MASTER-PACK
GROUP BERHAD 199401011341 (297020-W)

# ANNUAL REPORT 2019

# CONTENTS





02

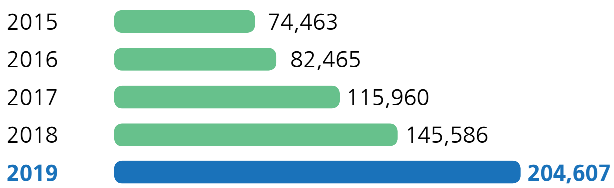
# GROUP FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER

| | 2015 RM'000 | 2016 RM'000 | 2017 RM'000 | 2018 RM'000 | 2019 RM'000 |
|---|---|---|---|---|---|
| Revenue | 74,463 | 82,465 | 115,960 | 145,586 | **204,607** |
| EBITA (Earnings Before Interest, Taxes, Depreciation and Amortisation) | 7,193 | 7,132 | 9,507 | 12,937 | **23,127** |
| Profit Before Tax | 3,736 | 3,512 | 5,387 | 8,231 | **17,622** |
| Profit After Tax | 2,734 | 2,556 | 3,936 | 5,748 | **15,687** |
| Net profit Attributable to Owners of the Company | 2,872 | 3,067 | 3,945 | 5,756 | **15,695** |
| Total Assets | 90,378 | 93,648 | 107,884 | 132,946 | **143,617** |
| Total Loans and Borrowings | 8,938 | 11,069 | 18,832 | 21,350 | **17,688** |
| Shareholders Equity | 69,560 | 72,103 | 75,517 | 91,165 | **105,837** |
| Capital Expenditure | 2,687 | 1,182 | 1,014 | 2,080 | **839** |
| Earnings per share | 5.38 sen | 5.62 sen | 7.22 sen | 10.54 sen | **28.73 sen** |
| Net assets per share | RM1.27 | RM1.32 | RM1.38 | RM1.67 | **RM1.94** |

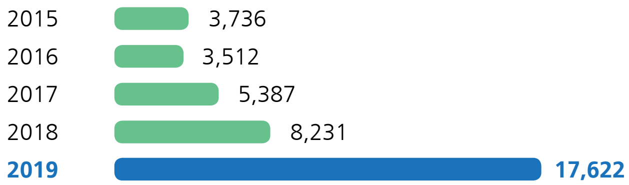
**REVENUE**
RM204,607

RM59,021




**PROFIT BEFORE TAX**
RM17,622

RM9,391

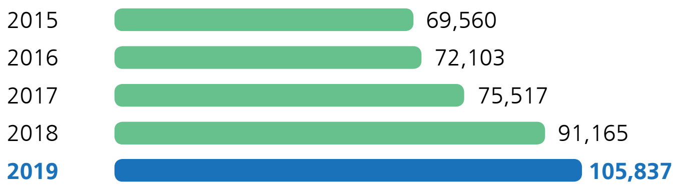



**TOTAL ASSETS**
RM143,617

RM10,671


**SHAREHOLDERS EQUITY**
RM105,837

RM14,672



# CORPORATE INFORMATION

AS AT 22 APRIL 2020

## 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)*

## AUDITORS

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

## REGISTERED OFFICE

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

## PRINCIPAL BANKERS

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

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

## REGISTRAR

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

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad, Main Market**

## SHARE CAPITAL

| | |
|---|---|
| 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 | : 4,357 |

## WEBSITE

http://www.master.net.my

**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, wooden packaging and providing one-stop packaging solutions to its customers. The Master-Pack Group of companies has over the last 28 years, made a name for itself as an innovative niche market player in the packaging industry.

The Group has three main subsidiaries namely Master-Pack Sdn. Bhd., Master-Pack (Sarawak) Sdn. Bhd. and Master-Pack Vietnam Co., Ltd. The Malaysian 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 Malaysian 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.

**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.

**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.

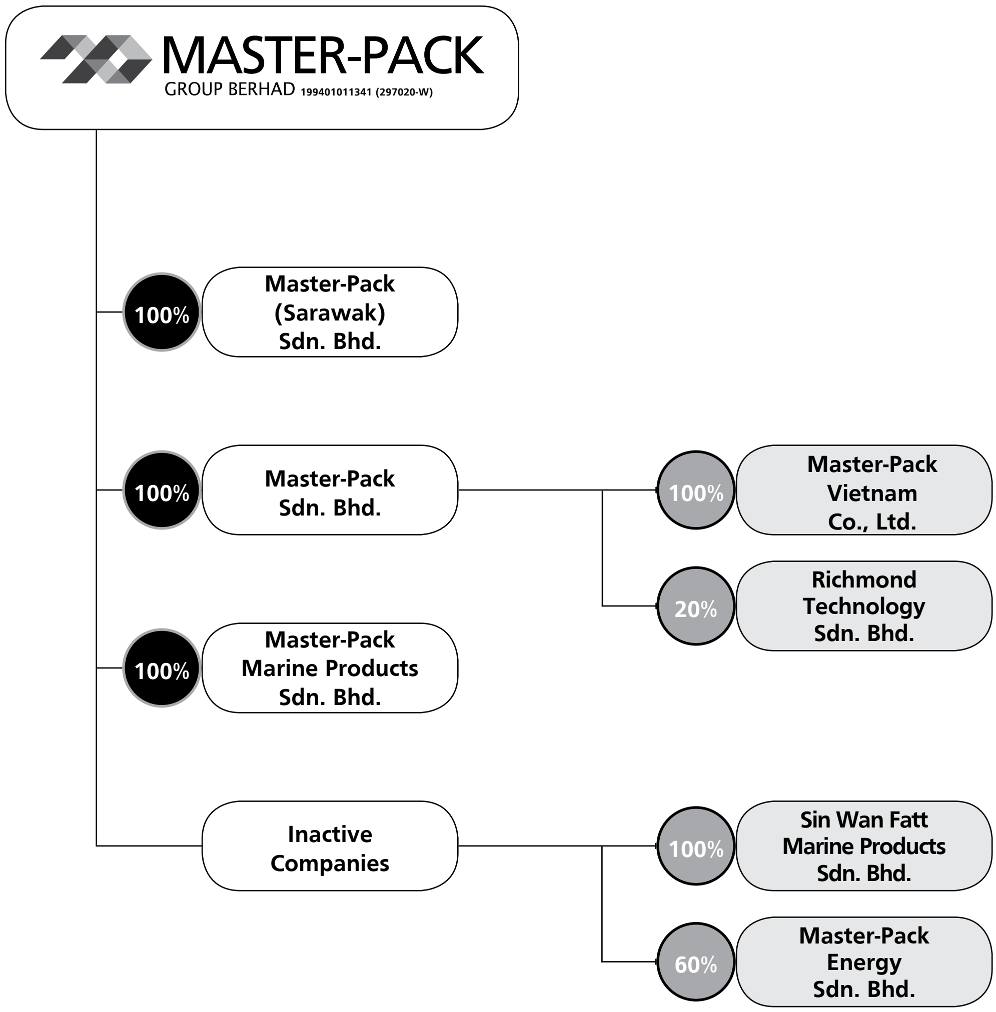
**OPERATION AND FINANCIAL RISK**

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



# CHAIRMAN STATEMENT

## INTRODUCTION

2019 was an exciting year for Master-Pack. The facility that was rolled out in Vietnam in 2018 is now operating at full capacity and is now a significant contributing subsidiary to the Group's results in terms of revenue and returns to equity. We saw our revenue surpassing RM200 million for 2019 and achieved the best earnings ever at 28.73 sen per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

The detailed performance for the year ended 31 December 2019 is discussed in the Management Discussion and Analysis Report.

## MOVING FORWARD

The outbreak of the corona virus disease named COVID-19 by the World Health Organization (WHO) and declared as a pandemic at the time of writing is already disrupting many aspects of human activities. By the time this statement is published, how we live our life could have changed socially and economically.

Master-Pack is fortunate that as a player in the packaging industry with a wide range of customers including the Food and Beverage and Medical Sectors which are essential if not critical for the normal daily lives.

For the year 2019 the supply of packaging materials to the Food and Beverage is about 10% of total revenue while the solar industry took up 67%. With the disruption, we may see a shift in the composition for 2020 to the Food & Beverage and Medical Sectors.

Nevertheless it is hard to foresee into the year what can or would happen.

I can only assure all stakeholders that Master-Pack will stand firmly to withstand and overcome all challenges thrown its way and will take all prudent measures to ensure that it will stay financially strong. I believe in the resilience of my board members and my management team that we will perform, mindful of the obstacles we have identified. We have identified and put in place the processes towards achieving sustainability for all our stakeholders. Please refer to our Sustainability Statement.

## REWARDS TO SHAREHOLDERS

The Company paid an interim single tier dividend of 1.5 sen per share for the financial year ended 31 December 2018 and improved it to 2.0 sen for 2019. With continued good results, we will always reward our shareholders with better dividend payout every year.

## ACKNOWLEDGEMENT

I am very proud of my team of directors, management, office staff and all operation workers who worked together as a team harmoniously and efficiently regardless of nationality, race and religious belief, gender or social status to make 2019 a successful year. To them, I say thank you.

I am also very grateful to the bankers for the extension of facilities to enable us to grab opportunities and expand our business quickly and profitably.

To our customers, thank you for your support with your continuous orders and prompt payment, your feedback on our weaknesses and shortcomings enabling us to improve to serve you better.

To all the suppliers, thank you for your excellent services, deliveries and co-operation to meet our demands.

At this time of uncertainties, everyone in Master-Pack shall be put to the test, but I am certain that the Master-Pack team will have the strength to persevere in facing the challenges ahead as team spirit is high with close co-ordination and communication flowing smoothly even though part of the team are working from their homes.

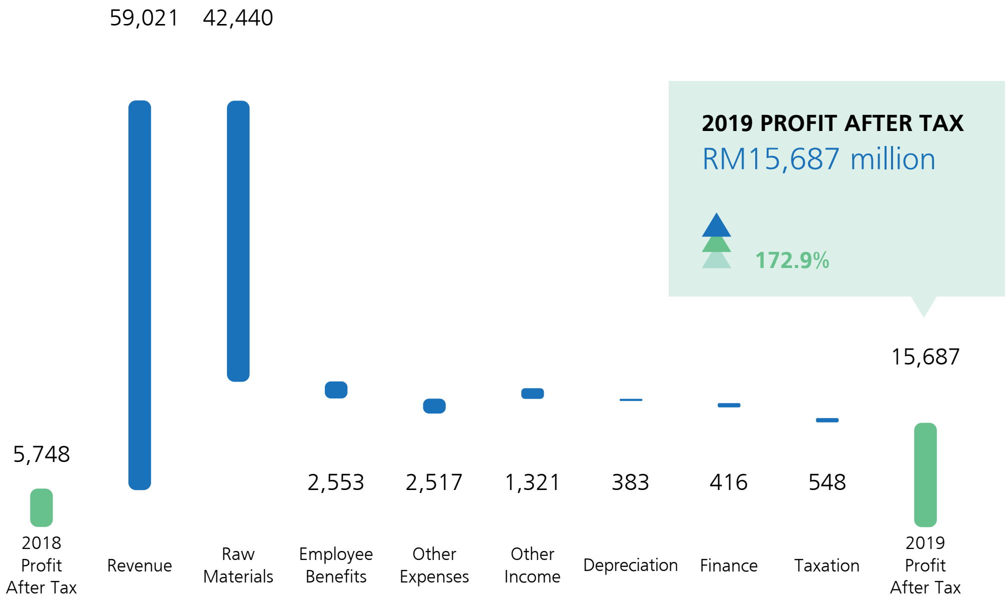
**Dato Syed Mohamad bin Syed Murtaza**
Group Executive Chairman



## COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2019

| | 2018 RM'000 | 2019 RM'000 | Change RM'000 | % |
|---|---|---|---|---|
| **REVENUE** | 145,586 | 204,607 | 59,021 | 40.5% |
| Raw materials, consumables and related input cost | (107,788) | (150,228) | 42,440 | 39.4% |
| Employee benefits | (13,270) | (15,823) | 2,553 | 19.2% |
| Other expenses | (14,175) | (16,692) | 2,517 | 17.8% |
| Other income | 2,584 | 1,263 | 1,321 | 51.1% |
| | (132,649) | (181,480) | 48,831 | |
| **EBITA** | 12,937 | 23,127 | 10,190 | 78.8% |
| Depreciation | (3,661) | (4,044) | 383 | 10.5% |
| Finance Cost | (1,045) | (1,461) | 416 | 39.8% |
| | (4,706) | (5,505) | 799 | |
| **Profit Before Tax** | 8,231 | 17,622 | 9,391 | |
| *Profit Before Tax Margin* | *5.7%* | *8.6%* | *2.9%* | |
| Taxation | (2,483) | (1,935) | 548 | 22.1% |
| **Profit After Tax** | 5,748 | 15,687 | 9,939 | 172.9% |
| *Profit After Tax Margin* | *3.9%* | *7.7%* | *3.8%* | |

## 2019 Changes in revenue and costs - RM'000



## REVENUE

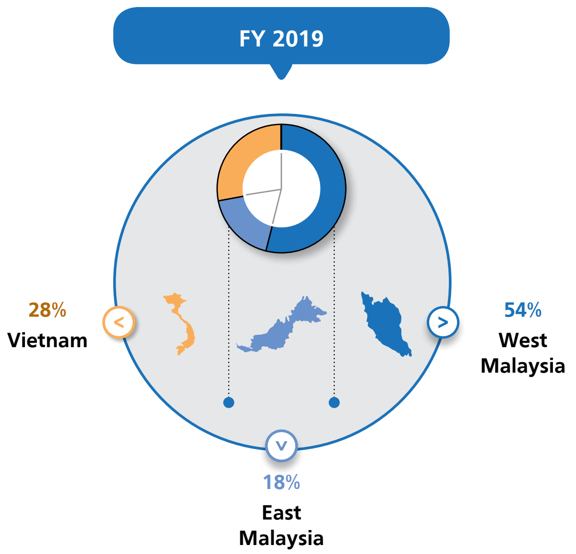
Revenue for 2019 surpassed RM200 million, that is RM204.607 million, an increase of RM59 million or 40.5% over the total revenue in 2018 of RM145.586 million. Included in revenue is rental income from investment properties amounting to RM385 thousand and dividend income from investments amounting to RM6 thousand. The rest are from sale of corrugated cartons and other packaging materials.

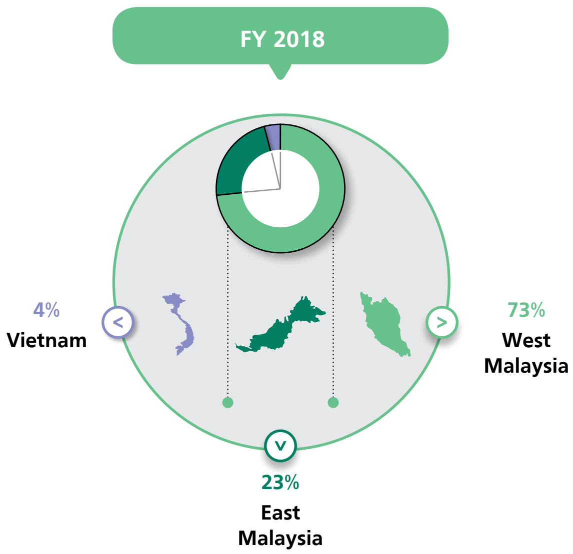
Revenue by region

For the year 2019, revenue from West Malaysia was 54%, East Malaysia 18% and the subsidiary in Vietnam contributed 28% to the total revenue of RM204.607 million.

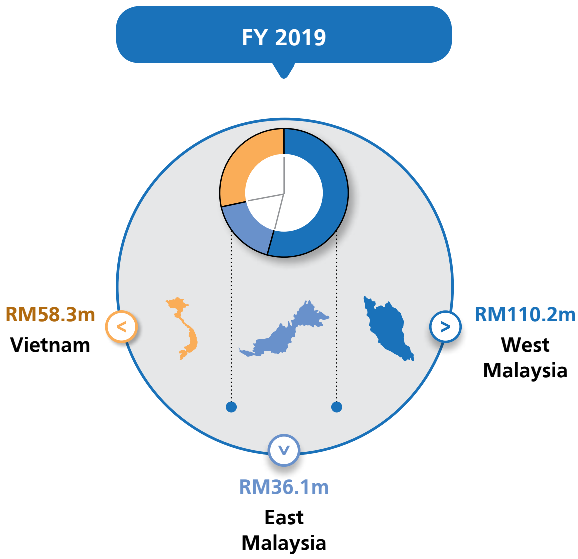
Out of the increase of RM59 million revenue against 2018 of RM146 million, RM53 million or 90% of the increase was from the subsidiary in Vietnam because the Vietnam subsidiary which was incorporated in July 2018 only started operation in the fourth quarter of 2018 but was in operation for the full year of 2019.  Revenue from customers in West Malaysia increased by 3% while growth from East Malaysia was 7%.

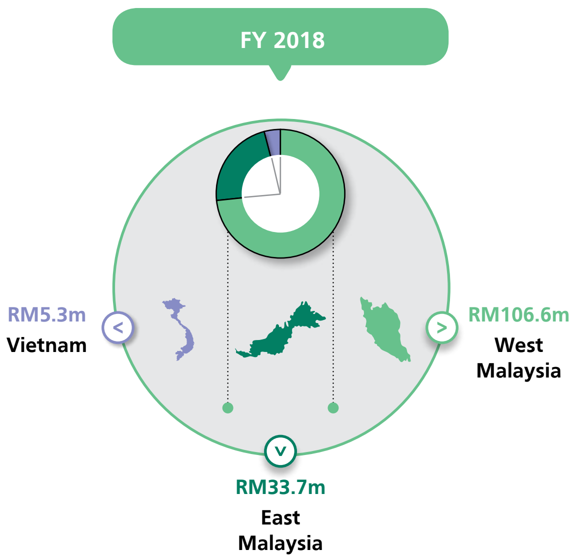
### By Percentage




### In Ringgit



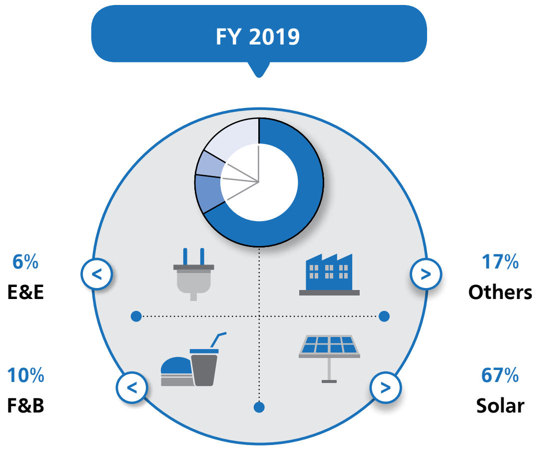


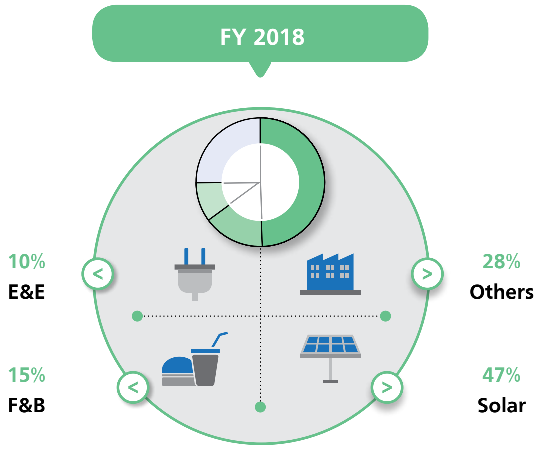
**REVENUE (cont'd)**

Revenue Contribution from different Industry

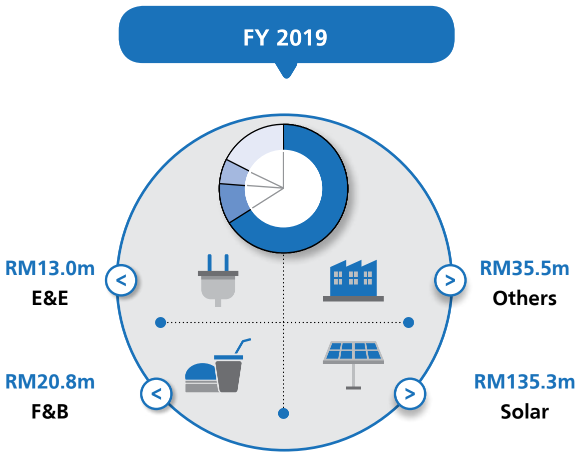
The group has been supplying corrugated cartons and also provides one-stop packaging solutions to its customers. In addition the group has started supplying wood-based packaging materials as an alternative choice and to widen its reach to a bigger market. For the year 2019 revenue from the solar industry still remain the largest, contributing 67% of total revenue as compared to 47% for 2018 while Food and Beverage Industry dropped from 15% to 10%. Electronics & Electrical Industry also dropped from 10% to 6%. Revenue from other sectors dropped from RM41.1 million to 35.5 million.

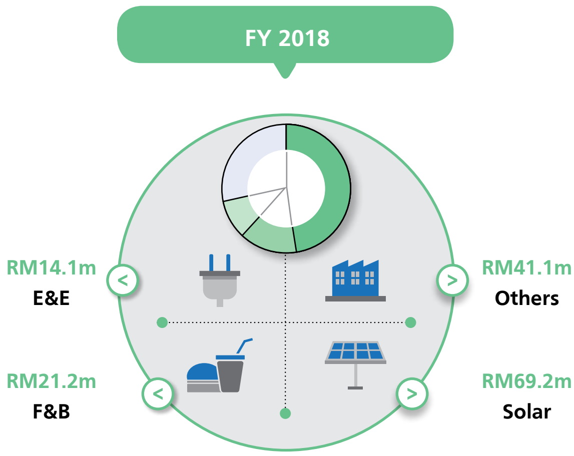
## Contribution by percentage




## Contribution in Ringgit




**Solar**
Solar Equipment Manufacturers

**E&E**
Electrical and Electronics

**F&B**
Food and Beverages

**Others**
All other sectors such as automotive, chemicals, medical and others

## COST AND EARNINGS

Profit after tax rose from RM5.748 million in 2018 to RM15.687 million for 2019. This is possible because the increase in production cost relative to the increase in revenue was lower. Unit price of raw materials, paper in particular for 2019 was trending downwards due to lower global demand. The larger volume of production units brought about better economy of scale and therefore unit cost. 9% of total employee benefits arise from the subsidiary in Vietnam. Total workforce increased from 268 person to 272. Existing employees received their raise in annual wages together with all other statutory requirements. The expansion of business in 2019 and consequently higher usage of trade facilities led to higher financial cost. The lower taxation for 2019 was due to overprovision in previous years amounting to RM706 thousand adjusted this year. The tax position of all the subsidiaries have been cleared with the Inland Revenue Department up to Year of Assessment 2018.

### Financial Position of the Group

| | 2018<br>RM'000 | 2019<br>RM'000 | Change<br>RM'000 | % |
|---|---|---|---|---|
| Non-current Assets | 69,325 | 66,432 | (2,893) | -4.2% |
| Current Assets | 63,621 | 77,185 | 13,564 | 21.3% |
| Borrowings and Lease Liabilities | 21,350 | 17,688 | (3,662) | -17.2% |

The drop in non-current assets was due to depreciation of property, plant and equipment. There were no major acquisitions during the year save for RM839 thousand for machinery to replace certain existing machinery to improve efficiency and productivity.

The higher current assets for 2019 were due to a good performance for the year with timely collection of all debts which substantially increased cash and cash equivalents.

Loans and borrowings decreased as the group progressively pays off its borrowings for the purchase of plant and machinery under hire-purchase which has been reclassified as lease liabilities due to the adoption of MFRS 16 Leases with a net drop of RM1.9 million. Bank overdrafts as at 31 December 2019 dropped to RM1.1 million compared to RM2.1 million while trade borrowings in the form of Banker Acceptances was RM11.3 million compared to RM11.9 million last year.

### Cash-flow

| | 2018<br>RM'000 | 2019<br>RM'000 | Change<br>RM'000 | % |
|---|---|---|---|---|
| Net cash from operating activities | 6,698 | 21,730 | 15,032 | 224.4% |
| Net cash used in investing activities | (609) | (721) | (112) | 18.4% |
| Net cash from used in financing activities | (2,892) | (5,252) | (2,360) | 81.6% |
| Net increase in cash and cash equivalents | 3,185 | 15,835 | 12,650 | 397.2% |

Operating activities for the year 2019 brought in net cash of RM21.7 million due to good collections from customers with good credit ratings resulting in low impairment required.

For investing activities, only RM839 thousand were spent on acquisition of machinery for the year and excess cash brought in interest income of RM92 thousand.

Interest paid for trade borrowings for the year was RM1.4 million compared to RM1.1 million in 2018. Payment for lease liabilities was RM2.0 million in 2019 compared to RM1.8 million for 2018.

Overall, the group cash and cash equivalents as at 31 December 2019 was RM15.8 million, an increase of RM12.6 million.

### Dividend

The group paid 2% dividend to shareholders during the year amounting to RM1.092 million as compared to RM0.819 million or 1.5% for the financial year 2018. Payment of dividend in future will depend upon a number of factors, including amongst others, the earnings, capital commitments, financial conditions, distributable reserves and other factors to be considered by the Board.

### Outlook

The pandemic Covid-19 has severely disrupted the world supply chains. Performance of most businesses in 2020 are expected to be affected. However, the Group is cautiously optimistic it will perform within our reasonable expectation.

## OUR COMPANY AND SUSTAINABILITY

Sustainability is an important agenda of the Master-Pack Group's corporate strategy and business culture, and it 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 35 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 which in turn enables us to continue to deliver outcomes to our stakeholders.

### Driving Sustainability

At Master-Pack Group we create long-term stakeholder value by having business strategies that consider every dimension of how our business operates in the ethical, social, environment and economic areas. As 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.

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.

With dedicated leadership, commitment and experience, we will continue to drive sustainability in broader perspectives to continue delivering strategic sustainable goals with clearly defined 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.

### Scope and Completeness

### Basis of Scope and Consolidation

For the purpose of this report, Master-Pack consolidates data from its two main operating subsidiaries located in Malaysia where it has operational control.

### Exclusions

In line with the basis of scope and consolidation above, this report does not include the subsidiary Master-Pack Vietnam Co. Ltd. and our business associate of Richmond Technology Sdn. Bhd.

### Reporting Period

This report covers the period from 1 January to 31 December 2019 with comparisons to the preceding calendar year 2018. All the financial data disclosed in this report is presented on a best effort basis and not audited by an independent third party for assurance. As we continue to progress in our sustainability journey, we will strive to make further improvements.

## GOVERNANCE STRUCTURE

The Risk Management & Sustainability Committee ("RMSC") comprising independent directors assist the Audit Committee to focus on Risk Management and Internal Controls including sustainability matters. RMSC is assisted by a Risk Working Committee that forms the core of the governance structure and plays a very important role in driving sustainability within the group.

**GOVERNANCE STRUCTURE (cont'd)**

During the year 2019, RMSC reviewed the Risk Management and Sustainability Policy, the effectiveness of the risk management & sustainability process and reports arising from risk management activities including identified risks, internal controls and mitigation plans that take into account sustainable practices and perspective.

The Risk Working Committee comprising Heads of Department led by the Executive Director as tasked by RMSC had comprehensively conducted an evaluation of all risks and recorded it in the Risks and Opportunity Register. The Risk Working Committee is represented by various business sections and departments ensuring that all interests of the Master-Pack group work together in the development of sustainability strategies.

The Risk Working Committee reported to the Risk Management & Sustainability Committee on 24 November 2018 and again on 22 November 2019, highlighting the revisions and additions to address new areas of concern and potential risk for the financial year 2019 and 2020 respectively. The report was then tabled by the Audit Committee Chairman in the Board of Directors meeting on the same dates.

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.

**STAKEHOLDER ENGAGEMENT**

The table indicates the stakeholder engagements during the year

| Employee | Shareholders |
|---|---|
| • Intranet / Internal memo<br>• Employee sports activities<br>• Employee surveys<br>• Team Building<br>• Annual dinners for employees | • Annual & Quarterly Results<br>• Master-Pack website<br>• Annual General Meetings |
| **Customers** | **Government and Regulators** |
| • Networking sessions<br>• Site Audit and Visits<br>• Performance Review<br>• Master-Pack website<br>• Customer Feedback Survey | • Audits and Inspection<br>• Meeting and engagement sessions |

**5 SUSTAINABILITY PILLARS**

PILLAR I - Corporate Governance

We are committed to safeguarding the group's integrity and investment in delivering value through strong governance mechanism and ethical business practices.

PILLAR II - Our Team

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 levels.

PILLAR III - Security, Safety and Health

We proactively take action to track, monitor and maintain the Company assets to ensure they 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.

PILLAR IV – Environment

Environment Stewardship as the fourth pillar of sustainability practice is where we attempt to improve environmental practices and look to measure, eliminate or at least minimize environmental degradation. In the community where our production facilities are located, we attempt to improve environment practices and operational sustainability so as not to disrupt or caused harm to the eco-balance of the fauna and flora of the said community.

**5 SUSTAINABILITY PILLARS (cont'd)**

PILLAR V – Stakeholders

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.

**ECONOMICS**

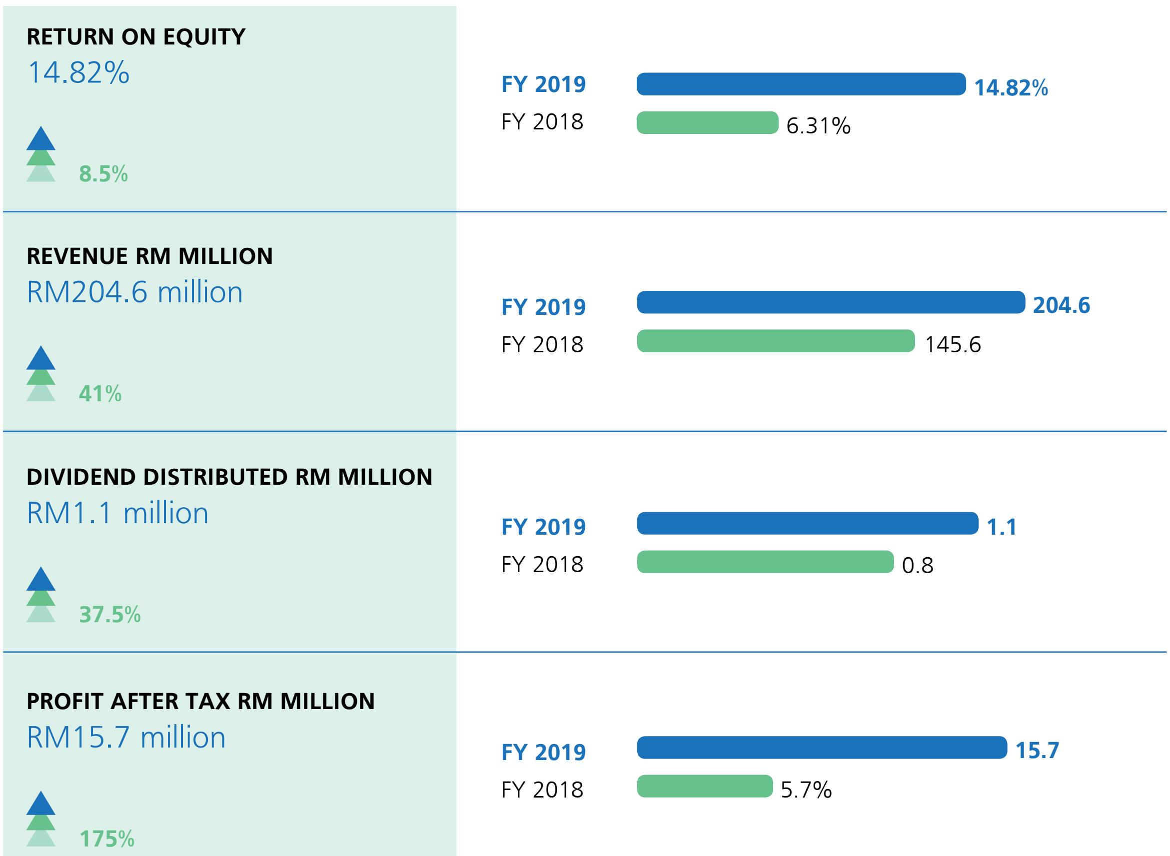
**Financial Performance and Strategic Growth**

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 processes and strategies to support sustainable development and growth wherever we are.

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 through efficient cost management, service levels improvement and capitalize on opportunities to maximize value of investment and ensuring sustainable returns to our stakeholders.

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. In the financial year 2019, we have expanded our manufacturing operations into the Socialist Republic of Vietnam. This is our effort at promising industrial growth through geographical expansion.

## Master-Pack Group Financial Performance Highlights for 2019



**ECONOMICS (cont'd)**

**Commitment to Quality and Customer Satisfaction**

We like to think especially in the export market, quality, service and product excellence underpin 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 3.75 cases of customer complaints received during the year 2019.

Delivery on scheduled time with the target of > 80%, continues to improve with a cumulative average of 67% for financial year 2019 as compared to 51% in 2018.

We conduct customer survey to assess customer satisfaction with the aim of improving customer service and concerns. The overall score for customer satisfaction in financial year 2019 is on average of 75% (2018:70%).

As testament to our steadfast commitment in advancing sustainability practices, our Master-Pack Group of companies have been recognized both locally and globally. Among our notable achievements include being awarded the Best Supplier / Outstanding Quality from our multi-national company customers as shown in our website.

**Procurement Standards**

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 emphasize on adherence to and compliance with best practices of sustainability initiatives.

**Corporate Governance**

Our policies and standard operating procedures are reviewed and updated regularly to be in line with the latest change in law and regulation and bench mark to industry best practices to ensure that our corporate governance structure meets the challenges of changing business needs and stakeholders expectation levels.

Master-Pack corporate governance framework and practices are elaborated in the Corporate Governance Overview Statement of this annual report.

We have consistently met the Bursa Securities timelines requirements for announcing each quarter financial results as well as releasing the yearly Annual Report timely complying with more than the standard requirement of 28 days' notice period to be given to shareholders.

**Anti-bribery, Anti-corruption and Whistle Blowing**

Master-Pack has also established the Anti-Bribery and Anti-Corruption policy in February 2020. This policy together with the Code of Business Conduct clearly sets out Master-Pack position on bribery and matters of corruption that may be encountered in the daily operation.

The Whistleblowing Policy is available in both the English and Bahasa Melayu languages. The latest edition of the Whistleblowing policy was approved on 28 February 2020. Included in the policy are the procedure, the forms and the independent persons to which report on any suspected wrongdoing maybe reported for further investigation.

**ENVIRONMENT**

At Master-Pack, we are committed to safeguarding the environment and our commitment is set forth in maintaining the accreditation of Environment Management System ISO14001 issued by SIRIM. Master-Pack Sdn. Bhd. is one of the first few companies registered to have achieved the certification in 1997 whilst Master-Pack Sarawak following this lead had been awarded the certification on January 2008.

**ENVIRONMENT (cont'd)**

The group strives to conduct it business operations comprising the main aspects as follows:

| ENVIRONMENTAL PERMITS AND REPORTING | POLLUTION PREVENTION AND RESOURCE REDUCTION | HAZARDOUS SUBSTANCES | WASTEWATER AND SOLID WASTE |
|---|---|---|---|
| All required environmental permits, approvals and registrations are obtained, maintained and kept up to-date. Reporting requirements in compliance to regulations are duly adhered. | The use of resources and generation of waste including water and energy, are tracked and monitored and where applicable control actions are taken to reduce consumption such as steam recycling and recycling of waste materials. | All hazardous chemicals and other materials harmful to the environment are identified and appropriately handled during use, storage and disposal. | Wastewater and solid waste generated from operations and sanitation facilities are monitored, controlled and treated as required by law prior to discharge or disposal. |
| **AIR EMISSIONS** | **MATERIAL RESTRICTIONS** | **STORM WATER MANAGEMENT** | **ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS** |
| Air emissions generated from the chimney are tracked, monitored and treated as required prior to discharge. | Adherence to all applicable laws, regulations and customer requirements regarding prohibition on material restrictions and in compliance to the law. | Preventive measures are in place at all times to prevent storm water contamination including discharge and spills from entering public drain. | Energy consumption is tracked and documented. Steps are taken to change to LED energy saving lights progressively throughout each plant and diesel energy consumption converted to natural gas as a cleaner energy source. |

Products manufactured by our factories are fully recyclable and we endeavour 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 corrugated waste set at 13.5% was achieved as the group cumulative average recorded met the target. 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.

Water is a valuable natural resource on earth and essential for everyone. 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 RM1.39/metric ton and initiatives are taken to continue monitor and reduce water consumption.

**SOCIAL**

**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.

**Board Diversity and Structure**

We mentioned in the Corporate Governance Overview Statement, 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 35, 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. The gender, ethnicity and age of directors is tabulated in Practice Note 4.4 of the 2019 CG Report.

**SOCIAL (cont'd)**

**Respect of Labour and Human Rights**

The Group is committed to fostering an inclusive environment where everyone is treated with respect, trust and dignity. As such the management promotes a conducive working environment; all employees are treated with equal conduct and values and not subject to any harsh and inhumane treatment.

The following are found in Master-Pack Code of Business Conduct:

| | |
|---|---|
| FREELY CHOSEN EMPLOYMENT | All employees shall be provided a written employment letter, where applicable in their native language, comprising the terms and conditions of employment. All employees are free to leave work or terminate their contract of service by giving the standard termination notice according to their terms of employment. We do not use forced, indentured or bonded labour. We hire foreign workers with legal work permits. |
| YOUNG WORKERS | The Group prohibits the hiring of child labour and the minimum age for employment in Malaysia and in practice by the Group shall be eighteen (18) years of age. |
| EQUAL OPPORTUNITIES AND NON-DISCRIMINATION | The group provides equal opportunities to all and endeavours to ensure employment related decisions are based on relevant qualifications, merit, performance, and other job related factors and in compliance with applicable laws and regulations. Compensation and benefits paid to employees comply with applicable laws including minimum wages. |
| HUMANE TREATMENT | Any type of harassment and violence is prohibited. These actions or behaviours include derogatory comments based on gender, racial or ethnic characteristics, unwelcomed sexual advances, spreading of malicious rumours or by use of emails, voicemails and other forms of communications channels to transmit derogatory or discriminatory materials. This applies not only to our own co-workers but also to customers and suppliers as well. |

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.

**Code of Business Conduct**

Our employees are guided by Master-Pack Code of Business Conduct 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.

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.

**Employee Profile and Retention**

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 2019, Master-Pack Group has a total of 272 employees.

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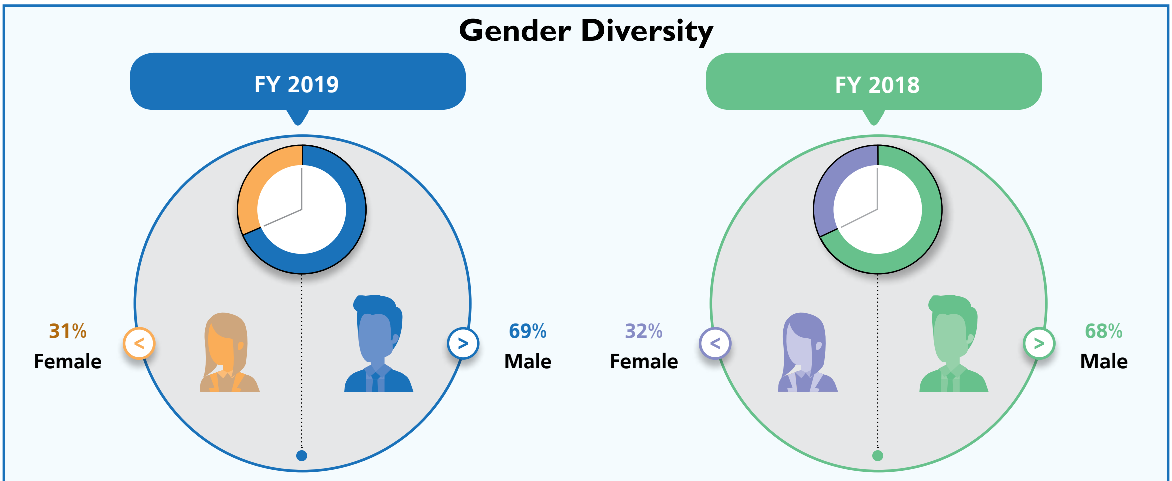
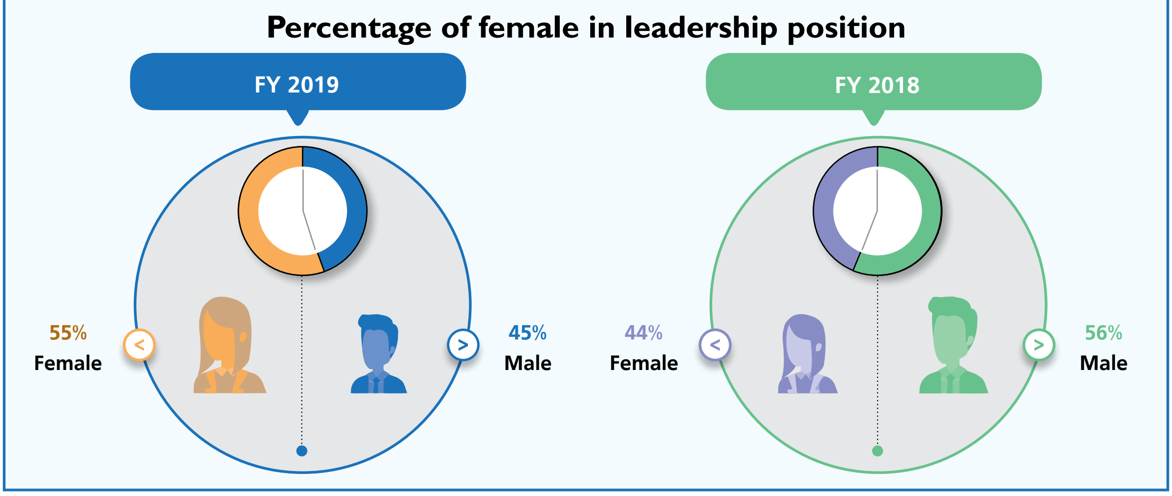
**SOCIAL (cont'd)**

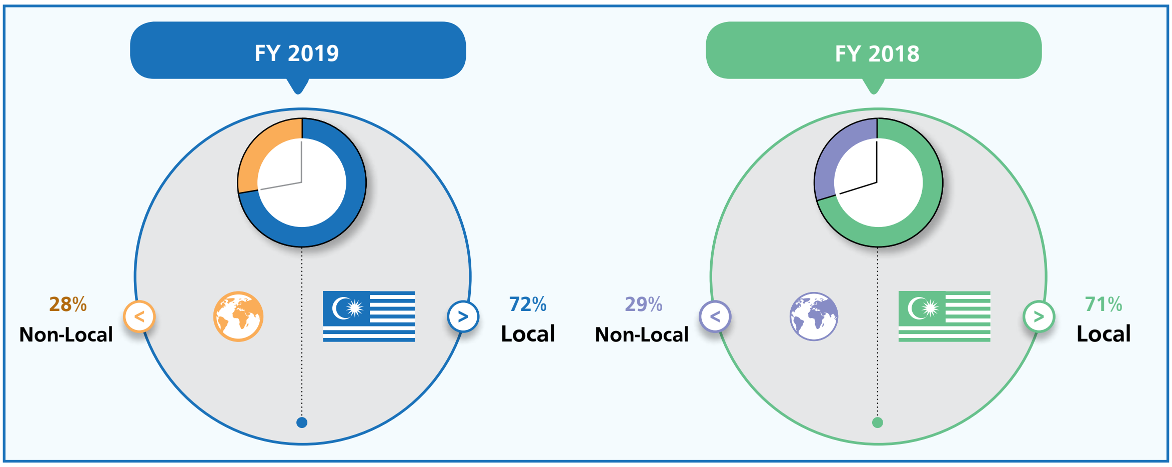
**Employee Profile and Retention (cont'd)**

Out of the total workforce, 69% is male and 31% is female for the financial year 2019. Out of total of 65 employees at top management, senior and mid management level positions, 55% Female employees hold leadership position, 11% increment compared to last year



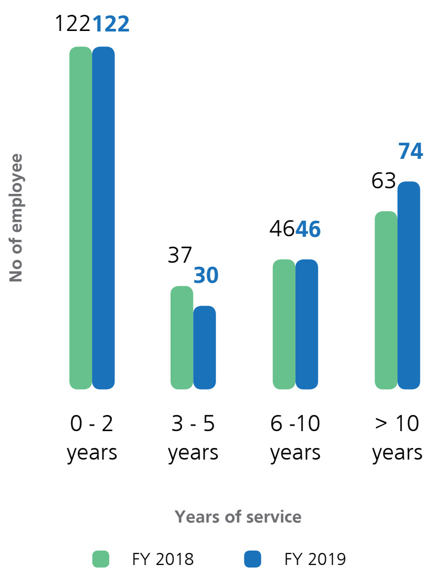

Of the total of 272 people employed with us 189 are permanent and 83 are on contract which includes foreign workers and those above 60 year of age as shown in the age profile. Like others in the manufacturing sector, we do have our share of unskilled foreign workers contributing 28% of the total workforce in the year 2019. 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.



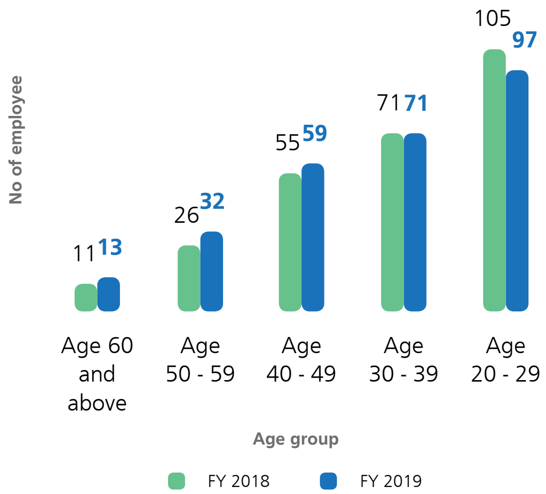
**SOCIAL (cont'd)**

**Employee Profile and Retention (cont'd)**

**Length of service of all employee**




**Headcount by age**




**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 emphasize on internal rewards recognition for our employees. We give due recognition of employees' relentless efforts to achieve excellent results.

We recognize employee's loyalty and contribution to company by employee service awards every 5th year of service usually presented during Employee Assembly or Employee Annual Dinners. For the year 2019 a total of 37 employees received service awards for the 5th, 10th, 15th, 20th and 25th years of contribution where a small memorable token in recognizing the milestones of contribution is awarded.

We also promote camaraderie, teamwork and cohesiveness such as "Makan Bersama", "Gotong Royong" and teambuilding. 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 improve by average five (5) points compared to the previous year. In the final analysis we also promote work-life balance for our company people with local company trips and sports tournaments.

**SOCIAL (cont'd)**

**Talent Management**

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 talented leaders. Right across all management levels we have annually taken a good look at employees to identify and develop high potential employees to ensure sufficient talent pool for future succession and leadership needs.

**Training**

Newly recruited employee will undergo orientation program to help the new employee feel accepted and to understand the culture and background of the organisation. The new employee will also be exposed to on-job training program in accordance with the roles or duties and responsibility allocated to them.

We believe in investing in training and develop initiatives which give us competitive advantage for growth and success. On a yearly basis, department heads are required to review the training needs of their departments' employees and identify the training needs to 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.

Our training and development strategies are result- driven and hands-on, in order to meet the needs of business. A total of 2936 hours were spent on training for the two companies in year 2019.

**Health, Safety and Security ('HSE")**

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. It is our pride to record and maintain our impressive zero fatal accident. In fact we have zero loss time injury incidents and our loss time injury frequency is also zero for the year and the previous year. 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. Our Internal Auditor does audit our HSE practices and do give us feedback on any process and procedural breakdowns.

We have also Emergency Respond Teams, but so far we have no need to make use of the team. 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.

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.

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

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 26th Annual General Meeting ("AGM") of Master-Pack Group Berhad ("the Company") will be held at No. 1A, Ross Road, 10450 Georgetown, Penang on Wednesday, 24 June 2020 at 11.30 a.m. for the following purposes:-

**AGENDA**

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of Directors and Auditors thereon. *Please refer to Note 9*

2. To re-elect Encik Aminuddin Bin Saad, a Director who retires by rotation in accordance with Article 111 of the Company's Constitution and who, being eligible, offers himself for re-election. **Resolution 1**

3. To re-elect Mr. Chew Hock Lin, a Director who retires by rotation in accordance with Article 111 of the Company's Constitution and who, being eligible, offers himself for re-election. **Resolution 2**

4. To approve the payment of Directors' fees amounting to RM249,000.00 for the financial year ended 31 December 2019. **Resolution 3**

5. To approve the payment of Directors' benefits up to an amount not exceeding RM75,000 from 25 June 2020 until the conclusion of the next AGM of the Company. **Resolution 4** *Please refer to Note 10*

6. To re-appoint 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 resolutions:-

7. **AUTHORITY FOR DIRECTORS TO ALLOT AND 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 Board of Directors of the Company may deem fit, provided that the aggregate number of shares to be issued does not exceed 20% 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 Malaysia Securities Berhad ("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."

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. 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: 27 May 2020

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 48 hours before the time appointed for holding the meeting or adjournment thereof, or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll.

NOTES ON APPOINTMENT OF PROXY (cont'd)

(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 AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 17 June 2020. Only Depositors whose name appears on the Record of Depositors as at 17 June 2020 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his behalf.

NOTES ON ORDINARY BUSINESS

(9) 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.

(10) The Resolution 4, if passed, will enable the Company to pay directors' benefits in accordance with Section 230(1) of the Companies Act, 2016 as summarised in the table below:-

| Description | | Actual (RM) | Proposed (RM) |
|---|---|---|---|
| a) | Training & Development | 9,296 | 25,000 |
| b) | Travelling & Accommodation | 11,301 | 11,000 |
| c) | Meeting Allowance | 16,500 | 25,000 |
| d) | Group Personal Accident Insurance | 1,600 | 4,000 |
| | Sub-total | 38,697 | 65,000 |
| | Group Directors and Officers Liability Insurance (not individual benefits) | 8,000 | 10,000 |
| | Total | 46,697 | 75,000 |
| | Approved limit | 86,000 | 75,000 |

NOTES ON SPECIAL BUSINESS

(11) The Resolution 6, if passed, will enable the Directors to allot and issue shares in the Company up to an amount not exceeding 20% 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 ("20% General Mandate").

The Directors are of the view that the 20% General Mandate is in the best interest of the Company and the shareholders as it will provide additional flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares to meet the funding requirements such as working capital and/or operational expenditure of the Company, expeditiously and efficiently during this challenging time to ensure long-term sustainability and interest of the Company and its shareholders.

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.

(12) 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 Securities 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 2019.

# 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 26th 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 26th Annual General Meeting of the Company are set out in the Directors' Profile section at the Company's website www.master.net.my/ab_company.htm.

3) The details of the Directors' interests in the securities of the Company as at 22 April 2020 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 26th Annual General Meeting of the Company dated 27 May 2020 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 24 May 2019.

   The Directors however, decided to seek a higher general mandate under paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad of not more than 20% of the total number of issued shares (excluding treasury shares) of the Company for issuance of new securities ("20% General Mandate").

   The Directors are of the view that the 20% General Mandate is in the best interest of the Company and the shareholders as it will provide additional flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares to meet the funding requirements such as working capital and/or operational expenditure of the Company, expeditiously and efficiently during this challenging time to ensure long-term sustainability and interest of the Company and its shareholders.

   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.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**BOARD'S RESPONSIBILITY**

The Board of Directors of Master-Pack Group Berhad acknowledges its responsibility for maintaining a sound and effective system of risk management and internal control. The Group's risk management and internal control system is designed to meet the Group's needs in order to manage the risks associated with financial, operational, governance and regulatory compliance.

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 ASSESSMENT**

The Risk Management & Sustainability Committee comprising independent directors assist the Audit Committee to focus on risk management and internal controls. During the year 2019, the Committee reviewed the Risk Management and Sustainability Policy, the effectiveness of the risk management & sustainability process and reports arising from risk management activities including identified risks, internal controls and mitigation plans.

The Risk Working Committee comprising heads of Department led by the Executive Director as tasked by the Risk Management & Sustainability Committee had comprehensively conducted an evaluation of all risks and recorded it in the Risks and Opportunity Register.

The Risk Working Committee reported to the Risk Management & Sustainability Committee on 22 November 2019, highlighting the revisions and additions to address new areas of concern and potential risk for the financial year 2020.

**KEY INTERNAL CONTROLS PROCESSES**

The key processes of the Group's internal Control include the following elements:

**CONTROL ENVIRONMENT**

<u>Organisational Structures and Reporting</u>

Clear organisational structures with formally defined lines of responsibility and delegation of authority that act as a control mechanism in terms of reporting and accountability.

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.

<u>Financial Authority Limits</u>

Financial authority limits are stated in policies and standard operating procedures. Financial commitments are implemented accordingly to authority limits.

<u>Risk Management</u>

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.

A summary of key risks and opportunities are tabulated in page 27.

The accompanying internal controls in place to manage, mitigate or avoid each identified risks were also tabulated in the Risk and Opportunity Register.

There have been no significant material internal control issues which have resulted in material losses to the Company.

## CONTROL ACTIVITIES

Internal and External Audit Functions

The internal audits have been out-sourced to a professional firm to perform audits on the Group's operations and reports directly to the Audit Committee. For details of internal audit activities during the year please refer to Audit Committee Report .

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 2019, there were no discrepancies or areas of improvement identified in their Audit Review Memorandum issued by the External Auditor.

ISO 9001:2015 Quality Management Systems Audit and ISO 14001:2015 Environment Management System Audit

The standard operating procedures practice is in compliance with ISO 9001:2015 Quality Management System ("QMS") and ISO 14001:2015 Environment Management System ("EMS"). Annual audits are conducted internally as well as externally by certified bodies to ensure compliance with all requirements. The certification serves as an assurance that operations are being managed at an internationally recognised standard.

## INFORMATION AND COMMUNICATION

Financial Reporting

A financial system as well as a standard operating procedures are in place to capture all financial transactions and generate monthly management financial reports for performance review and decision making.

Annual budgets are prepared by subsidiaries and approved by the Board. Actual performances against targets are monitored on a regular basis at various management meetings at subsidiary and holding company levels.

Policies and Standard Operating Procedure

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.

## MONITORING

Management Visit

Directors and senior management conduct regular visits to each subsidiary and walk the shop floor to review the operations and facilitate informed decision-making.

Executive Committee Meeting

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

Third Party Audit
The operating subsidiaries also meet the high expectation of MNC customers audits by fulfilling their vendor profile criteria in ethical, environment and international regulatory practices in order to supply Master-Pack products.

| KEY RISKS AND OPPORTUNITIES | | | |
|---|---|---|---|
| **KEY RISKS** | **DESCRIPTION** | **IMPACT** | **MITIGATING CONTROLS** |
| MARKET AND BUSINESS ENVIRONMENT | • The global market's economic, political and social factors will continue to change<br>• Sectorial sales contribution | • Global economic changes will adversely impact the Group's business performance<br>• Overreliance, overdependence, specific customer | • Continuous strategic reviews and monitoring of market environment to manage the business performance<br>• Prudent financial management of the Group's cash flows to meet the operational needs.<br>• Market development |
| OPERATIONS | • Ability to meet the requirements of customers in quality, delivery and cost.<br>• Raw materials are a global commodity and subject to price volatility of global market demand and supply | • Any significant failure of internal processes, people and systems would impact the group's ability to meet its deliverables<br>• Material scarcity, poor quality materials and logistic issue will lead to production plan disruption and adversely affect the business. | • Continuous improvement and adoption of best practices to enhance the Group's processes.<br>• Operation monitoring at various levels to ensure products, people and systems meet the operational standards required.<br>• On-going engagement with existing and potential new suppliers to create a pool of approve material suppliers<br>• Continuously upgrade management system to comply to International standards. |
| HEALTH,SAFETY AND ENVIRONMENT | • The group implements standard operating procedures to ensure the safety, health of our employees and assets as well as the surrounding environment in which we operate | • Non-compliance or major accident would affect the Group's business and damage its reputation | • Policies and operating procedures are established<br>• Compliance with relevant statutory and regulatory requirement which govern the work place and natural surroundings.<br>• Audits and inspections are conducted periodically to ensure implementation of standard operating procedures. |
| OPPORTUNITIES | • Opportunities to expand into new or synergistic / compatible industry | • Enhance market position and develop or diversify its market to gain competitive advantage | • An experienced board of directors and management team to evaluate potential projects |

**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 2019 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* 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**

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.*

The Board is of the opinion that the risk management and internal controls system are in place for the year under review and up to the date of approval of this Statement, are sound and sufficient to safeguard the interest of all its stakeholders as well as the group assets.

This risk management and internal control statement excludes the state of risk management and internal control of the associated company, Richmond Technology Sdn. Bhd. This statement is made in accordance with a resolution of the Board of Directors dated 13 May 2020.

## 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 2019, or entered into since the end of the previous financial year.

The Board presents the Audit Committee Report to provide insights into the discharge of the Audit Committee's functions for the Group in 2019.

**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<br>(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 – | 4/5 (80%) |

**AUDIT COMMITTEE SUMMARY OF WORK**

The performance of the Audit Committee for the year 2019 was assessed by the Nominating Committee 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 2019, the Audit Committee's five scheduled meetings were held on 27 February, 26 March, 24 May, 23 August and 22 November 2019. 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 2019 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 and Sustainability Management Framework, Risk & Sustainability Policy and Risk & Opportunity register together with its accompanying control measures and action plans to mitigate the risks on 23 November 2018 in respect of financial year 2019 and again on 22 November 2019 for the financial year 2020;
- 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 2019 pertaining to the 2018 financial statements and was duly noted.
- Reviewed the nature of recurring related party transactions as well as identified any new related party transactions and recommended them for the Board's approval;

**Internal Audit**

- Reviewed the adequacy of scope, functions, competency and resources of the internal audit functions;
- Evaluated the yearly performance of the out-sourced internal auditors and recommended their re-appointment;
- Met with the internal auditors once on 27 February 2019 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 eleven 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 22 November 2019 without the presence of any executive Board members / management staff;
- Reviewed and evaluated the external auditor's audit plan on 22 November 2019, 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 2019 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 2019 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 22 November 2019, the Group's 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 & Opportunity Register and had revised the said register to address the identified areas of concern and potential risk for the year 2020 including internal control action plans to mitigate the risks identified. The Risk & Opportunity Register Summary report 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.

**INTERNAL AUDIT FUNCTION**

During the financial year ended 31 December 2019, the Company has engaged the services of an independent professional consulting firm, JWC Consulting Sdn. Bhd., to carry out the internal audit functions of the Group in order to assist the Audit 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:

- Conversion & Production- Production scheduling, monitoring of production and inventory control, In-process quality control and rejects & returns
- Human Resources Management – Human resources planning, reporting and authority structure, recruitment, transfer and termination, appraisal and rewards systems, training and development, payroll administration, personnel records, employee discipline, employee benefits and employee health and safety.
- Sales & Marketing – sales forecasting, managing and processing of sales, product pricing, delivery/ shipping arrangement, outgoing quality control and customer database and relation management.

**INTERNAL AUDIT FUNCTION (cont'd)**

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 May 2019 and 28 February 2020 for the calendar year 2019 for its deliberations.

Based on the Internal Auditors' report for the financial year ended 31 December 2019, 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.

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 2019.

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 2019 Annual Report and the CG Report is available for reference at www.master-pack.vn/masterpack/Master-PackGroupBerhad2019.pdf, www.master-pack.vn/masterpack/Master-PackCGReport2019.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

### Board Governance

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

| **Board of Directors** |
|---|
| **Governance Committees**<br>i. Audit Committee<br>    a. Risk Management and Sustainability Committee<br>    b. Out-sourced Internal Audit<br>ii. Nominating Committee<br>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 is committed to ensuring the Group's vision, mission, values, culture and standards are set from the top and embedded throughout the group. The Group Executive Officer and management play an integral role in this, by promoting positive behavior, setting exemplary high standards in practice and encouraging commonly held values of integrity, respect and responsibility in the group.

The Board may exercise all powers conferred on it by the Board Charter, in accordance with the Companies Act 2016 and any other applicable legislation.

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 member acting on behalf of the Company is aware of his fiduciary duties and responsibilities, the legislation and regulations affecting his duties and the principles and practices of good corporate governance which apply to the Group.
The Board Charter had been revised and approved by the Board on 26 March 2019. The Board Charter is available on the Company's website www.master,net.my/ir_roles.htm

The Board's responsibilities to oversee the overall management of Master-Pack Group of companies are mentioned in Practice Note 1.1 in the Corporate Governance Report.

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

**The Board of Directors**

For the financial year 2019, the Board consists of 6 Directors, comprising a majority of Independent Non-executive Directors (4 out of 6 members).

Attendance at the Board meetings held during the financial year ended 31 December 2019:

| 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 | 3/5 |
| Encik Aminuddin Bin Saad | Independent & Non-Executive Director | 5/5 |
| Puan Nazriah Binti Shaik Alawdin | Non-Independent & Non-Executive Director | 5/5 |
| Dr. Junid Bin Abu Saham | Independent & Non-Executive Director | 4/5 |

The Board is satisfied that each director has devoted sufficient time to effectively discharge his responsibilities. None of the Board members serve more than 5 listed companies.

The Board consists of only one Executive Chairman and five other Non-Executive Directors out of which four are Independent Non-Executive Directors. In view of a majority (4/6) of Independent Directors on our Board, the balance of power and authority of the Board are not compromised by the combined roles of Executive Chairman and CEO held by Dato' Syed Mohamad bin Syed Murtaza.

The size and composition of the Board is adequate to provide a diversity of views to facilitate effective decision making and provide 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. The Boardroom diversity in gender, ethnicity and age is stated in Practice Note 4.5 of the CG Report.

Currently, the Board members come from varied educational background and each member holds different professional qualifications hence contributing to the Board a diversed knowledge and expertise. In addition, three Independent Directors do not hold directorships in any company within the Group and thus the objectivity of these Directors are not compromised.

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

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

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

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

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

**Board Meetings**

A Chairman of the Board is responsible for instilling good corporate governance practices, leadership and effectiveness during the Board meetings. The duties of the Chairman during the year include managing Board meetings with the assistance of the Company Secretary to set the Board agenda for each pre-scheduled Board meetings.

Materials for the Board meetings comprising agenda, minutes of meeting, financial results, progress reports both financial and non-financial, risk management reports, recurrent related party transactions, the Group's Code of Business Conduct, Anti-bribery and Anti-corruption policy, business 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 to go through the Board meeting materials.

The meetings calendar which provides the tentative dates for meetings of the Board, Audit Committee and Annual General Meeting was circulated to Directors on 22 November 2019 for the ensuing year to enable the Directors to plan ahead and co-ordinate their respective schedules.

The Chairman of the Board leads the meeting pace and discussion in an effective manner. He facilitates the Board Meetings to ensure no individual member dominates discussion and that relevant opinions amongst Board members are forthcoming. He also acts as a conduit ensuring smooth discussions between the senior management and the Non-executive Board members

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

**Board Committees**

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 their respective Terms Of Reference.

The Terms Of Reference of the Audit Committee (updated 31 March 2020), Nominating Committee (updated 31 March 2020), Remuneration Committee (latest 26 March 2018) and the Business Code of Conduct & Whistleblowing policy (updated 28 February 2020) are available in the Company's website.

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

**Nominating Committee**

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

| Member | Directorship | Designation | Meeting - 22 Nov 2019 |
|---|---|---|---|
| Mr. Chew Hock Lin | Senior Independent Non-Executive Director | Chairman | 1/1 |
| Encik Aminuddin bin Saad | Independent Non-Executive Director | Member | 1/1 |
| Puan Nazriah binti Shaik Alawdin | Non-Independent Non-Executive Director | Member | 1/1 |

The Terms Of Reference of the Nominating Committee are also published on the company website www.master.net.my/ir_nomination_commitee.htm

**Nominating Committee Activities**

Two weeks prior to the Nominating Committee Meeting held on 22 November 2019, 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.

*Review on Independent Directors*

In evaluating that the Independent Directors fulfill the criteria of "Independence", which included in the evaluation form cover 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.

The Independent Directors namely Mr. Chew Hock Lin, Dato' Seri Khor Teng Tong, Encik Aminuddin bin Saad and Dr. Junid bin Abu Saham all Independent Non-Executive Directors, were found to have fulfilled the criteria of "Independence" as prescribed under Chapter 1 of the Listing Requirements.

Mr. Chew Hock Lin, Dato' Seri Khor Teng Tong and Encik Aminuddin bin Saad 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.

*Review on performance of the Individual Directors*

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.

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.

As such, the NC 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 Constitution further provides 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

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

**Nominating Committee Activities (cont'd)**

*Review on the Board Committees*

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 NC was satisfied that 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. The Board was able to discharge its duties professionally and effectively as well as uphold the governance standards.

The Chairman of the Board was also found to have fulfilled his role and responsibilities in leading the board as well as the setting the tone from the top in determining the strategic objectives, policies, values, culture and standard practices for the Group.

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 perform their duties.

The results of the evaluation have shown that with the help of the external auditors and the out-source internal auditors, the Audit Committee was able to give the Board the assurance on risk management and internal control. NC also concluded that the Audit Committee as a whole and its members have carried out their duties as laid out by the Audit Committee Terms Of Reference.

*Review on Trainings attended*

The Board recognises the importance of attending and participating in training and development activities in order to broaden their perspectives and to keep abreast the developments in the market place, and new statutory and regulatory requirements which are required 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 (available at www.master.net.my/ab_bod.htm.) is reviewed and encouragements given to directors to attend topics where they require to further update their knowledge.

NC was satisfied that 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.

The NC is also 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.

However, during the year the size and composition of the Board is optimum and therefore new potential candidates were not considered.

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

**Remuneration Committee**

The Remuneration Committee comprises exclusively of Non-Executive Directors. The members are:

| Member | Directorship | Designation | Meeting – 27 February and 22 Nov 2019 |
|---|---|---|---|
| Mr. Chew Hock Lin | Senior Independent Non-Executive Director | Chairman | 2/2 |
| Encik Aminuddin bin Saad | Independent Non-Executive Director | Member | 2/2 |
| Dr. Junid bin Abu Saham | Independent Non-Executive Director | Member | 2/2 |

The Terms Of Reference of the Remuneration Committee are also published on the company website http://www.master.net.my/ir_remuneration_committee.htm

The Remuneration Committee ('RC") is responsible for recommending to the Board a remuneration framework and package for the Executive Directors.

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.

During the meeting, members of RC discussed the remuneration packages offered to the Executive Chairman and other Executive Directors in the Group including the additional remuneration for the newly setup subsidiary in Vietnam. The RC also ensures that the Executive Directors are amply rewarded for delivering another year of excellent financial performance in line with the Group Policies which are structured to attract or retain the talents.

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 determine 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 Note 7.1 and 7.2 of the CG Report.

**PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT**

**Audit Committee and Risk Management & Sustainability**

The Audit Committee comprises exclusively of Independent Non-Executive Directors. The members are:

| Member | Directorship | Designation | Meeting Attendance |
|---|---|---|---|
| Mr. Chew Hock Lin | Senior Independent Non-Executive Director | Chairman | 5/5 |
| Encik Aminuddin bin Saad | Independent Non-Executive Director | Member | 5/5 |
| Dr. Junid bin Abu Saham | Independent Non-Executive Director | Member | 4/5 |

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

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

**Audit Committee and Risk Management & Sustainability (cont'd)**

The Chairman of the Audit Committee is not the Chairman of the Board which is held by Dato' Syed Mohamad bin Syed Murtaza. The Company had not appointed a former key audit partner as a member of the Audit Committee and this practice has been incorporated in the latest updated Audit Committee Terms of Reference.

Collectively the Audit Committee members possess a wide range of necessary skills including the attributes of financial literacy to discharge their duties as indicated in the skills matrix above.

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.

A summary of activities of the Audit Committee including the Internal Audit function during the year 2019 is set out on the Audit Committee Report of the Annual Report.

**Risk Management & Sustainability and Internal Controls Framework**

The Board of Directors of Master-Pack Group Berhad affirms its responsibility for maintaining a sound and effective system of risk management framework and internal control system of the Group. The Group's system of risk management and internal control is designed to meet the Group's needs in order to manage the risks associated with financial, operational, governance and regulatory compliance.

The Risk Management & Sustainability Committee comprising Independent Directors assist the Audit Committee to focus on risk management and internal controls. The Risk Working Committee comprising heads of Department led by the Executive Director as tasked by the Risk Management & Sustainability Committee had comprehensively conducted an evaluation of all risks and recorded it in the Risks and Opportunity Register. The accompanying internal controls in place to manage, mitigate or avoid each identified risks were also tabulated in the Risk and Opportunity Register.

During the year 2019, the Risk Management and Sustainability Committee reviewed the Risk Management and Sustainability Policy, assessed and monitored efficacy of risk management process, internal controls and measures taken as well as reports arising from risk management activities. The adequacy and effectiveness of the internal controls are performed by the out-sourced internal auditors, external auditors and third party auditors from SIRIM. The Internal Auditors 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 Statement of Risk Management and Internal Controls provide an overview on the state of risk management and internal control system within the Group. The details of the Risk Management and Internal Control are set out on page 25 to 28 of the Annual Report.

**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 12 to 20 of the 2019 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.

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

**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. The notes to the Notice of AGM also provide information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM and their rights to appoint 2 proxies.

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 e-polling voting procedures including the resolutions to be voted. Matters reserved for shareholders' approval were as tabulated in the Notice of Annual General Meeting page 21 to 24 of the 2019 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.

**Conduct of General Meetings**

Master-Pack Group Berhad's AGM acts as a principal forum for interactions with shareholders. The 25th 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 25th AGM held on 24 May 2019 at 6pm in Master-Pack Sdn. Bhd., 1574 Jalan Bukit Panchor, 14300 Nibong Tebal, S.P.S. Penang. In attendance at the AGM was also the Company Secretary, the internal and external auditors.

The shareholders attending the AGM were registered and provided with wrist bands tag with e-polling devices.

The Chairman of the Board welcomed all shareholders and the meeting proceeded in an orderly manner. The meeting was presided over by the Chairman and the proceedings were carried out by the Company Secretary. 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.

After each resolution is read by the Company Secretary, shareholders were asked to vote via the e-polling devices provided. The poll results of each resolution were shown on the screen and read out to all the shareholders before the proceeding with the next resolution until all resolutions were concluded. The AGM concluded smoothly and all resolutions were duly approved by the shareholders.

**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 Requirements, 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.

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

**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 43 to 96 of the 2019 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.)

**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 is not in any way impaired. The Group audit fee and non-audit fee paid to External Auditors for the financial year 2019 amounts to RM136,000 and RM2,000 respectively.

**Compliance Statement**

Save as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2019, 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 13 May 2020.

# 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 2019. 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 7 to the financial statements.

**Results**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the financial year attributable to:- | | |
| - Owners of the Company | 15,695 | 4,363 |
| - Non-controlling interests | (8) | 0 |
| | 15,687 | 4,363 |

**Dividends**

During the financial year, the Company declared and paid an interim single tier dividend of 2.0 sen per share amounting to RM1,092,000 in respect of the financial year ended 31 December 2019.

The directors do not propose any final dividend in respect of the financial year ended 31 December 2019.

**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.

**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:-

<u>Directors of the Company</u>

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 (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:-

| | Number of ordinary shares | | | | | |
|---|---|---|---|---|---|---|
| | Direct interest | | | | Deemed interest | |
| Name of director | Balance at 1.1.2019 | Bought | Sold | Balance at 31.12.2019 | Balance at 1.1.2019 | Balance at 31.12.2019 |
| Aminuddin Bin Saad | 10,002 | 0 | 0 | 10,002 | 0 | 0 |
| Dato' Seri Khor Teng Tong | 1,262,900 | 100,000 | (1,062,900) | 300,000 | 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 21 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, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 22 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 13 May 2020**

**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 51 to 96 give a true and fair view of the financial position of the Group and the Company as at 31 December 2019 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 13 May 2020**

**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 51 to 96 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 13 May 2020

**Dato' Syed Mohamad Bin Syed Murtaza**

Before me

**Shamini A/P M Shanmugam**
**No. P157**
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 2019 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 51 to 96.

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 2019, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td><u>Valuation of inventories (Refer to Notes 3 and 10 to the financial statements)</u><br><br>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.</td><td>Our audit procedures included, among others:-<ul><li>Obtaining an understanding of:-<ul><li>the Group's inventory management process;</li><li>how the Group identifies and assesses inventory write-downs; and</li><li>how the Group makes the accounting estimates for inventory write-downs.</li></ul></li><li>Reviewing the ageing analysis of inventories and testing the reliability thereof.</li><li>Examining the perpetual records for inventory movements and to identify slow moving aged items.</li><li>Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.</li><li>Reviewing the net realisable value of major inventories.</li><li>Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.</li></ul></td></tr>
</table>

*Key audit matters (cont'd)*

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| Impairment of receivables (Refer to Notes 3 and 11 to the financial statements)<br><br>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. | Our audit procedures included, among others:-<br>• Obtaining an understanding of:-<br>  • the Group's control over the receivable collection process;<br>  • how the Group identifies and assesses the impairment of receivables; and<br>  • how the Group makes the accounting estimates for impairment.<br>• Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof.<br>• Reviewing the subsequent cash collections for major receivables and overdue amounts.<br>• Making inquiries of management regarding the action plans to recover overdue amounts.<br>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.<br>• Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix.<br>• 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.

*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.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that 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**
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

**Eddy Chan Wai Hun**
02182/10/2021 J
Chartered Accountant

Date: 13 May 2020

Penang

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 35,702 | 53,732 |
| Investment properties | 5 | 14,825 | 14,670 |
| Right-of-use assets | 6 | 14,899 | 0 |
| Goodwill on consolidation | | 196 | 196 |
| Investment in associate | 8 | 545 | 479 |
| Other investments | 9 | 265 | 248 |
| | | 66,432 | 69,325 |
| **Current assets** | | | |
| Inventories | 10 | 12,572 | 14,627 |
| Receivables | 11 | 39,788 | 39,050 |
| Prepayments | | 1,801 | 1,695 |
| Current tax assets | | 109 | 125 |
| Cash and cash equivalents | 12 | 22,915 | 8,124 |
| | | 77,185 | 63,621 |
| **Current liabilities** | | | |
| Payables | 13 | 14,090 | 14,526 |
| Loans and borrowings | 14 | 12,389 | 16,114 |
| Lease liabilities | 15 | 1,953 | 0 |
| Current tax liabilities | | 603 | 244 |
| | | 29,035 | 30,884 |
| **Net current assets** | | 48,150 | 32,737 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 14 | 0 | 5,236 |
| Lease liabilities | 15 | 3,346 | 0 |
| Deferred tax liabilities | 16 | 5,399 | 5,661 |
| | | 8,745 | 10,897 |
| **Net assets** | | 105,837 | 91,165 |
| **Equity** | | | |
| Share capital | 17 | 55,339 | 55,339 |
| Capital reserve | | 1,014 | 0 |
| Revaluation surplus | | 14,970 | 15,590 |
| Currency translation reserve | | 65 | (12) |
| Retained profits | | 34,434 | 20,225 |
| Equity attributable to owners of the Company | | 105,822 | 91,142 |
| Non-controlling interests | 18 | 15 | 23 |
| **Total equity** | | 105,837 | 91,165 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| Revenue | 19 | 204,607 | 145,586 |
| Impairment gains/(losses) on financial assets | 20 | 291 | (183) |
| Interest income | | 92 | 52 |
| Other income | | 880 | 2,532 |
| Changes in inventories of work-in-progress and finished goods | | 820 | (323) |
| Purchase of finished goods | | (18,331) | (7,260) |
| Raw materials and consumables used | | (132,717) | (100,205) |
| Depreciation of property, plant and machinery | | (2,433) | (3,661) |
| Depreciation of right-of-use assets | | (1,611) | 0 |
| Employee benefits expense | 21 | (15,823) | (13,270) |
| Finance costs | | (1,461) | (1,045) |
| Other expenses | | (16,758) | (14,008) |
| Share of associates' profit | | 66 | 16 |
| Profit before tax | 22 | 17,622 | 8,231 |
| Tax expense | 23 | (1,935) | (2,483) |
| Profit for the financial year | | 15,687 | 5,748 |
| Other comprehensive income:- | | | |
| *Items that will not be reclassified to profit or loss:-* | | | |
| - Gross revaluation increase of properties | | 0 | 12,658 |
| - Deferred tax effect thereof | | 0 | (1,927) |
| *Item that may be reclassified subsequently to profit or loss:-* | | | |
| - Currency translation differences for foreign operation | | 77 | (12) |
| Total other comprehensive income for the financial year | | 77 | 10,719 |
| Comprehensive income for the financial year | | 15,764 | 16,467 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

| | Note | 2019<br>RM'000 | 2018<br>RM'000 |
|---|---|---|---|
| Profit/(Loss) for the financial year attributable to:- | | | |
| - Owners of the Company | | 15,695 | 5,756 |
| - Non-controlling interests | 18 | (8) | (8) |
| | | 15,687 | 5,748 |
| Comprehensive income for the financial year attributable to:- | | | |
| - Owners of the Company | | 15,772 | 16,475 |
| - Non-controlling interests | | (8) | (8) |
| | | 15,764 | 16,467 |
| Earnings per share:- | 24 | | |
| - Basic (sen) | | 28.73 | 10.54 |
| - Diluted (sen) | | 28.73 | 10.54 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Non-distributable | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Legal reserves* RM'000 | Revaluation surplus RM'000 | Currency translation reserve RM'000 | Retained profits RM'000 | Equity attributable to owners of the Company RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| Balance at 1 January 2018 | 55,339 | 0 | 5,298 | 0 | 14,849 | 75,486 | 31 | 75,517 |
| Gross revaluation increase of properties | 0 | 0 | 12,658 | 0 | 0 | 12,658 | 0 | 12,658 |
| Deferred tax effect thereof | 0 | 0 | (1,927) | 0 | 0 | (1,927) | 0 | (1,927) |
| Currency translation differences for foreign operation | 0 | 0 | 0 | (12) | 0 | (12) | 0 | (12) |
| Total other comprehensive income for the financial year | 0 | 0 | 10,731 | (12) | 0 | 10,719 | 0 | 10,719 |
| Profit/(Loss) for the financial year | 0 | 0 | 0 | 0 | 5,756 | 5,756 | (8) | 5,748 |
| Comprehensive income for the financial year | 0 | 0 | 10,731 | (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 | (819) | (819) | 0 | (819) |
| Transfer of revaluation surplus | 0 | 0 | (439) | 0 | 439 | 0 | 0 | 0 |
| Balance at 31 December 2018 | 55,339 | 0 | 15,590 | (12) | 20,225 | 91,142 | 23 | 91,165 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

| | Non-distributable | | | | Distributable | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Legal reserves* RM'000 | Revaluation surplus RM'000 | Currency translation reserve RM'000 | Retained profits RM'000 | Equity attributable to owners of the Company RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| Balance at 1 January 2019 | 55,339 | 0 | 15,590 | (12) | 20,225 | 91,142 | 23 | 91,165 |
| Currency translation differences for foreign operation (representing other comprehensive income) for the financial year | 0 | 0 | 0 | 77 | 0 | 77 | 0 | 77 |
| Profit/(Loss) for the financial year | 0 | 0 | 0 | 0 | 15,695 | 15,695 | (8) | 15,687 |
| Comprehensive income for the financial year | 0 | 0 | 0 | 77 | 15,695 | 15,772 | (8) | 15,764 |
| Interim single tier dividend of 2.0 sen per share (representing total transactions with owners) | 0 | 0 | 0 | 0 | (1,092) | (1,092) | 0 | (1,092) |
| Transfer of legal reserves | 0 | 1,014 | 0 | 0 | (1,014) | 0 | 0 | 0 |
| Transfer of revaluation surplus | 0 | 0 | (620) | 0 | 620 | 0 | 0 | 0 |
| Balance at 31 December 2019 | 55,339 | 1,014 | 14,970 | 65 | 34,434 | 105,822 | 15 | 105,837 |

* *This represents the cumulative amount transferred from the retained profits of a subsidiary under the statutory requirements of Vietnam.*

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 17,622 | 8,231 |
| Adjustments for:- | | | |
| Compensation income | | (130) | 0 |
| Depreciation | | 4,044 | 3,661 |
| Dividend income | | (7) | (15) |
| Fair value gains on investment properties | | (155) | (884) |
| Fair value (gains)/losses on financial instruments | | (17) | 53 |
| Gain on disposal of investment in associate | | 0 | (447) |
| Gain on disposal of investment properties | | 0 | (480) |
| Gain on disposal of property, plant and equipment | | (19) | (16) |
| Impairment (gains)/losses on financial assets | | (291) | 183 |
| Interest expense | | 1,461 | 1,045 |
| Interest income | | (92) | (52) |
| Inventories written down | | 471 | 232 |
| Property, plant and equipment written off | | 6 | 1 |
| Reversal of inventories written down | | (270) | 0 |
| Share of associates' profit | | (66) | (16) |
| Operating profit before working capital changes | | 22,557 | 11,496 |
| Changes in:- | | | |
| Inventories | | 1,854 | (2,029) |
| Receivables | | (447) | (5,820) |
| Prepayments | | (106) | 460 |
| Payables | | (306) | 4,362 |
| Cash generated from operations | | 23,552 | 8,469 |
| Tax paid | | (2,679) | (1,794) |
| Tax refunded | | 857 | 23 |
| Net cash from operating activities | | 21,730 | 6,698 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | 25 | (839) | (2,080) |
| Acquisition of right-of-use assets | 25 | (2) | 0 |
| Additions of investment properties | | 0 | (836) |
| Dividends received | | 7 | 15 |
| Interest received | | 92 | 52 |
| Proceeds from disposal of investment in associate | | 0 | 524 |
| Proceeds from disposal of investment properties | | 0 | 1,700 |
| Proceeds from disposal of property, plant and equipment | | 21 | 16 |
| Net cash used in investing activities | | (721) | (609) |
| **Cash flows from financing activities** | | | |
| Dividend paid | | (1,092) | (819) |
| Interest paid | | (1,408) | (1,071) |
| Net (decrease)/increase in short-term loans and borrowings | 25 | (677) | 1,023 |
| Payment of lease liabilities | 25 | (1,972) | 0 |
| Repayment of hire purchase obligations | 25 | 0 | (1,803) |
| Repayment of term loan | 25 | (103) | (222) |
| Net cash used in financing activities | | (5,252) | (2,892) |
| Currency translation differences | | 78 | (12) |
| Net increase in cash and cash equivalents | | 15,835 | 3,185 |
| Cash and cash equivalents brought forward | | 6,000 | 2,815 |
| Cash and cash equivalents carried forward | 12 | 21,835 | 6,000 |

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

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

| | Note | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 8 | 9 |
| Investment properties | 5 | 3,320 | 3,320 |
| Investments in subsidiaries | 7 | 15,538 | 15,538 |
| Other investments | 9 | 265 | 248 |
| Receivables | 11 | 11,618 | 8,573 |
| | | 30,749 | 27,688 |
| **Current assets** | | | |
| Receivables | 11 | 946 | 1,497 |
| Current tax assets | | 0 | 3 |
| Cash and cash equivalents | 12 | 1,469 | 715 |
| | | 2,415 | 2,215 |
| **Current liabilities** | | | |
| Payables | 13 | 302 | 312 |
| Current tax liabilities | | 1 | 0 |
| | | 303 | 312 |
| **Net current assets** | | 2,112 | 1,903 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 16 | 93 | 94 |
| **Net assets** | | 32,768 | 29,497 |
| **Equity** | | | |
| Share capital | 17 | 55,339 | 55,339 |
| Accumulated losses | | (22,571) | (25,842) |
| **Total equity** | | 32,768 | 29,497 |

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

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| Revenue | 19 | 1,822 | 1,473 |
| Impairment gains on financial assets | 20 | 3,045 | 0 |
| Interest income | | 53 | 59 |
| Other income | | 38 | 32 |
| Depreciation of property, plant and machinery | | (3) | (3) |
| Employee benefits expense | 21 | (292) | (268) |
| Other expenses | | (278) | (336) |
| Profit before tax | 22 | 4,385 | 957 |
| Tax expense | 23 | (22) | (64) |
| Profit for the financial year | | 4,363 | 893 |
| Other comprehensive income for the financial year | | 0 | 0 |
| Comprehensive income for the financial year | | 4,363 | 893 |

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Share capital RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
|---|---|---|---|
| Balance at 1 January 2018 | 55,339 | (25,916) | 29,423 |
| Profit (representing comprehensive income) for the financial year | 0 | 893 | 893 |
| Interim single tier dividend of 1.5 sen per share (representing total transactions with owners) | 0 | (819) | (819) |
| Balance at 31 December 2018 | 55,339 | (25,842) | 29,497 |
| Profit (representing comprehensive income) for the financial year | 0 | 4,363 | 4,363 |
| Interim single tier dividend of 2.0 sen per share (representing total transactions with owners) | 0 | (1,092) | (1,092) |
| Balance at 31 December 2019 | 55,339 | (22,571) | 32,768 |

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

# STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 4,385 | 957 |
| Adjustments for:- | | | |
| Depreciation | | 3 | 3 |
| Dividend income | | (1,757) | (1,365) |
| Fair value (gains)/losses on financial instruments | | (17) | 53 |
| Impairment gains on financial assets | | (3,045) | 0 |
| Interest income | | (53) | (59) |
| Operating loss before working capital changes | | (484) | (411) |
| Changes in:- | | | |
| Receivables | | 0 | 11 |
| Payables | | (10) | 33 |
| Cash absorbed by operations | | (494) | (367) |
| Tax paid | | (26) | (22) |
| Tax refunded | | 7 | 18 |
| Net cash used in operating activities | | (513) | (371) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (2) | (2) |
| Dividends received | | 1,857 | 765 |
| Interest received | | 53 | 59 |
| Net repayment from subsidiaries | | 451 | 820 |
| Net cash from investing activities | | 2,359 | 1,642 |
| **Cash flows from financing activity** | | | |
| Dividend paid | | (1,092) | (819) |
| Net cash used in financing activity | | (1,092) | (819) |
| Net increase in cash and cash equivalents | | 754 | 452 |
| Cash and cash equivalents brought forward | | 715 | 263 |
| Cash and cash equivalents carried forward | 12 | 1,469 | 715 |

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

## 1. General information

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7.

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 51 to 56 together with the notes thereto cover the Company and its subsidiaries ("Group") and the Group's interest in an associate. The separate financial statements of the Company set out on pages 57 to 60 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 in accordance with a resolution of the directors dated 13 May 2020.

## 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 16 *Leases* | 1 January 2019 |
| IC Interpretation 23 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to MFRS 9 *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement* | 1 January 2019 |
| Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015 - 2017 Cycle | 1 January 2019 |

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

## 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 17 *Insurance Contracts* | 1 January 2021 |
| Amendments to MFRS 3 Definition of a Business | 1 January 2020 |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform* | 1 January 2020 |
| Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Deferred |
| Amendments to MFRS 101 and MFRS 108 Definition of Material | 1 January 2020 |
| 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.

### 2.2 Changes in accounting policies

The initial application of MFRS 16 *Leases*, which replaces MFRS 117 *Leases* and other related interpretations, has resulted in certain changes in accounting policies for lessees. MFRS 16 eliminates the distinction between finance and operating leases for lessees and introduces a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with certain recognition exemptions. 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 has elected to apply the new requirements of MFRS 16 from 1 January 2019 with the following cumulative effects of initial application recognised at that date without restating the comparative information:-

| | Note | Brought forward from preceding year RM'000 | Effect of adopting MFRS 16 RM'000 | Adjusted RM'000 |
|---|---|---|---|---|
| **Consolidated statement of financial position as at 1 January 2019 (extract)** | | | | |
| Property, plant and equipment | (i) | 53,732 | (17,214) | 36,518 |
| Right-of-use assets | (i)(ii) | 0 | 17,224 | 17,224 |
| Loans and borrowings | (i) | 21,350 | (7,190) | 14,160 |
| Lease liabilities | (i)(ii) | 0 | 7,200 | 7,200 |
| Total equity | | 91,165 | 0 | 91,165 |

(i) For leases that were previously classified as finance leases in accordance with MFRS 117, the carrying amounts of the right-of-use assets and lease liabilities at 1 January 2019 were those brought forward from 31 December 2018 measured applying MFRS 117. The underlying assets and liabilities were reclassified from property, plant and equipment and loans and borrowings respectively, and would be accounted for in accordance with MFRS 16 from 1 January 2019. Accordingly, the leasehold land previously carried at revaluation would be accounted for using the cost model as disclosed in Note 6.

**2. Significant accounting policies (cont'd)**

**2.2 Changes in accounting policies (cont'd)**

(ii) For leases that were previously classified as operating leases in accordance with MFRS 117, the Group recognised and measured the right-of-use assets and lease liabilities at 1 January 2019 at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate of 5.00% per annum. As a practical expedient, the Group has elected not to apply the transition requirements to leases for which the lease term would end within 12 months of 1 January 2019.

**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.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9. 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. Significant accounting policies (cont'd)**

**2.4 Property, plant and equipment**

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.9.

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

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

Freehold land is not depreciated. Leasehold land was 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 is property held (by the owner or the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both. Investment property is stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss.

**2.6 Leases**

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

**Lessor accounting**

When the Group or the Company acts as a lessor, it classifies each lease as either an operating lease or a finance lease. A finance lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, whereas an operating lease does not.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term. The Group and the Company have not entered into any finance lease.

**Lessee accounting**

<u>Initial recognition and measurement</u>

When the Group or the Company acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group and the Company have elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

**2. Significant accounting policies (cont'd)**

**2.6 Leases (cont'd)**

**Lessee accounting (cont'd)**

Initial recognition and measurement (cont'd)

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

Subsequent measurement

A right-of-use asset that meets the definition of investment property is subsequently measured using the fair value model as disclosed in Note 2.5. Other right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.9.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term.

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

Previous financial years

Prior to 1 January 2019, the Group and the Company classified each lease as either an operating lease or a finance lease.

A finance lease, including hire purchase, was 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 were 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 was consistent with that for equivalent owned assets.

Lease payments under an operating lease were recognised as an expense on a straight-line basis over the lease term.

**2.7 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 2.9.

**2. Significant accounting policies (cont'd)**

**2.8 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 2.9.

**2.9 Impairment of non-financial assets**

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than 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.

**2.10 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.

**2.11 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.

**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.

**2. Significant accounting policies (cont'd)**

**2.11 Financial assets (cont'd)**

**Subsequent measurement (cont'd)**

**(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 and derivatives are classified under this category. Any gain or loss is recognised in profit or loss.

**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.

**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. Significant accounting policies (cont'd)**

**2.12 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.

**2.13 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.

**2. Significant accounting policies (cont'd)**

**2.14 Share capital (cont'd)**

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.

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. Significant accounting policies (cont'd)**

**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.

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.

Operating lease 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”). 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. Significant accounting policies (cont'd)**

**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.

**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:-

<u>Valuation of inventories</u>

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 10).

<u>Impairment of receivables</u>

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 11).

**4. Property, plant and equipment**

Group

| | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Plant and machinery* RM'000 | Tools and equipment RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Motor vehicles* RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | | | | |
| Balance at 1 January 2018 | 4,380 | 5,700 | 19,031 | 46,667 | 1,512 | 1,447 | 3,011 | 858 | 126 | 82,732 |
| Additions | 0 | 0 | 98 | 4,772 | 212 | 19 | 157 | 0 | 0 | 5,258 |
| Disposals/Write-offs | 0 | 0 | 0 | 0 | 0 | (5) | (6) | 0 | 0 | (11) |
| Revaluation | 8,820 | 1,500 | (1,529) | 0 | 0 | 0 | 0 | 0 | 0 | 8,791 |
| Balance at 31 December 2018 | 13,200 | 7,200 | 17,600 | 51,439 | 1,724 | 1,461 | 3,162 | 858 | 126 | 96,770 |
| Representing:- | | | | | | | | | | |
| - Cost | 0 | 0 | 0 | 51,439 | 1,724 | 1,461 | 3,162 | 858 | 126 | 58,770 |
| - Valuation | 13,200 | 7,200 | 17,600 | 0 | 0 | 0 | 0 | 0 | 0 | 38,000 |
| | 13,200 | 7,200 | 17,600 | 51,439 | 1,724 | 1,461 | 3,162 | 858 | 126 | 96,770 |
| Balance at 1 January 2019 | | | | | | | | | | |
| - Brought forward from preceding year | 13,200 | 7,200 | 17,600 | 51,439 | 1,724 | 1,461 | 3,162 | 858 | 126 | 96,770 |
| - Effect of adopting MFRS 16 | 0 | (7,200) | 0 | (10,801) | (1,299) | 0 | 0 | (277) | 0 | (19,577) |
| - Adjusted | 13,200 | 0 | 17,600 | 40,638 | 425 | 1,461 | 3,162 | 581 | 126 | 77,193 |
| Additions | 0 | 0 | 14 | 591 | 0 | 2 | 119 | 113 | 0 | 839 |
| Transfer from right-of-use assets | 0 | 0 | 0 | 1,435 | 0 | 0 | 0 | 208 | 0 | 1,643 |
| Currency translation differences | 0 | 0 | 0 | 0 | 0 | 0 | (1) | (1) | 0 | (2) |
| Disposals/Write-offs | 0 | 0 | 0 | (1,862) | 0 | (201) | (17) | (79) | 0 | (2,159) |
| Balance at 31 December 2019 | 13,200 | 0 | 17,614 | 40,802 | 425 | 1,262 | 3,263 | 822 | 126 | 77,514 |
| Representing:- | | | | | | | | | | |
| - Cost | 0 | 0 | 14 | 40,802 | 425 | 1,262 | 3,263 | 822 | 126 | 46,714 |
| - Valuation | 13,200 | 0 | 17,600 | 0 | 0 | 0 | 0 | 0 | 0 | 30,800 |
| | 13,200 | 0 | 17,614 | 40,802 | 425 | 1,262 | 3,263 | 822 | 126 | 77,514 |

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

**Group**

| | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Plant and machinery* RM'000 | Tools and equipment RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Motor vehicles* RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Depreciation and impairment losses | | | | | | | | | | |
| Balance at 1 January 2018 | | | | | | | | | | |
| - Accumulated depreciation | 0 | 844 | 2,037 | 35,421 | 306 | 1,058 | 2,803 | 633 | 126 | 43,228 |
| - Accumulated impairment losses | 0 | 0 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 26 |
| | 0 | 844 | 2,037 | 35,447 | 306 | 1,058 | 2,803 | 633 | 126 | 43,254 |
| Depreciation | 0 | 281 | 705 | 2,241 | 172 | 83 | 107 | 72 | 0 | 3,661 |
| Disposals/Write-offs | 0 | 0 | 0 | 0 | 0 | (5) | (5) | 0 | 0 | (10) |
| Reclassification | 0 | 0 | 0 | (4) | 0 | 0 | 4 | 0 | 0 | 0 |
| Revaluation | 0 | (1,125) | (2,742) | 0 | 0 | 0 | 0 | 0 | 0 | (3,867) |
| Balance at 31 December 2018 | | | | | | | | | | |
| - Accumulated depreciation | 0 | 0 | 0 | 37,658 | 478 | 1,136 | 2,909 | 705 | 126 | 43,012 |
| - Accumulated impairment losses | 0 | 0 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 26 |
| | 0 | 0 | 0 | 37,684 | 478 | 1,136 | 2,909 | 705 | 126 | 43,038 |
| Balance at 1 January 2019 | | | | | | | | | | |
| - Accumulated depreciation | | | | | | | | | | |
| - Brought forward from preceding year | 0 | 0 | 0 | 37,658 | 478 | 1,136 | 2,909 | 705 | 126 | 43,012 |
| - Effect of adopting MFRS 16 | 0 | 0 | 0 | (1,796) | (402) | 0 | 0 | (165) | 0 | (2,363) |
| - Adjusted | 0 | 0 | 0 | 35,862 | 76 | 1,136 | 2,909 | 540 | 126 | 40,649 |
| - Accumulated impairment losses | 0 | 0 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 26 |
| | 0 | 0 | 0 | 35,888 | 76 | 1,136 | 2,909 | 540 | 126 | 40,675 |
| Depreciation | 0 | 0 | 794 | 1,342 | 43 | 86 | 141 | 27 | 0 | 2,433 |
| Transfer from right-of-use assets | 0 | 0 | 0 | 717 | 0 | 0 | 0 | 139 | 0 | 856 |
| Currency translation differences | 0 | 0 | 0 | 0 | 0 | (1) | 0 | 0 | 0 | (1) |
| Disposals/Write-offs | 0 | 0 | 0 | (1,854) | 0 | (202) | (16) | (79) | 0 | (2,151) |
| Balance at 31 December 2019 | | | | | | | | | | |
| - Accumulated depreciation | 0 | 0 | 794 | 36,067 | 119 | 1,019 | 3,034 | 627 | 126 | 41,786 |
| - Accumulated impairment losses | 0 | 0 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 26 |
| | 0 | 0 | 794 | 36,093 | 119 | 1,019 | 3,034 | 627 | 126 | 41,812 |

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

Group

| | Freehold land RM'000 | Leasehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Plant and machinery* RM'000 | Tools and equipment RM'000 | Furniture, fittings and office equipment RM'000 | Motor vehicles RM'000 | Motor vehicles* RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | | | | |
| Balance at 1 January 2018 | 4,380 | 4,856 | 16,994 | 11,220 | 1,206 | 389 | 208 | 225 | 0 | 39,478 |
| Balance at 31 December 2018 | 13,200 | 7,200 | 17,600 | 13,755 | 1,246 | 325 | 253 | 153 | 0 | 53,732 |
| Balance at 31 December 2019 | 13,200 | 0 | 16,820 | 4,709 | 306 | 243 | 229 | 195 | 0 | 35,702 |

** Subject to operating leases*

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 2019 RM'000 | Group 2018 RM'000 |
|---|---|---|
| Freehold land | 1,904 | 1,904 |
| Leasehold land | 0 | 577 |
| Buildings | 8,884 | 9,255 |
| | 10,788 | 11,736 |

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

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

The carrying amounts of property, plant and equipment under hire purchase financing are as follows:-

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Plant and machinery | 0 | 9,902 |
| Motor vehicles | 0 | 112 |
| | 0 | 10,013 |

The Group leases some of its plant and machinery and motor vehicles to a third party for 5 years. The undiscounted lease payments to be received are as follows:-

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Within 1 year | 112 | 112 |
| 1 to 2 years | 86 | 112 |
| 2 to 3 years | 48 | 86 |
| 3 to 4 years | 0 | 48 |
| | 246 | 358 |

Company

| | Furniture, fittings and office equipment RM'000 |
|---|---|
| **Cost** | |
| Balance at 1 January 2018 | 1,005 |
| Additions | 2 |
| Balance at 31 December 2018 | 1,007 |
| Additions | 2 |
| Balance at 31 December 2019 | 1,009 |
| **Accumulated depreciation** | |
| Balance at 1 January 2018 | 995 |
| Depreciation | 3 |
| Balance at 31 December 2018 | 998 |
| Depreciation | 3 |
| Balance at 31 December 2019 | 1,001 |
| **Carrying amount** | |
| Balance at 1 January 2018 | 10 |
| Balance at 31 December 2018 | 9 |
| Balance at 31 December 2019 | 8 |

**5. Investment properties**

Group

| | Freehold land RM’000 | Buildings RM’000 | Office lots RM’000 | Total RM’000 |
|---|---|---|---|---|
| **Fair value** | | | | |
| Balance at 1 January 2018 | 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 |
| Fair value gains | 139 | 16 | 190 | 155 |
| Balance at 31 December 2019 | 3,440 | 8,065 | 3,320 | 14,825 |

Company

| | Office lots RM'000 |
|---|---|
| **Fair value** | |
| Balance at 1 January 2018 / 31 December 2018 / 31 December 2019 | 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 are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM’000 | 2018 RM’000 | 2019 RM’000 | 2018 RM’000 |
| Freehold land | 3,050 | 3,066 | 0 | 0 |
| Buildings | 7,950 | 7,934 | 0 | 0 |
| Office lots | 2,080 | 2,080 | 2,080 | 2,080 |
| | 13,080 | 13,080 | 2,080 | 2,080 |

The Group leases some investment properties to a third party for 3 years. The undiscounted lease payments to be received are as follows:-

| | Group | |
|---|---|---|
| | 2019 RM’000 | 2018 RM’000 |
| Within 1 year | 550 | 320 |
| 1 to 2 years | 250 | 550 |
| 2 to 3 years | 0 | 250 |
| | 800 | 1,120 |

## 6. Right-of-use assets

Group

| | Leasehold land RM'000 | Warehouse RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2019 | | | | | |
| - Brought forward from preceding year | 0 | 0 | 0 | 0 | 0 |
| - Effect of adopting MFRS 16 | 7,200 | 10 | 12,100 | 277 | 19,587 |
| - Adjusted | 7,200 | 10 | 12,100 | 277 | 19,587 |
| Additions | 0 | 0 | 0 | 73 | 73 |
| Transfer to property, plant and equipment | 0 | 0 | (1,435) | (208) | (1,643) |
| Balance at 31 December 2019 | 7,200 | 10 | 10,665 | 142 | 18,017 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January 2019 | | | | | |
| - Brought forward from preceding year | 0 | 0 | 0 | 0 | 0 |
| - Effect of adopting MFRS 16 | 0 | 0 | 2,198 | 165 | 2,363 |
| - Adjusted | 0 | 0 | 2,198 | 165 | 2,363 |
| Depreciation | 443 | 6 | 1,111 | 51 | 1,611 |
| Transfer to property, plant and equipment | 0 | 0 | (717) | (139) | (856) |
| Balance at 31 December 2019 | 443 | 6 | 2,592 | 77 | 3,118 |
| **Carrying amount** | | | | | |
| Balance at 1 January 2019 - Adjusted | 7,200 | 10 | 9,902 | 112 | 17,224 |
| Balance at 31 December 2019 | 6,757 | 4 | 8,073 | 65 | 14,899 |

The Group acquired the right to use the leasehold land as a principal place of business for 43 years. The rights to use the plant and machinery and motor vehicles were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease terms of 3 to 5 years.

The leasehold land has been pledged as security for credit facilities granted to the subsidiary.

The Group subleases some of the plant and machinery to a third party for 5 years. The undiscounted lease payments to be received are as follows:-

| | 2019 RM’000 | 2018 RM’000 |
|---|---|---|
| Within 1 year | 328 | 328 |
| 1 to 2 years | 82 | 328 |
| 2 to 3 years | 0 | 82 |
| | 410 | 738 |

## 7. Investments in subsidiaries

Company

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Unquoted shares - at cost | 26,363 | 26,363 |
| Impairment losses | (10,825) | (10,825) |
| | 15,538 | 15,538 |

The details of the subsidiaries are as follows:-

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest 2019 | Effective ownership interest 2018 | Principal activity |
|---|---|---|---|---|
| **Direct subsidiaries** | | | | |
| Master-Pack Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of corrugated cartons and distribution of packaging materials |
| Master-Pack (Sarawak) Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture and sale of corrugated fibreboard cartons |
| Master-Pack Marine Products Sdn. Bhd. | Malaysia | 100% | 100% | 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% | 100% | Manufacture and trading of wood packaging boxes |

## 8. Investment in associate

Group

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Unquoted shares - at cost | 100 | 100 |
| Share of post-acquisition changes in net assets | 445 | 379 |
| | 545 | 479 |

The details of the associate are as follows:-

| Name of associate | Principal place of business/ Country of incorporation | Effective ownership interest 2019 | Effective ownership interest 2018 | Principal activity |
|---|---|---|---|---|
| Richmond Technology Sdn. Bhd. | Malaysia | 20% | 20% | Manufacture of packaging materials |

## 8. Investment in associate (cont'd)

The summarised financial information of the above associate has not been disclosed as the associate is not considered to be individually material to the Group.

## 9. Other investments

Group and Company

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Quoted shares - at fair value | 265 | 248 |

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

## 10. Inventories

Group

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Raw materials | 9,356 | 11,889 |
| Work-in-progress | 820 | 725 |
| Finished goods | 1,288 | 563 |
| Goods-in-transit | 1,108 | 1,450 |
| | 12,572 | 14,627 |

## 11. Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Non-current assets** | | | | |
| Amounts due from subsidiaries | 0 | 0 | 28,618 | 28,618 |
| Loss allowance | 0 | 0 | (17,000) | (20,045) |
| | 0 | 0 | 11,618 | 8,573 |
| **Current assets** | | | | |
| Trade receivables:- | | | | |
| - Associate | 105 | 2,149 | 0 | 0 |
| - Unrelated parties | 38,664 | 36,624 | 0 | 0 |
| | 38,769 | 38,773 | 0 | 0 |
| - Loss allowance | (795) | (1,130) | 0 | 0 |
| | 37,974 | 37,643 | 0 | 0 |
| Other receivables | 1,814 | 1,407 | 18 | 18 |
| Amounts due from subsidiaries | 0 | 0 | 53 | 504 |
| Dividend receivable | 0 | 0 | 875 | 975 |
| | 39,788 | 39,050 | 946 | 1,497 |
| Total receivables | 39,788 | 39,050 | 12,564 | 10,070 |

**11. Receivables (cont'd)**

**Trade receivables**

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2019, there was 1 (2018 : 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 RM21,939,000 (2018 : RM20,069,000). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Malaysia | 33,161 | 35,067 |
| Vietnam | 5,403 | 3,533 |
| Others | 205 | 173 |
| | 38,769 | 38,773 |

The credit terms of trade receivables range from 30 to 150 days. The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status is as follows:-

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Not past due | 32,571 | 30,527 |
| 1 to 30 days past due | 3,639 | 4,679 |
| 31 to 60 days past due | 1,038 | 1,425 |
| 61 to 90 days past due | 540 | 650 |
| More than 90 days past due | 981 | 1,492 |
| | 38,769 | 38,773 |

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.

**11. Receivables (cont'd)**

**Trade receivables (cont'd)**

Group

| | Not past due | 1 to 30 days past due | 31 to 60 days past due | 61 to 90 days past due | More than 90 days past due | Credit-impaired | Total |
|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **2019** | | | | | | | |
| Gross carrying amount | 32,571 | 3,639 | 1,038 | 540 | 309 | 672 | 38,769 |
| Average credit loss rate | 0.18% | 0.41% | 1.06% | 2.41% | 7.77% | 100.00% | 2.05% |
| Loss allowance | 60 | 15 | 11 | 13 | 24 | 672 | 795 |
| **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 36 (2018 : 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.

The changes in the loss allowance are as follows:-

| | Group 2019 | Group 2018 |
|---|---|---|
| | RM'000 | RM'000 |
| Balance at 1 January | 1,130 | 3,334 |
| Impairment (gains)/losses | (291) | 183 |
| Write-offs | (44) | (2,387) |
| Balance at 31 December | 795 | 1,130 |

**Amounts due from subsidiaries**

The amounts due from subsidiaries are unsecured, repayable on demand and interest free except for an amount of RM750,000 (2018 : RM1,250,000) which bears interest at 4.00% (2018 : 4.00%) per annum.

## 11. Receivables (cont'd)

### Amounts due from subsidiaries (cont'd)

The Company measures the loss allowance at an amount equal to lifetime expected credit losses. The gross carrying amounts and the related loss allowance changes are as follows:-

Company

| | Not credit-impaired RM'000 | Credit-impaired RM'000 | Total RM'000 |
|---|---|---|---|
| **2019** | | | |
| Gross carrying amount | 803 | 27,868 | 28,671 |
| Loss allowance:- | | | |
| - Balance at 1 January | 0 | (20,045) | (20,045) |
| - Impairment gains | 0 | 3,045 | 3,045 |
| - Balance at 31 December | 0 | (17,000) | (17,000) |
| | 803 | 10,868 | 11,671 |
| Disclosed as:- | | | |
| - Non-current assets | 750 | 10,868 | 11,618 |
| - Current assets | 53 | 0 | 53 |
| | 803 | 10,868 | 11,671 |
| **2018** | | | |
| Gross carrying amount | 1,254 | 27,868 | 29,122 |
| Loss allowance:- | | | |
| - Balance at 1 January / 31 December | 0 | (20,045) | (20,045) |
| | 1,254 | 7,823 | 9,077 |
| Disclosed as:- | | | |
| - Non-current assets | 750 | 7,823 | 8,573 |
| - Current assets | 504 | 0 | 504 |
| | 1,254 | 7,823 | 9,077 |

The Company determines that an amount due from subsidiary is credit-impaired when the subsidiary is in negative equity position.

## 12. Cash and cash equivalents

| | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| Highly liquid investments in money market funds | 4,350 | 802 | 0 | 0 |
| Cash and bank balances | 18,565 | 7,322 | 1,469 | 715 |
| | 22,915 | 8,124 | 1,469 | 715 |

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.

## 12. Cash and cash equivalents (cont'd)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and cash equivalents | 22,915 | 8,124 | 1,469 | 715 |
| Bank overdrafts | (1,080) | (2,124) | 0 | 0 |
| | 21,835 | 6,000 | 1,469 | 715 |

## 13. Payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade payables | 7,184 | 8,673 | 0 | 0 |
| Other payables | 6,906 | 5,723 | 302 | 312 |
| Compensation received | 0 | 130 | 0 | 0 |
| | 14,090 | 14,526 | 302 | 312 |

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.

## 14. Loans and borrowings

Group

| | 2019 | 2018 |
|---|---|---|
| | RM'000 | RM'000 |
| **Secured** | | |
| Hire purchase payables | 0 | 7,190 |
| Banker acceptances | 11,309 | 11,933 |
| Bank overdrafts | 1,080 | 2,124 |
| Term loan | 0 | 103 |
| | 12,389 | 21,350 |
| Disclosed as:- | | |
| - Current liabilities | 12,389 | 16,114 |
| - Non-current liabilities | 0 | 5,236 |
| | 12,389 | 21,350 |

Hire purchase payables were secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4), investment properties (Note 5) and right-of-use assets (Note 6).

**14. Loans and borrowings (cont'd)**

The effective interest rates of loans and borrowings as at 31 December 2019 ranged from 3.68% to 8.35% (2018 : 4.61% to 8.50%) 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.

**Hire purchase payables**

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

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Minimum hire purchase payments:- | | |
| - Within 1 year | 0 | 2,333 |
| - 1 to 5 years | 0 | 5,698 |
| Total contractual undiscounted cash flows | 0 | 8,031 |
| Future finance charges | 0 | (841) |
| Present value of hire purchase payables:- | | |
| - Within 1 year | 0 | 1,954 |
| - 1 to 5 years | 0 | 5,236 |
| | 0 | 7,190 |

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

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Gross loan instalments:- | | |
| - Within 1 year | 0 | 105 |
| Total contractual undiscounted cash flows | 0 | 105 |
| Future finance charges | 0 | (2) |
| Present value of term loan | 0 | 103 |

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.

## 15. Lease liabilities

Group

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Gross lease liabilities:- | | |
| - Within 1 year | 2,219 | 0 |
| - 1 to 5 years | 3,545 | 0 |
| Total contractual undiscounted cash flows | 5,764 | 0 |
| Future finance charges | (465) | 0 |
| Present value of lease liabilities | 5,299 | 0 |
| Disclosed as:- | | |
| - Current liabilities | 1,953 | 0 |
| - Non-current liabilities | 3,346 | 0 |
| | 5,299 | 0 |

The incremental borrowing rates applied to lease liabilities as at 31 December 2019 ranged from 5.00% to 7.07% per annum.

## 16. Deferred tax liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Balance at 1 January | 5,661 | 3,262 | 94 | 48 |
| Deferred tax (income)/expense relating to origination and reversal of temporary differences recognised in:- | | | | |
| - Profit or loss | (276) | 397 | (1) | 0 |
| - Other comprehensive income | 0 | 1,803 | 0 | 0 |
| Deferred tax expense relating to change in tax rate recognised in:- | | | | |
| - Profit or loss | 0 | 46 | 0 | 46 |
| - Other comprehensive income | 0 | 124 | 0 | 0 |
| Deferred tax liabilities underprovided in prior year | 14 | 29 | 0 | 0 |
| Balance at 31 December | 5,399 | 5,661 | 93 | 94 |
| In respect of taxable/(deductible) temporary differences of:- | | | | |
| - Property, plant and equipment | 3,803 | 5,844 | 1 | 2 |
| - Right-of-use assets | 3,016 | 0 | 0 | 0 |
| - Investment properties | 282 | 255 | 92 | 92 |
| - Inventories | (171) | (123) | 0 | 0 |
| - Financial instruments | (261) | (315) | 0 | 0 |
| - Lease liabilities | (1,270) | 0 | 0 | 0 |
| | 5,399 | 5,661 | 93 | 94 |

**16. Deferred tax liabilities (cont'd)**

Save as disclosed above, as at 31 December 2019, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of RM982,000 (2018 : RM940,000). No further deferred tax assets have been recognised for the following excess of deductible temporary differences, unused capital allowances and tax losses over taxable temporary differences:-

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Deductible temporary differences of property, plant and equipment | 0 | 1 |
| Unused capital allowances | 3,829 | 4,062 |
| Unused tax losses | 20,176 | 20,176 |
| Taxable temporary differences of investment properties | (4,092) | (3,915) |
| | 19,913 | 20,324 |

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.

**17. Share capital**

| | 2019 | 2018 |
|---|---|---|
| | RM'000 | RM'000 |
| **Issued and fully paid** | | |
| 54,620,150 ordinary shares with no par value | 55,339 | 55,339 |

**18. Non-controlling interests ("NCI")**

Group

| | Accumulated NCI | | Loss allocated to NCI | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Master-Pack Energy Sdn. Bhd. | 15 | 23 | (8) | (8) |

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

| Name of subsidiary | Principal place of business/ Country of incorporation | Effective ownership interest held by NCI 2019 | Effective ownership interest held by NCI 2018 | Principal activity |
|---|---|---|---|---|
| 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.

## 19. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue from contracts with customers:- | | | | |
| - Sale of goods | 204,215 | 145,353 | 0 | 0 |
| Other sources of revenue:- | | | | |
| - Dividend income | 7 | 15 | 1,757 | 1,365 |
| - Operating lease income | 385 | 218 | 65 | 108 |
| | 392 | 233 | 1,822 | 1,473 |
| | 204,607 | 145,586 | 1,822 | 1,473 |

**Disaggregation of revenue from contracts with customers**

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Geographical areas:- | | |
| - Malaysia | 144,272 | 138,706 |
| - Vietnam | 58,312 | 5,321 |
| - Others | 1,631 | 1,326 |
| | 204,215 | 145,353 |

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

## 20. Impairment gains/(losses) on financial assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables from contracts with customers:- | | | | |
| - Associate | 4 | (4) | 0 | 0 |
| - Unrelated parties | 287 | (179) | 0 | 0 |
| Amount due from subsidiary | 0 | 0 | 3,045 | 0 |
| | 291 | (183) | 3,045 | 0 |

## 21. Employee benefits expense (including directors' remuneration)

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Company:- | | | | |
| - Fees | 253 | 238 | 249 | 234 |
| - Other short-term employee benefits | 2,949 | 1,818 | 14 | 14 |
| - Defined contribution plans | 123 | 103 | 0 | 0 |
| | 3,325 | 2,159 | 263 | 248 |
| Directors of subsidiaries:- | | | | |
| - Fees | 20 | 19 | 0 | 0 |
| - Other short-term employee benefits | 1,484 | 924 | 0 | 0 |
| - Defined contribution plans | 94 | 81 | 0 | 0 |
| | 1,598 | 1,024 | 0 | 0 |
| Other employees:- | | | | |
| - Short-term employee benefits | 10,136 | 9,489 | 29 | 20 |
| - Defined contribution plans | 764 | 598 | 0 | 0 |
| | 10,900 | 10,087 | 29 | 20 |
| | 15,823 | 13,270 | 292 | 268 |

## 22. Profit before tax

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax is arrived at after charging:- | | | | |
| Auditors' remuneration:- | | | | |
| - Current year | 136 | 136 | 45 | 45 |
| - Prior year | 0 | (6) | 0 | 0 |
| Direct operating expenditure for investment properties:- | | | | |
| - Generating rental income | 139 | 145 | 12 | 11 |
| - Not generating rental income | 3 | 3 | 0 | 0 |
| Fair value losses on financial instruments mandatorily measured at fair value through profit or loss | 0 | 53 | 0 | 53 |
| Fee expense for financial instruments not measured at fair value through profit or loss | 244 | 148 | 2 | 2 |
| Interest expense for financial liabilities not measured at fair value through profit or loss | 1,078 | 1,045 | 0 | 0 |
| Interest expense for lease liabilities | 383 | 0 | 0 | 0 |
| Inventories written down | 471 | 232 | 0 | 0 |
| Lease expense relating to:- | | | | |
| - Short-term leases | 616 | 0 | 1 | 0 |
| - Others | 0 | 208 | 0 | 8 |
| Property, plant and equipment written off | 6 | 1 | 0 | 0 |
| Realised loss on foreign exchange | 452 | 0 | 0 | 0 |

**22. Profit before tax (cont'd)**

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| and crediting:- | | | | |
| Bad debts recovered | 0 | 1 | 0 | 0 |
| Compensation income | 130 | 0 | 0 | 0 |
| Fair value gains on financial instruments mandatorily measured at fair value through profit or loss | 17 | 0 | 17 | 0 |
| Fair value gains on investment properties | 155 | 884 | 0 | 0 |
| Gain on disposal of investment in associate | 0 | 447 | 0 | 0 |
| Gain on disposal of investment properties | 0 | 480 | 0 | 0 |
| Gain on disposal of property, plant and equipment | 19 | 16 | 0 | 0 |
| Interest income for financial assets measured at amortised cost | 92 | 52 | 53 | 59 |
| Operating lease income from:- | | | | |
| - Investment properties | 385 | 218 | 65 | 108 |
| - Subleasing right-of-use assets | 328 | 0 | 0 | 0 |
| - Others | 112 | 439 | 0 | 0 |
| Realised gain on foreign exchange | 0 | 32 | 0 | 0 |
| Reversal of inventories written down | 270 | 0 | 0 | 0 |

**23. Tax expense**

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax based on results for the year:- | | | | |
| - Current tax | 2,893 | 2,130 | 18 | 24 |
| - Deferred tax | (276) | 443 | (1) | 46 |
| - Real property gains tax | 10 | 0 | 0 | 0 |
| | 2,627 | 2,573 | 17 | 70 |
| Tax (over)/under provided in prior year:- | | | | |
| - Current tax | (706) | (119) | 5 | (6) |
| - Deferred tax | 14 | 29 | 0 | 0 |
| | 1,935 | 2,483 | 22 | 64 |

**23. Tax expense (cont'd)**

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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 17,622 | 8,231 | 4,385 | 957 |
| Tax at applicable tax rate of 24% | 4,229 | 1,975 | 1,052 | 230 |
| Non-deductible expenses | 393 | 1,129 | 24 | 21 |
| Non-taxable income | (30) | (46) | (1,059) | (227) |
| Tax incentives claimed | (1,415) | 0 | 0 | 0 |
| Reinvestment allowances claimed | (127) | (113) | 0 | 0 |
| Effect of differential tax rates | (325) | (309) | 0 | 46 |
| Decrease in unrecognised deferred tax assets | (98) | (63) | 0 | 0 |
| Tax (over)/under provided in prior year | (692) | (90) | 5 | (6) |
| Tax expense | 1,935 | 2,483 | 22 | 64 |

**24. 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:-

| | 2019 | 2018 |
|---|---|---|
| Profit for the financial year attributable to owners of the Company (RM'000) | 15,695 | 5,756 |
| Weighted average number of shares in issue ('000) | 54,620 | 54,620 |
| Basic earnings per share (sen) | 28.73 | 10.54 |

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.

**25. Notes to consolidated statement of cash flows**

Group

**Acquisition of property, plant and equipment**

| | 2019<br>RM'000 | 2018<br>RM'000 |
|---|---|---|
| Cost of property, plant and equipment acquired | 839 | 5,258 |
| Acquisition by means of hire purchase | 0 | (3,178) |
| Net cash disbursed | 839 | 2,080 |

**Acquisition of right-of-use assets**

| | 2019<br>RM'000 | 2018<br>RM'000 |
|---|---|---|
| Cost of right-of-use assets acquired | 73 | 0 |
| Acquisition by means of leases | (71) | 0 |
| Net cash disbursed | 2 | 0 |

**Short-term loans and borrowings**

| | 2019<br>RM'000 | 2018<br>RM'000 |
|---|---|---|
| Balance at 1 January | 11,933 | 10,936 |
| Net cash flow changes | (677) | 1,023 |
| Other changes | 53 | (26) |
| Balance at 31 December (Note 14) | 11,309 | 11,933 |

**Lease liabilities**

| | 2019<br>RM'000 | 2018<br>RM'000 |
|---|---|---|
| Balance at 1 January | | |
| - Brought forward from preceding year | 0 | 0 |
| - Effect of adopting MFRS 16 | 7,200 | 0 |
| - Adjusted | 7,200 | 0 |
| Additions | 71 | 0 |
| Payments | (1,972) | 0 |
| Balance at 31 December (Note 15) | 5,299 | 0 |

**25. Notes to consolidated statement of cash flows (cont'd)**

**Lease liabilities (cont'd)**

The total cash outflow for leases is as follows:-

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| **Operating activities** | | |
| Lease expense recognised in profit or loss (Note 22) | 616 | n/a |
| **Investing activities** | | |
| Acquisition of right-of-use assets | 2 | n/a |
| **Financing activities** | | |
| Interest portion of lease liabilities (Note 22) | 383 | n/a |
| Principal portion of lease liabilities | 1,972 | n/a |
| | 2,973 | n/a |

**Hire purchase payables**

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Balance at 1 January | | |
| - Brought forward from preceding year | 7,190 | 5,815 |
| - Effect of adopting MFRS 16 | (7,190) | 0 |
| - Adjusted | 0 | 5,815 |
| Drawdowns | 0 | 3,178 |
| Repayments | 0 | (1,803) |
| Balance at 31 December (Note 14) | 0 | 7,190 |

**Term loan**

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Balance at 1 January | 103 | 325 |
| Repayments | (103) | (222) |
| Balance at 31 December (Note 14) | 0 | 103 |

**26. Related party disclosures**

Other than the directors' remuneration as disclosed in Note 21, transactions with related parties during the financial year are as follows:-

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Dividends declared from subsidiary | 0 | 0 | 1,750 | 1,350 |
| Interest charged to subsidiary | 0 | 0 | 35 | 50 |
| Rental charged to associate | 0 | 439 | 0 | 0 |
| Sale of goods to associates | 1,359 | 14,094 | 0 | 0 |

## 27. 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysia | 144,664 | 138,939 | 65,415 | 68,504 |
| Vietnam | 58,312 | 5,321 | 207 | 94 |
| Others | 1,631 | 1,326 | 0 | 0 |
| | 204,607 | 145,586 | 65,622 | 68,598 |

**Major customers**

For the financial year ended 31 December 2019, there was 1 (2018 : 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 RM69,747,000 (2018 : RM66,810,000).

## 28. 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 RM54,627,000 (2018 : RM44,627,000). The total utilisation of these credit facilities as at 31 December 2019 amounted to RM19,205,000 (2018 : RM20,351,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

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

## 29. 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.

**29. Financial risk management (cont'd)**

**Credit risk**

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 28.

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 11. 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 gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

| | Group | |
|---|---|---|
| | Denominated in USD | |
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Receivables | 5,859 | 14 |
| Cash and cash equivalents | 4,245 | 8 |
| Payables | (4,504) | (554) |
| | 5,600 | (532) |

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.

**29. Financial risk management (cont'd)**

**Currency risk (cont'd)**

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 |
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Appreciation of USD against RM by 10% | 426 | (40) |
| Depreciation of USD against RM by 10% | (426) | 40 |

**Interest rate risk**

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

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 follows:-

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| **Fixed rate instruments** | | |
| Financial liabilities | 16,608 | 19,123 |
| **Floating rate instruments** | | |
| Financial liabilities | 1,080 | 2,227 |

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 |
| | 2019 | 2018 |
| | RM'000 | RM'000 |
| Increase in interest rates by 50 basis points | (4) | (8) |
| Decrease in interest rates by 50 basis points | 4 | 8 |

**29. Financial risk management (cont'd)**

**Other price risk**

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

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

The Group's quoted investments are listed on Bursa Malaysia Securities Berhad. Based on the assumption that the share prices of these investments moved in correlation with the FTSE Bursa Malaysia KLCI ("FBMKLCI"), the following table demonstrates the sensitivity of profit or loss (and 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 2019 RM'000 | Increase/ (Decrease) in profit 2018 RM'000 |
| Increase in FBMKLCI by 10% | 27 | 25 |
| Decrease in FBMKLCI by 10% | (27) | (25) |

**30. 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 interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, 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 interest-bearing debts divided by total equity as follows:-

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Loans and borrowings | 12,389 | 21,350 |
| Lease liabilities | 5,299 | 0 |
| Total interest-bearing debts | 17,688 | 21,350 |
| Total equity | 105,837 | 91,165 |
| Total capital | 123,525 | 112,515 |
| Debt-to-equity ratio | 17% | 23% |

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

# GROUP PROPERTIES

AS AT 31 DECEMBER 2019

| No. | Location | Description Of Property | Build-up Area | Land Area | Existing Use | Tenure | Approx. Age Of Buiding (years) | Fair Value/ Net Book Value | Date Of Last Revaluation/ Date Of Acquisition |
|---|---|---|---|---|---|---|---|---|---|
| | **Properties** | | | | | | | | |
| 1 | Lot No. 408, Mukim 7, S.P.S., Penang. | Industrial Land & Factory Building | 125,855 sq ft | 7.17 acres | Factory for manufacturing facilities | Freehold | 24 | L:RM10,000,000<br>B:RM7,656,000 | 31-Dec-18 |
| 2 | Plot No. 13 and 14, Mukim 5, S.P.S., Penang. | Industrial Land & Factory Building | 72,174 sq ft | 2.5 acres | Factory for manufacturing facilities | Freehold | 19 | L:RM3,200,000<br>B:RM4,646,000 | 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 | 27 | L:RM6,757,000<br>B:RM4,518,000 | 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 | 29 | L:RM390,000<br>B:RM115,000 | 31-Dec-19 |
| 5 | Lot 10056 to 10063, Mukim of Parit Buntar, Daerah Krian, Perak. | Industrial Land & Factory Building | 99,832 sq ft | 133,291 sq ft | Vacant and for investment purpose | Freehold | 22 | L:RM3,050,000<br>B:RM7,950,000 | 31-Dec-19 |
| 6 | Office units 5-3-1 to Office units 5-3-6, Hunza Complex, Greenlane Heights, Jalan Gangsa, 11600 Penang.<br><br>Parent Lot: 4744, Section 5, Town of Georgetown, North East District, Penang. | Commercial Lots | 8,530 sq ft | Not Applicable | Rental for investment purpose | Freehold | 24 | B:RM3,320,000 | 31-Dec-19 |

# ANALYSIS OF SHAREHOLDINGS

AS AT 22 APRIL 2020

**DISTRIBUTION OF SHAREHOLDER AS AT 22 APRIL 2020**

| No. of Holders | Holdings | Total Holdings | % |
|---|---|---|---|
| 319 | Less Than 100 | 14,163 | 0.03 |
| 676 | 100 - 1,000 | 461,968 | 0.85 |
| 2,713 | 1,001 - 10,000 | 10,788,615 | 19.75 |
| 615 | 10,001 – 100,000 | 17,071,204 | 31.25 |
| 32 | 100,001 and below 5% of issued shares | 10,412,200 | 19.06 |
| 2 | 5% and above of issued shares | 15,872,000 | 29.06 |
| 4,357 | TOTAL | 54,620,150 | 100 |

**DIRECTORS' SHAREHOLDINGS AS AT 22 APRIL 2020**

| Name of Director | Direct interest | % | Deemed interest | % |
|---|---|---|---|---|
| Dato' Syed Mohamad Bin Syed Murtaza | - | - | - | - |
| Dato' Seri Khor Teng Tong | 800,000 | 1.46 | 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 22 APRIL 2020**

| Name of Director | Direct interest | % | Deemed interest | % |
|---|---|---|---|---|
| Yayasan Bumiputera Pulau Pinang Berhad | 15,872,000 | 29.06 | - | - |

**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.<br>BENEFICIARY: HDM CAPITAL SDN. BHD. FOR YAYASAN BUMIPUTRA PULAU PINANG BHD. | 6,372.000 | 11.67 |
| 3 | AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: HDM CAPITAL SDN. BHD. FOR CH'NG ENG SEONG | 1,500,000 | 2.75 |
| 4 | KHOR TENG TONG HOLDINGS SDN. BHD | 1,127,000 | 2.06 |
| 5 | TAN KIM KEE @TAN KEE | 1,110,000 | 2.03 |
| 6 | KHOR TENG TONG | 800,000 | 1.46 |
| 7 | LOOH CHEE PENG | 580,800 | 1.06 |
| 8 | LEE KOK HIN | 533,400 | 0.98 |
| 9 | HSBC NOMINEES (ASING) SDN. BHD.<br>BENEFICIARY: TNTC FOR DOUBLE RIVER INVESTMENT LIMITED | 500,000 | 0.92 |
| 10 | PUBLIC NOMINEES (TEMPATAN) SDN.BHD.<br>BENEFICIARY: CHEE CHIN HUA | 500,000 | 0.92 |
| 11 | EDEN @ MOHD EDEN BIN MOHD ALI | 300,000 | 0.55 |
| 12 | SIEOW CHONG SENG | 292,000 | 0.53 |
| 13 | PRO MUSANG VALLEY SDN.BHD. | 264,800 | 0.48 |
| 14 | SEE CHOON SUANG | 238,000 | 0.44 |
| 15 | HLIB NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: LIM YEE KHEI | 200,000 | 0.37 |
| 16 | SHAHABUDEEN JALIL BIN KAMARUL | 175,000 | 0.32 |
| 17 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: TAN KIAN AIK | 150,000 | 0.27 |
| 18 | TAN SENG CHONG @ TAN AH TEE | 150,000 | 0.27 |
| 19 | WINCOOL ENGINEERING SDN. BHD. | 150,000 | 0.27 |
| 20 | TAI LEE DEVELOPMENT SDN. BHD. | 147,200 | 0.27 |
| 21 | HLIB NOMINEES (TEMPATAN) SDN.BHD.<br>BENEFICIARY: TOH AH LOU | 145,000 | 0.27 |
| 22 | LIM BUN CHOON | 131,400 | 0.24 |
| 23 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: LEW MON CHING | 130,000 | 0.24 |
| 24 | TAN CHIN NAM SENDIRIAN BERHAD | 130,000 | 0.24 |
| 25 | CGS-CIMB NOMINEES (ASING) SDN. BHD.<br>BENEFICIARY: EXEMPT AN CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS) | 125,000 | 0.23 |
| 26 | PUBLIC NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: LOOH CHEE WAH | 125,000 | 0.23 |
| 27 | OH TEK HAN | 122,000 | 0.22 |
| 28 | NG CHEE KAN | 120,000 | 0.22 |
| 29 | CIMSEC NOMINEES (TEMPATAN) SDN. BHD.<br>BENEFICIARY: CIMB FOR NG HOCK CHYE | 115,000 | 0.21 |
| 30 | MOHD. NAZRIN BIN SAAD | 114,600 | 0.21 |

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MASTER-PACK

GROUP BERHAD 199401011341 (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 26th Annual General Meeting ("AGM") of the Company to be held at No. 1A, Ross Road, 10450 Georgetown, Penang on Wednesday, 24 June 2020 at 11.30 a.m. and at any adjournment thereof.

| NO. | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1 | To re-elect Encik Aminuddin Bin Saad as a director of the Company | | |
| 2 | To re-elect Mr. Chew Hock Lin as a director of the Company | | |
| 3 | To approve the payment of Directors' fees for Year 2019 | | |
| 4 | To approve the payment of Directors' benefits | | |
| 5 | To re-appoint 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. | | |

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 ..............................., 2020.

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 48 hours before the time appointed for holding the meeting or adjournment thereof, or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll.
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 17 June 2020. Only a depositor whose name appear on the Record of Depositors on 17 June 2020 shall be eligible to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

** Strike out whichever is not desired.*

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Stamp

The Company Secretary
**Master-Pack Group Berhad**
199401011341 (297020-W)
51-21-A Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang.

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