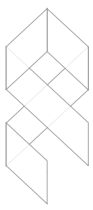
2.16 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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



2. Significant Accounting Policies (cont'd)

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.

3. Judgements And Estimation Uncertainty

Judgements Made in Applying Accounting Policies

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



3. Judgements And Estimation Uncertainty (cont'd)

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 2016

4. Property, Plant And Equipment

The Group

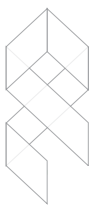
	Freehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
<u>At Cost/Valuation</u>								
Balance at 1 January 2015	4,380	5,700	18,465	43,726	1,581	2,793	818	77,463
Additions	0	0	84	2,238	106	254	68	2,750
Disposals/Write-offs	0	0	0	0	(79)	(7)	(86)	(172)
Balance at 31 December 2015	4,380	5,700	18,549	45,964	1,608	3,040	800	80,041
Representing:-								
- Cost	0	0	84	45,964	1,608	3,040	800	51,496
- Valuation	4,380	5,700	18,465	0	0	0	0	28,545
	4,380	5,700	18,549	45,964	1,608	3,040	800	80,041
Balance at 1 January 2016								
Additions	0	0	155	1,641	39	88	236	2,159
Disposals/Write-offs	0	0	0	(503)	(315)	(42)	(93)	(953)
Loss of control of subsidiary	0	0	0	(8)	(17)	(29)	0	(54)
Balance at 31 December 2016	4,380	5,700	18,704	47,094	1,315	3,057	943	81,193
Representing:-								
- Cost	0	0	239	47,094	1,315	3,057	943	52,648
- Valuation	4,380	5,700	18,465	0	0	0	0	28,545
	4,380	5,700	18,704	47,094	1,315	3,057	943	81,193



4. Property, Plant And Equipment (cont'd)

The Group

	Freehold land RM'000	Short-term leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Tools and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
<u>Depreciation and Impairment Losses</u>								
Balance at 1 January 2015	0	0	0	34,592	1,217	2,581	741	39,131
- Accumulated depreciation	0	281	640	1,612	75	106	58	2,772
Depreciation	0	0	0	26	0	0	0	26
Impairment losses	0	0	0	0	(79)	(7)	(86)	(172)
Disposals/Write-offs	0	0	0	0	0	0	0	0
Balance at 31 December 2015	0	281	640	36,204	1,213	2,680	713	41,731
- Accumulated depreciation	0	0	0	26	0	0	0	26
- Accumulated impairment losses	0	281	640	36,230	1,213	2,680	713	41,757
Depreciation	0	281	684	1,732	83	131	60	2,971
Disposals/Write-offs	0	0	0	(502)	(309)	(41)	(93)	(945)
Loss of control of subsidiary	0	0	0	0	(4)	(4)	0	(8)
Balance at 31 December 2016	0	562	1,324	37,434	983	2,766	680	43,749
- Accumulated depreciation	0	0	0	26	0	0	0	26
- Accumulated impairment losses	0	562	1,324	37,460	983	2,766	680	43,775
<u>Carrying Amount</u>								
Balance at 1 January 2015	4,380	5,700	18,465	9,134	364	212	77	38,332
Balance at 31 December 2015	4,380	5,419	17,909	9,734	395	360	87	38,284
Balance at 31 December 2016	4,380	5,138	17,380	9,634	332	291	263	37,418

Notes To The Financial Statements
For The Financial Year Ended 31 December 2016**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	
	2016	2015
	RM'000	RM'000
Freehold land	1,904	1,904
Short-term leasehold land	648	684
Buildings	9,578	9,772
	<u>12,130</u>	<u>12,360</u>

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

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

	The Group	
	2016	2015
	RM'000	RM'000
Plant and machinery	3,226	1,189
Motor vehicles	228	51
	<u>3,454</u>	<u>1,240</u>

The Company

	Furniture, fittings and office equipment RM'000
<u>At Cost</u>	
Balance at 1 January 2015	1,003
Additions	1
Balance at 31 December 2015	<u>1,004</u>
Additions	6
Write-offs	(1)
Balance at 31 December 2016	<u>1,009</u>
<u>Accumulated Depreciation</u>	
Balance at 1 January 2015	991
Depreciation	3
Balance at 31 December 2015	<u>994</u>
Depreciation	3
Balance at 31 December 2016	<u>997</u>



4. Property, Plant And Equipment (cont'd)

The Company

	Furniture, fittings and office equipment RM'000
<u>Carrying Amount</u>	
Balance at 1 January 2015	12
Balance at 31 December 2015	10
Balance at 31 December 2016	12

5. Investment Properties

The Group

	Freehold land RM'000	Buildings RM'000	Office lots RM'000	Total RM'000
<u>Fair Value</u>				
Balance at 1 January 2015	2,785	8,065	2,870	13,720
Fair value adjustments	0	0	260	260
Balance at 31 December 2015 / 31 December 2016	2,785	8,065	3,130	13,980

The Company

	Office lots RM'000
<u>Fair Value</u>	
Balance at 1 January 2015	2,870
Fair value adjustments	260
Balance at 31 December 2015 / 31 December 2016	3,130

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).

Certain office lots with total carrying amount of RM1,960,000 (2015 : RM3,130,000) have been pledged as security for credit facilities granted to the Group and the Company.

6. Investments In Subsidiaries

The Company

	2016 RM'000	2015 RM'000
Unquoted shares, at cost	26,363	26,363
Impairment losses	(10,825)	(10,825)
	15,538	15,538

Notes To The Financial Statements
For The Financial Year Ended 31 December 2016**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
		2016	2015	
<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 Energy Sdn. Bhd.	Malaysia	60%	60%	Trading of industrial diesels and additives
Master-Pack Marine Products Sdn. Bhd.	Malaysia	100%	100%	Inactive
Sin Wan Fatt Marine Products Sdn. Bhd.	Malaysia	100%	100%	Inactive
<u>Indirect Subsidiaries</u>				
Eng Hong Distribution Sdn. Bhd.	Malaysia	51%	51%	Inactive (in the process of dissolution)
Excelfood Pack Sdn. Bhd.	Malaysia	Refer to Note 7	51%	Manufacture and sale of food wrappers, bags and boxes

Loss of Control of Subsidiary

In November 2016, the Group's ownership interest in Excelfood Pack Sdn. Bhd. was diluted from 51% to 26%, resulting in a loss of control of the subsidiary. Consequently, Excelfood Pack Sdn. Bhd. became an associate upon the dilution of ownership interest. The effects of the loss of control on the consolidated financial statements are as follows:-

	The Group RM'000
Property, plant and equipment	46
Inventories	559
Receivables	589
Cash and cash equivalents	365
Payables	(818)
Non-controlling interests	(859)
Share of net liabilities lost	(118)
Investment in associate retained	(194)
Gain on loss of control	(312)



7. Investments In Associates

The Group

	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	294	100
Share of post-acquisition changes in net assets	287	270
	<u>581</u>	<u>370</u>

The details of the associates are as follows:-

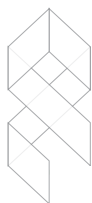
Name of Associate	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2016	2015	
Richmond Technology Sdn. Bhd.	Malaysia	20%	20%	Manufacture of packaging materials
Excelfood Pack Sdn. Bhd.	Malaysia	26%	Refer to Note 6	Manufacture and sale of food wrappers, bags and boxes

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

	2016	2015
	RM'000	RM'000
Non-current assets	1,640	730
Current assets	4,928	3,464
Non-current liabilities	(954)	(234)
Current liabilities	(2,901)	(2,108)
Net assets	2,713	1,852
Revenue	10,414	13,039
Profit (representing total comprehensive income)	<u>119</u>	<u>290</u>

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

	Richmond Technology Sdn. Bhd.	2016 Excelfood Pack Sdn. Bhd.	Total	2015 Richmond Technology Sdn. Bhd.
	RM'000	RM'000	RM'000	RM'000
Net assets	2,080	633	2,713	1,852
Effect ownership interest	20%	26%	20% - 26%	20%
Carrying amount	<u>416</u>	<u>165</u>	<u>581</u>	<u>370</u>



Notes To The Financial Statements
For The Financial Year Ended 31 December 2016

8. Available-For-Sale Financial Assets

The Group and the Company

	2016	2015
	RM'000	RM'000
Shares quoted in Malaysia, at fair value	277	303

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

	2016	2015
	RM'000	RM'000
Raw materials	8,584	7,230
Work-in-progress	555	461
Finished goods	910	911
Goods-in-transit	1,199	886
	<u>11,248</u>	<u>9,488</u>

10. Trade And Other Receivables

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables:-				
- Associate	1,537	1,302	0	0
- Unrelated parties	22,838	20,848	0	0
- Allowance for impairment	(2,644)	(1,123)	0	0
	<u>20,194</u>	<u>19,725</u>	<u>0</u>	<u>0</u>
	21,731	21,027	0	0
Other receivables:-				
- Associate	59	0	0	0
- Subsidiaries	0	0	29,023	28,613
- Allowance for impairment	0	0	(20,045)	(20,045)
	0	0	8,978	8,568
- Unrelated parties	143	217	20	20
	<u>202</u>	<u>217</u>	<u>8,998</u>	<u>8,588</u>
	21,933	21,244	8,998	8,588



10. Trade And Other Receivables (cont'd)

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	21,592	21,244	8,998	8,588
US Dollar	341	0	0	0
	<u>21,933</u>	<u>21,244</u>	<u>8,998</u>	<u>8,588</u>

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	
	2016 RM'000	2015 RM'000
Balance at 1 January	1,123	2,130
Impairment loss recognised	1,535	900
Impairment loss reversed	(5)	(21)
Impairment loss written off	(9)	(1,886)
Balance at 31 December	<u>2,644</u>	<u>1,123</u>

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

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

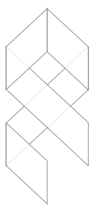
	The Group	
	2016 RM'000	2015 RM'000
Not past due	15,793	14,308
Past due 1 to 30 days	3,244	3,998
Past due 31 to 120 days	1,730	1,156
Past due more than 120 days	964	1,565
	<u>21,731</u>	<u>21,027</u>

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 2016, there were 2 (2015 : 1) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM7,096,000 (2015 : RM4,747,000).

Other Receivables

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

**10. Trade And Other Receivables (cont'd)****Other Receivables (cont'd)**

The movements in allowance for impairment are as follows:-

	The Company	
	2016 RM'000	2015 RM'000
Balance at 1 January	20,045	20,124
Impairment loss recognised	0	7
Impairment loss reversed	0	(79)
Impairment loss written off	0	(7)
Balance at 31 December	20,045	20,045

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Highly liquid investments	1,000	1,000	0	0
Term deposits with a licensed bank (fixed rate)	802	303	802	303
Cash and bank balances	4,524	4,089	120	330
	6,326	5,392	922	633

The effective interest rate of term deposits as at 31 December 2016 was 1.85% (2015 : 2.10%) per annum.

The currency profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	5,996	5,392	922	633
US Dollar	330	0	0	0
	6,326	5,392	922	633



12. Trade And Other Payables

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables	3,398	4,248	0	0
Other payables:-				
- Subsidiary	0	0	0	120
- Unrelated parties	3,025	2,884	253	218
	3,025	2,884	253	338
Compensation received	130	130	0	0
	<u>6,553</u>	<u>7,262</u>	<u>253</u>	<u>338</u>

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	6,551	7,213	253	338
US Dollar	2	49	0	0
	<u>6,553</u>	<u>7,262</u>	<u>253</u>	<u>338</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

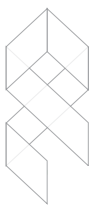
Trade payables are unsecured, non-interest bearing and generally on 30 to 60 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amount owing to subsidiary is repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

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 2016

13. Loans And Borrowings - Secured

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate:-				
- Hire purchase payables	2,568	890	0	0
- Banker acceptances	6,112	3,780	0	0
- Term loan	0	33	0	33
Floating rate:-				
- Bank overdrafts	1,755	2,876	0	0
- Term loans	634	1,359	0	0
	<u>11,069</u>	<u>8,938</u>	<u>0</u>	<u>33</u>
Disclosed as:-				
- Current liabilities	8,858	7,658	0	33
- Non-current liabilities	2,211	1,280	0	0
	<u>11,069</u>	<u>8,938</u>	<u>0</u>	<u>33</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 2016 ranged from 4.52% to 8.35% (2015 : 4.76% to 8.50%) 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 3 to 5 years. The repayment analysis is as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Minimum hire purchase payments:-		
- Within 1 year	821	292
- Later than 1 year and not later than 2 years	821	292
- Later than 2 years and not later than 5 years	1,232	400
Total contractual undiscounted cash flows	2,874	984
Future finance charges	(306)	(94)
	<u>2,568</u>	<u>890</u>
Represented by present value of hire purchase payables:-		
- Within 1 year	685	245
- Later than 1 year and not later than 2 years	727	260
- Later than 2 years and not later than 5 years	1,156	385
	<u>2,568</u>	<u>890</u>



13. Loans And Borrowings - Secured (cont'd)

Hire Purchase Payables (cont'd)

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.

Term Loans

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross loan instalments:-				
- Within 1 year	340	827	0	34
- Later than 1 year and not later than 2 years	238	340	0	0
- Later than 2 years and not later than 5 years	123	370	0	0
Total contractual undiscounted cash flows	701	1,537	0	34
Future finance charges	(67)	(145)	0	(1)
	<u>634</u>	<u>1,392</u>	<u>0</u>	<u>33</u>
Represented by present value of term loans:-				
- Within 1 year	306	757	0	33
- Later than 1 year and not later than 2 years	214	299	0	0
- Later than 2 years and not later than 5 years	114	336	0	0
	<u>634</u>	<u>1,392</u>	<u>0</u>	<u>33</u>

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.

Notes To The Financial Statements
For The Financial Year Ended 31 December 2016**14. Deferred Tax Liabilities**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Balance at 1 January	4,435	4,787	38	26
Deferred tax (income)/expense relating to origination and reversal of temporary differences	(586)	(143)	1	13
Deferred tax income relating to change in tax rate recognised in:-				
- Profit or loss	0	(49)	0	0
- Other comprehensive income	0	(134)	0	0
Deferred tax liabilities overprovided in prior year	(89)	(26)	0	(1)
Balance at 31 December	<u>3,760</u>	<u>4,435</u>	<u>39</u>	<u>38</u>
In respect of taxable/(deductible) temporary differences of:-				
- Property, plant and equipment	4,421	4,665	2	1
- Investment properties	70	70	37	37
- Inventories	(54)	(35)	0	0
- Financial instruments	(677)	(265)	0	0
	<u>3,760</u>	<u>4,435</u>	<u>39</u>	<u>38</u>

Save as disclosed above, as at 31 December 2016, 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 RM786,000 (2015 : RM744,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances, unused tax losses and deductible temporary differences over the taxable temporary differences as follows:-

	The Group	
	2016 RM'000	2015 RM'000
Unused capital allowances	4,373	4,373
Unused tax losses	20,176	20,157
Deductible/(Taxable) temporary differences of:-		
- Property, plant and equipment	5	14
- Investment properties	(3,276)	(3,099)
	<u>21,278</u>	<u>21,445</u>



15. Share Capital

	2016		2015	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Ordinary shares of RM1.00 each				
Authorised	100,000	100,000	100,000	100,000
Issued and fully paid-up:-				
At 1 January	54,620	54,620	49,620	49,620
Issued during the year	0	0	5,000	5,000
At 31 December	54,620	54,620	54,620	54,620

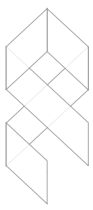
16. Non-Controlling Interests ("NCI")

The Group

	Accumulated NCI		Loss Allocated to NCI	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Master-Pack Energy Sdn. Bhd.	40	48	(8)	(23)
Eng Hong Distribution Sdn. Bhd.	0	0	0	0
Excelfood Pack Sdn. Bhd.	0	82	(503)	(114)
Ocean Garden Seafood Products Sdn. Bhd.	0	0	0	(1)
	40	130	(511)	(138)

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

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest Held by NCI		Principal Activity
		2016	2015	
Master-Pack Energy Sdn. Bhd.	Malaysia	40%	40%	Trading of industrial diesels and additives
Eng Hong Distribution Sdn. Bhd.	Malaysia	49%	49%	Inactive (in the process of dissolution)
Excelfood Pack Sdn. Bhd.	Malaysia	Refer to Notes 6 and 7	49%	Manufacture and sale of food wrappers, bags and boxes

Notes To The Financial Statements
For The Financial Year Ended 31 December 2016**16. Non-Controlling Interests ("NCI") (cont'd)**

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

	2016	2015
	RM'000	RM'000
Non-current assets	1	1
Current assets	133	414
Current liabilities	(64)	(158)
Net assets	70	257
Revenue	0	331
Loss (representing total comprehensive income)	(21)	(292)
Net cash used in operating activities	(14)	(269)
Net cash (used in)/from financing activities	(1)	476
Net cash (outflow)/inflow	(15)	207

17. Revenue

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sale of goods	82,414	74,347	0	0
Dividend income from:-				
- Investment in subsidiary	0	0	1,500	3,000
- Quoted investments in Malaysia	3	10	3	10
Rental income from investment properties	48	106	48	106
	<u>82,465</u>	<u>74,463</u>	<u>1,551</u>	<u>3,116</u>

18. Employee Benefits Expense

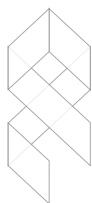
	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	9,795	8,623	234	220
Defined contribution plan	738	753	0	0
	<u>10,533</u>	<u>9,376</u>	<u>234</u>	<u>220</u>

**19. Profit Before Tax**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	104	90	35	22
- Prior year	6	1	3	0
Direct operating expenditure for investment properties:-				
- Generating rental income	12	12	12	12
- Not generating rental income	68	54	0	0
Directors' remuneration:-				
- Fee	204	189	201	186
- Other emoluments	1,406	1,207	18	0
Fee expense for financial instruments not at fair value through profit or loss	88	80	1	1
Impairment loss on available-for-sale financial assets	8	0	8	0
Impairment loss on investments in subsidiaries*	0	0	0	604
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	0	7
- Unrelated parties	1,535	900	0	0
Impairment loss on property, plant and equipment*	0	26	0	0
Interest expense for financial liabilities not at fair value through profit or loss	649	685	3	6
Inventories written down	75	46	0	0
Property, plant and equipment written off	8	0	1	0
Realised loss on foreign exchange	0	24	0	0
Rental of equipment	61	11	0	0
Rental of premises	286	193	7	8
and crediting:-				
Bad debts recovered	0	6	0	0
Gain on disposal of property, plant and equipment	15	30	0	0
Gain on fair value adjustment of investment properties	0	260	0	260
Gain on loss of control of subsidiary**	312	0	0	0
Insurance compensation	200	0	0	0
Interest income for financial assets not at fair value through profit or loss	43	46	5	5
Realised gain on foreign exchange	5	0	0	0
Rental of equipment	33	0	0	0
Reversal of impairment loss on loans and receivables:-				
- Subsidiary	0	0	0	79
- Unrelated parties	5	21	0	0
Reversal of inventories written down	25	96	0	0
Waiver of debts	5	0	0	548

* Included in other expenses

** Included in other income

**20. Tax Expense/(Income)**

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Tax based on results for the year:-				
Malaysian income tax	1,750	1,182	10	0
Deferred tax	(586)	(192)	1	13
	<u>1,164</u>	<u>990</u>	<u>11</u>	<u>13</u>
Tax (over)/under provided in prior year:-				
Malaysian income tax	(119)	38	(257)	(7)
Deferred tax	(89)	(26)	0	(1)
	<u>956</u>	<u>1,002</u>	<u>(246)</u>	<u>5</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/(income) is as follows:-

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	<u>3,512</u>	<u>3,736</u>	<u>1,105</u>	<u>2,854</u>
Tax at applicable tax rate of 24% (2015 : 25%)	843	934	265	713
Non-taxable income	(60)	(179)	(282)	(910)
Non-deductible expenses	426	480	28	262
Expenses eligible for double deduction	(5)	(4)	0	0
Reinvestment allowances claimed	0	(110)	0	0
Decrease in unrecognised deferred tax assets	(40)	(36)	0	0
Effect of differential tax rates	0	(95)	0	(52)
Tax (over)/under provided in prior year	<u>(208)</u>	<u>12</u>	<u>(257)</u>	<u>(8)</u>
Tax expense/(income)	<u>956</u>	<u>1,002</u>	<u>(246)</u>	<u>5</u>

Pursuant to the Finance (No. 2) Act 2014 (Act 764) gazetted on 30 December 2014, the statutory income tax rate has been reduced from 25% to 24% for the financial year under review.



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:-

	2016	2015
Profit for the financial year attributable to owners of the Company (RM'000)	3,067	2,872
Number of shares in issue at 1 January ('000)	54,620	49,620
Effect of shares issued ('000)	0	3,767
Weighted average number of shares in issue ('000)	54,620	53,387
Basic earnings per share (sen)	5.62	5.38

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

22. Dividends

The Group and the Company

	2016	2015
	RM'000	RM'000
In respect of the financial year ended 31 December 2014:-		
- Interim single tier dividend of 1.5 sen per share	0	819
In respect of the financial year ended 31 December 2015:-		
- Interim single tier dividend of 1 sen per share	0	546
In respect of the financial year ended 31 December 2016:-		
- Interim single tier dividend of 1 sen per share	546	0
	<u>546</u>	<u>1,365</u>

23. Notes To Statement Of Cash Flows

Purchase of Property, Plant and Equipment

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cost of property, plant and equipment purchased	2,159	2,750	6	1
Amount financed through hire purchase	(977)	(63)	0	0
Net cash disbursed	<u>1,182</u>	<u>2,687</u>	<u>6</u>	<u>1</u>

Notes To The Financial Statements
For The Financial Year Ended 31 December 2016**23. Notes To Statement Of Cash Flows (cont'd)****Cash and Cash Equivalents**

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents	6,326	5,392	922	633
Bank overdrafts	(1,755)	(2,876)	0	0
	<u>4,571</u>	<u>2,516</u>	<u>922</u>	<u>633</u>

24. Related Party Disclosures

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Key management personnel compensation:-				
- Short-term employee benefits	2,401	2,128	219	186
- Defined contribution plan	139	155	0	0
	<u>2,540</u>	<u>2,283</u>	<u>219</u>	<u>186</u>
Dividends declared from subsidiary	0	0	1,500	3,000
Rental of equipment to associate	33	0	0	0
Sale of goods to associate	4,409	3,826	0	0
Subscription for shares in subsidiary	0	0	0	135
Waiver of debts by subsidiary	<u>0</u>	<u>0</u>	<u>0</u>	<u>548</u>

25. Segment Reporting

The Group

Operating Segments

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

Geographical Information

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 2016, there was 1 (2015 : 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 RM18,808,000 (2015 : RM16,238,000).



26. Commitment For Purchase Of Property, Plant And Equipment

The Group

	2016 RM'000	2015 RM'000
Contracted but not provided for	2,496	162

27. Contingent Liabilities

The Company

Pledge of Properties - Secured

The Company is contingently liable up to a limit of RM1,960,000 (2015 : RM1,960,000), 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 RM27,200,000 (2015 : RM27,200,000). The total utilisation of these credit facilities as at 31 December 2016 amounted to RM9,667,000 (2015 : RM10,045,000).

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.

28. 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.

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 27.

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.

**28. Financial Risk Management (cont'd)****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. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

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

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

	The Group	
	Increase/ (Decrease) in Profit 2016 RM'000	Increase/ (Decrease) in Profit 2015 RM'000
Appreciation of USD against RM by 10%	51	(4)
Depreciation of USD against RM by 10%	(51)	4

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.

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 2016 RM'000	Increase/ (Decrease) in Profit 2015 RM'000
Increase in interest rates by 50 basis points	(9)	(16)
Decrease in interest rates by 50 basis points	9	16



28. Financial Risk Management (cont'd)

Other Price Risk

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

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

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

	The Group and the Company			
	Increase/ (Decrease) in Profit	Increase/ (Decrease) in OCI	Increase/ (Decrease) in Profit	Increase/ (Decrease) in OCI
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Increase in FBMKLCI by 10%	0	28	0	30
Decrease in FBMKLCI by 10%	(4)	(24)	(1)	(29)

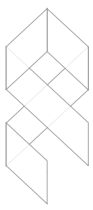
29. Capital Management

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:-

	The Group	
	2016	2015
	RM'000	RM'000
Total loans and borrowings	11,069	8,938
Total equity	72,103	69,690
Total capital	83,172	78,628
Debt-to-equity ratio	0.15 : 1	0.13 : 1

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



Supplementary Information - Realised and Unrealised Profits Or Losses

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total accumulated losses of the Company and its subsidiaries:-				
- Realised	(18,975)	(35,535)	(27,615)	(28,421)
- Unrealised	867	332	854	855
	(18,108)	(35,203)	(26,761)	(27,566)
Total share of retained profits of associates:-				
- Realised	287	270	0	0
- Unrealised	0	0	0	0
	(17,821)	(34,933)	(26,761)	(27,566)
Consolidation adjustments and eliminations	28,716	42,865	0	0
Total retained profits/(accumulated losses) as per statement of financial position	10,895	7,932	(26,761)	(27,566)

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.



No.	Location	Description Of Property	Build-up Area	Land Area	Existing Use	Tenure	Approx. Age Of Buiding (years)	Fair Value/ Net Book Value	Date Of Last Revaluation /Date Of Acquisition
Properties									
1	Lot No. 408, Mukim 7, S.P.S., Penang.	Industrial Land & Factory Building	125,855 sq ft	7.17 acres	Factory for manufacturing facilities	Freehold	21	L:RM3,400,000 B:RM8,599,000	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 facilities	Freehold	16	L:RM980,000 B:RM4,749,000	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	24	L:RM5,137,000 B:RM4,033,000	31-Dec-14
Investment Properties									
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	26	L:RM235,000 B:RM115,000	31-Dec-16
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	19	L:RM1,330,000 B:RM7,950,000	31-Dec-16
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	21	B:RM3,130,000	31-Dec-16
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-16

L : Land B : Building



Analysis of Shareholdings

As At 31 March 2017

DISTRIBUTION OF SHAREHOLDER AS AT 31 MARCH 2017

No. of Holders	Holdings	Total Holdings	%
297	Less Than 100	13,357	0.02
127	100 - 1,000	72,651	0.13
1,356	1,001 - 10,000	4,102,022	7.51
269	10,001 – 100,000	8,463,681	15.50
51	100,001 and below 5% of issued shares	20,686,139	37.87
3	5% and above of issued shares	21,282,300	38.97
2103	TOTAL	54,620,150	100

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

Name of Director	Direct Interest	%	Deemed Interest	%
Dato' Syed Mohamad Bin Syed Murtaza	-	-	-	-
Dato' Seri Khor Teng Tong	1,262,900	2.31	1,127,000 ⁽¹⁾	2.06
Aminuddin Bin Saad	10,002	-	-	-
Chew Hock Lin	-	-	-	-
Dr. Junid Bin Abu Saham	-	-	-	-
Nazriah Binti Shaik Alawdin	-	-	-	-

Note :

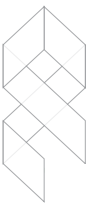
⁽¹⁾ Deemed interest by virtue of his shareholding in Khor Teng Tong Holdings Sdn. Bhd.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 31 MARCH 2017

Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
Yayasan Bumiputra Pulau Pinang Bhd.	15,872,000	29.06	-	-
Ch'ng Eng Seong	5,810,300	10.64	-	-

**LIST OF TOP 30 SHAREHOLDERS**

NO	NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
1	YAYASAN BUMIPUTRA PULAU PINANG BHD.	9,500,000	17.39
2	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HDM CAPITAL SDN. BHD. FOR YAYASAN BUMIPUTRA PULAU PINANG BHD.	6,372,000	11.67
3	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HDM CAPITAL SDN. BHD. FOR CH'NG ENG SEONG	5,410,300	9.91
4	JF APEX NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI (MARGIN)	1,849,300	3.39
5	TK KHOR & ASSOCIATES SDN. BHD.	1,350,078	2.47
6	TEO KWEE HOCK	1,300,900	2.38
7	KHOR TENG TONG	1,262,900	2.31
8	JF APEX NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR CHIN SIEW YOONG (MARGIN)	1,240,000	2.27
9	KHOR TENG TONG HOLDINGS SDN. BHD.	1,127,000	2.06
10	YIK PHOOI HAR	950,500	1.47
11	TAN BOO NAM	747,461	1.37
12	LINDA TEH SWEE LIAN STEINER	669,800	1.23
13	LINDA TEH SWEE LIAN STEINER	652,000	1.19
14	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HDM CAPITAL SDN. BHD. FOR KHOO BUCK CHEW	600,000	1.10
15	KHOR CHING WEE	491,000	0.90
16	ZACHARY GNOW WAI JOON	480,000	0.88
17	LIM NGAK EE	414,000	0.76
18	CH'NG ENG SEONG	400,000	0.73
19	CHENG LEE WAH	365,200	0.67
20	CHEN FOOK WAH	349,500	0.64
21	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR YEOW TEK HOON (E-BMM)	345,100	0.63
22	UNG PENG JOO	307,000	0.56
23	WANG, WEI-HSIN	290,000	0.53
24	NG ENG SIONG	289,400	0.53
25	KHOR CHEW WAN	288,250	0.53
26	TEH AH GIM	271,100	0.50
27	LEE KAY HUAT	225,000	0.41
28	SIEOW CHONG SENG	222,400	0.41
29	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR TAN CHEE WOOL (E-PPG)	222,000	0.41
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR SOH MAN TONG	200,000	0.37



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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 23rd 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 Wednesday, 24 May 2017 at 11.00 a.m. and at any adjournment thereof.

No.	Resolutions	FOR	AGAINST
1.	To re-appoint Encik Aminuddin Bin Saad 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-appoint Dr. Junid Bin Abu Saham as a Director.		
5.	To approve the increase and the payment of Directors' Fees for the financial year ended 31 December 2016.		
6.	To approve the payment of Directors' Benefits excluding Directors' Fees to the Directors from 31 January 2017 until the conclusion of the next Annual General Meeting of the Company.		
7.	To re-appoint Messrs. Crowe Horwath as auditors of the Company.		
8.	To obtain the shareholders' mandate for recurrent related party transactions.		
9.	To authorise the Directors to allot and issue new shares .		
10.	To retain Dato' Seri Khor Teng Tong as an Independent Non-Executive Director.		
11.	To retain Mr. Chew Hock Lin as an Independent Non-Executive Director.		
12.	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 _____, 2017.

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.
- (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 15 May 2017 shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.

Fold this flag sealing

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Stamp

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

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MASTER-PACK GROUP BERHAD 297020-W

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

Tel : (04)-593 1550

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