



MASTER-PACK

GROUP BERHAD 297020-W



Building on
our **STRENGTHS**

ANNUAL
REPORT

2018

CONTENTS

02	Group Financial Highlights
03	Corporate Information
04	Company Profile and Corporate Structure
07	Management Discussion and Analysis
11	Sustainability Report
19	Notice of Annual General Meeting
23	Statement Accompanying Notice of Annual General Meeting
24	Recurrent Related Party Transactions of a Revenue Or Trading Nature
25	Statement on Risk Management and Internal Control
29	Other Information
30	Audit Committee Report
32	Corporate Governance Overview Statement
40	Financial Statements
91	Group Properties
92	Analysis of Shareholdings
Enclosed	Proxy Form

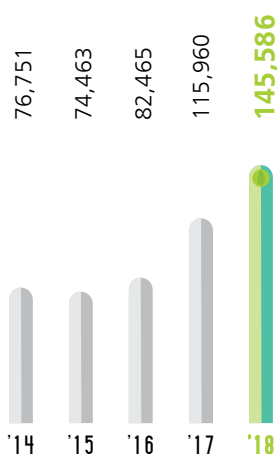
GROUP FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	76,751	74,463	82,465	115,960	145,586
EBITA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	9,736	7,193	7,132	9,507	12,937
Profit Before Tax	6,297	3,736	3,512	5,387	8,231
Profit After Tax	4,833	2,734	2,556	3,936	5,748
Net profit Attributable to Owners of the Company	4,874	2,872	3,067	3,945	5,756
Total Assets	88,533	90,378	93,648	107,884	132,946
Total Loans and Borrowings	14,757	8,938	11,069	18,832	21,350
Shareholders Equity	63,139	69,560	72,103	75,517	91,165
Capital Expenditure	2,436	2,687	1,182	1,014	2,080
Earnings per share	9.82 sen	5.38 sen	5.62 sen	7.22 sen	10.54 sen
Net assets per share	RM1.27	RM1.27	RM1.32	RM1.38	RM1.67

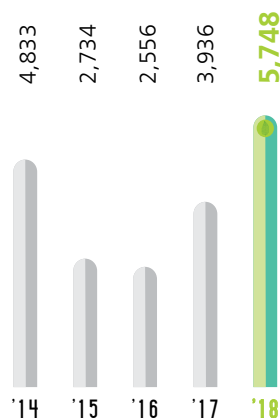
REVENUE

RM145,586



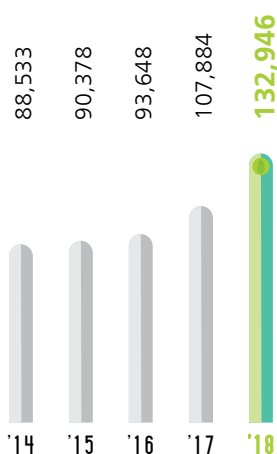
PROFIT AFTER TAX

RM5,748



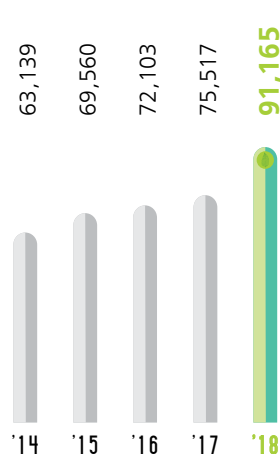
TOTAL ASSETS

RM132,946



SHAREHOLDERS' EQUITY

RM91,165



CORPORATE INFORMATION

AS AT 29 MARCH 2019

BOARD OF DIRECTORS

DATO' SYED MOHAMAD BIN SYED MURTAZA

Executive Chairman

MR. CHEW HOCK LIN

Independent and Non-Executive Director

DATO' SERI KHOR TENG TONG

Independent and Non-Executive Director

EN. AMINUDDIN BIN SAAD

Independent and Non-Executive Director

PUAN NAZRIAH BINTI SHAIK ALAWDIN

Non-Independent and Non-Executive Director

DR. JUNID BIN ABU SAHAM

Independent and Non-Executive Director

COMPANY SECRETARIES

Mr. Lee Peng Loon
(MACS 01258)

Ms. P'ng Chiew Keem
(MAICSA 7026443)

PRINCIPAL BANKERS

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

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

SHARE CAPITAL

No. of ordinary shares	: 54,620,150
Issued & Paid-Up	: RM55,339,000
Class of Share	: Ordinary shares
Voting Right	: One voting right for one ordinary share
Number of Shareholders	: 2440

AUDITORS

Crowe Malaysia PLT
Chartered Accountants
Level 6, Wisma Penang Garden,
42 Jalan Sultan Ahmad Shah,
10050 Penang.

REGISTRAR

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

WEBSITE

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

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**

COMPANY PROFILE

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 27 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 Nibong Tebal and Sungai Baong, Penang in the northern region of West Malaysia and Kuching, Sarawak in East Malaysia. In addition, it has an associated company, Richmond Technology Sdn. Bhd. located in Kota Bahru, Kelantan the east coast of West Malaysia. These packaging plants are strategically located to service both east and west Malaysia markets. There is a warehouse in Bayan Lepas, Penang for Just-in-time delivery to customers as part of our Total Packaging Solutions Services.

In 2018, a new facility was established in the province of Long An, Vietnam to manufacture wooden pallets and packaging to serve the Vietnam market.

VISION AND MISSION

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

The Company focuses its resources and services to the best of its abilities and therein practices customer centric, earmarking on the Pareto Principle 80-20 rule. 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 state 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 Company 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, the Company 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.



COMPANY PROFILE (CONT'D)

CORE VALUES (cont'd)

- SERVE THE INTERESTS OF OUR SHAREHOLDERS AND STAKEHOLDERS

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.

- CONTRIBUTE TO OUR SOCIETY

The Company 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. We also offer people around us part time jobs when available. We provide Industrial Training Program and hence accept under-graduates from colleges and universities to gain hands-on experience in selected fields of study related to packaging business.

PRODUCTS AND SERVICES

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

COMPANY PROFILE (CONT'D)

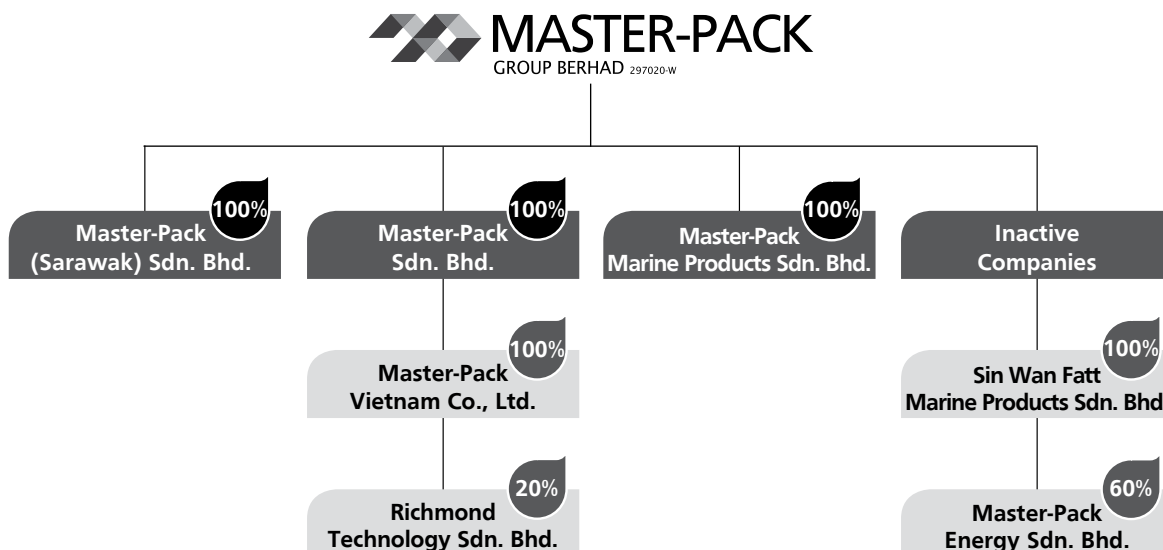
OPERATION AND FINANCIAL RISK

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 fibre 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 the Company's 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 our competitors.

CORPORATE STRUCTURE



MANAGEMENT DISCUSSION AND ANALYSIS



**Dato' Syed
Mohamad
bin Syed Murtaza**

*Group Executive
Chairman*

INTRODUCTION / WELCOME

With another push the Group performed well again for the year 2018, registering total revenue of RM146 million compared to previous year's RM116 million, up RM30 million, an increase by 25.9%. Profit attributable to owners of the company was RM5.8 million compared to RM3.9 million for last year.

This was achieved from the support and trust of our customers, the hard work from all our associates who during the year work tirelessly to meet the demand of our customers within the constraints of human and financial resources.

MANAGEMENT DISCUSSION AND ANALYSIS

The detailed performance for the year ended 31 December 2018 is discussed in the Management Discussion and Analysis Report.

OUTLOOK FOR 2019

Having stepped up a notch, we are again energized and look forward to another prosperous year. While the general economic outlook for Malaysia is somewhat hazy, the Group is confident it will continue its improvement streak though not by leaps and bounds but will steadfastly increase shareholders values.

Nevertheless we are also mindful that the Group's performance hinges greatly on several major customers and will try to mitigate these risks by expanding our customer base and exploring other lines of business.

DIVIDENDS

The Company paid an interim single tier dividend of 1.5 sen per share for the financial year ended 31 December 2018.

ACKNOWLEDGEMENT

I am very grateful to all stakeholders especially our customers, suppliers, bankers, business associates, our management team, staff, workers and Directors who has one way or another contributed to the success of the Group.

Dato Syed Mohamad bin Syed Murtaza
Group Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2018

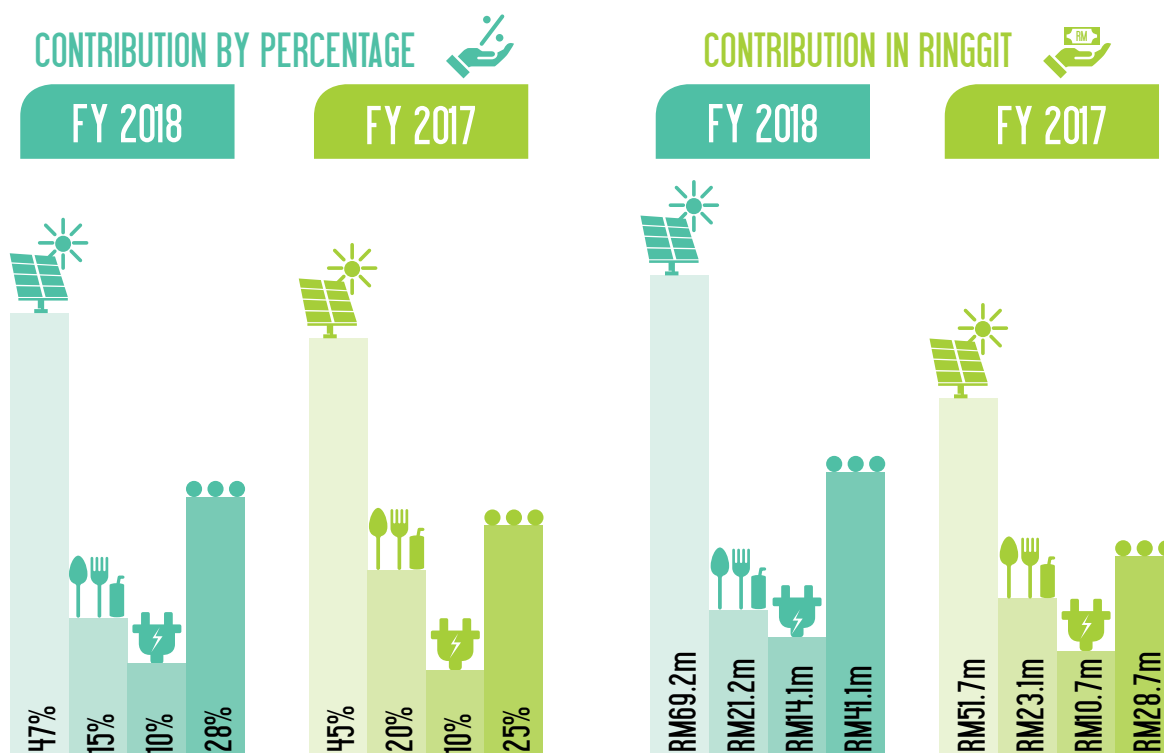
	2017 RM'000	2018 RM'000	Change RM'000	%
Revenue	115,960	145,586	29,626	25.5%
EBITA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	9,507	12,937	3,430	36.1%
PBT (Profit Before Tax)	5,387	8,231	2,844	52.8%
PBT Margin	4.6%	5.7%	1.0%	
PAT (Profit After Tax)	3,936	5,748	1,812	46.0%
PAT Margin	3.4%	3.9%	0.6%	

For the year 2018, revenue increased by RM29.6 million or 25.5% against revenue of the previous year due to higher deliveries to customers. The achievement was due to customers' continued support and confidence in the group's capability to meet their needs not only in terms of quality and delivery of its products but also the ability of its management to maintain its competitiveness in pricing by constantly upgrading its production facilities and talents of its workforce, improving its processes and prudent management of its financial resources resulting in improvement in profit margins.

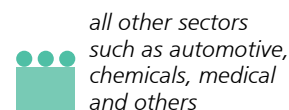
During the year, the group set-up a new facility in Vietnam to serve one of its existing customers which is poised to contribute positively to the group's revenue and profits in the future.

Revenue Contribution from different Industry

Revenue from the solar industry contributed 48% of total revenue for 2018 while Food and Beverage Industry dropped from 20% to 15%. Electronics & Electrical Industry brought in RM14.1 million, an increase of RM3.4 million. Revenue from other sectors increased by RM12.4 million.



The different industries:



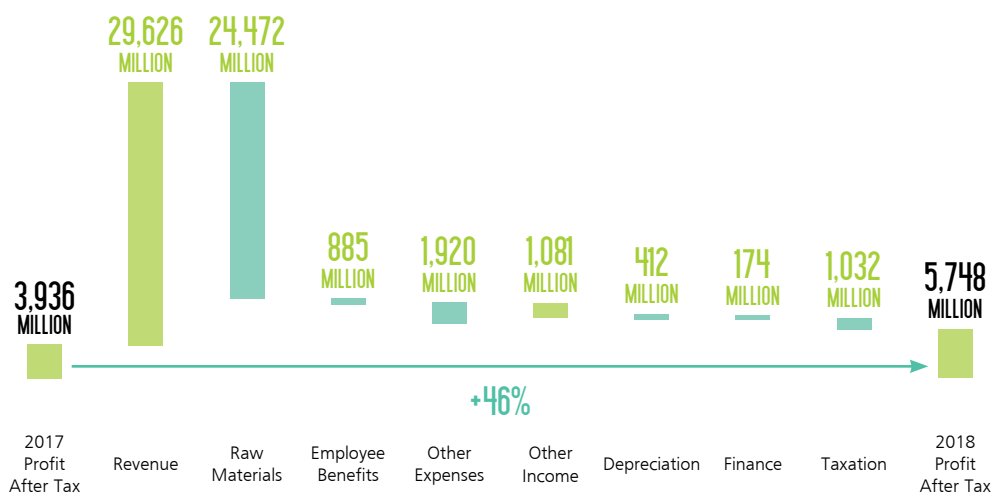
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

The changes in costs are tabulated as follows:-

	2017 RM'000	2018 RM'000	Change RM'000	%
Revenue	115,960	145,586	29,626	25.5%
Raw materials, consumables and related input cost	83,316	107,788	24,472	29.4%
Employee benefits	12,385	13,270	885	7.1%
Other expenses	12,255	14,175	1,920	15.7%
Other income	(1,503)	(2,584)	(1,081)	71.9%
	106,453	132,649	26,196	
EBITA	9,507	12,937	3,430	36.1%
Depreciation	(3,249)	(3,661)	(412)	12.7%
Finance Cost	(871)	(1,045)	(174)	20.0%
Profit Before Tax	5,387	8,231	2,844	52.8%
Taxation	(1,451)	(2,483)	(1,032)	71.1%
Profit After Tax	3,936	5,748	1,812	46.0%

2018 changes in cost - RM'000



Revenue increased by RM29.6 million due to the increase in deliveries to customers during the year. Corresponding to that, raw materials and related input cost also increased as well as impact of inflationary cost partly as a result of the new Sales and Services Tax (SST) that replaces the Goods and Services Tax (GST) from 1st September 2018. In the case of GST, input taxes could be claimed against output taxes but not input taxes under SST.

While direct work force had to increase to meet production output, indirect workers and office staff did not increase to keep the overall cost down.

The increase in other expenses was mainly in respect of transportation cost due to the increase in number of trips to customers and expenses incurred to set up a new facility in Vietnam.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

During the year, one of the group's investment properties appreciated in value by RM884 thousand when a revaluation exercise was carried out. The sale of another piece of land in the first quarter of the year yielded a profit of RM480 thousand. The sale of an investment in unquoted shares by a subsidiary realized RM447 thousand and rental income earned by a subsidiary was RM439 thousand.

The higher depreciation charge for the year was due to new machinery added during the year.

Finance cost also increased as the higher operating activities required trade funding from financial institutions as well as additional hire-purchase loans undertaken to finance the new machinery. During the year, the Group was able to secure new banking facilities amounting to RM9.5 million from a local financial institution by putting up an investment property as collateral.

Tax charge increased due to the higher operating profit and non-deductible expenses.

Financial Position of the Group

	2017 RM'000	2018 RM'000	Change RM'000	%
Non-current Assets	54,685	69,325	14,640	26.8%
Current Assets	53,199	63,621	10,422	19.6%
Loans and Borrowings	18,832	21,350	2,518	13.4%

A valuation exercise by independent valuers of the group's properties as at 31 December 2018 saw an overall increase of RM12.7 million in value while depreciation on its facilities charged out for the year at RM3.7 million. Appreciation in value of investment properties amounting to RM884 thousand was taken to the profit and loss account.

Increase in stocks holding, trade receivables as well as cash in hand and at bank accounted for the increase in current assets.

The increase in loans and borrowings of RM2.5 million was for the financing of new machinery.

Cash-flow

	2017 RM'000	2018 RM'000	Change RM'000	%
Net cash (used in)/from operating activities	(2,817)	6,698	9,515	-337.8%
Net cash used in investing activities	(979)	(609)	370	-37.8%
Net cash from/(used in) financing activities	2,040	(2,892)	(4,932)	-241.8%
Net (decrease)/increase in cash and cash equivalents	(1,756)	3,185	4,941	-281.4%

With the increase in revenue and good management of its resources, operating activities generated a net cash inflow of RM9.5 million. The sale of an investment property and an associate brought in RM2.2 million in cash in investing activities. After expenditure to upgrade its plant and equipment, net cash used in investing activities is RM0.6 million. Net cash used in financing activities is RM2.9 million, leaving a net increase in cash and cash equivalents of RM3.2 million.



SUSTAINABILITY REPORT

Sustainability Strategy

Sustainability is an important agenda of the Master-Pack Group's corporate strategy and business culture, and is embedded in our business model to deliver long term growth and value to our stakeholders.

As a notable player in the packaging industry, our business strategy takes into perspective issues impacting the packaging industry, while keeping abreast of current expectations of our customers and stakeholders. We naturally continue our focus in addressing our material matters across our priority areas under Economic, Environment and Social ("EES") aspects to further strengthen our approach to sustainability.

Our Board of Directors has the overall responsibility for sustainability and considers EES matters that are material to our business in the formulations of our strategy. As an established packaging company, we have been in existence for more than 34 years. From a humble start we have evolved into a dynamic packaging company engaging in providing corrugated carton boxes / containers for customers in many parts of the world including North America and countries of the European Union. The value we have created supports and strengthens our business sustainability in turn enables us to continue to deliver outcomes to our stakeholders.

As testament to our steadfast commitment in advancing sustainability practices, our Master-Pack Group of companies has been recognized both locally and globally. Among our notable achievements include being awarded the Best Supplier / Outstanding Quality from our multi-national company customers. With dedicated leadership, commitment and experience, we will continue to drive sustainability in broader perspectives to continue delivering strategic sustainable goals with clearly defines targets material to our business and stakeholders, with the aim of maintaining a functioning business model which embodies our commitment and focus on the sustainability priority areas, and thus aligning our practices to the United Nations Sustainable Development Goal ("UNSDG")

Driving Sustainability

At Master-Pack Group we create long-term stakeholder value by having business strategies that consider every dimension of how our business operate in the ethical, social, environment and economic areas. Our strategic belief is to create, deliver and capture value, we need to be future ready and be part of a sustainable society. As such, our Master-Pack business model is anchored on sustainability strategies to create, deliver and share value with our stakeholders. This is reinforced by the fact that the majority of our customers are from developed countries where they expect and require us to be anchored on sustainability strategies.

We embed our sustainability in all our business operations and believe participation by the top management and employees is vital to the successful implementation of the strategies for our sustainable development. We aim to deliver financial value and societal benefits by balancing the commercial objectives with the environmental and social needs of our stakeholders, underpinned by solid governance and ethical business practices.

We set up a team among our Board members and the top management to have constant awareness of the Company's sustainable practices and develop capabilities in general Sustainable Development ideas. In fact we are interpreting Sustainable Development as part of our business planning, prioritizing sustainability ideas such as energy efficiency, waste reduction and exploring supplier networks for sustainability opportunities. It should be noted that we import materials for our corrugated products from countries with corporate sustainability practices so as to meet the sustainability requirements of our customers.

Indeed overall we feel we have move into the initial stages of Sustainability Development, and would now be ready to drive sustainable operational excellence right across the four focus areas of Economic, Environment, Social and Corporate governance. This we will elaborate in the respective sections accordingly.

Scope of Reporting

The information covered in this Sustainable Report underlies our sustainable performance as well as its strategies and practices, while highlighting the EES imprint on our business activities. Our scope of reporting for the year 2018 covers the business operations in Nibong Tebal, Penang and Kuching, Sarawak.



SUSTAINABILITY REPORT (CONT'D)

Governance Structure

Master-Pack governance structure is designed to build on the capacity to pursue sustainable goals. The Board through the Risk Management & Sustainability Committee forms the core of the governance structure and plays a very important role in driving sustainability within the organization. The Heads of the various departments work together as a committee ensuring the development of sustainability strategies represents all interests of the group.

Reporting to the Audit Committee and ultimately the Board, the Committee ensures accountability oversight viz the identification, management of sustainability matters within the group and have the overall responsibilities in overseeing the corporate sustainability strategy and progress of the group's sustainability performance, identifying and prioritizing material matters, revising and endorsing policies, targets and achievements for key sustainability issues and ensures adherence to regulatory requirements and that the regulatory reporting are made.

The Group Chairman/ Executive Director is of course responsible for driving the implementation of sustainability strategies, he reports to the Board of Directors and is ultimately accountable for managing material sustainability matters of the group.

Sustainability Framework

Our group corporate sustainability framework focuses on eight key areas namely:

- Governance and Ethics,
- Workforce Development,
- Health Safety and Environment measures,
- Shareholder values,
- Corporate Social Investment,
- Human Rights,
- Climate Change,
- Natural Resources.

We are committed to safeguarding the group's integrity and investment in delivering value through strong governance mechanism and ethical business practices. Our companies are certified in compliant with ISO 9001:2015 Quality Management System ("QMS") and ISO 14001:2015 Environment Management Systems ("EMS") which are audited by SIRIM on a yearly basis. We have standard operating procedures on other operations e.g. on management information system, finance that put check and balance in our management practice. We have an independent internal and external audit team that gives the Board assurance that the risk management and internal control system are operating adequately and effectively. There are also define job description and responsibilities for each department accompanied with a lean management reporting structure enabling faster communication and decision making. Everyone in the group is required to sign the Master-Pack Code of Business Conduct which lays down the business ethics that is to be practiced and complied.

Our workforce is trained and with experience people manning our modern machines and relevant tools at work. Where necessary, we send our workers for training and re-training. The whole idea is that we have a workforce equipped with the skills and mind set to deliver sustained high performance. This we carry out in the group where we also have diligent supervision which ties up with our practices of maintaining health, safety, security and environment (HSE) controls. We are committed to ensure our operations are in accordance with all the legal requirements and industry best practices to safeguard the health, safety and well-being of employees, contract workers, visitors, the surrounding communities and the local environment. That our HSE is in good operation is testified by the smooth operations of our facilities and lack of accidents in the operating period.

Our valued stakeholders are of course top priority in our sustainability framework. We make our production sound and efficient to meet customer demands. In this way we also deliver returns to our esteem shareholders through long-term creation and good economic value.

We do undertake sustainability initiatives to contribute to the well-being of society around us. For instance, we employ a total of eleven (11) single mothers as well as donate to the surrounding schools and volunteer fire brigade society.



SUSTAINABILITY REPORT (CONT'D)

Sustainability Framework (cont'd)

In connection with some of our employees who are foreign workers from countries like Bangladesh, Nepal and Indonesia, we ensure that they enjoy the same privileges such as the same public holidays, salary scale and company benefits e.g. service awards, company annual dinners which are just like our ordinary workers who are local citizens. In summary, we can say that respecting human rights in our group pervades in all areas of our operations and we do make everyone comply with our code of conduct and business ethics as well as in compliance with legal requirements.

In respect to climate change, we are very much aware that our factories are located in rural areas thus, we need special care to ensure not to harm the environment that will in any way affect adverse climate change. We use energy effectively, making sure our electrical circuits are well maintain and where necessary we have replaced high energy lighting with energy saving light bulbs and equipment. For instance we have been able to recycle steam which is normally release during production back to operation process resulting in a reduction of energy and water consumption. We treat our effluents in a waste treatment plant properly before discharging the treated water. Our factory chimney gas emissions also meet the required regulation standards.

Finally, we are committed to pursuing optimum use of environmentally friendly materials in all of our factories through efficient process and application of technology. More importantly, we are committed to ensure that our commodity paper purchases are made only from suppliers who fulfill the Forest Stewardship Council Standards and other legislation.

Our Key Sustainability Pillars

Clearly from the above sustainability framework we have embedded in our corporate management systems and process five main pillars of sustainability viz. Corporate Governance wherein we uphold transparency in our actions and disclosures to ensure the highest standards of governance, business ethics and integrity in all aspects of our operations.

Secondly, we have our people whom we value and maintain. We recruit, train and retain a diverse group of talented workforce to drive on-hand the business growth strategies formulated at higher management level.

Thirdly, in the areas of security, safety and health (HSE) we made sure for the sake of sustainability, our assets are operating reliably, effectively and efficiently right across the spheres of HSE (Health, Safety and Environment) in which is our way of ensuring that our people and properties are efficiently employed.

We of course look after our Environment Stewardship as the fourth pillar of sustainability practice. We attempt to improve environmental practices and look to measure to eliminate or at least minimize environmental degradation. Sufficient to say, that where our production facilities are located, we attempt to improve environment practices and operational sustainability.

Finally, preferentially we partner with reliable people and institutions whom we know would practice sustainable culture. We look for financiers who practice like us strong sustainability culture. We source our supplies from sustainable resource suppliers, and generally we do business with people and institutions with reliable embedded sustainability cultural practices. We are definitely happy with our shareholders who support our sustainable practices.

We believe in dealing with people conscious of sustainability. We are certain where sustainability culture is the norm; together we are strengthening socio-economic growth.

Although we are a small community in the world of packaging industry, we handle items with world-wide demands. In other words our service and products have to be at world standards including having world standard sustainability process, procedures and practices.

As we are small player in the global packaging market we aspire to contribute and make a positive impact to the communities and the world we live in. So, in pursuing this aspiration, we align our sustainability practices to the UN Sustainable Development Goals whichever part relevant to the packaging industry's sustainable material matters as in those that we have chosen to be our key sustainability pillars described above.

Hopefully in a small way we contribute to good health and well-being, decent work and economic growth; sustainable communities and peace and justice in the place we work in.



SUSTAINABILITY REPORT (CONT'D)

Financial Sustainability, Economic, Social and Industry Growth

In pursuit of creating values and delivering long-term financial sustainability to our stakeholders, Master-Pack is committed to manage its business responsibly and aligning its business process and strategies to support sustainable development and growth wherever we are. We are focused on our commitment to drive sustainable growth through efficient cost management, service levels improvement and capitalize on opportunities to maximize value of investment and ensuring sustainable returns to our stakeholders.

We aim to deliver cost optimization effort so that we may deliver a stable performance and sustainable returns to our shareholders.

Economic Matters

We are actually in a supporting industry enjoying derived demand from other industries that require packaging services or materials. In a buoyant economy where our services and products are in great demand, we enjoy an upsurge in our revenue income. Conversely when there is slump in the economy as a whole, demand for our services and products would be affected as well. Whatever the case maybe in the economy, we are focused in our commitment to drive our sustainable growth through efficient cost management. We negotiate for fair rate for our financial borrowings from sustainable trade financing providers.

We try hard to eliminate wastages of materials and supplies in our work place. We economize in the use of power and water and overall encourage worker efficiency. We do all that at the factory level to ensure maximising productivity and value of capital investment, thereby ensuring sustainable returns to our stakeholders.

As a listed Company on Bursa, we are much aware of the volatility in the equity market with outflows from emerging market such as ours, growing uncertainties in the global economy (which affects our export markets), political changes in the domestic front, mixed performance of the ringgit, further heightens challenges in the industry landscape as well as technological advancements. In spite of all these, Master-Pack is focused on its priority to drive sustainability growth and create significant value for its stakeholders through various strategic efforts in increasing productive capacity. This includes our strategic plan to set-up a factory in Long An Province, Vietnam.

We exercise diligent monitoring of our financial, operational initiatives and cost optimization efforts that so far have resulted in us delivering a stable performance and sustainable return to the group. This is our effort at promising industrial growth through geographical expansion.

Environmental Matters

In our small way, we show our support towards the Global Agenda on Climate Change and our country's initiatives towards energy efficiency, environment and climate change. We support all concerns on growing level of environmental awareness to protect the planet. Towards this end, we attempt to cultivate eco-mind set among our employees. Everyone in our employment is made fully aware that it is their responsibility to maintain eco-friendliness to the local environment and preserve the greenery. We strictly prohibit our employees to do any destruction of anything in our surroundings in our effort to promote bio-diversity in our factory environment. This is our way to contribute in a small manner to improve environmental sustainability.

We cannot do much to affect climate change except through reduction of energy consumption and carbon emission in our business operations. In line with this, one plant had switched from diesel fuel oil to natural gas. The emission of fumes from the chimney which uses natural gas and diesel energy has consistently recorded well below the standards allowed by the Department of Environment Malaysia. When possible we use energy saving fixtures/ equipment to reduce energy consumption in our factory and office premises.

We take initiatives to effectively and efficiently manage our use of water as we aim to keep consumption to a minimum, reuse water and prevent water pollution. We believe our efficient water management would also translate to less energy consumption which reduces carbon foot print and in turn lower our operational cost a little. Our average group water consumption cost per annum is approximately RM1.00/metric ton and initiatives are taken to continue monitor and reduce water consumption.



SUSTAINABILITY REPORT (CONT'D)

Environmental Matters (cont'd)

During the 4th quarter of 2018 we launch the implementation of Kaizen in which we learn about the seven (7) waste "MUDA" i.e. over-production, excess inventory, waiting time, unnecessary motion, transportation, re-work and over processing. Procedures and processing method was studied, analyzed and new ways of carrying out a task were tried out with the mind-set of changing to eliminate the 7 waste. In so doing, we hope to reduce waste further through Kaizen.

Products manufactured by our factories are fully recyclable and we endeavor to enhance ways corrugated paper can be utilized. We also continuously work with customers to best design corrugated carton boxes that minimize superfluous design/ over design. Key performance indicator for waste set at 13.5% was not achieved as the group cumulative average recorded was slightly higher.

In keeping with the kaizen concept, our employees are continuously trained to identify and handle recyclable materials and reusable materials as well as being cautious in handling any hazardous waste materials.

Social Aspect of Sustainability

We believe Social Sustainability is a proactive way of managing and identifying business impact on our employees, customers, workers (in the value chain) as well as the local communities. It entails a continuous process of creating sustainable places, secure and conducive environment while maintaining long-term partnership right across our business chain-connections. We are committed to conduct our business in a manner that protects the health, safety and security of our employees, suppliers and the community around us. We do make continuous improvements in our HSE process and occasionally track our performance against industry standard best practices in our effort to raise the bar on Health, Safety, and Environmental practices. We require our business partners to comply with our standards and rules on HSE. Indeed, we comply to Zero-Tolerance Rules (ZETO) –a principle to ensure all activities are carried out in a safe manner and where non-compliance is not tolerated. Our Internal Auditor does audit our HSE practices and do give us feedback on any process and procedural breakdowns. Sufficient to say that our management is committed to workplace safety and encourage the safety culture, with everyone playing a part in keeping themselves and others safe. We should also mention that we have Emergency Respond Teams, but so far we have no need to make use of the team.

As a result of our safety culture it is our pride to record and maintain our impressive zero fatal accident rate. In fact we have zero loss time injury incidents and our loss time injury frequency is also zero for the period. In the interest of sustainability practices we continue to intensify safety awareness and reminders to our employees to continue our good track record of zero loss time injury.

In so far as physical security is concerned we feel we have the responsibility of keeping our employees, customers and visitors safe, we put in place the best security measures within and surrounding our premises at places where our factories are located. Last but not least we also pay attention to detect, respond and mitigate potential cyber disruption by initiating information security management system and our business recovery plan to mitigate security risk for our critical business applications.

Our People Our Core Strength

We are a small organization and to us our people are our core strength, and our organization success is highly dependent on their capabilities and commitment. We mentioned on our website www.master.net.my, the composition and profile of our Board of Directors with a wide range of qualifications and experience giving the company a diversified array of discipline and outlook that are strong and strategic. As can be gleaned from the skills and experience tabulation on page 34, we can say that our directors bring in their variety of work experience and skills sets that are in the long run contributing to our sustainability process and prospects. Our employees are guided by compliance to ethical practices that sum up the group's integrity. We enhance the culture of working together to unleash potential in our employees to deliver excellent results while creating pleasant day to day work experience.

We believe human capital is fundamental for us and we are guided by a high performance culture based on mentoring, performance and delivery, subscribing to our values of innovation, unity, loyalty, integrity and professionalism, which are reflected in our daily work practices. We adopt a general policy of fairness and non-discrimination. We believe in providing equal opportunity in recruitment, career development, promotion, training and reward for all employees regardless of age, gender, race, religion, sexual orientation or disability. As at 31 December 2018, Master-Pack Group has a total of 268 employees.



SUSTAINABILITY REPORT (CONT'D)

Our People Our Core Strength (cont'd)

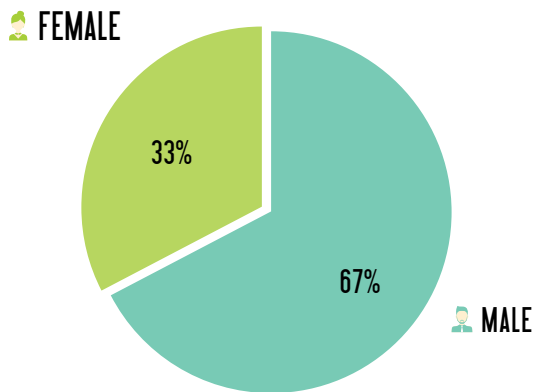
Of the total of 268 people employed with us 201 are permanent and 67 are on contract which includes foreign workers and those above 60 year of age. The age profile is shown below.

HEADCOUNT BY AGE

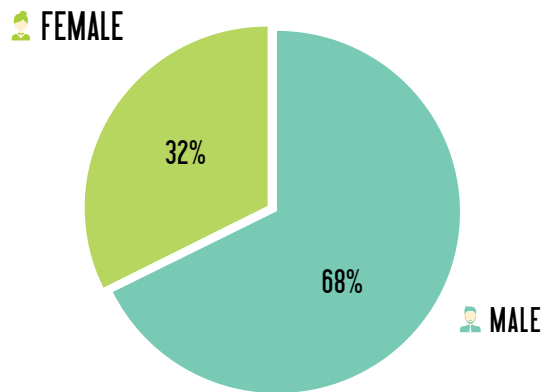


Out of the total workforce, 68% is male and 32% is female as shown below.

GENDER DIVERSITY FY2017

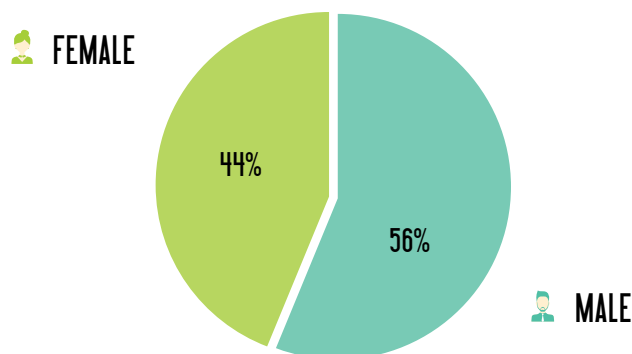


GENDER DIVERSITY FY2018



Of the total 59 employees at top management, senior and mid-management level positions, 44% female employees hold leadership positions meeting the 30% of women in leadership positions.

PERCENTAGE OF FEMALE IN LEADERSHIP POSITION FY2018



SUSTAINABILITY REPORT (CONT'D)

Our People Our Core Strength (cont'd)

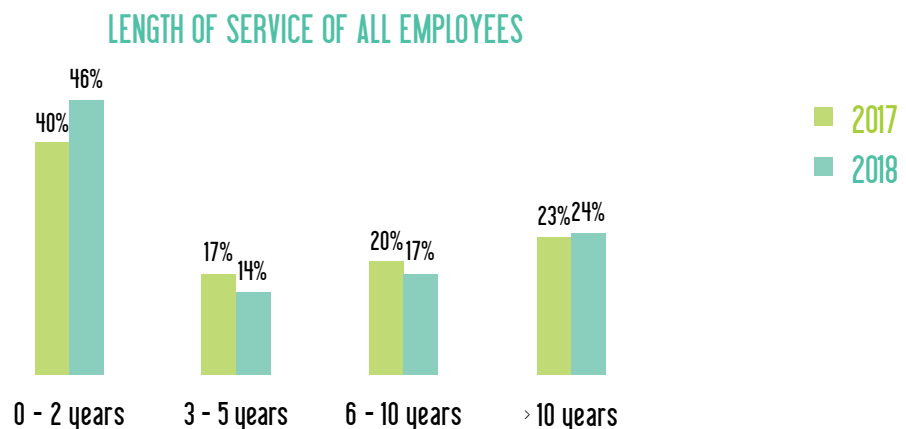
Like others in the manufacturing sector, we do have our share of unskilled foreign workers contributing 29% of the total workforce.



We believe in investing in training and develop initiatives which give us competitive advantage for growth and success. Our training and development strategies are result driven and hands-on, in order to meet the needs of business. A total of 4299 hours were spend for training for the two companies in year 2018. We focused in developing talent with the right competencies, knowledge and leadership skills at all levels. We groom and grow our internal talents by setting high standards of expectation and we encourage employees to take personal ownership of their career at Master-Pack.

Dynamic, talented and dedicated employees play a crucial role in our group's long-term success. We continue to retain experience, highly motivated skilled employees for the long-term and aspire to attract highly qualified and motivated new generation professionals. In our sustainability performance, we see the recruitment, promotion and retention of young talent as a key strategic tool. We recognized that a systematic approach is necessary in ensuring leadership continuity. Hence, we constantly strengthen our performance management system, energizing our high performing employees to set key performance indicators and thus assume bigger roles and responsibilities. Career development planning based on employee's development needs and the input of their superiors are also important for Master-Pack to build our pool of future leaders. Right across all management levels we have annually a good look at employees to identify and develop high potential employees to ensure sufficient talent pool for future succession and leadership needs.

The following bar chart indicates the employees by years of service. Master-Pack retains a good mix of talented experience workforce. The higher number of employees with less than 2 years' service relates mainly to the foreign workers with contracts of three (3) years.



SUSTAINABILITY REPORT (CONT'D)

Our People Our Core Strength (cont'd)

Rewards Through Appraisal

As Master-Pack is committed to meritocracy, our rewards and compensation policies emphasize employee's performance, taking into account challenges faced, and efforts put in. Our employees' performance management is reviewed twice a year and incorporated into a structured appraisal system. We put emphasize on internal rewards recognition for our employees. We give due recognition of employees relentless efforts to achieve excellent results.

Besides recognizing employee's loyalty and contribution to organization, we also promote camaraderie, teamwork and cohesiveness. We also encourage interpersonal networking and improving work related communication. We seek employees' feedback via an annual survey and the compiled result indicates changes in employees expectation level as ratings drop by average 6.6% compared to the previous year. In the final analysis we also promote work-life balance for our company people.

Other Sustainable Matters

Master-pack is committed to taking an active long-term role in managing relationship with our stakeholders and working as a reliable partner with the communities around us to ensure continuous improvement in our approach to sustainability and in giving back to the community. We are conscious of our role in delivering lasting impact to the community, our customers and suppliers who give us business vibrancy who are also our strategic business partners contributing to our long-term social development with the community around us.

Our suppliers are selected in accordance with our established procurement process which includes technical and commercial evaluation as well as eventual product acceptance by our discerning overseas customers. Our procurement practice takes into account the EES impacts of our business practices where various sustainability considerations including fair labour practices and safety requirements are embedded into our terms and conditions. Our procurement team ensures minimizing any non-compliant risks in the supply chain, and encourages our business partners to make continuous improvements towards sustainable business conduct. We also emphasizes on adherence to and compliance with best practices of sustainability initiatives.

Generally, we also pay attention to areas of conflict of interest, fighting corruption as well as avoidance of unethical practices. Adherence to good business ethics and observance of HSE regulations are all part and parcel of our choice of preferred partners.

We like to think especially in the export market, quality service and product excellence underpins everything that we do, and we attempt to exceed customer expectations as a matter of course. As such we take pride that the target of less than four (4) cases of customer complaints on quality and service issues were achieved with the cumulative average of 3.29 cases of customer complaint received during the year 2018. However, this was not the case for delivery on scheduled time with the target of > 80% but nonetheless the percentage had improved 11% from cumulative average of 40% in 2017 to 51% in 2018.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 25th Annual General Meeting (“AGM”) of Master-Pack Group Berhad (“the Company”) will be held at 1574, Jalan Bukit Panchor, 14300 Nibong Tebal, S.P.S. Penang on Friday, 24 May 2019 at 6.30 p.m. for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of Directors and Auditors thereon. *Please refer to Note 10*
2. To re-elect Dr. Junid Bin Abu Saham, a Director who retires by rotation in accordance with Regulation 111 of the Company’s Constitution and who, being eligible, offers himself for re-election. **Resolution 1**
3. To re-elect Dato’ Seri Khor Teng Tong, a Director who retires by rotation in accordance with Regulation 111 of the Company’s Constitution and who, being eligible, offers himself for re-election. **Resolution 2**
4. To approve the increase and payment of Directors’ fees amounting to RM234,100.00 for the financial year ended 31 December 2018. **Resolution 3**
5. To approve the payment of Directors’ benefits up to an amount not exceeding RM86,000 from 25 May 2019 until the conclusion of the next AGM of the Company. **Resolution 4**
Please refer to Note 11
6. To re-appoint Messrs. Crowe Malaysia PLT as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

Special Business

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

7. **AUTHORITY TO ISSUE SHARES** **Resolution 6**
“THAT, subject to the approvals of the regulatory authorities, the Board of Directors of the Company be hereby authorised pursuant to Sections 75 and 76 of the Companies Act 2016, 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 number of issued shares of the Company.

AND THAT any Executive Director and/or 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 necessary to give full effect to such transactions as authorised by this resolution.

AND THAT, such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company.”

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. **PROPOSED CONTINUATION OF DATO' SERI KHOR TENG TONG IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 7**
"THAT authority be and is hereby given to Dato' Seri Khor Teng Tong who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."
9. **PROPOSED CONTINUATION OF MR. CHEW HOCK LIN IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 8**
"THAT authority be and is hereby given to Mr. Chew Hock Lin who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."
10. **PROPOSED CONTINUATION OF ENCIK AMINUDDIN BIN SAAD IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 9**
"THAT authority be and is hereby given to Encik Aminuddin Bin Saad who had served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."
11. **PROPOSED AMENDMENTS OF THE CONSTITUTION OF THE COMPANY** **Special Resolution 1**
"THAT the existing Constitution of the Company be amended as follows:-
(a) Wherever appearing in the Constitution the word "Regulation" or "Regulations" shall be amended to "Article" or "Articles"; and
(b) Wherever appearing in the Constitution the words "notice or any other documents" it shall mean "notice of general meetings or any other documents (including annual report and/or audited financial statements) required to be sent under the Listing Requirements or permitted to be given, circulate or served under the Act or this Constitution by the Company or its directors to members of the Company or to any other persons entitled to receive the notice or any other documents of the Company."
12. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board,

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

Penang
Date: 19 April 2019



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- (3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("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) Where a member is an Exempt Authorised Nominee, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (2) proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- (5) For a proxy to be valid, the Proxy Form, duly completed must be deposited at the Registered Office of the Company at 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty four (24) hours before the time appointed for taking of the poll. Last date and time for lodging the Proxy Form will be on Thursday, 23 May 2019 at 6.30 p.m. (being the approximate time appointed for the taking of the poll at the 25th AGM)
- (6) The original Proxy Form must be deposited to the Company Secretary or his authorised representative at the registration counter at least half one (1) hour before the time appointed for holding the meeting or adjourned meeting otherwise the Proxy Form sent by facsimile or electronic mail shall be treated as void.
- (7) 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.
- (8) For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 16 May 2019. Only Depositors whose name appears on the Record of Depositors as at 16 May 2019 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his behalf.
- (9) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to vote by poll.

NOTES ON ORDINARY BUSINESS

- (10) The Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require the shareholders' approval for the Audited Financial Statements. Hence, the Agenda 1 is not put forward for voting.
- (11) The Resolution 4, if passed, will enable the Company to pay meeting allowance and other benefits to Directors of the Company. The proposed Directors' benefits are summarised in the table below:-

<u>Description</u>	<u>Actual (RM'000)</u>	<u>Proposed (RM'000)</u>
a) Trainings	3	20
b) Meeting Allowance	17	21
c) Travelling and Accommodation	2	30
d) Group Personal Accident Insurance	2	3
Sub-Total	24	74
e) Group Directors & Officers Liability Insurance (non individual director benefits)	8	12
Total expenditure	32	86
Approved limit	63	86



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES ON SPECIAL BUSINESS

- (12) The Resolution 6, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 10% of the total number of 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 authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

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

As at the date of this notice, the Directors have not issued any shares pursuant to the general mandate granted at the last AGM of the Company.

- (13) The Resolutions 7, 8 and 9 are to seek shareholders' approval through a two tier voting process and, if passed, will enable the Independent Directors who had served more than 12 years to be retained and continued to act as Independent Directors of the Company to fulfil the requirements of paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to be in line with the practice 4.2 of the Malaysian Code of Corporate Governance. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2018.
- (14) The Special Resolution 1, if passed, will enable the Directors to amend certain regulations in the existing Constitution of the Company for administrative and clarification purposes.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant To Paragraph 8.27(2) Of Main Market Listing Requirements Of Bursa Securities)

- 1) No individuals are standing for election as directors at the forthcoming 25th Annual General Meeting of the Company.
- 2) The profiles of the directors who are standing for re-election as in Agenda 2 and 3 of the Notice of the 25th Annual General Meeting of the Company are set out in the Directors' Profile section in the company website www.master.net.my/ab_company.htm.
- 3) The details of the directors' interests in the securities of the Company as at 29 March 2019 are set out in the Analysis of Shareholdings section of this Annual Report.
- 4) The Resolution 6 tabled under Special Business as per the Notice of 25th Annual General Meeting of the Company dated 19 April 2019 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 14 May 2018.

The proposed renewal of 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.

As at the date of notice of meeting, the Directors have not issued any shares pursuant to the general mandate granted at the last Annual General Meeting of the Company.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

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

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

The Board through its Audit Committee reviews any related party transaction and conflict of interest situation, which may arise within MPG Group, including any transaction, procedure or course of conduct that may raise questions or issues on the management's integrity.

At the Annual General Meeting held on 14 May 2018, the Company obtained its Shareholders' mandate to allow the MPG Group to enter into recurrent related party transactions of a revenue or trading nature.

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

MPG/ Subsidiaries involved	Related Party	Nature of relationship	Nature of Transaction	Actual Value of Transaction from 14 May 2018 to 12 December 2018	Estimated Value of 2018 Mandate
Master-Pack Sdn. Bhd.	Excelfood Pack Sdn. Bhd.	N1	Sales of sheet board, sub material and rental of machinery	RM6,891,000	RM18,000,000

N1 Excelfood Pack Sdn. Bhd. , 13.1% owned by Master-Pack Sdn. Bhd., is principally involved in the manufacturing and sales of food wrappers, bags and boxes.

Excelfood Pack Sdn. Bhd. was incorporated on 11 March 2015 in Malaysia as a private limited company and is a 69.5% owned subsidiary of Kumpulan Perhubungan Sdn. Bhd.

Yayasan Bumiputra Pulau Pinang Berhad is a major shareholder of MPG and also the holding company of Kumpulan Perhubungan Sdn. Bhd. As a result, the corporate representation of Yayasan Bumiputra Pulau Pinang to the Board of MPG, Dato' Syed Mohamad bin Syed Murtaza and Cik Nazriah binti Shaik Alawdin is deemed to have interest in the transaction.

On 12 December 2018, Master-Pack Sdn. Bhd., a wholly owned subsidiary of the MPG had disposed its total shares holdings of 524,000 unit shares for cash consideration of RM524,000 and as such the recurrent related party transactions of revenue or trading nature had discontinued.



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 have in place documented Risk Management and Sustainability Policies which provide 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.

The Audit Committee had established a subcommittee namely the Risk Management & Sustainability Committee with the same independent committee members to focus on risk management and internal controls.

For the year 2018, a Risk Working Committee comprising heads of Department led by the Executive Director has been tasked by the Risk Management & Sustainability Committee and has comprehensively identified, analysed, and evaluated 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 Risk Management & Sustainability 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 PROCESSES

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 absolute uncertainty was prepared by the Risk Working Committee. The report also highlights prioritized reduction plan and the appropriate management control measures / action plans to mitigate such risk exposures. On 24 November 2018, the Group's Operations Risk Working Committee reported to the Risk Management & Sustainability Committee that the working committee had reviewed the Group's Risk Register and had proposed several revisions and additions to address new areas of concern and potential risk for the year 2019. The report on risk management prepared by the Risk Working Committee was then tabled by the Audit Committee Chairman at the Board Meeting for Board's review, deliberation and approval.

An extract of major risks identified by the Risk Working Committee:

	Risk Identified
1. Production maintenance and repairs potential effects of failure leads to prolonged down time and failure to meet customers on time delivery	<ul style="list-style-type: none"> • Major machine breakdown • No spare parts in inventory • Technical support not readily available
2. Material scarcity and poor quality materials will lead to production plan disruption and adversely affect the business.	<ul style="list-style-type: none"> • Reliance only on pre-fixed qualified suppliers. • Quality issues from material supplier. • Delays in arrival of material shipment resulting in shortage of specific material.

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

In response to production maintenance and repairs potential effects of failure which leads to prolonged down time and failure to meet customers on time delivery, the management have put in place a Preventive Maintenance Schedule and identified minimum stock inventory level for critical spare parts. Technical experts on specific machinery and equipment repairs had also been identified to be readily available should their services be required at a moments notice.

On material scarcity, 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 view of the scarcity of materials at certain seasons of the year, the procurement committee intends to expand its approved suppliers list and seek alternative suppliers both local and overseas; meeting both quality and price criteria.

Supplier evaluation is carried out identifying incompetent and incapable suppliers. Purchasing department will engage with suppliers to discuss the cause of quality issue and communicate the expectation level that meet the Company standard quality criteria.

The finance department plays a major role in procurement meeting as the accountant will project and monitor cash flow requirements to ensure the company will be able to meet all its liabilities as and when they fall due. Purchasing and Finance department will work together to ensure plan materials are available whilst keeping to the stock holding inventory policy of within the limit of 60 days period. The finance department also monitors gearing ratio, debtors' turnover and foreign exchange fluctuations to analyse financial trends.

Other accompanying risks other than the major risks mentioned above are:

- Shortage of employees due to absenteeism and high employee turnover will result in disruption of production operations.
- Loss of important data due to computer virus or cyber-attacks will interfere with integrity of data
- Potential risks of business sustainability where high percentage of turnover rely mainly to a specific industry / customer should an unforeseen event occur.

INTERNAL CONTROLS

The Groups' internal control is embedded in the daily operational routine of processes and procedures. The standard operating procedures practice is in compliance with ISO 9001:2015 Quality Management System ("QMS") and ISO 14001:2015 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 three 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.

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 2018, there were no discrepancies or areas of improvement identified in their Audit Review Memorandum issued by the External Auditor.



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

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2018, 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:

- Inventory Management – encompassing receipt and issuance/ release of inventories, inventory storage, perpetual and physical records, inventory costing system and safeguarding of inventories.
- General Safety and Security – encompassing emergency response procedures, fire safety measures, lighting and electrical, workstations and storage areas and hazardous substances.

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 24 August 2018 and 27 February 2019 for the calendar year 2018 for its deliberations.

Based on the Internal Auditors' report for the financial year ended 31 December 2018, 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 RM21,744.50.

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 2018, 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 2018 pursuant to AAPG 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control and Malaysian Code of Corporate Governance 2017* 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* and Practice 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 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. This statement is made in accordance with a resolution of the Board of Directors dated 26 March 2019.



OTHER INFORMATION

UTILISATION OF PROCEEDS

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

SHARE BUY-BACKS

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

DEPOSITORY RECEIPT PROGRAMME

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

VARIATION IN RESULTS

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

PROFIT GUARANTEE

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

SANCTIONS AND/OR PENALTIES IMPOSED BY REGULATORY BODIES

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

MATERIAL CONTRACTS INVOLVING DIRECTORS' & MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts between the Company and its subsidiaries involving directors' and major shareholders' interest either still subsisting at the end of the financial year ended 2018, or entered into since the end of the previous financial year.

AUDIT COMMITTEE REPORT

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 2018.

TERMS OF REFERENCE ("TOR")

The term of reference of the Audit Committee had been updated and 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%)
Dr. Junid bin Abu Saham	Independent & Non-Executive Director	5/5 (100%)

AUDIT COMMITTEE SUMMARY OF WORK

The performance of the Audit Committee for the year 2018 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 highlighted key issues in the minutes of the Audit Committee meeting which were duly noted by the Board.

During the year ended 31 December 2018, the Audit Committee's five scheduled meetings were held on 27 February, 26 March, 14 May, 23 August and 23 November 2018. The following duties were performed to discharge its functions:

Terms of Reference

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

Financial results

- Reviewed the annual audited financial statements of the Company / Group on 26 March 2018 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 and Sustainability Framework, risk register together with its accompanying control measures and action plans to mitigate the risks on 24 November 2017 in respect of financial year 2018 and again on 23 November 2018 for the financial year 2019;
- 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;
- No matter was highlighted by the external auditors in the Audit Review Memorandum tabled on 26 March 2018 pertaining to the 2017 financial statements and was duly noted.
- Reviewed the nature of recurring related party transactions as well as identify any new related party transactions and recommended them for the Board's approval;



AUDIT COMMITTEE REPORT (CONT'D)

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;
- Met with the internal auditors once on 27 February 2018 without the presence of any executive Board members / management staff;
- Discussed and approved the risk based approach Internal Audit Plan presented by the internal auditors JWC Consulting Sdn. Bhd. for execution in the current financial year.;
- Reviewed and discussed the findings and recommendations as reported by the internal auditors. There were seventeen 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 follow-up reports;

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 26 March and 23 November 2018 without the presence of any executive Board members / management staff;
- Reviewed and evaluated the external auditor's audit plan on 23 November 2018, audit strategy and scope of audits relating to the Company/Group;
- Reviewed and recommended increment in audit fee of the company and its subsidiaries for the financial year 2018 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 as 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 / Group;
- Reviewed and noted the external Audit Review Memorandum key audit matters presented on 27 February and 26 March 2018 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.

Risk Management and Internal Control

The Audit Committee had established a subcommittee namely the Risk Management & Sustainability Committee with the same independent committee members to focus on risk management and internal controls.

On 24 November 2018, the Group's Operations Risk Working Committee reported to the Risk Management & Sustainability Committee that the working committee had comprehensively identified, analysed, and evaluated all risks in the Group's Risk Register and had revised the risk register to address the identified areas of concern and potential risk for the year 2019. The report on risk management prepared by the Risk Working Committee was then tabled by the Audit Committee Chairman at the Board Meeting for Board's review, deliberations and approval.

Significant Matters in the Financial Statements

For the year ended 31 December 2018, revenue increased by RM29.6 million or 25.5% against the revenue of the previous year due to higher deliveries to customers. This achievement was due to customers' continued support and confidence in the group's capability to meet their needs not only in terms of quality and delivery of its products but also the ability of its management to maintain its competitiveness in pricing by constantly upgrading its production facilities and talents of its workforce, improving its processes and prudent management of its financial resources resulting in improvement in profit margins.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Master-Pack Group Berhad, sets this statement to provide shareholders and investors with an overview of the corporate governance (“CG”) practices of the Company under the leadership of the Board during the year 2018.

This overview is prepared in accordance with Practice Note 9 of the Main Market Listing Requirements and the key CG principles in the Malaysian Code of Corporate Governance (“MCCG”) issued by Securities Commission. This CG Overview Statement is to be read with the CG report based on a prescribed format as outlined in paragraph 15.25 (2) of the Main Market Listing Requirement. The 2018 Annual Report and the CG Report is available for reference at www.master-pack.vn/masterpack/Master-PackGroupBerhad2018.pdf, www.master-pack.vn/masterpack/Master-PackCGReport2018.pdf and Bursa Malaysia Berhad’s website www.bursamalaysia.com

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.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Company adopts a simple but effectively functional governance model as follows:

Board of Directors	
Governance Committees	
i.	Audit Committee
a.	Risk Management and Sustainability Committee
b.	Out-sourced Internal Audit
ii.	Nominating Committee
iii.	Remuneration Committee
Executive Chairman / Chief Executive Officer	
i.	Executive Director
ii.	Executive Committee –comprising the Executive Director, General Manager, Marketing Director and various Department Heads

The Board with the exception of matters requiring shareholders’ approval continues to discharge the following duties and responsibilities:

- a. Reviewing and approving budgetary targets in line with business strategic plans
- b. Monitoring performance against budgetary targets. Where necessary, revisions to the budget are made adjusting to the economic changes and development in the market / industry.
- c. Formulating and implementing the Group’s Risk Management Policy and Framework
- d. Comprehensively identifying, analysing and evaluating all risks in terms of consequential impact and level of likelihood.
- e. Ensuring relevant internal controls or application of mechanism in place to manage, mitigate, avoid these risks were also identified
- f. Formulating the Sustainability Policy and the framework for sustainable and responsible operations, activities and practices in the Group
- g. Ensuring that the Group adheres to high standards of ethics and corporate behaviour guided by the Master-Pack Code of Business Conduct.

The Chairman of the Board plays a pivotal role in leading the board as well as the setting the tone from the top in determining the strategic objectives, policies of the Group in creating long term value through its core business to generate sustainable shareholder value and to protect the stakeholders’ interest.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

The Board Charter had been revised and approved by the Board on 23 August 2017. The Board Charter provides guidance to the Board in the discharge of its duties and functions which sets out, amongst others, the roles and responsibilities of the Board to ensure that each board members acting on behalf of the Company is aware of his fiduciary duties and responsibilities, the legislation and regulations affecting their duties and the principles and practices of good corporate governance which apply to the Group.

The Board Charter is available on the Company's website www.master.net.my/ir_roles.htm The Board Charter is periodically reviewed and updated as and when deemed necessary and upon any new regulations that may have an impact on the discharge of the Board's duties and responsibilities.

The fiduciary duties, principal roles and responsibilities of the Board are broadly categorized into six sections:-

- I. Strategy,
- II. Risk Management and Internal Controls
- III. Investor Relations and Shareholders Communications
- IV. Sustainability
- V. Corporate Governance
- VI. Succession Planning

The Board has delegated specific responsibilities to three Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee. These Board Committees have clearly defined roles and responsibilities as set out in its respective Terms Of Reference.

The Terms Of Reference of the Audit Committee (latest edition 26 March 2018), Nominating Committee (latest edition 31 March 2017), Remuneration Committee (latest 26 March 2018) and the Business Code of Conduct & Whistleblowing policy (latest edition 24 November 2017) are available in the Company's website.

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 2018:

Name	Status of Directorship	No. of meetings attended
Dato' Syed Mohamad bin Syed Murtaza	Executive Chairman	5/5
Mr. Chew Hock Lin	Independent & Non-Executive Director	5/5
Dato' Seri Khor Teng Tong	Independent & Non-Executive Director	4/5
Encik Aminuddin Bin Saad	Independent & Non-Executive Director	5/5
Puan Nazriah Binti Shaik Alawdin	Non-Independent & Non-Executive Director	3/5
Dr. Junid Bin Abu Saham	Independent & Non-Executive Director	5/5

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. Board Responsibilities (cont'd)

The Board meets at least once every quarter with additional Board Meetings to be convened as and when necessary. Materials for the board meetings comprising agenda, minutes of meeting, financial results, progress reports of the group, risk management reports, recurrent related party transactions, regulatory updates, etc. are distributed to the board members at least 5 to 7 working days before the scheduled meetings. This gives the board members adequate time for thorough deliberation of the board meeting materials.

The meetings calendar which provides the tentative dates for meetings of the Board, Audit Committee and Annual General Meeting is circulated to Directors on 23 November 2018 for the ensuing year to enable the Directors to plan ahead and co-ordinate their respective schedules.

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

II. Board Composition

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 diversified 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



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. Board Composition (cont'd)

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. In addition, the four Independent Directors do not hold directorships in any company within the group and thus the objectivity of these directors are not compromised.

The Boardroom diversity in gender, ethnicity and age is stated in practice 4.5 of the CG Report.

The Nominating Committee, ("NC") will annually evaluate the effectiveness of the Board, its Committees and also the performance of the Directors. The NC is responsible for assessing the suitability of any proposed candidate as a board member and to submit their recommendations to the Board. In evaluating the suitability of candidates the NC considers the following criteria:

- skills, knowledge, expertise and experience;
- professionalism;
- integrity;
- gender diversity;
- time commitment to at least attend not less than half the board meetings as well as competing time commitments if the candidate also holds other directorship ;
- consideration as to the representation of the interest groups;
- assess the desirable numbers to balance Board membership, with due consideration to the structure, development and succession planning
- in the case of candidates for the position of independent non-executive directors, the Committee should also evaluate the candidate's ability to discharge such responsibilities as expected from independent non-executive directors.

During the Financial year 2018, the Nominating Committee met once and conducted the annual assessment on the effectiveness of the Board, the Board Committees and also the individual performance of the Directors internally by way of the written questionnaire. The results indicated that the Board and the committees continue to effectively perform the responsibilities and duties tasked to them.

The NC also assessed the independence of the Independent Directors. The Independent Directors namely Mr. Chew Hock Lin, Dato' Seri Khor Teng Tong, Encik Aminuddin bin Saad and Dr. Junid bin Abu Saham fulfill the criteria of "Independence" as prescribed under Chapter 1 of the Listing Requirements.

The NC also reviewed and recommended to the Board, the re-election and re-appointment of Directors for shareholders' approval at the Annual General Meeting. The Constitution of Master-Pack Group Berhad provides 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 regulations 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 Boards recognises the importance of attending and participating in training and development activities in order to broaden their perspectives and to keep abreast of developments in the market place, and new statutory and regulatory requirements which would enable them to fulfill their responsibilities.

During the year under the review, the Directors have attended relevant development and training programs according to their individual needs and enhanced their ability in discharging their duties and responsibilities. The list of trainings attended by the directors is available www.master.net.my/ab_bod.htm.

III. Remuneration

The Group has a Compensation and Employment Manual, of which policies relating to remuneration, benefits-in-kind as well as terms of employment are structured in accordance with each management ranking. The policies are reviewed on a periodic basis.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

In order to retain talent, the components of the remuneration are structured to link rewards to group financial performance and individual performance taking into consideration the complexities and the responsibilities undertaken during the period under review. There is no gender inequality in terms of remuneration package.

The Remuneration Committee ('RC') comprising directors, all whom are Non-Executive Directors; namely Mr. Chew Hock Lin (Chairman), Encik Aminuddin bin Saad and Cik Nazriah binti Shaik Alawdin are responsible for recommending to the Board a remuneration framework and package for the Executive Directors.

During the financial year 2018, the RC held two meetings to review the remuneration package of the Executive Chairman / Directors. This is to ensure that the Executive Chairman and other Executive Directors in the group of companies are amply rewarded for delivering another year of excellent financial performance. The remuneration packages offered are in line with the group policies and structured to attract or retain the talents of the Executive Chairman / Directors.

The RC recommended the remuneration package of the Executive Chairman to the Board. The RC also deliberated on the level of remuneration to be received by each Non-Executive Director. Generally the extent of responsibilities undertaken by the respective Non-Executive Director determines the level of remuneration entitled. The Executive Director / Chairman did not participate in any way on the agenda in determining his remuneration during the Board Meeting.

The details of Executive Directors' and Non- Executive Directors remuneration is stated in Practice 7.1 and 7.2 of the CG Report

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee comprises three Independent Non-Executive Directors. The members of the Audit Committee by names are stated in Practice 8.1 of the CG report.

During the year there were five meetings held and a summary of activities of the Audit Committee including the Internal Audit function during the year 2018 is set out on page 30 and 31 of the Annual Report.

The Company had not appointed a former key audit partner as a member of the Audit Committee.

The Board via the Nominating Committee had deliberated on the performance of the Audit Committee and each of its members as required by paragraph 15.20 of the Main Market Listing Requirements. At the recommendation from the Nominating Committee, the Board was satisfied that members of the Audit Committee were able to perform their duties according to the Audit Committee Terms Of Reference. Members of the Audit Committee are financially literate and were able to comprehend the duties required by them.

II. Risk Management and Internal Controls Framework

The Board of Directors affirms its responsibility for maintaining a sound and effective system of risk management and internal control.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

II. Risk Management and Internal Controls Framework (cont'd)

The Audit Committee is responsible to the Board for risk governance and the oversight functions are through a subcommittee, Risk Management and Sustainability Committee. The Risk Management and Sustainability Committee assesses and monitors efficacy of risk management controls and measures taken whilst the adequacy and effectiveness of the internal controls are performed by the out-sourced internal auditors. The Internal Auditors will report directly to the Audit Committee.

The Board is of the view that the system of internal control appears to be working adequately. Based on the work done by the Internal Auditors, there were no material weaknesses in the system of internal control that may affect the integrity of our financial statements.

The details of the Risk Management and Internal Control are set out on page 25 to 28 of the Annual Report.

PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

I. Communication with Stakeholders

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 19 to 23 of the 2018 Annual Report circulated to the shareholders.

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 mpgb@master.net.my. He is also available for shareholders to meet and view their concerns and opinions at the beginning of our Annual General Meeting.

II. Conduct of General Meetings

Master-Pack Group Berhad's AGM acts as a principal forum for interactions with shareholders. The 24th Notice of AGM was dispatched and advertised in the news Straits Times newspaper at least 28 days before the AGM date complying with the recommended MCCG best practices. All Board members understand the importance of engaging with the shareholders and were present at the 24th AGM held on 14 May 2018 at 11am in Master-Pack Sdn. Bhd., 1574 Jalan Bukit Panchar, 14300 Nibong Tebal, S.P.S. Penang. In attendance at the AGM was also the Company Secretary, the internal and external auditors.

The Chairman of the Board welcomed all shareholders and the meeting proceeded in an orderly manner. The Chairman briefed the shareholders on the Group's financial and non-financial performance for the financial year. Questions posed by the shareholders and Minority Shareholder Watchdog Group were responded by the Chairman/ Group Executive Chairman accordingly.

The voting was conducted through registered ballot papers which were tabulated by the company registrar and verified by an independent scrutineer. The AGM concluded smoothly and all resolutions were duly approved by the shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER (cont'd)

Nominating Committee Activities

The Nominating Committee was tasked by the Board in nominating suitable candidates to the Board as well as assessing 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 was only one meeting held on 23 November 2018 and was 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.

Two weeks prior to the Nominating Committee Meeting held on 23 November 2018, several evaluation forms were sent 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 included in the evaluation form for Independent Directors covers a list of questions on independency, quality and value of contributions, ability to diplomatically listen and voice their views including a self-declaration of any involvement or relation which could interfere with an independent judgment 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 prepare 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 cover 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 assesses the understanding of the Audit Committee Terms Of Reference and the ability to objectively & responsibly performed their duties. The results of the evaluation have shown that with the help of the external auditors and the out-source internal auditors was 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. The list of trainings attended by the Board members is published on the company website www.master.net.my/ab_bod.htm.

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. Therefore, no potential board candidates were assessed during the year.
- 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 holds 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 twelve years; are demonstrably considered independent notwithstanding the length of service exceeding the twelve years 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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER (cont'd)

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 were 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 were 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 and these are reflected in the Audited Financial Statements, as set out in pages 41 to 90 of the 2018 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 25 to 28 of the 2018 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

Sustainability Report

The Group's Sustainability Report is explained on www.master.net.my/ir_corporate_social.htm. and page 11 to 18 of the 2018 annual report. Master-Pack Group, as a responsible corporate entity, is conscious of our obligations towards the economy, environment, and society in which we operate.

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 also attended 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 2018 amounts to RM128,000 and RM2,000 respectively.

Compliance Statement

Save as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2018, the Company has applied the principles and recommendations of the corporate governance set out in the Code, where necessary and appropriate.

The Corporate Governance report can be viewed in the Company's website, www.master.net.my

This statement was approved by the Board of Directors on 26 March 2019.

FINANCIAL STATEMENTS

- 41** Directors' Report
- 44** Statement by Directors
- 44** Statutory Declaration
- 45** Independent Auditors' Report
- 49** Consolidated Statement of Financial Position
- 50** Consolidated Statement of Comprehensive Income
- 52** Consolidated Statement of Changes in Equity
- 54** Consolidated Statement of Cash Flows
- 55** Statement of Financial Position
- 56** Statement of Comprehensive Income
- 57** Statement of Changes in Equity
- 58** Statement of Cash Flows
- 59** Notes to the Financial Statements

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2018. All values shown in this report are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

Principal activities

The principal activity of the Company is that of investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	5,756	893
- Non-controlling interests	(8)	0
	<u>5,748</u>	<u>893</u>

Dividends

During the financial year, the Company declared and paid an interim single tier dividend of 1.5 sen per share amounting to RM819,000 in respect of the financial year ended 31 December 2018.

The directors do not propose any final dividend in respect of the financial year ended 31 December 2018.

Reserves and provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue of shares or debentures

The Company did not issue any shares or debentures during the financial year.

Share options

The Company did not grant any share options during the financial year.

Bad and doubtful debts

Before the financial statements were prepared, 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 provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision 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 provision for doubtful debts inadequate to any substantial extent.

DIRECTORS' REPORT (CONT'D)

Current assets

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

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

Valuation methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or 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 which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

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

Items of an unusual nature

The results of the operations of the Group and the Company during 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 or the Company for the financial year in which this report is made.

Directors

The directors in office since the beginning of the financial year are:-

Directors of the Company

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



DIRECTORS' REPORT (CONT'D)

Directors (cont'd)

Directors of subsidiaries (other than directors of the Company)

Sim Poh Lai
Ting Kee Hoe
Khor Chai Seang
Ong Kean Hong

Directors' interests

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

Name of director	Number of ordinary shares					
	Direct interest				Deemed interest	
	Balance at 1.1.2018	Bought	Sold	Balance at 31.12.2018	Balance at 1.1.2018	Balance at 31.12.2018
Aminuddin Bin Saad	10,002	0	0	10,002	0	0
Dato' Seri Khor Teng Tong	1,262,900	0	0	1,262,900	1,127,000	1,127,000

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 18 to 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.

Indemnity and insurance for directors and officers

There was no indemnity given to any director or officer of the Group or the Company during the financial year. The Group maintains a liability insurance for directors and officers and the insurance costs incurred during the financial year amounted to RM8,000.

Auditors

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 20 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

Signed in accordance with a resolution of the directors dated 26 March 2019

Dato' Syed Mohamad Bin Syed Murtaza

Aminuddin Bin Saad

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 49 to 90 give a true and fair view of the financial position of the Group and the Company as at 31 December 2018 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 2016 in Malaysia.

Signed in accordance with a resolution of the directors dated 26 March 2019

Dato' Syed Mohamad Bin Syed Murtaza

Aminuddin Bin Saad

STATUTORY DECLARATION

I, Dato' Syed Mohamad Bin Syed Murtaza, being the director primarily responsible for the financial management of Master-Pack Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 90 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed Dato' Syed Mohamad Bin Syed
Murtaza at George Town in the State of Penang on
this 26 March 2019

Dato' Syed Mohamad Bin Syed Murtaza

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 2018 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 49 to 90.

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 2018, 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 2016 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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Valuation of inventories (Refer to Notes 3 and 9 to the financial statements)</u></p> <p>The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves 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 OF MASTER-PACK GROUP BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

Key audit matters (cont'd)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of receivables (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</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 and past due status of receivables and testing the reliability thereof. • Reviewing the 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. • Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. • Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

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 2016 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASTER-PACK GROUP BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

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 scepticism 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 OF MASTER-PACK GROUP BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors of a subsidiary, Master-Pack Vietnam Co., Ltd.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT

LLP0018817-LCA & AF 1018
Chartered Accountants

Date: 26 March 2019

Penang

Eddy Chan Wai Hun

02182/10/2019 J
Chartered Accountant



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment	4	53,732	39,478
Investment properties	5	14,670	14,170
Goodwill on consolidation		196	196
Investments in associates	7	479	540
Other investments	8	248	301
		<u>69,325</u>	<u>54,685</u>
Current assets			
Inventories	9	14,627	12,830
Receivables	10	39,050	33,413
Prepayments		1,695	2,155
Current tax assets		125	230
Cash and cash equivalents	11	8,124	4,571
		<u>63,621</u>	<u>53,199</u>
Current liabilities			
Payables	12	14,526	10,164
Loans and borrowings - secured	13	16,114	14,428
Current tax liabilities		244	109
		<u>30,884</u>	<u>24,701</u>
Net current assets		32,737	28,498
Non-current liabilities			
Loans and borrowings - secured	13	5,236	4,404
Deferred tax liabilities	14	5,661	3,262
		<u>10,897</u>	<u>7,666</u>
Net assets		<u>91,165</u>	<u>75,517</u>
Equity			
Share capital	15	55,339	55,339
Revaluation surplus		15,590	5,298
Fair value reserve		0	111
Currency translation reserve		(12)	0
Retained profits		20,225	14,738
Equity attributable to owners of the Company		<u>91,142</u>	<u>75,486</u>
Non-controlling interests	16	23	31
Total equity		<u>91,165</u>	<u>75,517</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Revenue	17	145,586	115,960
Interest income		52	31
Other income		2,532	1,472
Changes in inventories of work-in-progress and finished goods		(323)	146
Purchase of finished goods		(7,260)	(4,583)
Raw materials and consumables used		(100,205)	(78,879)
Depreciation		(3,661)	(3,249)
Employee benefits expense	18	(13,270)	(12,385)
Impairment losses on financial assets	19	(183)	(692)
Finance costs		(1,045)	(871)
Other expenses		(14,008)	(11,430)
Share of associates' profit/(loss)		16	(133)
Profit before tax	20	8,231	5,387
Tax expense	21	(2,483)	(1,451)
Profit for the financial year		5,748	3,936
Other comprehensive income:-			
<i>Items that will not be reclassified to profit or loss:-</i>			
- Gross revaluation increase of properties		12,658	0
- Deferred tax effect thereof		(1,927)	0
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Currency translation differences for foreign operation		(12)	0
- Fair value gains on available-for-sale financial assets		0	24
Total other comprehensive income for the financial year		10,719	24
Comprehensive income for the financial year		16,467	3,960

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

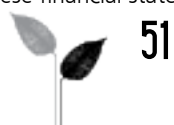


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		5,756	3,945
- Non-controlling interests	16	<u>(8)</u>	<u>(9)</u>
		<u>5,748</u>	<u>3,936</u>
Comprehensive income for the financial year attributable to:-			
- Owners of the Company		16,475	3,969
- Non-controlling interests		<u>(8)</u>	<u>(9)</u>
		<u>16,467</u>	<u>3,960</u>
Earnings per share:-			
	22		
- Basic (sen)		<u>10.54</u>	<u>7.22</u>
- Diluted (sen)		<u>10.54</u>	<u>7.22</u>

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Non-distributable				Distributable			Equity attributable to owners of the Company		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Revaluation surplus RM'000	Fair value reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000	Non-controlling interests RM'000	RM'000	
Balance at 1 January 2017	54,620	284	435	5,742	87	0	10,895	40	72,103	
Transfer of share premium and capital redemption reserve	719	(284)	(435)	0	0	0	0	0	0	
Profit/(Loss) for the financial year	0	0	0	0	0	0	3,945	(9)	3,936	
Fair value gains on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	0	24	0	0	0	24	
Comprehensive income for the financial year	0	0	0	0	24	0	3,945	(9)	3,960	
Interim single tier dividend of 1 sen per share (representing total transactions with owners)	0	0	0	0	0	0	(546)	0	(546)	
Transfer of revaluation surplus	0	0	0	(444)	0	0	444	0	0	
Balance at 31 December 2017	55,339	0	0	5,298	111	0	14,738	31	75,517	

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 2018

	Non-distributable				Distributable			Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Revaluation surplus RM'000	Fair value reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000			
Balance at 1 January 2018	55,339	0	0	5,298	111	0	14,738	75,486	31	75,517
- Brought forward from preceding year	0	0	0	0	(111)	0	111	0	0	0
- Changes in accounting policies (Note 2.2)	55,339	0	0	5,298	0	0	14,849	75,486	31	75,517
- Adjusted										
Gross revaluation increase of properties	0	0	0	12,658	0	0	0	12,658	0	12,658
Deferred tax effect thereof	0	0	0	(1,927)	0	0	0	(1,927)	0	(1,927)
Currency translation differences for foreign operation	0	0	0	0	0	(12)	0	(12)	0	(12)
Total other comprehensive income for the financial year	0	0	0	10,731	0	(12)	0	10,719	0	10,719
Profit/(Loss) for the financial year	0	0	0	0	0	0	5,756	5,756	(8)	5,748
Comprehensive income for the financial year	0	0	0	10,731	0	(12)	5,756	16,475	(8)	16,467
Interim single tier dividend of 1.5 sen per share (representing total transactions with owners)	0	0	0	0	0	0	(819)	(819)	0	(819)
Transfer of revaluation surplus	0	0	0	(439)	0	0	439	0	0	0
Balance at 31 December 2018	55,339	0	0	15,590	0	(12)	20,225	91,142	23	91,165

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Cash flows from operating activities			
Profit before tax		8,231	5,387
Adjustments for:-			
Depreciation		3,661	3,249
Dividend income		(15)	(4)
Fair value gains on investment properties		(884)	(190)
Fair value losses on financial instruments		53	0
Gain on change in ownership interest in associate		0	(92)
Gain on disposal of investment in associate		(447)	0
Gain on disposal of investment properties		(480)	0
Gain on disposal of property, plant and equipment		(16)	0
Impairment losses on financial assets		183	692
Interest expense		1,045	871
Interest income		(52)	(31)
Inventories written down		232	168
Property, plant and equipment written off		1	10
Reversal of inventories written down		0	(114)
Share of associates' (profit)/loss		(16)	133
Operating profit before working capital changes		11,496	10,079
Changes in:-			
Inventories		(2,029)	(1,636)
Receivables		(5,820)	(12,172)
Prepayments		460	(606)
Payables		4,362	3,611
Cash generated from/(absorbed by) operations		8,469	(724)
Tax paid		(1,794)	(2,272)
Tax refunded		23	179
Net cash from/(used in) operating activities		6,698	(2,817)
Cash flows from investing activities			
Additions of investment properties		(836)	0
Dividends received		15	4
Interest received		52	31
Proceeds from disposal of investment in associate		524	0
Proceeds from disposal of investment properties		1,700	0
Proceeds from disposal of property, plant and equipment		16	0
Purchase of property, plant and equipment	23	(2,080)	(1,014)
Net cash used in investing activities		(609)	(979)
Cash flows from financing activities			
Dividend paid		(819)	(546)
Interest paid		(1,071)	(846)
Net increase in short-term loans and borrowings	23	1,023	4,799
Repayment of hire purchase obligations	23	(1,803)	(1,058)
Repayment of term loan	23	(222)	(309)
Net cash (used in)/from financing activities		(2,892)	2,040
Currency translation differences		(12)	0
Net increase/(decrease) in cash and cash equivalents		3,185	(1,756)
Cash and cash equivalents brought forward		2,815	4,571
Cash and cash equivalents carried forward	11	6,000	2,815

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



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Non-current assets			
Property, plant and equipment	4	9	10
Investment properties	5	3,320	3,320
Investments in subsidiaries	6	15,538	15,538
Other investments	8	248	301
Receivables	10	8,573	9,897
		27,688	29,066
Current assets			
Receivables	10	1,497	404
Current tax assets		3	17
Cash and cash equivalents	11	715	263
		2,215	684
Current liabilities			
Payables	12	312	279
		312	279
Net current assets		1,903	405
Non-current liabilities			
Deferred tax liabilities	14	94	48
Net assets		29,497	29,423
Equity			
Share capital	15	55,339	55,339
Fair value reserve		0	111
Accumulated losses		(25,842)	(26,027)
Total equity		29,497	29,423

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Revenue	17	1,473	1,597
Interest income		59	24
Other income		32	227
Depreciation		(3)	(3)
Employee benefits expense	18	(268)	(244)
Other expenses		(336)	(285)
Profit before tax	20	957	1,316
Tax expense	21	(64)	(36)
Profit for the financial year		893	1,280
Other comprehensive income:-			
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
- Fair value gains on available-for-sale financial assets		0	24
Other comprehensive income for the financial year		0	24
Comprehensive income for the financial year		893	1,304

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



STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Non-distributable				Accumulated losses RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000		
Balance at 1 January 2017	54,620	284	435	87	(26,761)	28,665
Transfer of share premium and capital redemption reserve	719	(284)	(435)	0	0	0
Profit for the financial year	0	0	0	0	1,280	1,280
Fair value gains on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	24	0	24
Comprehensive income for the financial year	0	0	0	24	1,280	1,304
Interim single tier dividend of 1 sen per share (representing total transactions with owners)	0	0	0	0	(546)	(546)
Balance at 31 December 2017	<u>55,339</u>	<u>0</u>	<u>0</u>	<u>111</u>	<u>(26,027)</u>	<u>29,423</u>
Balance at 1 January 2018						
- Brought forward from preceding year	55,339	0	0	111	(26,027)	29,423
- Changes in accounting policies (Note 2.2)	0	0	0	(111)	111	0
- Adjusted	<u>55,339</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,916)</u>	<u>29,423</u>
Profit (representing comprehensive income) for the financial year	0	0	0	0	893	893
Interim single tier dividend of 1.5 sen per share (representing total transactions with owners)	0	0	0	0	(819)	(819)
Balance at 31 December 2018	<u>55,339</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,842)</u>	<u>29,497</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Cash flows from operating activities			
Profit before tax		957	1,316
Adjustments for:-			
Depreciation		3	3
Dividend income		(1,365)	(1,504)
Fair value gains on investment properties		0	(190)
Fair value losses on financial instruments		53	0
Interest income		(59)	(24)
Operating loss before working capital changes		(411)	(399)
Changes in:-			
Receivables		11	(9)
Payables		33	26
Cash absorbed by operations		(367)	(382)
Tax paid		(22)	(24)
Tax refunded		18	60
Net cash used in operating activities		(371)	(346)
Cash flows from investing activities			
Dividends received		765	1,129
Interest received		59	24
Net repayment from/(advance to) subsidiaries		820	(919)
Purchase of property, plant and equipment		(2)	(1)
Net cash from investing activities		1,642	233
Cash flows from financing activity			
Dividend paid		(819)	(546)
Net cash used in financing activity		(819)	(546)
Net increase/(decrease) in cash and cash equivalents		452	(659)
Cash and cash equivalents brought forward		263	922
Cash and cash equivalents carried forward	11	715	263

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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, Malaysia and its principal place of business is located at 1574, Jalan Bukit Panchor, 14300 Nibong Tebal, Seberang Perai Selatan, Penang, Malaysia.

The consolidated financial statements set out on pages 49 to 54 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 55 to 58 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") unless otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 26 March 2019.

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 2016 in Malaysia.

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

MFRS	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</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 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018

The initial application of the above MFRSs did not have any significant impacts on the financial statements except as disclosed in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.1 Basis of preparation of financial statements (cont'd)

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

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
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 11 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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

MFRS 16 *Leases*

MFRS 16, 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.

The Group and the Company will apply the new requirements of MFRS 16 from 1 January 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies

The initial application of MFRS 9 *Financial Instruments* has resulted in certain changes in accounting policies for financial instruments. The Group and the Company have elected to apply the new requirements of MFRS 9 from 1 January 2018 with the following cumulative effects of initial application recognised at that date without restating the comparative information:-

	Brought forward from preceding year RM'000	Changes in accounting policies RM'000	Adjusted RM'000
Consolidated statement of financial position as at 1 January 2018 (extract)			
Fair value reserve	111	(111)	0
Retained profits	14,738	111	14,849
Total equity	<u>75,517</u>	<u>0</u>	<u>75,517</u>

Statement of financial position as at 1 January 2018 (extract)

Fair value reserve	111	(111)	0
Accumulated losses	(26,027)	111	(25,916)
Total equity	<u>29,423</u>	<u>0</u>	<u>29,423</u>

Prior to 1 January 2018, all quoted investments in equity instruments were classified under "available-for-sale financial assets" category and measured at fair value through other comprehensive income in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*. Upon application of MFRS 9, the investments are measured at fair value through profit or loss. Accordingly, the fair value reserve as at 1 January 2018 has been adjusted to retained profits or accumulated losses.

2.3 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.3 Basis of consolidation (cont'd)

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

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

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

2.4 Property, plant and equipment

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

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

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

Freehold land 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.

2.5 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.6 Investments in subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

2.7 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 investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.8.

2.8 Impairment of non-financial assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than investment properties stated at fair value and inventories, 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.

2.9 Inventories

Inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.10 Financial assets

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

Initial 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. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.16). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

(i) Amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

(ii) Fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

(iii) Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All investments in equity instruments are classified under this category. Any gain or loss is recognised in profit or loss.

Prior to 1 January 2018, all investments in equity instruments were classified under "available-for-sale financial assets" category and measured at either fair value through other comprehensive income (for quoted investments) or cost (for unquoted investments) in accordance with MFRS 139 *Financial Instruments: Recognition and Measurement*.

Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

2.11 Financial liabilities

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

Initial 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 minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

Derecognition

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

2.12 Leases

Finance lease

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

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating lease

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.13 Foreign currency transactions and translation

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

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

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

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

2.14 Share capital

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

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

2.15 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 or a combination thereof:-

- (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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

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

2.16 Revenue from contracts with customers

The Group recognises revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.
- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.16 Revenue from contracts with customers (cont'd)

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

2.17 Other income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

Interest income is recognised in profit or loss using the effective interest method.

Rental income is recognised in profit or loss on a straight-line basis over the lease term.

2.18 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 or included in the cost of an asset, where appropriate, 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"). The Group's foreign subsidiary makes contributions to its country's statutory pension scheme. Contributions to defined contribution plans are recognised in profit or loss or included in the cost of an asset, where appropriate, in the period in which the associated services are rendered by the employee.

2.19 Borrowing 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.

2.20 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

2. Significant accounting policies (cont'd)

2.21 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, if any.

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.

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:-

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 9).

Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. Property, plant and equipment

Group	Freehold land RM'000	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
Cost/Valuation								
Balance at 1 January 2017	4,380	5,700	18,704	47,094	1,315	3,057	943	81,193
Additions	0	0	327	4,783	135	33	41	5,319
Disposals/Write-offs	0	0	0	(3,698)	(3)	(79)	0	(3,780)
Balance at 31 December 2017	4,380	5,700	19,031	48,179	1,447	3,011	984	82,732
Representing:-								
- Cost	0	0	566	48,179	1,447	3,011	984	54,187
- Valuation	4,380	5,700	18,465	0	0	0	0	28,545
	4,380	5,700	19,031	48,179	1,447	3,011	984	82,732
Balance at 1 January 2018	4,380	5,700	19,031	48,179	1,447	3,011	984	82,732
Additions	0	0	98	4,984	19	157	0	5,258
Disposals/Write-offs	0	0	0	0	(5)	(6)	0	(11)
Revaluation	8,820	1,500	(1,529)	0	0	0	0	8,791
Balance at 31 December 2018	13,200	7,200	17,600	53,163	1,461	3,162	984	96,770
Representing:-								
- Cost	0	0	0	53,163	1,461	3,162	984	58,770
- Valuation	13,200	7,200	17,600	0	0	0	0	38,000
	13,200	7,200	17,600	53,163	1,461	3,162	984	96,770



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. Property, plant and equipment (cont'd)

Group	Freehold land RM'000	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
Depreciation and impairment losses								
Balance at 1 January 2017	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
Depreciation	0	282	713	1,988	77	110	79	3,249
Disposals/Write-offs	0	0	0	(3,695)	(2)	(73)	0	(3,770)
Balance at 31 December 2017	0	844	2,037	35,727	1,058	2,803	759	43,228
- Accumulated depreciation	0	0	0	26	0	0	0	26
- Accumulated impairment losses	0	844	2,037	35,753	1,058	2,803	759	43,254
Depreciation	0	281	705	2,413	83	107	72	3,661
Disposals/Write-offs	0	0	0	0	(5)	(5)	0	(10)
Reclassification	0	0	0	(4)	0	4	0	0
Revaluation	0	(1,125)	(2,742)	0	0	0	0	(3,867)
Balance at 31 December 2018	0	0	0	38,136	1,136	2,909	831	43,012
- Accumulated depreciation	0	0	0	26	0	0	0	26
- Accumulated impairment losses	0	0	0	38,162	1,136	2,909	831	43,038
Carrying amount								
Balance at 1 January 2017	4,380	5,138	17,380	9,634	332	291	263	37,418
Balance at 31 December 2017	4,380	4,856	16,994	12,426	389	208	225	39,478
Balance at 31 December 2018	13,200	7,200	17,600	15,001	325	253	153	53,732



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. Property, plant and equipment (cont'd)

The freehold land, leasehold land and buildings were revalued to fair values on 31 December 2018 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:-

	Group	
	2018 RM'000	2017 RM'000
Freehold land	1,904	1,904
Leasehold land	577	613
Buildings	<u>9,255</u>	<u>9,530</u>
	<u>11,736</u>	<u>12,047</u>

The freehold land, 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:-

	Group	
	2018 RM'000	2017 RM'000
Plant and machinery	9,630	7,006
Motor vehicles	<u>111</u>	<u>170</u>
	<u>9,741</u>	<u>7,176</u>

Company

Furniture,
fittings
and office
equipment
RM'000

Cost

Balance at 1 January 2017	1,009
Additions	1
Disposals/Write-offs	<u>(5)</u>
Balance at 31 December 2017	1,005
Additions	<u>2</u>
Balance at 31 December 2018	<u>1,007</u>

Accumulated depreciation

Balance at 1 January 2017	997
Depreciation	3
Disposals/Write-offs	<u>(5)</u>
Balance at 31 December 2017	995
Depreciation	<u>3</u>
Balance at 31 December 2018	<u>998</u>

Carrying amount

Balance at 1 January 2017	<u>12</u>
Balance at 31 December 2017	<u>10</u>
Balance at 31 December 2018	<u>9</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

5. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Office lots RM'000	Total RM'000
Fair value				
Balance at 1 January 2017	2,785	8,065	3,130	13,980
Fair value gains	0	0	190	190
Balance at 31 December 2017	2,785	8,065	3,320	14,170
Additions	0	836	0	836
Disposals	(1,220)	0	0	(1,220)
Fair value gains/(losses)	1,736	(852)	0	884
Balance at 31 December 2018	3,301	8,049	3,320	14,670

Company

	Office lots RM'000
Fair value	
Balance at 1 January 2017	3,130
Fair value gains	190
Balance at 31 December 2017 / 31 December 2018	3,320

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

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Freehold land	3,066	0	0	0
Buildings	7,934	0	0	0
Office lots	2,080	2,080	2,080	2,080
	<u>13,080</u>	<u>2,080</u>	<u>2,080</u>	<u>2,080</u>

6. Investments in subsidiaries

Company

	2018 RM'000	2017 RM'000
Unquoted shares - at cost	26,363	26,363
Impairment losses	(10,825)	(10,825)
	<u>15,538</u>	<u>15,538</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. Investments in subsidiaries (cont'd)

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2018	2017	
Direct subsidiaries				
Master-Pack Sdn. Bhd.	Malaysia	100%	100%	Manufacture of corrugated cartons and distribution of packaging materials
Master-Pack (Sarawak) Sdn. Bhd.	Malaysia	100%	100%	Manufacture and sale of corrugated fibreboard cartons
Master-Pack Marine Products Sdn. Bhd.	Malaysia	100%	100%	Property letting
Master-Pack Energy Sdn. Bhd.	Malaysia	60%	60%	Inactive
Sin Wan Fatt Marine Products Sdn. Bhd.	Malaysia	100%	100%	Inactive
Indirect subsidiary				
Master-Pack Vietnam Co., Ltd.*	Vietnam	100%	0%	Manufacture and trading of wood packaging boxes

* Consolidated using unaudited financial statements

7. Investments in associates

Group

	2018 RM'000	2017 RM'000
Unquoted shares - at cost	100	294
Share of post-acquisition changes in net assets	379	246
	<u>479</u>	<u>540</u>
Attributable to:-		
- Excelfood Pack Sdn. Bhd.	0	133
- Richmond Technology Sdn. Bhd.	479	407
	<u>479</u>	<u>540</u>

The details of the associates are as follows:-

Name of associate	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2018	2017	
Excelfood Pack Sdn. Bhd. ("EPSB")	Malaysia	0%	21%	Manufacture and sale of food wrappers, bags and boxes
Richmond Technology Sdn. Bhd. ("RTSB")	Malaysia	20%	20%	Manufacture of packaging materials



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

7. Investments in associates (cont'd)

EPSB and RTSB are not considered to be individually material to the Group. The Group's share of their comprehensive income in aggregate is as follows:-

	2018 RM'000	2017 RM'000
Profit/(Loss) from continuing operations (representing comprehensive income)	16	(133)

8. Other investments

Group and Company

	2018 RM'000	2017 RM'000
Quoted shares - at fair value	248	301

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

As at 31 December 2017, the investments were classified under "available-for-sale financial assets" category and measured at fair value through other comprehensive income in accordance with MFRS 139.

9. Inventories

Group

	2018 RM'000	2017 RM'000
Raw materials	11,889	9,786
Work-in-progress	725	930
Finished goods	563	681
Goods-in-transit	1,450	1,433
	14,627	12,830

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

10. Receivables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Non-current assets</u>				
Amounts due from subsidiaries	0	0	28,618	29,942
Loss allowance	0	0	(20,045)	(20,045)
	<u>0</u>	<u>0</u>	<u>8,573</u>	<u>9,897</u>
<u>Current assets</u>				
Trade receivables:-				
- Associates	2,149	4,337	0	0
- Unrelated parties	36,624	32,280	0	4
	38,773	36,617	0	4
- Loss allowance	(1,130)	(3,334)	0	0
	37,643	33,283	0	4
Other receivables	1,407	130	18	25
Amounts due from subsidiaries	0	0	504	0
Loss allowance	0	0	0	0
	0	0	504	0
Dividend receivable	0	0	975	375
	<u>39,050</u>	<u>33,413</u>	<u>1,497</u>	<u>404</u>
Total receivables	<u>39,050</u>	<u>33,413</u>	<u>10,070</u>	<u>10,301</u>

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2018, there was 1 (2017 : 1) major group of customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from this major group amounted to RM20,069,000 (2017 : RM13,861,000). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2018 RM'000	2017 RM'000
Malaysia	35,067	36,617
Vietnam	3,533	0
Brunei	173	0
	<u>38,773</u>	<u>36,617</u>

The credit terms of trade receivables range from 30 to 150 days.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

10. Receivables (cont'd)

Trade receivables (cont'd)

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

	Group	
	2018 RM'000	2017 RM'000
Not past due	30,527	26,794
1 to 30 days past due	4,679	5,418
31 to 60 days past due	1,425	1,034
61 to 90 days past due	650	159
More than 90 days past due	1,492	3,212
	<u>38,773</u>	<u>36,617</u>

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

Group

	Not past due RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	More than 90 days past due RM'000	Credit-impaired RM'000	Total RM'000
As at 31 December 2018							
Gross carrying amount	30,527	4,679	1,425	650	573	919	38,773
Average credit loss rate	0.25%	0.43%	1.54%	3.69%	11.87%	100.00%	2.91%
Loss allowance	77	20	22	24	68	919	1,130

The average credit loss rates were based on the payment profile of revenue over a period of 24 months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

10. Receivables (cont'd)

Trade receivables (cont'd)

The changes in the loss allowance are as follows:-

	Group	
	2018 RM'000	2017 RM'000
Balance at 1 January	3,334	2,644
Impairment losses	183	692
Write-offs	(2,387)	(2)
Balance at 31 December	<u>1,130</u>	<u>3,334</u>

Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, repayable on demand and interest free except for an amount of RM1,250,000 (2017 : RM1,250,000) which bears interest at 4.00% (2017 : 4.00%) per annum.

11. Cash and cash equivalents

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Highly liquid investments	802	799	0	0
Term deposit (fixed rate)	0	500	0	0
Cash and bank balances	<u>7,322</u>	<u>3,272</u>	<u>715</u>	<u>263</u>
	<u>8,124</u>	<u>4,571</u>	<u>715</u>	<u>263</u>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

The effective interest rate of term deposit as at 31 December 2017 was 2.85% per annum.

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and cash equivalents	8,124	4,571	715	263
Bank overdrafts	<u>(2,124)</u>	<u>(1,756)</u>	<u>0</u>	<u>0</u>
	<u>6,000</u>	<u>2,815</u>	<u>715</u>	<u>263</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

12. Payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables	8,673	6,185	0	0
Other payables	5,723	3,849	312	279
Compensation received	130	130	0	0
	<u>14,526</u>	<u>10,164</u>	<u>312</u>	<u>279</u>

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 and other payables

The credit terms of trade and other payables range from 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.

13. Loans and borrowings - secured

Group	2018 RM'000	2017 RM'000
Fixed rate:-		
- Hire purchase payables	7,190	5,815
- Banker acceptances	11,933	10,936
Floating rate:-		
- Bank overdrafts	2,124	1,756
- Term loan	103	325
	<u>21,350</u>	<u>18,832</u>
Disclosed as:-		
- Current liabilities	16,114	14,428
- Non-current liabilities	5,236	4,404
	<u>21,350</u>	<u>18,832</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 2018 ranged from 4.61% to 8.50% (2017 : 4.51% to 8.35%) per annum.

Except for hire purchase payables and term loan, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

13. Loans and borrowings - secured (cont'd)

Hire purchase payables

Hire purchase payables are repayable over 3 to 5 years. The repayment analysis is as follows:-

	2018 RM'000	2017 RM'000
Minimum hire purchase payments:-		
- Within 1 year	2,333	1,821
- Later than 1 year and not later than 2 years	2,187	1,593
- Later than 2 years and not later than 5 years	3,511	3,130
Total contractual undiscounted cash flows	8,031	6,544
Future finance charges	(841)	(729)
	7,190	5,815

Represented by present value of hire purchase payables:-

- Within 1 year	1,954	1,514
- Later than 1 year and not later than 2 years	1,924	1,377
- Later than 2 years and not later than 5 years	3,312	2,924
	7,190	5,815

The fair values of hire purchase payables were 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 were considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of hire purchase payables.

Term loan

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

	2018 RM'000	2017 RM'000
Gross loan instalments:-		
- Within 1 year	105	238
- Later than 1 year and not later than 2 years	0	111
Total contractual undiscounted cash flows	105	349
Future finance charges	(2)	(24)
	103	325

Represented by present value of term loan:-

- Within 1 year	103	222
- Later than 1 year and not later than 2 years	0	103
	103	325

The fair value of term loan was 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 measured was considered to be reasonably close to the carrying amount reported as the observable current market interest rates also approximated to the effective interest rate of term loan.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

14. Deferred tax liabilities

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Balance at 1 January	3,262	3,760	48	39
Deferred tax expense/(income) relating to origination and reversal of temporary differences recognised in:-				
- Profit or loss	397	(496)	0	9
- Other comprehensive income	1,803	0	0	0
Deferred tax expense relating to change in tax rate recognised in:-				
- Profit or loss	46	0	46	0
- Other comprehensive income	124	0	0	0
Deferred tax liabilities under/(over) provided in prior year	29	(2)	0	0
Balance at 31 December	<u>5,661</u>	<u>3,262</u>	<u>94</u>	<u>48</u>
In respect of taxable/(deductible) temporary differences of:-				
- Property, plant and equipment	5,844	4,104	2	2
- Investment properties	255	79	92	46
- Inventories	(123)	(67)	0	0
- Financial instruments	(315)	(854)	0	0
	<u>5,661</u>	<u>3,262</u>	<u>94</u>	<u>48</u>

Save as disclosed above, as at 31 December 2018, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of RM940,000 (2017 : RM901,000). No further deferred tax assets have been recognised for the following excess of deductible temporary differences, unused capital allowances and tax losses over the taxable temporary differences:-

	Group	
	2018 RM'000	2017 RM'000
Deductible temporary differences of property, plant and equipment	1	2
Unused capital allowances	4,167	4,167
Unused tax losses	20,176	20,176
Taxable temporary differences of investment properties	<u>(3,915)</u>	<u>(3,755)</u>
	<u>20,429</u>	<u>20,590</u>

The deductible temporary differences and unused capital allowances have no expiry date, whereas the unused tax losses can be carried forward until the year of assessment 2025.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

15. Share capital

	No. of ordinary shares '000	RM'000
<u>Issued and fully paid</u>		
Balance at 1 January 2017*	54,620	54,620
Transfer from share premium and capital redemption reserve upon abolition of par value	0	719
Balance at 31 December 2017** / 31 December 2018**	54,620	55,339

* Ordinary shares of RM1 each

** Ordinary shares with no par value

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value. Accordingly, the amounts standing to the credit of share premium and capital redemption reserve have been transferred to share capital.

16. Non-controlling interests ("NCI")

Group

	Accumulated NCI		Loss allocated to NCI	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Master-Pack Energy Sdn. Bhd.	23	31	(8)	(9)

The details of the subsidiary that has NCI are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2018	2017	
Master-Pack Energy Sdn. Bhd.	Malaysia	40%	40%	Inactive

The summarised financial information of the above subsidiary has not been disclosed as its NCI are not material to the Group.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

17. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers:-				
- Sale of goods	145,353	115,863	0	0
Other sources of revenue:-				
- Dividend income	15	4	1,365	1,504
- Rental income from investment properties	218	93	108	93
	233	97	1,473	1,597
	<u>145,586</u>	<u>115,960</u>	<u>1,473</u>	<u>1,597</u>

Disaggregation of revenue from contracts with customers

	Group	
	2018 RM'000	2017 RM'000
Geographical areas:-		
- Malaysia	138,706	114,308
- Vietnam	5,321	0
- Brunei	1,326	1,555
	<u>145,353</u>	<u>115,863</u>

Information about other disaggregation of revenue has not been disclosed as the Group generates revenue principally from selling corrugated fibreboard cartons and packaging materials.

18. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Directors of the Company:-				
- Fees	238	219	234	216
- Other short-term employee benefits	1,818	1,494	14	14
- Defined contribution plans	103	98	0	0
	2,159	1,811	248	230
Directors of subsidiaries:-				
- Fees	19	18	0	0
- Other short-term employee benefits	924	871	0	0
- Defined contribution plans	81	80	0	0
	1,024	969	0	0
Other employees:-				
- Short-term employee benefits	9,489	8,944	20	14
- Defined contribution plans	598	661	0	0
	10,087	9,605	20	14
	<u>13,270</u>	<u>12,385</u>	<u>268</u>	<u>244</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

19. Impairment losses on financial assets

Group	2018 RM'000	2017 RM'000
Trade receivables from contracts with customers:-		
- Associates	4	0
- Unrelated parties	179	692
	183	692

20. Profit before tax

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	136	106	45	35
- Prior year	(6)	0	0	0
Direct operating expenditure for investment properties:-				
- Generating rental income	145	11	11	11
- Not generating rental income	3	103	0	0
Fair value losses on financial instruments mandatorily measured at fair value through profit or loss	53	0	53	0
Fee expense for financial instruments not measured at fair value through profit or loss	148	138	2	2
Interest expense for financial liabilities measured at amortised cost	1,045	871	0	0
Inventories written down	232	168	0	0
Property, plant and equipment written off	1	10	0	0
Rental expense	208	122	8	7
and crediting:-				
Bad debts recovered	1	0	0	0
Fair value gains on investment properties	884	190	0	190
Gain on change in ownership interest in associate	0	92	0	0
Gain on disposal of investment in associate	447	0	0	0
Gain on disposal of investment properties	480	0	0	0
Gain on disposal of property, plant and equipment	16	0	0	0
Interest income for financial assets measured at amortised cost	52	31	59	24
Realised gain on foreign exchange	32	233	0	0
Reversal of inventories written down	0	114	0	0
	1,045	871	59	24



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

21. Tax expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax based on results for the year:-				
- Current tax	2,130	1,999	24	25
- Deferred tax	443	(496)	46	9
	<u>2,573</u>	<u>1,503</u>	<u>70</u>	<u>34</u>
Tax (over)/under provided in prior year:-				
- Current tax	(119)	(50)	(6)	2
- Deferred tax	29	(2)	0	0
	<u>2,483</u>	<u>1,451</u>	<u>64</u>	<u>36</u>

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before tax	<u>8,231</u>	<u>5,387</u>	<u>957</u>	<u>1,316</u>
Tax at applicable tax rate of 24%	1,975	1,293	230	316
Non-deductible expenses	1,129	327	21	116
Non-taxable income	(46)	(36)	(227)	(361)
Reinvestment allowances claimed	(113)	0	0	0
Effect of differential tax rates	(309)	(37)	46	(37)
Decrease in unrecognised deferred tax assets	(63)	(44)	0	0
Tax (over)/under provided in prior year	(90)	(52)	(6)	2
Tax expense	<u>2,483</u>	<u>1,451</u>	<u>64</u>	<u>36</u>

22. Earnings per share

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:-

	2018	2017
Profit for the financial year attributable to owners of the Company (RM'000)	<u>5,756</u>	<u>3,945</u>
Weighted average number of shares in issue ('000)	<u>54,620</u>	<u>54,620</u>
Basic earnings per share (sen)	<u>10.54</u>	<u>7.22</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

22. Earnings per share (cont'd)

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.

23. Notes to consolidated statement of cash flows

Group

Purchase of property, plant and equipment

	2018	2017
	RM'000	RM'000
Cost of property, plant and equipment purchased	5,258	5,319
Amount financed through hire purchase	<u>(3,178)</u>	<u>(4,305)</u>
Net cash disbursed	<u>2,080</u>	<u>1,014</u>

Short-term loans and borrowings

	2018	2017
	RM'000	RM'000
Balance at 1 January	10,936	6,112
Net cash flow changes	1,023	4,799
Other changes	<u>(26)</u>	<u>25</u>
Balance at 31 December (Note 13)	<u>11,933</u>	<u>10,936</u>

Hire purchase payables

	2018	2017
	RM'000	RM'000
Balance at 1 January	5,815	2,568
Drawdowns	3,178	4,305
Repayments	<u>(1,803)</u>	<u>(1,058)</u>
Balance at 31 December (Note 13)	<u>7,190</u>	<u>5,815</u>

Term loan

	Group	
	2018	2017
	RM'000	RM'000
Balance at 1 January	325	634
Repayments	<u>(222)</u>	<u>(309)</u>
Balance at 31 December (Note 13)	<u>103</u>	<u>325</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

24. Related party disclosures

Other than the directors' remuneration as disclosed in Note 18, transactions with related parties during the financial year are as follows:-

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividends declared from subsidiary	0	0	1,350	1,500
Interest charged to subsidiary	0	0	50	12
Rental of equipment to associate	439	391	0	0
Sale of goods to associates	14,094	10,142	0	0

25. Segment reporting

Group

Operating segments

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

Geographical information

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

	External revenue		Non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	138,939	114,405	68,504	53,844
Vietnam	5,321	0	94	0
Brunei	1,326	1,555	0	0
	145,586	115,960	68,598	53,844

Major customers

For the financial year ended 31 December 2018, there was 1 (2017 : 1) major group of customers that contributed 10% or more of the Group's total revenue and the total revenue generated from this major group amounted to RM66,810,000 (2017 : RM45,894,000).

26. Contractual commitments

Group

	2018 RM'000	2017 RM'000
Purchase of property, plant and equipment	0	2,653

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

27. Financial guarantee contracts

Company

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 RM44,627,000 (2017 : RM32,200,000). The total utilisation of these credit facilities as at 31 December 2018 amounted to RM20,351,000 (2017 : RM16,729,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.11. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

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.

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. The quantitative information about such credit risk exposure is disclosed in Note 10. As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is low.

Liquidity risk

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

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

Currency risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Vietnamese Dong ("VND"), whereas the major foreign currency transacted is US Dollar ("USD"). The carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Group	
	Denominated in USD	
	2018	2017
	RM'000	RM'000
Receivables	14	7
Cash and cash equivalents	8	5
Payables	554	31



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

28. Financial risk management (cont'd)

Currency risk (cont'd)

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 (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2018	2017
	RM'000	RM'000
Appreciation of USD against RM by 10%	(40)	(1)
Depreciation of USD against RM by 10%	40	1

Interest rate risk

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

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

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

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2018	2017
	RM'000	RM'000
Increase in interest rates by 50 basis points	(8)	(8)
Decrease in interest rates by 50 basis points	8	8

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

28. Financial risk management (cont'd)

Other price risk (cont'd)

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 equity) to changes in FBMKLCI that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group and Company	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in OCI*
	2018	2017
	RM'000	RM'000
Increase in FBMKLCI by 10%	(25)	(30)
Decrease in FBMKLCI by 10%	25	30

* Other comprehensive income

29. Capital management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	Group	
	2018	2017
	RM'000	RM'000
Total loans and borrowings	21,350	18,832
Total equity	91,165	75,517
Total capital	112,515	94,349
Debt-to-equity ratio	23%	25%

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



GROUP PROPERTIES

AS AT 31 DECEMBER 2018

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
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	23	L:RM10,000,000 B:RM8,000,000	31-Dec-18
2	Plot No. 13 & 14, Mukim 5, S.P.S., Penang.	Industrial Land & Factory Building	72,174 sq ft	2.5 acres	Factory for manufacturing facilities	Freehold	18	L:RM3,200,000 B:RM4,800,000	31-Dec-18
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	26	L:RM7,200,000 B:RM4,800,000	31-Dec-18
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	28	L:RM235,000 B:RM115,000	31-Dec-18
5	Lot 10056 to 10063, Mukim of Parit Buntar, Daerah Krian, Perak.	Industrial Land & Factory Building	99,832 sq ft	133,291 sq ft	Rental for Investment Purpose	Freehold	21	L:RM3,066,000 B:RM7,934,000	31-Dec-18
6	Office units 5-3-1 to office units 5-3-6, Hunza Complex, Greenlane Heights, Jalan Gangsa, 11600 Penang.	Commercial Lots	8,530 sq ft	Not Applicable	Rental for Investment Purpose	Freehold	23	B:RM3,320,000	31-Dec-18

L : Land B : Building



ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

DISTRIBUTION OF SHAREHOLDER AS AT 29 MARCH 2019

No. of Holders	Holdings	Total Holdings	%
299	Less Than 100	13,335	0.02
172	100 - 1,000	92,612	0.17
1,508	1,001 - 10,000	5,307,308	9.72
415	10,001 – 100,000	12,801,656	23.44
43	100,001 and below 5% of issued shares	15,122,939	27.69
3	5% and above of issued shares	21,282,300	38.96
2440	TOTAL	54,620,150	100

DIRECTORS' SHAREHOLDINGS AS AT 29 MARCH 2019

Name of Director	Direct interest	%	Deemed interest	%
Dato' Syed Mohamad Bin Syed Murtaza	-	-	-	-
Dato' Seri Khor Teng Tong	962,900	1.76	1,127,000 ^[1]	2.06
Aminuddin Bin Saad	10,002	0.02	-	-
Chew Hock Lin	-	-	-	-
Dr. Junid Bin Abu Saham	-	-	-	-
Nazriah Bin Shaik Alawdin	-	-	-	-

Note:

^[1] Deemed interest by virtue of his shareholding in Khor Teng Tong Holdings Sdn. Bhd.

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 29 MARCH 2019

Name of Director	Direct interest	%	Deemed interest	%
Yayasan Bumiputera Pulau Pinang Berhad	15,872,000	29.06	-	-
Ch'ng Eng Seong	5,410,300	9.91	-	-



ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019 (CONT'D)

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	CHEN FOONG SZEEN	1,332,100	2.44
5	CHEN FOOK WAH	1,194,500	2.19
6	KHOR TENG TONG HOLDINGS SDN. BHD	1,127,000	2.06
7	KHOR TENG TONG	962,900	1.76
8	YIK PHOOI HAR	874,200	1.60
9	TEH LAY HOON	700,000	1.28
10	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: HDM CAPITAL SDN. BHD. FOR KHOO BUCK CHEW	600,000	1.10
11	ZACHARY GNOW WAI JOON	600,000	1.10
12	MOK CHUANG KIANG	413,800	0.76
13	KHOR CHING WEE	400,000	0.73
14	LEE KOK HIN	384,900	0.70
15	CHENG LEE WAH	365,200	0.67
16	ACTIVEST SDN. BHD.	328,700	0.60
17	HLB NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR GOH CHU YONG	323,000	0.59
18	RHB NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR KOON YEW YIN	315,300	0.58
19	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR OOI YING NEE	300,000	0.55
20	KHOR AH YEAM	300,000	0.55
21	CHONG KIM FOO	260,000	0.48
22	TK KHOR & ASSOCIATES SDN. BHD.	250,378	0.46
23	LIM YAU CHONG	231,000	0.42
24	SIEOW CHONG SENG	222,400	0.41
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY	200,000	0.37
26	ER SOON PUAY	200,000	0.37
27	LEE KAY HUAT	200,000	0.37
28	LEE KIM YOU @ LEE KIM LENG	200,000	0.37
29	LIM NGAK EE	200,000	0.37
30	OOI PEY WONG	200,000	0.37

This page is intentionally left blank.



MASTER-PACK

GROUP BERHAD 297020-W
(Incorporated in Malaysia)

PROXY FORM

* I /We _____ (*I/C No./Passport No./Company No. _____)
(Full Name in Block Letters)

of _____
(Address)

being a * member / members of the abovenamed Company, hereby appoint _____
(Full Name in Block Letters)

(*I/C No./Passport No./Company No. _____) of _____
(Address)

_____ (Address)
or failing whom, the Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 25th Annual General Meeting ("AGM") of the Company to be held at 1574, Jalan Bukit Panchar, 14300 Nibong Tebal, S.P.S. Penang on Friday, 24 May 2019 at 6.30 p.m. and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1	To re-elect Dr. Junid Bin Abu Saham as a director of the Company		
2	To re-elect Dato' Seri Khor Teng Tong as a director of the Company		
3	To approve the increase and payment of Directors' fees		
4	To approve the payment of Directors' benefits		
5	To re-appoint Messrs. Crowe Malaysia PLT as auditors of the Company		
6	To authorize the Directors to allot and issue new shares in the Company		
7	To retain Dato' Seri Khor Teng Tong as an Independent Non-Executive Director.		
8	To retain Mr. Chew Hock Lin as an Independent Non-Executive Director.		
9	To retain Encik Aminuddin Bin Saad as an Independent Non-Executive Director.		
NO.	RESOLUTION		
1	To approve the amendments of the Constitution of the Company.		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this _____ day of _____, 2019.

No. of shares held

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

Signature(s) of Member(s) _____

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 two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
 3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("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. Where a member is an Exempt Authorised Nominee, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the shares of the Company. The appointment of two (2) proxies in respect of a particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
 5. For a proxy to be valid, the Proxy Form must be duly completed and deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than twenty-four (24) hours before the time appointed for the taking of the poll. Last date and time for lodging the Proxy Form will be on Thursday, 23 May 2019 at 6.30 p.m. (being the approximate time appointed for the taking of the poll at the 25th AGM)
 6. The original Proxy Form must be deposited to the Company Secretary or his authorised representative at the registration counter at least half one (1) hour before the time appointed for holding the meeting or adjourned meeting otherwise the Proxy Form sent by facsimile or electronic mail shall be treated as void.
 7. 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.
 8. For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 16 May 2019. Only a depositor whose name appear on the Record of Depositors as at 16 May 2019 shall be eligible to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.
 9. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of 25th AGM will be put to vote by poll.
- * Strike out whichever is not desired.

Fold this flag sealing

2nd fold here

Stamp

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

1st fold here



MASTER-PACK GROUP BERHAD 297020-W

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

Tel : (04)-593 1550

Fax : (04)-593 9034

www.master.net.my