



MASTER-PACK

GROUP BERHAD 199401011341 (297020-W)

ANNUAL REPORT 2020



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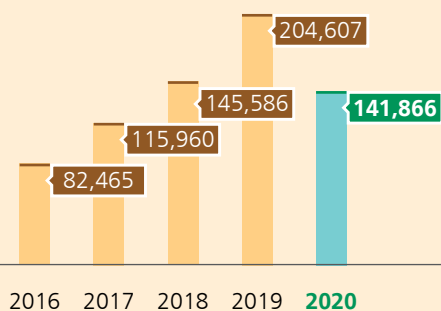


GROUP FINANCIAL HIGHLIGHTS

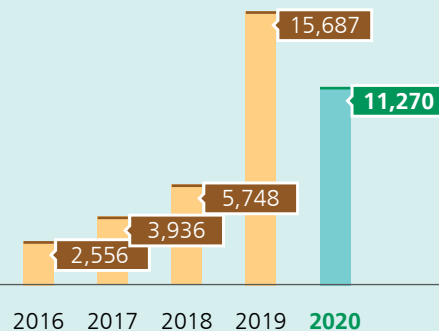
YEAR ENDED 31 DECEMBER

	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Revenue	82,465	115,960	145,586	204,607	141,866
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	7,132	9,507	12,937	23,127	17,576
Profit Before Tax	3,512	5,387	8,231	17,622	12,793
Profit After Tax	2,556	3,936	5,748	15,687	11,270
Net profit Attributable to Owners of the Company	3,067	3,945	5,756	15,695	11,275
Total Assets	93,648	107,884	132,946	143,617	141,878
Total Loans and Borrowings	11,069	18,832	21,350	17,688	10,525
Shareholders Equity	72,103	75,517	91,165	105,837	113,392
Capital Expenditure	1,182	1,014	2,080	839	2,626
Earnings per share	5.62 sen	7.22 sen	10.54 sen	28.73 sen	20.64 sen
Net assets per share	RM1.32	RM1.38	RM1.67	RM1.94	RM2.08

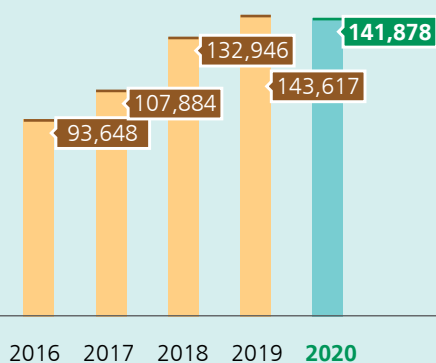
REVENUE RM141,866



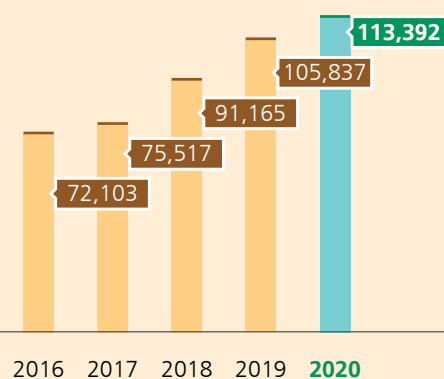
PROFIT AFTER TAX RM11,270



TOTAL ASSETS RM141,878



SHAREHOLDERS EQUITY RM113,392



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) / SSM PC NO. 201908002340

Ms. P'ng Chiew Keem
(MAICSA 7026443) / SSM PC NO. 201908002334

REGISTRAR

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

AUDITORS

Crowe Malaysia PLT
201906000005 (LLP0018817 - LCA) & AF 1018
Chartered Accountants
Level 6, Wisma Penang Garden,
42 Jalan Sultan Ahmad Shah,
10050 Penang.

STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad,
Main Market**

REGISTERED OFFICE

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

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 : 3,981

PRINCIPAL BANKERS

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

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

WEBSITE

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



COMPANY PROFILE

AN OVERVIEW OF MASTER-PACK GROUP BERHAD BUSINESS OPERATIONS

Master-Pack Group Berhad (“MPG”) and its subsidiaries are primarily engaged in the business of manufacturing corrugated cartons, wooden packaging and providing one-stop packaging solutions to its customers. The Master-Pack Group of companies has over the last 29 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. 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 <http://www.master.net.my> to pre-view samples of the various models of corrugated products manufactured by our company.

Our packaging is designed holistically with the product of our clients in mind in order to optimize overall environment performance; using clean production technologies and best practices; optimizing raw materials and energy. The packaging that we produce would be designed to be effective, beneficial and safe for users and communities throughout its life cycle and where possible, we aim at reducing the weight and volume of the packaging itself. We work to ensure our packaging meets market criteria for performance and cost as well as qualitatively meeting our customer's choices and expectations.

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

BUSINESS SUSTAINABILITY

Packaging will always be in demand as packaging is required to protect and transport goods from one point to another and for many other purposes such as providing marketing appeal and information on the goods the package covers. There are many types and forms of packaging using different materials.

Packaging using paper is by and large very versatile. The process and techniques of corrugating can transform paper into all kinds of shapes and forms that are not only strong but attractive in design. Corrugated materials can also be made into other usable articles such as paper plates and cups and even furniture.

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

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

COMPANY PROFILE

(CONT'D)

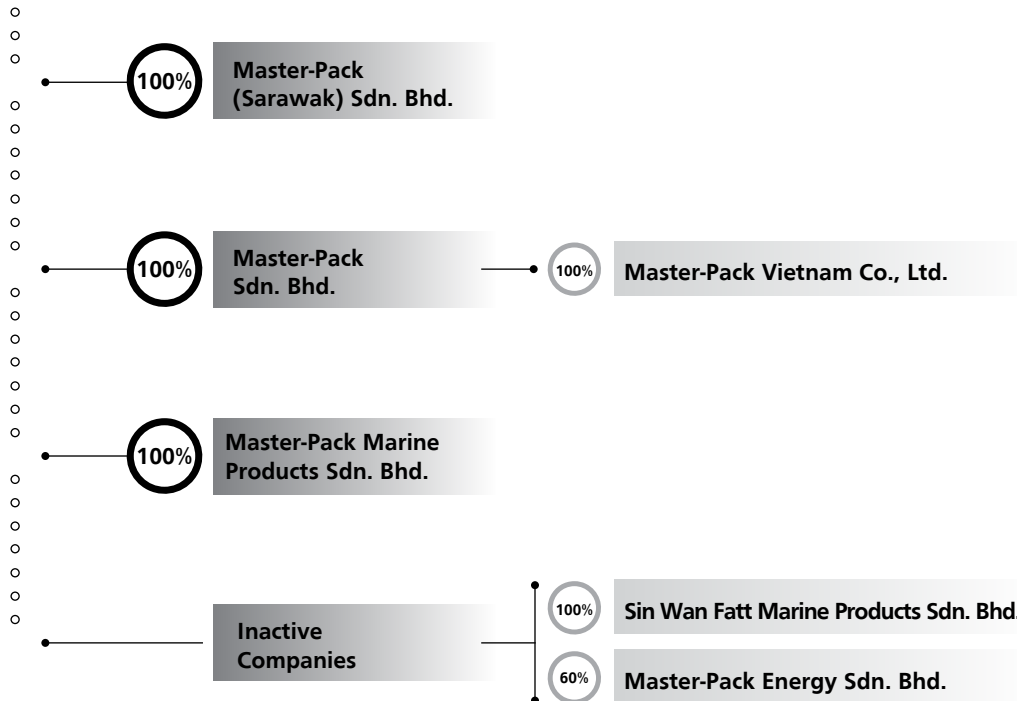
OPERATION AND FINANCIAL RISK

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

In keeping with the Company's Sustainable Policy and our Corporate Social Responsibility, our suppliers are assessed on price, quality, timely delivery and practical technical support. Most importantly, we are committed to ensure that our paper commodity sourcing is sustainable meaning our commodity paper purchases are made only from suppliers who fulfills the Forest Stewardship Council standards and other related legislation. Our manufacturing paper wastes are sold back to the paper mills for recycling.

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

CORPORATE STRUCTURE



INTRODUCTION / WELCOME

The year passes quickly. From the last report for the financial year 2019 when the COVID-19 pandemic was declared by the World Health Organization on 11 March 2020, we are now into the second year of the pandemic.

Master-Pack Group responded swiftly and modified working practices where necessary. To comply with the Malaysian Government directives during the Movement Control Order (MCO), instead of physical meetings, virtual meetings were held, keeping everyone well informed on the status of operations although some had to be absent from their work place. Office employees who were able to work from home were required to do so while those who have to physically man the operations readjusted their work positions to comply with physical distancing. Compulsory mask-wearing, temperature taking, registering via the MySejahtera App, daily disinfecting work places and all the measures the Health Ministry had recommended were put into place. Several things we never envisaged at all a year ago has nearly all become activities of second nature to us.

Despite all these disruptions, I am pleased to note that the Group was able to turn in good results for the year with a profit for the year of RM11.3 million. On top of it all, management was prudent in all its decisions and has built up the Group's cash reserves. In a time of such uncertainties, it is comforting to have such reserves to meet any unprecedented emergencies.

Nevertheless, I am looking forward to when, we will all be able to gather again physically and all who are forced to work from home can then return to work in their respective work places. Productivity and operations had to return to 100% in order to move forward with growth again in the coming years. Needless to say, the dedication, honesty and integrity are demanded from all associates to face the new normal style of work.

DIVIDENDS

As promised, in view of the continued stability of the Group's financial status, I am proud to record that a total dividend of 6 sen was declared for the financial year ended 31 December 2020 when 4 sen was paid on 24 June 2020 and another 2 sen was paid on 5 February 2021.

ACKNOWLEDGEMENT

“

I am also happy to note that throughout this challenging time where we adopt to a new normal style of work, all stakeholders including my board of directors and all employees had continued to provide their support in each of their distinctive role and all these put together has helped Master-Pack pull through the year excellently. TO ALL, I Say THANK YOU. Let's continue to work together diligently for the future. ”



Dato' Syed Mohamad bin Syed Murtaza
Group Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

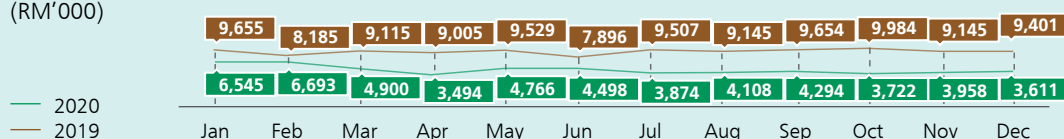
COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RM'000	2019 RM'000	Change RM'000	%
REVENUE	141,866	204,607	(62,741)	-30.7%
Raw materials, consumables and related input cost	(97,036)	(150,228)	53,192	-35.4%
Employee benefits expenses	(16,449)	(15,823)	(626)	4.0%
Other expenses	(12,578)	(16,692)	4,114	-24.6%
Other income	1,773	1,263	510	40.4%
	(124,290)	(181,480)	57,190	
EBITA	17,576	23,127	5,551	24.0%
Depreciation	(4,131)	(4,044)	(87)	2.2%
Finance Cost	(652)	(1,461)	809	-55.4%
	(4,783)	(5,505)	722	
Profit Before Tax	12,793	17,622	4,829	
<i>Profit Before Tax Margin</i>	9.0%	8.6%	0.4%	
Taxation	(1,523)	(1,935)	412	-21.3%
Profit After Tax	11,270	15,687	4,417	28.2%
<i>Profit After Tax Margin</i>	7.9%	7.7%	0.2%	

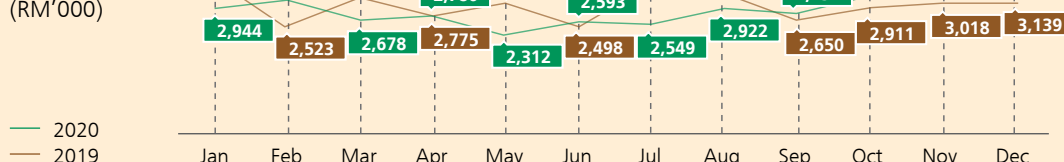
REVENUE

Revenue was reduced by 30.7% as compared to the previous year with the West Malaysia (WM) component registering the largest decline when the Movement Control Order (MCO) was first enforced on 18 March 2020 by the Malaysian Government to combat the spread of the Corona Virus code-name COVID-19. The plant in WM had to shut-down 50% of its operations then. Impact on the East Malaysia (EM) plant was less severe as the plant was allowed to continue operations during the MCO period in order to supply packaging materials to the food producing companies. Operations in Vietnam were carried out at 100% capacity.

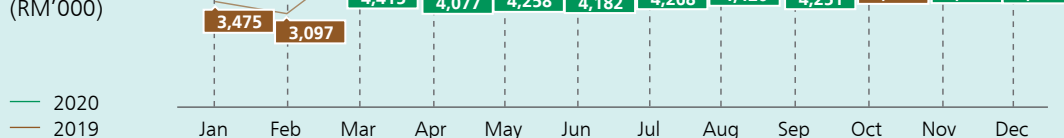
West Malaysia - Revenue trend (RM'000)



East Malaysia - Revenue trend (RM'000)



Vietnam - Revenue trend (RM'000)



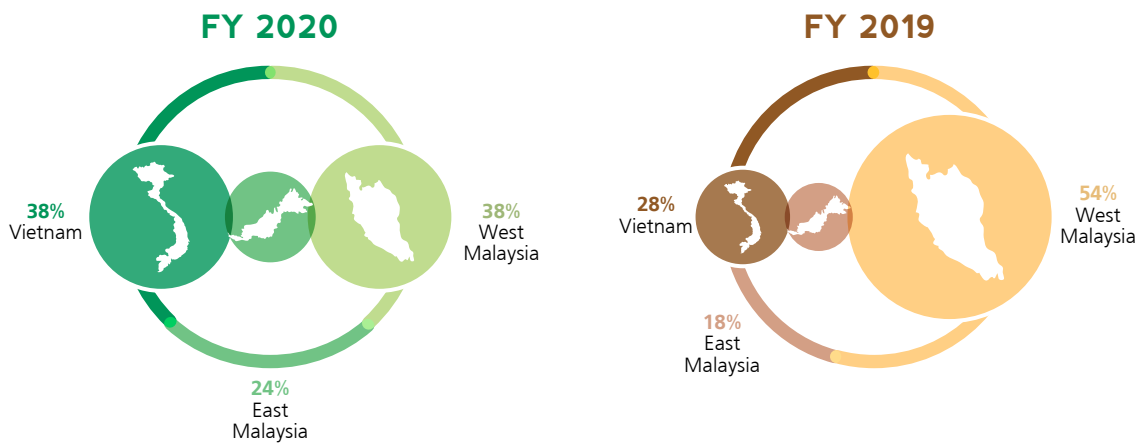
REVENUE (cont'd)

Revenue Contribution by Region

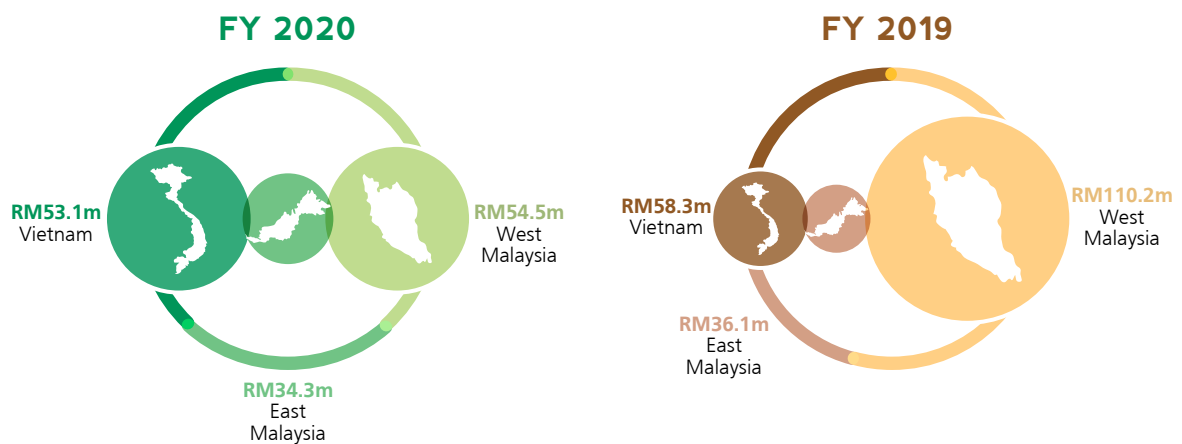
As shown by the chart below, revenue contribution from West Malaysia was reduced from RM110.3 million (54%) in 2019 to RM54.5 million (38%) in 2020. Revenue contribution from East Malaysia has increased from 18% to 24% with a reduction in value from RM36.1 million to RM34.3 million. As for Vietnam, revenue also saw a slight reduction from RM58.3 million to RM53.1 million. Contribution from Vietnam to the group has increased from 28% to 38%.



Contribution by Percentage



Contribution in Ringgit



MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

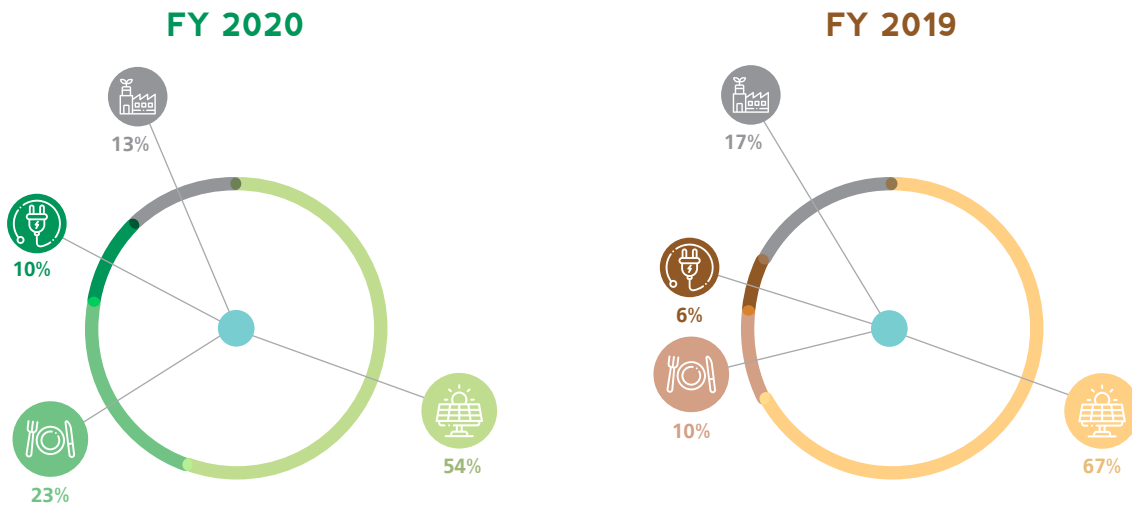
REVENUE (cont'd)

Revenue Contribution from different Industry

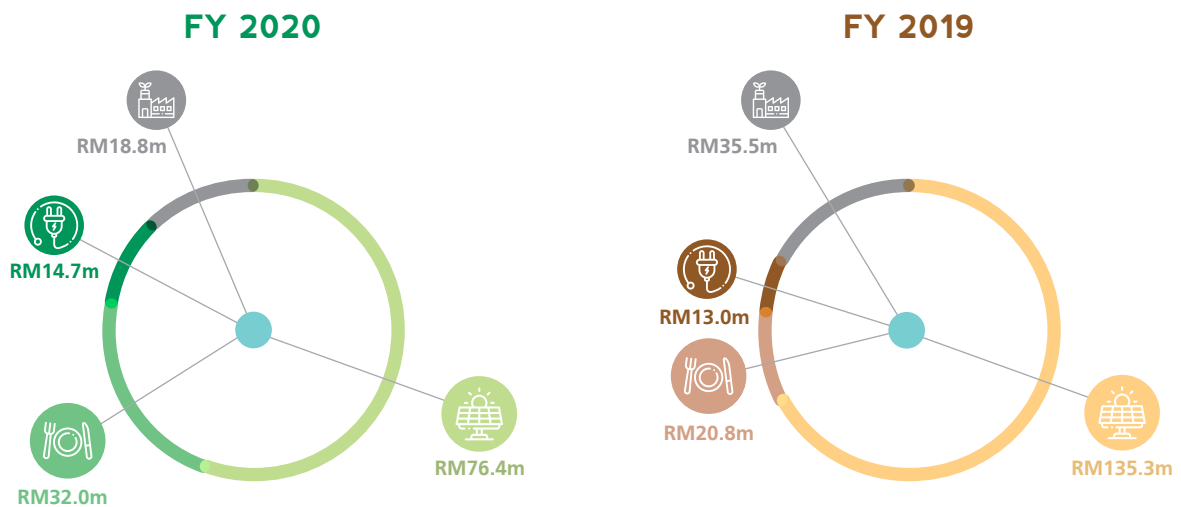
Revenue from the solar sector saw a reduction from 67% to 54% while the food sector increased from 10% to 23% from RM20.8 million to RM32.0 million in value. This was because we were able to continue delivering packaging materials to the food sector which was allowed to operate during the MCO period while other “non-essential sectors” had to curtail their operations in compliance to the Standard Operating Procedures enforced by the authorities.



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

MANAGEMENT DISCUSSION AND ANALYSIS

(CONT'D)

COST AND EARNINGS

The decrease in raw material costs due to lower prices and a weak US dollar during the year together with overall lower employee benefits paid and other operating expenses helped to provide slightly better margins for the year. In addition, finance cost decreased and interest income increased due to accumulated available cash and cash equivalents held.

Financial Position of the Group

	2020 RM'000	2019 RM'000	Change RM'000	%
Non-current Assets	65,327	66,432	(1,105)	-1.7%
Current Assets	76,551	77,185	(634)	-0.8%
Borrowings and Lease Liabilities	10,525	17,688	(7,163)	-40.5%

The Group continued to invest in new machinery during the year amounting to RM2.6 million. After depreciation of RM4.1 million, the value of property, plant and equipment stood at RM35.7 million.

The small drop of % in current assets was due to lower inventories held as at 31 December 2020 and lower trade receivables due to lower sales in the last quarter of the year compared to the last quarter of the previous year.

The lower revenue during the year also meant lower utilization of trade facilities from financial institutions and therefore the lower balance outstanding as at 31 December 2020 compared to 31 December 2019. Moreover, lease liabilities have reduced by another RM2.0 million from the installments paid during the year.

Cash-flow

	2020 RM'000	2019 RM'000	Change RM'000	%
Net cash from operating activities	27,755	21,730	6,025	27.7%
Net cash used in investing activities	(2,257)	(721)	(1,536)	213.0%
Net cash used in financing activities	(8,920)	(5,252)	(3,668)	69.8%
Net increase in cash and cash equivalents	16,153	15,835	318	2.0%

Net cash from operating activities for the year 2020 was RM27.8 million due to good collections from trade receivables.

The Group further invested another RM2.6 million during the year in new machinery to replace and upgrade old machinery.

For the year 2020, RM4.1 million was used to reduce the Group's borrowings and paid RM2.2 million in dividend.

Dividend

The Group paid out a total of 6 sen in dividend for the financial year 2020 amounting to RM3.3 million. The Group will continue to reward its shareholders every year based on the availability of its cash reserves after taking into considerations its borrowing commitments and requirements for investments that can provide growth to the group.

Outlook

The general view is there will be economic growth globally with the deployment of the COVID-19 vaccines by most economies. However the increase in demand will result in higher commodities prices and inflation. As at the beginning of 2021, the prices of paper have already started to increase. The shortage of Shipping Containers and higher freight charges will impact us. Businesses in Malaysia are still operating under very tight Standard Operating Procedures (SOP) enforced by the Authorities such as having to operate at 30% capacities and some staff having to work from home. These SOPs are limiting potential growth, adding costs to operations and hampering productivity. The Group is fortunate to have a plant in Vietnam that is able to operate and do business "as usual" in 2020 and into 2021 which has become a significant contributor to the Group's revenue and bottom line.



SUSTAINABILITY STATEMENT

We are pleased to share with you Master-Pack Group's Sustainability Report for the financial year ended 2020. The Board of Directors of Master-Pack Group Berhad gives recognition to the importance of continuously developing and improving the business operations of the Group in a sustainable and responsible manner. The Board believes that by placing sustainability as its core business operations will drive the long term business growth of the Group as a whole.

Driving Sustainability

The Board is committed to continuously promote sustainability practices; recognizes that stakeholder's engagement plays a vital role in ensuring that business pursued by the Group is sustainable in the long run; creates sustainable long term value for stakeholders; and in the long term develops sustainable business progress in meeting all of its corporate commitments.

The Board recognizes that business is not solely judged by its financial performance but also on its conducts in respect of governance, economic, environment and social aspects meeting challenging environment generating values to its stakeholders in long term sustainable manner. Hence, it is the underlying value of the Group to achieve equilibrium between financial performance, long term business sustainability and value creation.

The Group's resilience in the face of the challenges of the COVID-19 pandemic signifies our dedication, commitment and co-operation of everyone in the Group and successfully implemented the sustainable strategies to pull through the challenges by good governance and ethical business practices.

Basis of Scope

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

Exclusion

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. which was disposed off subsequent to the financial year end.

Reporting Period

This report covers the period from 1 January to 31 December 2020 in comparisons with the preceding calendar year 2019. All the financial data disclosed in this report are 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.

During the year 2020, RMSC reviewed the effectiveness of the risk management & sustainability process and reported the risk management activities including identified risks, internal controls and mitigation plans that had taken 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 them in the Risks and Opportunity Register. The Risk Working Committee are represented by various business sections and departments ensuring that all interests of the Master-Pack group work together in the development of sustainability strategies. This is a very small dedicated team and at this juncture the Group has not setup a department solely to focus on sustainability matters.

The Risk Working Committee reported to the Risk Management & Sustainability Committee on 22 November 2019 and again on 20 November 2020, highlighting the revisions and additions to address new areas of concern and potential risk for the financial year 2020 and 2021 respectively. The report was then tabled by the Audit Committee Chairman in the Board of Directors meeting on the same date.

The Group Chairman /Executive Director is 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. The Board is committed to accountability, transparency and sustainability performance of our business.

GOVERNANCE STRUCTURE (cont'd)

The identified key matters are Economic Performance, Environment, Our People including Corporate Social Responsibility. We will take steps to continue adapting, evolving and integrating sustainable practices into the Group's working environment and work culture to ensure the Group's business continuity and competitiveness. We practice business process and strategy making it sustainable and bringing positive impact on the community, economy and environment.

The Group is committed to the principles and practices of corporate sustainability, and we have disclosed our Sustainability Policy Statement in our website <http://www.master.net.my> as well as the 2019 Annual Report. We will continue our sustainability journey and best practices to the best of our abilities and shall present on a yearly basis the Group's Sustainability Report.

STAKEHOLDERS ENGAGEMENT

The management reaches out to stakeholders through a variety of ways to listen, understand and respond to stakeholders requirements. Feedback from stakeholders helps us understand their expectations, needs and concerns allowing us to prioritise issues and address them in a timely manner.

Stakeholders' engagement on sustainability topics and type of engagement

STAKEHOLDERS	SUSTAINABILITY TOPICS	TYPE OF ENGAGEMENT
Customers	<ul style="list-style-type: none"> Product, Quality and Service performance Operation in compliance with applicable laws especially adherence to MOH SOPs Production Improvements 	<ul style="list-style-type: none"> Performance Review Virtual audits Virtual networking session Master-Pack website Customer Feedback Survey
Employees	<ul style="list-style-type: none"> Communication and engagement Working Condition complying with the Health Ministry's SOP Employee Satisfaction Operation in compliance with applicable laws and standards Health and Safety 	<ul style="list-style-type: none"> Intranet/ Internal memo Employee surveys Training Activities Employee Service Awards and Recognition
Shareholders	<ul style="list-style-type: none"> Financial Performance Operations in compliance with applicable laws and regulations 	<ul style="list-style-type: none"> Annual and Quarterly Results Master-Pack Website Annual General Meetings
Government & Regulators	<ul style="list-style-type: none"> Regulatory Compliance 	<ul style="list-style-type: none"> Site Visits and Inspection Audits Meeting and engagement sessions

ECONOMICS

Financial Performance and Business Sustainability

Financial performance and business continuity are of utmost importance to our internal and external stakeholders alike in the year when the world's economy slowed due to intermittent lockdowns to curb the spread of the COVID-19 pandemic disease. Master-Pack Group is fortunate as all our plants continued to operate during the Malaysian Movement Control Order in the year 2020 and deliveries continued to customers in industries classified as being essential.

We continuously monitor our financial and operational procedures, cash flow requirements, cost optimization efforts and these efforts sustained us through the difficult year of the worldwide economic downturn. The Group manages to be profitable despite the unprecedented challenges during the year 2020.

Despite the decrease in revenue and profitability, the Board declared and distributed a higher dividend to the shareholders during the year 2020. A total of 4 sen per share is declared and paid during the year 2020 whilst an additional special dividend of 2 sen per share was paid on 5 February 2021.

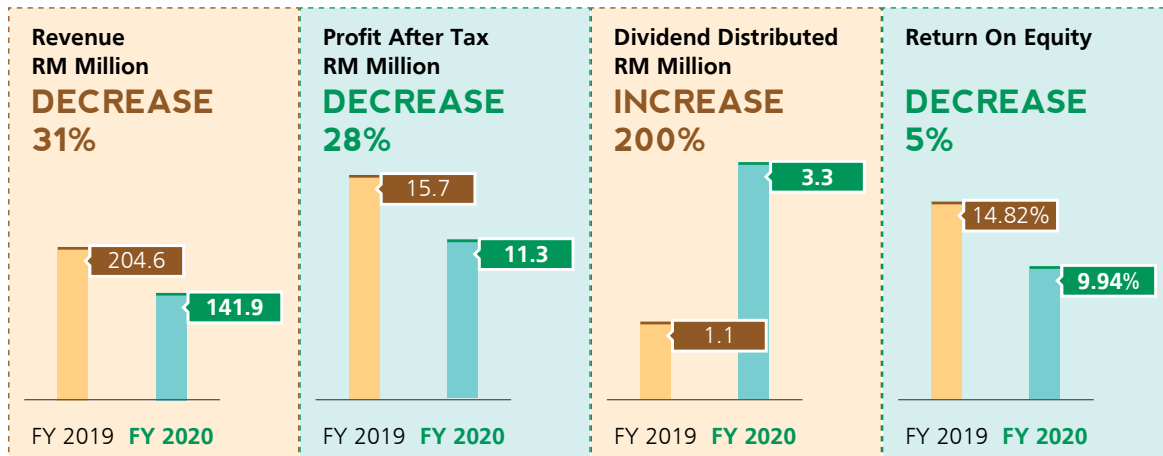
SUSTAINABILITY STATEMENT

(CONT'D)

ECONOMICS (cont'd)

Financial Performance and Business Sustainability (cont'd)

Synopsis of Master-Pack Group Financial Performance for 2020



Preservation of Cash Flow

One of the Group's immediate priorities was to preserve the Group's cash flow by enhancing credit risk management and controls. Capital and operational expenditure were reviewed, implemented and cost management measurements were actively tracked, monitored and managed. Our prudent financial management had ensured the Group's financial strength and stability and the financial institutions' continued support.

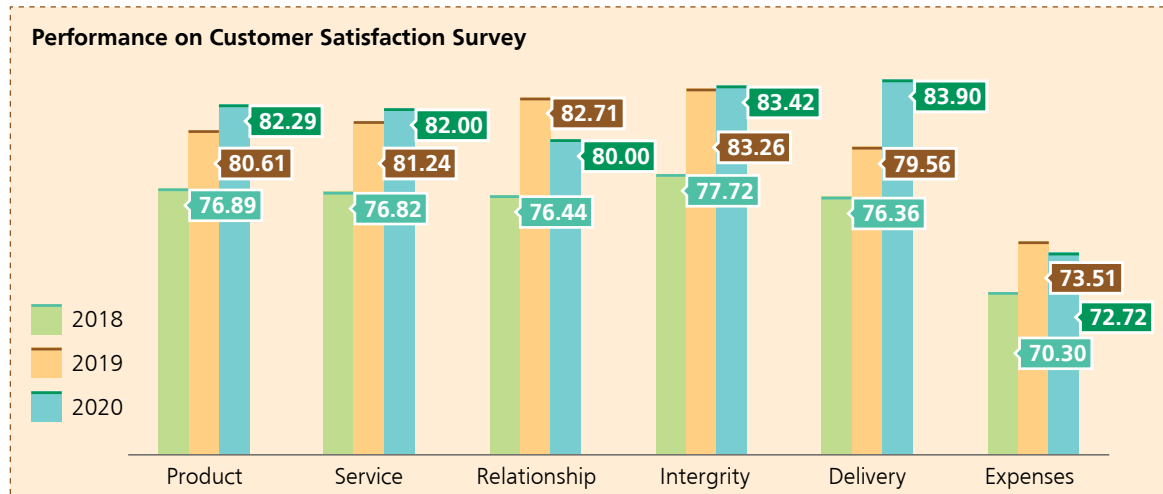
Commitment to Quality and Customer Satisfaction

Delivery on scheduled time with the target of > 80%, continues to improve with a cumulative average of 78.72% for West Malaysia factories and 87.69% for East Malaysia factory for financial year 2020.

The target of less than 4 cases of customer complaints on quality and service issues was achieved with the cumulative average of 2.2 and 3.5 cases of customer complaints received in West Malaysia and East Malaysia respectively during the year 2020.

We continuously strive to improve our level of service, quality and product excellence, this being our Sales Team commitment in fulfilling our customer's expectation.

We conducted customer survey to assess customer satisfaction with the aim of improving customer service and concerns. Overall result of customer satisfaction continues to increase for the last three years.



ECONOMICS (cont'd)

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 toward sustainable business conduct. We also emphasize on adherence to and compliance with best practices of sustainability initiatives as well as anti-bribery and anti-corruption standards.

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.

Code of Business Conduct, Anti-Bribery, Anti-Corruption and Whistle Blowing

Code of Business Conduct read together with the Anti-Bribery and Anti-Corruption policy clearly sets out Master-Pack's policy and practices on business conduct, anti-bribery and matters of corruption that may be encountered in the daily operation. With effect from 1 January 2020, policy changes on entertainment, gifts and claims were spelt out to reinforce the Anti-Bribery and Anti-Corruption policy adopted in the group. There were zero case of bribery and corruption reported through the whistle blowing procedure for the year 2020.

COVID-19 Risk Management

On the onset of the COVID-19 outbreak, the Emergency Response Team responded and conducted virtual meetings daily on transpiring daily matters that needed to be resolved as well as decided on strategic plans and actions which were required to be implemented in the work place to protect the employees and to curb the spread of the contagious COVID-19 disease.

Over a period of time, measures such as daily scanning of the Mysejahtera mobile app on reporting to work each day, temperature reading and recording, providing free masks to wear on a daily basis to employees, passing through a sanitizing chamber before entering the premises of the plant, prescheduled daily sanitizing of the workplace and common areas, physical segregation, dual-relay teams, daily tracking of reported COVID-19 clusters compared to employee's family movement declaration, working from home when necessary for office employees in accordance to the SOPs of the Movement Control Order. In addition, all foreign workers were tested in compliance to regulatory requirement and all were confirmed negative.

Additional outlets of inventory were established outside of the main plant to ensure our commitment to support major customers, in unforeseen circumstances.

ENVIRONMENT

Environmental Permits and Reporting

All required environmental permits, approvals and registrations are obtained, maintained and kept up to-date. Reporting requirements in compliance to regulations are duly adhered to.

Pollution Prevention and Resource Reduction

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.

SUSTAINABILITY STATEMENT

(CONT'D)

ENVIRONMENT (cont'd)

Hazardous Substance

All hazardous chemicals and other materials harmful to the environment are identified and appropriately handled during use, storage and disposal.

Wastewater and Solid Waste

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

Air emissions generated from the chimney are tracked, monitored and treated as required prior to discharge.

Material Restrictions

Adherence to all applicable laws, regulations and customer requirements regarding prohibition on material restrictions and in compliance to the law.

Storm Water Management

Preventive measures are in place at all times to prevent storm water contamination including discharge and spills from entering public drain.

Energy Consumption and Greenhouse Gas Emissions

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.

Electricity (kWhr /MT paper consume)

	2020	2019
West Malaysia	106.54	76.58
East Malaysia	73.90	72.97

Majority of the electricity consumption is utilized by production machinery and facilities equipment. We recognize the importance of properly managing and regulating energy consumption as a cost measurement. The increase in electricity consumption is attributed to the low production volume during the year 2020.

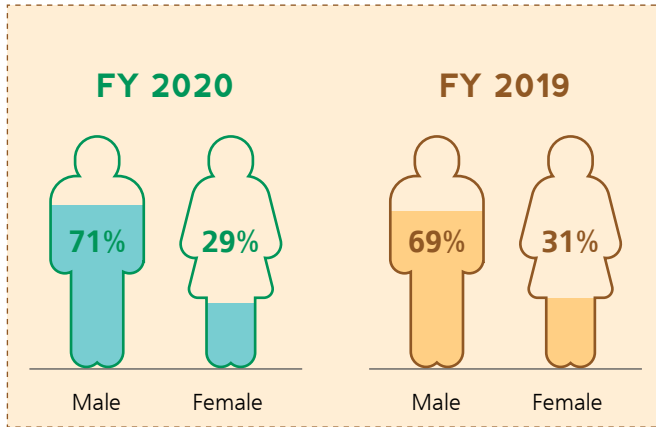
Water (cubic meters /paper consume)

	2020	2019
West Malaysia	0.98	1.18
East Malaysia	0.56	0.43

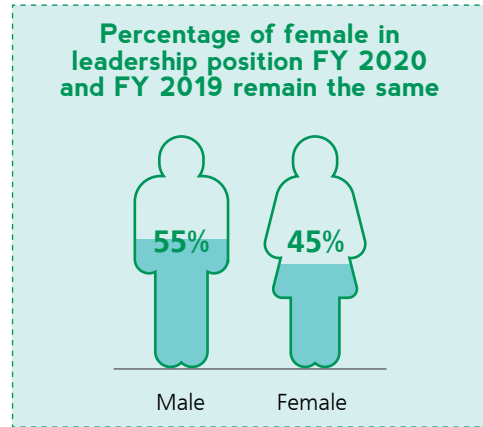
We have set the standard on the number of pails of water for washing printing plates. The underground pipe leakage in year 2019 had been identified and rectified. However the water consumption remains higher than the target of 0.50 cubic meters per paper consume.

SOCIAL

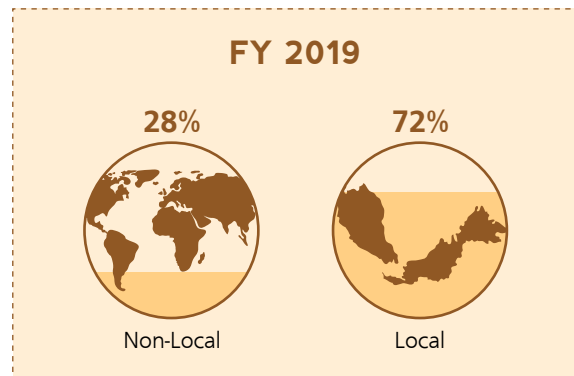
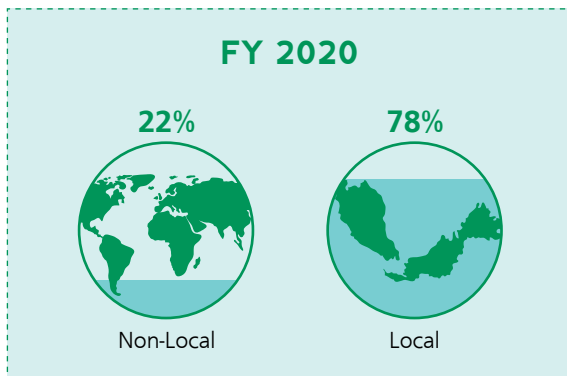
Gender Diversity



Female in Leadership Position



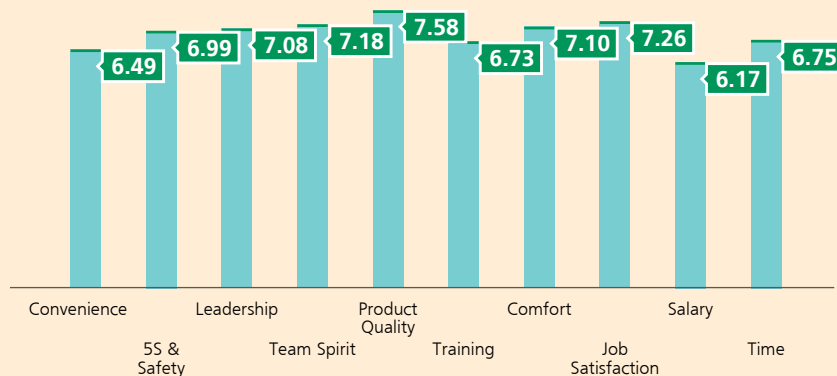
Employment of Locals



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.

Employee Satisfaction Survey Year 2020



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.

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.

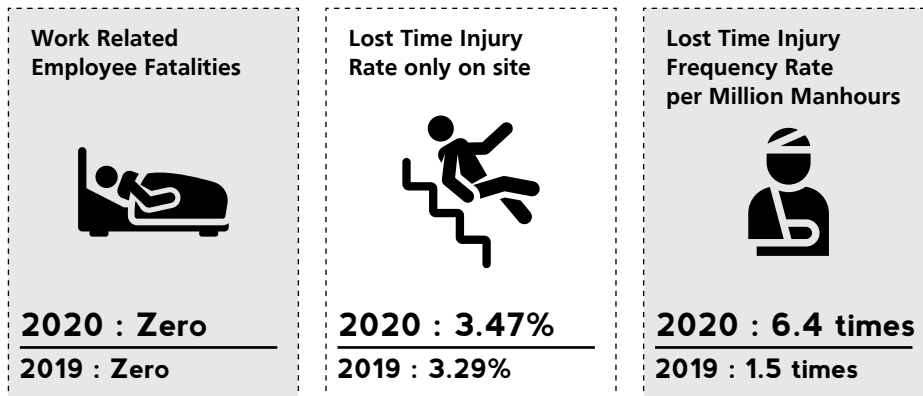
The tradition to recognize employee’s loyalty and contribution to company by employee service awards every 5th year of service continued for the year 2020 and was presented during Employee Assembly.

FREELY CHOSEN EMPLOYMENT	The Group do not use forced, bonded (including debt bondage), indentured or involuntary prison labour. 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 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.
WORKING HOURS	Workweeks are not to exceed the maximum set by local law. We encourage reasonable hours, including overtime, except in emergency or unusual situations.
WAGES AND BENEFITS	Compensation and benefits paid to employees comply with applicable laws including minimum wages, overtime hours and mandated regulatory contributions. We do not impose wage deduction as a disciplinary measure.
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.
FREEDOM OF ASSOCIATION	It is our culture to adopt open communication and direct engagement between workers and management as we believe that any issues can be resolve amicably between parties in our environment of respect and trust. Our doors are always open for employees to communicate and share grievances with management regarding working conditions without the fear of reprisal, intimidation or harassment.

SOCIAL (cont'd)

Safety and Health

As part of our safety campaign, we had conducted safety training to create employees' awareness of correct safety procedures in daily work practices. We will continue to reinforce safety habits into the work culture to reduce the lost time injury frequency and rate.



The basics of hygiene were promoted through emails and short briefings. We showed the employees the proper hand washing techniques as well as the proper way to wear a mask. Employees were told to go straight to the doctor's clinic in the event they were having a cough, cold or fever. The daily COVID-19 cases are monitored and compared to each employee's family movement declaration record, where necessary identified employees were requested to be quarantined at home.

As part of the welfare of our employees during the Movement Control Order 1.0, the Group provided free meals from the canteen for all employees thus employees stayed inside the factory premises until the end of workday.

Trainings

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 1453 hours were spent on training for the two companies in year 2020 (2019 : 2936 hours). The decrease in training hours were mainly due to no new recruitments in West Malaysia plants since the commencement of the Movement Control Order 1.0 in March 2020 and physical attendance training and group classes had been reduced.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 27th Annual General Meeting (“AGM”) of Master-Pack Group Berhad (“the Company”) will be held at St. John Ambulance Penang Hall, No. 2A, Grove Road, 10400 Georgetown, Penang on Thursday, 27 May 2021 at 11.00 a.m. for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of Directors and Auditors thereon. *Please refer to Note 9*
2. To re-elect Dato’ Syed Mohamad Bin Syed Murtaza, 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 Puan Nazriah Binti Shaik Alawdin, a Director who retires by rotation in accordance with Article 111 of the Company’s Constitution and who, being eligible, offers herself 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 2020. **Resolution 3**
5. To approve the payment of Directors’ benefits up to an amount not exceeding RM75,000 from 28 May 2021 until the conclusion of the next AGM of the Company. **Resolution 4**
Please refer to Note 10
6. To re-appoint Messrs. Crowe Malaysia PLT as auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

Special Business

To consider and if thought fit, to pass with or without any modifications the following ordinary 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 10% of the total number of issued shares of the Company.

AND THAT any Executive Director and/or Secretary of the Company be hereby authorised to obtain the approval from Bursa 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 DR. JUNID BIN ABU SAHAM IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 7**
“THAT authority be and is hereby given to Dr. Junid Bin Abu Saham who had served as an Independent Director of the Company for a cumulative term of more than 9 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company.”



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9. **PROPOSED CONTINUATION OF DATO' SERI KHOR TENG TONG IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 8**
"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 9 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 MR. CHEW HOCK LIN IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 9**
"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 9 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."
11. **PROPOSED CONTINUATION OF ENCIK AMINUDDIN BIN SAAD IN OFFICE AS INDEPENDENT DIRECTOR** **Resolution 10**
"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 9 years to continue to act as an Independent Director of the Company and to hold office until the next AGM of the Company."
12. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board,

LEE PENG LOON (MACS 01258)
SSM PC NO. 201908002340

P'NG CHIEW KEEM (MAICSA 7026443)
SSM PC NO. 201908002334
Company Secretaries

Penang
Date: 27 April 2021

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.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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 May 2021. Only Depositors whose name appears on the Record of Depositors as at 17 May 2021 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	2,500	25,000
b) Travelling & Accommodation	9,000	11,000
c) Meeting Allowance	18,000	25,000
d) Group Personal Accident Insurance	2,000	4,000
Sub-total	31,500	65,000
Group Directors and Officers Liability Insurance (not individual benefits)	8,066	10,000
Total	39,566	75,000
Approved limit	75,000	75,000

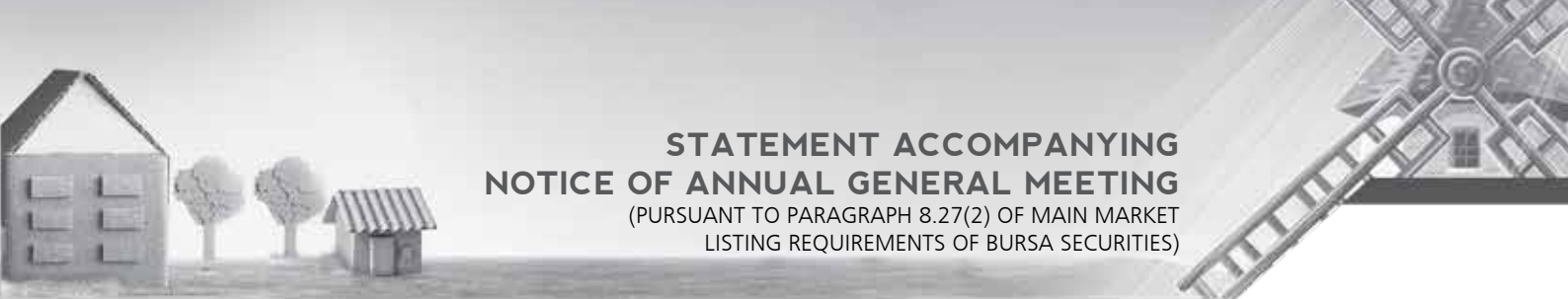
NOTES ON SPECIAL BUSINESS

- (11) The Resolution 6, if passed, will enable the directors to allot and issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as the directors consider will be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in a general meeting will expire at the conclusion of the next AGM.

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

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

- (12) The Resolutions 7, 8, 9 and 10, if passed, will enable the Independent Directors who had served more than 9 years to be retained and continued to act as Independent Directors of the Company. The details of justifications are set out in the Company's Annual Report for the financial year ended 31 December 2020.



**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 27th 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 27th Annual General Meeting of the Company are set out in the Directors' Profile section at the Company's website http://www.master.net.my/ab_company.htm.
- 3) The details of the Directors' interests in the securities of the Company as at 31 March 2021 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 27th Annual General Meeting of the Company dated 27 April 2021 is a renewal of general mandate granted by shareholders of the Company at the last Annual General Meeting held on 24 June 2020.

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

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



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 Group have in place a Risk Management and Sustainability Policy and framework to identify, evaluate, monitor and manage risks. During the year 2020, the Committee reviewed the effectiveness of the risk management & sustainability process and reports arising from risk management activities and deliberated of risks identified, the accompanying internal controls and mitigation action plans.

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 Risk Working Committee reported to the Risk Management & Sustainability Committee on 20 November 2020, highlighting the revisions and additions to address new areas of concern and potential risk for the financial year 2021. Risk Working Committee also communicated to the Risk Management & Sustainability Committee Chairman the changes in risk profile prioritization and the controls implemented during year 2020 due to the COVID-19 pandemic.

KEY INTERNAL CONTROLS PROCESSES

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

CONTROL ENVIRONMENT

Organisational Structures and Reporting

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.

Financial Authority Limits

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

Risk Management

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.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(CONT'D)

Risk Management (cont'd)

A summary of key risks and opportunities are tabulated in pages 26 and 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 2020, 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 standards.

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 the updated Master-Pack Code of Business Conduct. In November 2019, the Board approve the Anti-Bribery and Anti-Corruption Policy of the Group for implementation throughout the group of companies. 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

Executive Committee and Department Head Meeting

At the commencement of the Movement Control Order in March 2020, Department Head Meetings were held virtually on a daily basis. Continuous close communication and co-ordination were executed smoothly to obtain the approvals from the Ministry of Trade and Industry (MITI) and implement the Standard Operating Procedure requirements to continue business operations. The Board members were kept informed on what was going on as the Executive Committee implemented actions to drive the business operations throughout the year 2020.

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

MONITORING (CONT'D)

Executive Committee and Department Head Meeting (cont'd)

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. EXCO held meetings 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
HEALTH, SAFETY AND ENVIRONMENT	<ul style="list-style-type: none"> Implements Ministry of Health Standard Operating Procedures for the detection and appropriate precautionary actions against COVID-19 disease in all its operating plants 	<ul style="list-style-type: none"> Penalties in the event of non-compliance to Standard Operating Procedure Consequential losses in the event a COVID-19 case is confirmed in the operating plant 	<ul style="list-style-type: none"> Daily tracking of employee and employee's family movement against daily reported confirm Covid-19 cases Implement and practice the Ministry of Health's Standard Operating Procedure such as wearing a mask, recording temperature, Mysejahtera at entry, social distancing, sanitizing the workplace, washing hands on a regular basis and testing for COVID-19 for all foreign workers. Insurance coverage scope expanded to include infectious disease
MARKET AND BUSINESS ENVIRONMENT	<ul style="list-style-type: none"> The global market's economic, political and social factors will continue to change Sectorial sales contribution 	<ul style="list-style-type: none"> Global economic changes will adversely impact the Group's business performance Overreliance, overdependence, specific customer 	<ul style="list-style-type: none"> Continuous strategic reviews and monitoring of market environment to manage the business performance Prudent financial management of the Group's cash flows to meet the operational needs. Customer performance review and market development ear-mark for essential services industry.

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

MONITORING (CONT'D)

Third Party Audit (cont'd)

KEY RISKS AND OPPORTUNITIES			
KEY RISKS	DESCRIPTION	IMPACT	MITIGATING CONTROLS
OPERATIONS	<ul style="list-style-type: none"> • 50% manpower restriction imposed under Movement Control Order • Ability to meet the requirements of customers in quality, delivery and cost • Raw materials are a global commodity and subject to price volatility of global market demand and supply 	<ul style="list-style-type: none"> • Reduction in production volume, increases production cost and ability to meet deliverables • Any significant failure of internal processes, people and systems would impact the group's ability to meet its deliverables • Material scarcity, poor quality materials and logistic issue will lead to production plan disruption and adversely affect the business 	<ul style="list-style-type: none"> • Continuous improvement and adoption of best practices to enhance the Group's processes • Operation monitoring at various levels to ensure products, people and systems meet the operational standards required • On-going engagement with existing and potential new suppliers to create a pool of approved material suppliers • Continuously upgrade management system to comply to International standards
OPPORTUNITIES	<ul style="list-style-type: none"> • Opportunities to expand into new or synergistic / compatible industry 	<ul style="list-style-type: none"> • Enhance market position and develop or diversify its market to gain competitive advantage 	<ul style="list-style-type: none"> • 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 2020 pursuant to AAPG 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control* issued by the Malaysian Institute of Accountants and *Malaysian Code of Corporate Governance 2017*. The external auditors had reported to the Board that, based on the procedures performed by them, nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the annual report is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the *Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers* to be set out, nor is factually inaccurate.

CONCLUSION

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 31 March 2021.



OTHER INFORMATION

UTILISATION OF PROCEEDS

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

SHARE BUY-BACKS

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

DEPOSITORY RECEIPT PROGRAMME

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

VARIATION IN RESULTS

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

PROFIT GUARANTEE

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

SANCTIONS AND/OR PENALTIES IMPOSED BY REGULATORY BODIES

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

MATERIAL CONTRACTS INVOLVING DIRECTORS' & MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts between the Company and its subsidiaries involving directors' and major shareholders' interest either still subsisting at the end of the financial year ended 2020, 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 2020.

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 (physically and virtually) held are as tabled below:-

Name	Status of Directorship	Meeting Attendance
Mr. Chew Hock Lin (Chairman of Audit Committee)	Independent & Non-Executive Director	4/4
En. Aminuddin Bin Saad	Independent & Non-Executive Director	4/4
Dr. Junid bin Abu Saham	Independent & Non-Executive Director	4/4

AUDIT COMMITTEE SUMMARY OF WORK

The performance of the Audit Committee for the year 2020 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 2020, the Audit Committee's four scheduled meetings were held on 28 February, 27 May, 21 August and 20 November 2020. 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 via circular resolution 13 May 2020 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 and Risk & Opportunity register together with its accompanying control measures and action plans to mitigate the risks on 22 November 2019 in respect of financial year 2020 and again on 20 November 2020 for the financial year 2021;
- 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 circulated on 13 May 2020 pertaining to the 2020 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.



AUDIT COMMITTEE REPORT (CONT'D)

Internal Audit

- Reviewed the adequacy of scope, functions, competency and resources of the internal audit functions;
- Evaluated the yearly performance of the out-sourced internal auditors and recommended their re-appointment;
- Met with the internal auditors once on 28 February 2020 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 on 20 November 2020 without the presence of any executive Board members / management staff;
- Reviewed and evaluated the external auditor's audit plan on 20 November 2020, 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 2020 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 28 February and circulated 13 May 2020 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 20 November 2020, 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 2021 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 2020, 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:

- Credit Control – customer credit evaluation, monitoring of overdue accounts and long out-standing debts management.
- Cash management – fund budgeting, cash/ cheques receipts and payment control, petty cash management, safeguarding of cash.
- Sales & Marketing – sales forecasting, managing and processing of sales, product pricing, delivery/ shipping arrangement 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 21 August 2020 and 5 April 2021 for the calendar year 2020 for its deliberations.

Based on the Internal Auditors' report for the financial year ended 31 December 2020, 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 RM20,680.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Master-Pack Group Berhad, sets this statement to provide shareholders and investors with an overview of the corporate governance (“CG”) practices of the Company under the leadership of the Board during the year 2020.

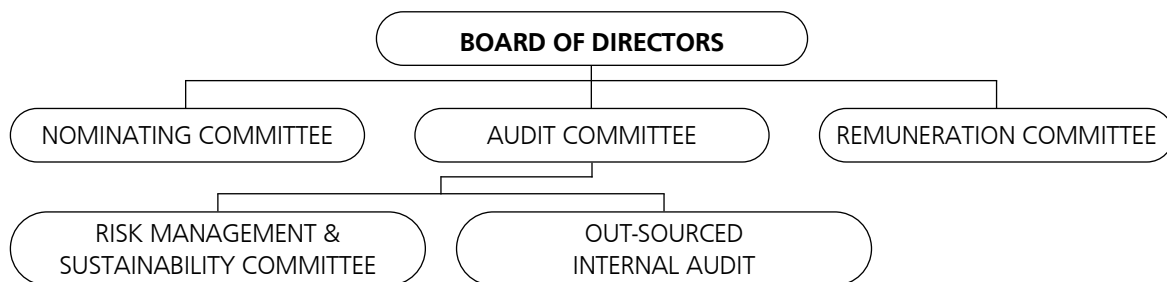
The 2020 Annual Report and the CG Report is available for reference at <https://www.master-pack.vn/masterpack/Master-PackGroupBerhad2020.pdf>, <https://www.master-pack.vn/masterpack/Master-PackCGReport2020.pdf> and Bursa Malaysia Berhad’s website <https://www.bursamalaysia.com>

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.

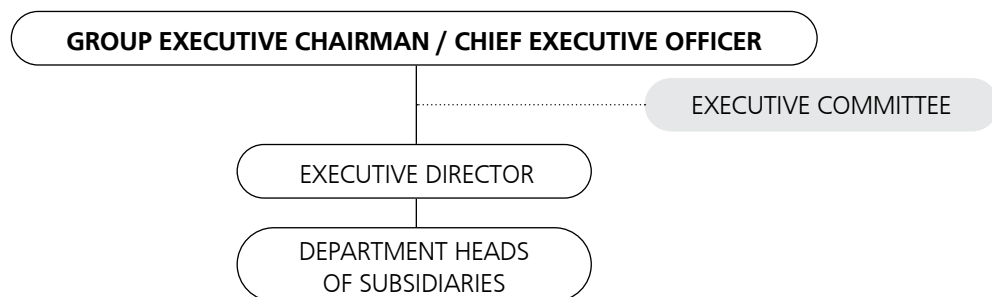
Master-Pack Group Berhad intends to create long-term value through its core business to generate sustainable shareholder value and to protect the stakeholders’ interests. In pursuing this corporate objective, the Board of Directors of Master-Pack believes in having strong corporate governance frameworks 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



Management Governance



Board’s role and responsibilities

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 Chairman 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.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board's role and responsibilities (cont'd)

The Board Charter is available on the Company's website https://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.

Composition of the Board

EXECUTIVE DIRECTOR

1	Dato' Syed Mohamad bin Syed Murtaza	Chairman
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INDEPENDENT NON-EXECUTIVE DIRECTORS

2	Mr. Chew Hock Lin	Member
3	Dato' Seri Khor Teng Tong	Member
4	Encik Aminuddin Saad	Member
5	Dr. Junid bin Abu Saham	Member

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

6	Puan Nazriah binti Shaik Alawdin	Member
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For the financial year 2020, the Board consists of 6 Directors, comprising a majority of Independent Non-executive Directors (4 out of 6 members).

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 Board members come from varied educational background and each member holds different professional qualifications hence contributing to the Board a diverse knowledge and expertise. 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 https://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.

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.

In addition minutes of meeting are prepared and circulated to members for their perusal prior to confirmation at the meetings before being signed by the Chairman of the board. Decisions of the Board are also obtained via circular resolutions, where appropriate.

The meetings calendar which provides the tentative dates for meetings of the Board, Audit Committee and Annual General Meeting was circulated to Directors on 20 November 2020 for the ensuing year to enable the Directors to plan ahead and co-ordinate their respective schedules.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Meetings (cont'd)

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 and Board Committee Attendance

During the financial year ended 31 December 2020 there were four Board Meetings, four Audit Committee Meetings, two Remuneration Committee Meetings and one Nominating Committee meeting.

The attendance record of the Directors at the Board and Committees as shown below indicates the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. None of the Board members serves more than 5 listed companies.

	MEETING ATTENDANCE (attended / held)			
	Board Meetings	Audit Committee	Remuneration Committee	Nominating Committee
CEO /EXECUTIVE DIRECTOR				
Dato' Syed Mohamad bin Syed Murtaza	4/4			
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR				
Puan Nazriah binti Shaik Alawdin	4/4			1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Chew Hock Lin	4/4	4/4	2/2	1/1
Dato' Seri Khor Teng Tong	4/4			
Encik Aminuddin Saad	4/4	4/4	2/2	1/1
Dr. Junid bin Abu Saham	4/4	4/4	2/2	

Board Committees

Composition of Board Committees

	Audit Committee	Remuneration Committee	Nominating Committee
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Chew Hock Lin	Chairman	Chairman	Chairman
Encik Aminuddin Saad	Member	Member	Member
Dr. Junid bin Abu Saham	Member	Member	
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR			
Puan Nazriah binti Shaik Alawdin			Member

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.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Committees (cont'd)

Composition of Board Committees (cont'd)

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.

Nominating Committee (NC) Activities

Two weeks prior to the Nominating Committee Meeting held on 20 November 2020, 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

Practice Note 4.2 of MCCG provides that if the Board intends to retain an independent director beyond nine years, it should justify and seek the annual shareholders' approval. 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 exceeded the nine years.

In compliance with Practice Note 4.2, the Nominating Committee evaluated these directors who had served beyond nine years and recommended to the Board to seek the shareholders' approval at the forthcoming AGM based on the following justifications:

- i. Fulfills the criteria of Independent Director as defines in the Listing Requirements;
- ii. Continues to exercise sound independent judgments and demonstrates objectivity in the discharge of his fiduciary duties for effective check and balance at the Board and the Board Committee's meetings;
- iii. The different professions and understanding of the Group's business enable them to bring to the board meetings valuable insights;
- iv. Maintains a professional relationship with the Board members and is independent from Management;
- v. Does not have any business / other relationship which may interfere with his independent judgment or the ability to act in the best interest 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 and can be tasked to discharge their duties and responsibilities in an objective manner as his independence has not been any way compromised by their length of service on the Board. In addition, these Independent Non-Executive Directors had provided confirmations of their independence to the Board.

The Board will be tabling an ordinary resolution to the shareholders in the forthcoming AGM for the said purpose of retaining these directors.

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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Nominating Committee Activities (cont'd)

Review on performance of the Individual Directors (cont'd)

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 https://www.master.net.my/ir_AA_MA.htm.

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 https://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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Remuneration Committee

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. The RC also ensures that the Executive Directors are amply rewarded for ensuring the financial performances of group were within budgets during a difficult year due to the COVID-19 pandemic.

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 three members, all whom are Independent Non- Executive Directors. The primary objective is to assist the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems. The Audit Committee performs its functions and duties pursuant to its Terms of Reference.

The Chairman of the Audit Committee is Mr. Chew Hock Lin and 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 through the Audit Committee maintains an appropriate, formal and transparent relationship with the Group's out-sourced internal and external auditors. The Audit Committee undertook an annual assessment on the suitability and independence of the auditors, namely Crowe Malaysia PLT to ensure their independence is not compromised. Being satisfied with Crowe's performance, technical competency and audit independence as well as fulfillment of criteria as set out in in paragraph 15.21 of the Listing Requirements, the Audit Committee recommended the re-appointment of Crowe Malaysia PLT, who has consented to act as external auditors for the next financial year.

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 2020 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.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Risk Management & Sustainability and Internal Controls Framework (cont'd)

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 2020, the Risk Management and Sustainability Committee 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 24 to 27 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 https://www.master.net.my/ir_sustainability_policy_statement.htm

Sustainability Report

The Group's Sustainability Report is explained on https://www.master.net.my/ir_corporate_social.htm and page 12 to 19 of the 2020 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 https://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 voting procedures including the resolutions to be voted. Matters reserved for shareholders' approval were as tabulated in the Notice of Annual General Meeting page 20 to 22 of the 2020 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 26th Notice of AGM was dispatched and advertised in the News Straits Times newspaper on 27 May 2020, 27 days before the AGM less than the recommended MCCG best practice of at least 28 days due to public holidays. All Board members understand the importance of engaging with the shareholders and were present at the 26th AGM held on 24 June 2020 at 11.30am at 1A Jalan Ross, 10450 Penang. In attendance at the AGM were the Company Secretary and external auditors.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C : INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER (CONT'D)

Conduct of General Meetings (cont'd)

The shareholders attending the AGM had their identification check against the Register of Depositors, register through Mysejahtera and had their temperatures taken before being allowed to enter the AGM premises.

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 if there were any questions to be raised. The shareholders place their votes in the ballot boxes after the Company Secretary completed reading out all the resolutions to be voted. After a short interval, the poll results of each resolution were read out to all the shareholders. 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.

Statements of Directors' Responsibility for Preparation of Audited Financial Statements

The directors are responsible for ensuring that a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results and cash flows of the Company and the Group for the financial year and these are reflected in the Audited Financial Statements, as set out in pages 41 to 94 of the 2020 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 two 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 2020 amounts to RM140,000 and RM2,000 respectively.

Compliance Statement

Save as disclosed above, the Board is satisfied that throughout the financial year ended 31 December 2020, 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, <https://www.master.net.my>

This statement was approved by the Board of Directors on 31 March 2021.

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The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2020. 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/(Loss) for the financial year attributable to:-		
- Owners of the Company	11,275	4,329
- Non-controlling interests	(5)	0
	<u>11,270</u>	<u>4,329</u>

Dividends

During the financial year, the Company declared the following dividends in respect of the financial year ended 31 December 2020:-

	RM'000
Interim single tier dividend of 4.0 sen per share, paid in June 2020	2,185
Special single tier dividend of 2.0 sen per share, paid in February 2021	1,092
	<u>3,277</u>

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.

Bad and doubtful debts (cont'd)

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:-

Directors of the Company

Dato' Syed Mohamad Bin Syed Murtaza
Aminuddin Bin Saad
Dato' Seri Khor Teng Tong
Chew Hock Lin
Dr. Junid Bin Abu Saham
Nazriah Binti Shaik Alawdin

Directors of subsidiaries (other than directors of the Company)

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

Directors' interests

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

Name of director	Number of ordinary shares					
	Direct interest				Deemed interest	
	Balance at 1.1.2020	Bought	Sold	Balance at 31.12.2020	Balance at 1.1.2020	Balance at 31.12.2020
Aminuddin Bin Saad	10,002	0	0	10,002	0	0
Dato' Seri Khor Teng Tong	300,000	650,000	(500,000)	450,000	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.



DIRECTORS' REPORT

(CONT'D)

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 31 March 2021

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 50 to 94 give a true and fair view of the financial position of the Group and the Company as at 31 December 2020 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 31 March 2021

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 50 to 94 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 31 March 2021

Dato' Syed Mohamad Bin Syed Murtaza

Before me

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MASTER-PACK GROUP BERHAD

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 2020 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 50 to 94.

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 2020, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><u>Valuation of inventories (Refer to Notes 3 and 10 to the financial statements)</u></p> <p>The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's inventory management process; • how the Group identifies and assesses inventory write-downs; and • how the Group makes the accounting estimates for inventory write-downs. • Reviewing the ageing analysis of inventories and testing the reliability thereof. • Examining the perpetual records for inventory movements and to identify slow moving aged items. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the net realisable value of major inventories. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.

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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of receivables (Refer to Notes 3 and 11 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p>	<p>Our audit procedures included, among others:-</p> <ul style="list-style-type: none"> • Obtaining an understanding of:- <ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof. • Reviewing the subsequent cash collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix. • Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.

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

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MASTER-PACK GROUP BERHAD
(CONT'D)

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.



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

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, actions taken to eliminate threats or safeguards applied.

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

Date: 31 March 2021

Penang

Eddy Chan Wai Hun

02182/10/2021 J
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment	4	35,723	35,702
Investment properties	5	15,145	14,825
Right-of-use assets	6	13,370	14,899
Goodwill on consolidation		196	196
Investment in associate	8	606	545
Other investments	9	287	265
		<u>65,327</u>	<u>66,432</u>
Current assets			
Inventories	10	11,803	12,572
Receivables	11	25,287	39,788
Prepayments		889	1,801
Current tax assets		584	109
Cash and cash equivalents	12	37,988	22,915
		<u>76,551</u>	<u>77,185</u>
Current liabilities			
Payables	13	11,490	14,090
Loans and borrowings	14	7,182	12,389
Lease liabilities	15	2,132	1,953
Dividend payable		1,092	0
Current tax liabilities		6	603
		<u>21,902</u>	<u>29,035</u>
Net current assets		54,649	48,150
Non-current liabilities			
Lease liabilities	15	1,211	3,346
Deferred tax liabilities	16	5,363	5,399
		<u>6,574</u>	<u>8,745</u>
Net assets		<u>113,402</u>	<u>105,837</u>
Equity			
Share capital	17	55,339	55,339
Legal reserve		2,081	1,014
Revaluation surplus		14,340	14,970
Currency translation reserve		(363)	65
Retained profits		41,995	34,434
Equity attributable to owners of the Company		<u>113,392</u>	<u>105,822</u>
Non-controlling interests	18	10	15
Total equity		<u>113,402</u>	<u>105,837</u>

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Revenue	19	141,866	204,607
Impairment gains on financial assets	20	138	291
Interest income		360	92
Other income		1,275	880
Changes in inventories of work-in-progress and finished goods		(620)	820
Purchase of finished goods		(13,916)	(18,331)
Raw materials and consumables used		(82,500)	(132,717)
Depreciation of property, plant and equipment		(2,602)	(2,433)
Depreciation of right-of-use assets		(1,529)	(1,611)
Employee benefits expense	21	(16,449)	(15,823)
Loss on derecognition of financial assets measured at amortised cost		(10)	(42)
Finance costs		(652)	(1,461)
Other expenses		(12,629)	(16,716)
Share of associate's profit		61	66
Profit before tax	22	12,793	17,622
Tax expense	23	(1,523)	(1,935)
Profit for the financial year		11,270	15,687
Other comprehensive income:-			
<i>Item that may be reclassified subsequently to profit or loss:-</i>			
- Currency translation differences for foreign operation		(428)	77
Other comprehensive income for the financial year		(428)	77
Comprehensive income for the financial year		10,842	15,764

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

**CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONT'D)



	2020	2019
Note	RM'000	RM'000
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	11,275	15,695
- Non-controlling interests	18 <u>(5)</u>	<u>(8)</u>
	<u>11,270</u>	<u>15,687</u>
Comprehensive income for the financial year attributable to:-		
- Owners of the Company	10,847	15,772
- Non-controlling interests	<u>(5)</u>	<u>(8)</u>
	<u>10,842</u>	<u>15,764</u>
Earnings per share:-		
- Basic (sen)	24 <u>20.64</u>	<u>28.73</u>
- Diluted (sen)	<u>20.64</u>	<u>28.73</u>

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

**CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Non-distributable				Distributable			Total equity RM'000
	Share capital RM'000	Legal reserve* 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	
Balance at 1 January 2019	55,339	0	15,590	(12)	20,225	91,142	23	91,165
Profit/(Loss) for the financial year	0	0	0	0	15,695	15,695	(8)	15,687
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	77	0	77	0	77
Comprehensive income for the financial year	0	0	0	77	15,695	15,772	(8)	15,764
Dividend (Note 25)	0	0	0	0	(1,092)	(1,092)	0	(1,092)
Transfer of legal reserve	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 CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(CONT'D)

	Non-distributable			Distributable			Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Legal reserve* RM'000	Revaluation surplus RM'000	Currency translation reserve RM'000	Retained profits RM'000				
Balance at 1 January 2020	55,339	1,014	14,970	65	34,434	105,822	15	105,837	
Profit/(Loss) for the financial year	0	0	0	0	11,275	11,275	(5)	11,270	
Currency translation differences for foreign operation (representing other comprehensive income for the financial year)	0	0	0	(428)	0	(428)	0	(428)	
Comprehensive income for the financial year	0	0	0	(428)	11,275	10,847	(5)	10,842	
Dividends (Note 25)	0	0	0	0	(3,277)	(3,277)	0	(3,277)	
Transfer of legal reserve	0	1,067	0	0	(1,067)	0	0	0	
Transfer of revaluation surplus	0	0	(630)	0	630	0	0	0	
Balance at 31 December 2020	55,339	2,081	14,340	(363)	41,995	113,392	10	113,402	

* 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 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Profit before tax		12,793	17,622
Adjustments for:-			
Compensation income		0	(130)
Depreciation		4,131	4,044
Dividend income		(4)	(7)
Fair value gains on financial instruments		(22)	(17)
Fair value gains on investment properties		(320)	(155)
Gain on disposal of property, plant and equipment		(5)	(19)
Impairment gains on financial assets		(138)	(291)
Interest expense		652	1,461
Interest income		(360)	(92)
Inventories written down		240	471
Loss on derecognition of financial assets measured at amortised cost		10	42
Property, plant and equipment written off		0	6
Reversal of inventories written down		(85)	(270)
Share of associate's profit		(61)	(66)
Operating profit before working capital changes		<u>16,831</u>	<u>22,599</u>
Changes in:-			
Inventories		614	1,854
Receivables		14,629	(489)
Prepayments		912	(106)
Payables		<u>(2,600)</u>	<u>(306)</u>
Cash generated from operations		30,386	23,552
Tax paid		(2,633)	(2,679)
Tax refunded		<u>2</u>	<u>857</u>
Net cash from operating activities		27,755	21,730
Cash flows from investing activities			
Acquisition of property, plant and equipment		(2,626)	(839)
Acquisition of right-of-use assets	26	0	(2)
Dividends received		4	7
Interest received		360	92
Proceeds from disposal of property, plant and equipment		<u>5</u>	<u>21</u>
Net cash used in investing activities		(2,257)	(721)
Cash flows from financing activities			
Dividend paid		(2,185)	(1,092)
Interest paid		(708)	(1,408)
Net decrease in short-term loans and borrowings	26	(4,071)	(677)
Payment of lease liabilities	26	(1,956)	(1,972)
Repayment of term loan		<u>0</u>	<u>(103)</u>
Net cash used in financing activities		(8,920)	(5,252)
Currency translation differences		(425)	78
Net increase in cash and cash equivalents		16,153	15,835
Cash and cash equivalents brought forward		21,835	6,000
Cash and cash equivalents carried forward	12	<u>37,988</u>	<u>21,835</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment	4	8	8
Investment properties	5	3,640	3,320
Investments in subsidiaries	7	15,538	15,538
Other investments	9	287	265
Receivables	11	11,368	11,618
		<u>30,841</u>	<u>30,749</u>
Current assets			
Receivables	11	3,155	946
Current tax assets		8	0
Cash and cash equivalents	12	1,333	1,469
		<u>4,496</u>	<u>2,415</u>
Current liabilities			
Payables	13	300	302
Dividend payable		1,092	0
Current tax liabilities		0	1
		<u>1,392</u>	<u>303</u>
Net current assets		3,104	2,112
Non-current liabilities			
Deferred tax liabilities	16	125	93
Net assets		<u>33,820</u>	<u>32,768</u>
Equity			
Share capital	17	55,339	55,339
Accumulated losses		(21,519)	(22,571)
Total equity		<u>33,820</u>	<u>32,768</u>

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



**STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Revenue	19	3,988	1,822
Impairment gains on financial assets	20	500	3,045
Interest income		31	53
Other income		386	38
Depreciation of property, plant and equipment		(3)	(3)
Employee benefits expense	21	(272)	(292)
Other expenses		(263)	(278)
Profit before tax	22	4,367	4,385
Tax expense	23	(38)	(22)
Profit for the financial year		4,329	4,363
Other comprehensive income for the financial year		0	0
Comprehensive income for the financial year		4,329	4,363

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



STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital RM'000	Accumulated losses RM'000	Total equity RM'000
Balance at 1 January 2019	55,339	(25,842)	29,497
Profit (representing comprehensive income) for the financial year	0	4,363	4,363
Dividend (Note 25)	0	(1,092)	(1,092)
Balance at 31 December 2019	<u>55,339</u>	<u>(22,571)</u>	<u>32,768</u>
Profit (representing comprehensive income) for the financial year	0	4,329	4,329
Dividends (Note 25)	0	(3,277)	(3,277)
Balance at 31 December 2020	<u>55,339</u>	<u>(21,519)</u>	<u>33,820</u>

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020	2019
Note	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	4,367	4,385
Adjustments for:-		
Depreciation	3	3
Dividend income	(3,966)	(1,757)
Fair value gains on financial instruments	(22)	(17)
Fair value gains on investment properties	(320)	0
Impairment gains on financial assets	(500)	(3,045)
Interest income	(31)	(53)
Operating loss before working capital changes	(469)	(484)
Changes in:-		
Payables	(2)	(10)
Cash absorbed by operations	(471)	(494)
Tax paid	(16)	(26)
Tax refunded	1	7
Net cash used in operating activities	(486)	(513)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3)	(2)
Dividends received	1,754	1,857
Interest received	31	53
Net repayment from subsidiaries	753	451
Net cash from investing activities	2,535	2,359
Cash flows from financing activity		
Dividend paid	(2,185)	(1,092)
Net cash used in financing activity	(2,185)	(1,092)
Net (decrease)/increase in cash and cash equivalents	(136)	754
Cash and cash equivalents brought forward	1,469	715
Cash and cash equivalents carried forward	12 <u>1,333</u>	<u>1,469</u>

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 50 to 55 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 56 to 59 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 31 March 2021.

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
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The Group and the Company have also early applied the Amendment to MFRS 16 *Covid-19-Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020.

The initial application of the above MFRSs did not have any significant impacts on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (cont'd)

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

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

MFRS (issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

2.2 Basis of consolidation

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (cont'd)

2.2 Basis of consolidation (cont'd)

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

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

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

2.3 Property, plant and equipment

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

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

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

Freehold land is not depreciated. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

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

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

2.4 Investment properties

Investment property 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. Significant accounting policies (cont'd)

2.5 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

Initial recognition and measurement

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.

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 2.4. 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 2.8.

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.

As a practical expedient, the Group and the Company have elected not to assess whether a rent concession occurring as a direct consequence of the covid-19 pandemic is a lease modification. Accordingly, any change in lease payments resulting from such rent concession is accounted for as a variable lease payment in profit or loss.

2. Significant accounting policies (cont'd)

2.6 Investments in subsidiaries

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

2.7 Investment in associate

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

In the consolidated financial statements, investment in associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.8.

2.8 Impairment of non-financial assets

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

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

2.9 Inventories

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

2.10 Financial assets

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

Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.15). 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.

2. Significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Subsequent measurement

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

(i) Amortised cost

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

(ii) Fair value through other comprehensive income

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

(iii) Fair value through profit or loss

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

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)

2.11 Financial liabilities

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

Initial recognition and measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

Subsequent measurement

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

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

Derecognition

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

2.12 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. Significant accounting policies (cont'd)

2.13 Share capital

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

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

2.14 Fair value measurement

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

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

2.15 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.

2.16 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.

2.17 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)

2.18 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.

2.19 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.

2.20 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

3. Judgements and estimation uncertainty

Judgements made in applying accounting policies

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

Sources of estimation uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories (Note 10).

Impairment of receivables

The Group and the Company recognise loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of receivables (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. Property, plant and equipment

Group

	Freehold land	Buildings	Plant and machinery	Plant and machinery*	Tools and equipment	Furniture, fittings and office equipment	Motor vehicles	Motor vehicles*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation									
Balance at 1 January 2019	13,200	17,600	40,638	425	1,461	3,162	581	126	77,193
Additions	0	14	591	0	2	119	113	0	839
Transfer from right-of-use assets	0	0	1,435	0	0	0	208	0	1,643
Disposals/Write-offs	0	0	(1,862)	0	(201)	(17)	(79)	0	(2,159)
Currency translation differences	0	0	0	0	0	(1)	(1)	0	(2)
Balance at 31 December 2019	13,200	17,614	40,802	425	1,262	3,263	822	126	77,514
Representing:-									
- Cost	0	14	40,802	425	1,262	3,263	822	126	46,714
- Valuation	13,200	17,600	0	0	0	0	0	0	30,800
Balance at 31 December 2020	13,200	17,614	40,802	425	1,262	3,263	822	126	77,514
Balance at 1 January 2020	13,200	17,614	40,802	425	1,262	3,263	822	126	77,514
Additions	0	547	1,844	0	9	62	164	0	2,626
Transfer from right-of-use assets	0	0	0	0	0	0	68	0	68
Disposals/Write-offs	0	0	(4,340)	0	(54)	(89)	(42)	0	(4,525)
Reclassifications	0	0	(1,037)	1,037	0	0	(248)	248	0
Currency translation differences	0	0	(2)	0	0	(4)	(2)	0	(8)
Balance at 31 December 2020	13,200	18,161	37,267	1,462	1,217	3,232	762	374	75,675
Representing:-									
- Cost	0	561	37,267	1,462	1,217	3,232	762	374	44,875
- Valuation	13,200	17,600	0	0	0	0	0	0	30,800
Balance at 31 December 2020	13,200	18,161	37,267	1,462	1,217	3,232	762	374	75,675

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

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

Group

	Freehold 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 2019	0	0	35,862	76	1,136	2,909	540	126	40,649
- Accumulated depreciation	0	0	26	0	0	0	0	0	26
- Accumulated impairment losses	0	0	35,888	76	1,136	2,909	540	126	40,675
Depreciation	0	794	1,342	43	86	141	27	0	2,433
Transfer from right-of-use assets	0	0	717	0	0	0	139	0	856
Disposals/Write-offs	0	0	(1,854)	0	(202)	(16)	(79)	0	(2,151)
Currency translation differences	0	0	0	0	(1)	0	0	0	(1)
Balance at 31 December 2019	0	794	36,067	119	1,019	3,034	627	126	41,786
- Accumulated depreciation	0	0	26	0	0	0	0	0	26
- Accumulated impairment losses	0	794	36,093	119	1,019	3,034	627	126	41,812
Depreciation	0	833	1,414	42	77	138	98	0	2,602
Transfer from right-of-use assets	0	0	0	0	0	0	68	0	68
Disposals/Write-offs	0	0	(4,340)	0	(54)	(89)	(42)	0	(4,525)
Reclassifications	0	0	(52)	52	0	0	(163)	163	0
Currency translation differences	0	0	0	0	0	(4)	(1)	0	(5)
Balance at 31 December 2020	0	1,627	33,089	213	1,042	3,079	587	289	39,926
- Accumulated depreciation	0	0	26	0	0	0	0	0	26
- Accumulated impairment losses	0	1,627	33,115	213	1,042	3,079	587	289	39,952

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

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

Group	Freehold 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 2019	13,200	17,600	4,750	349	325	253	41	0	36,518
Balance at 31 December 2019	13,200	16,820	4,709	306	243	229	195	0	35,702
Balance at 31 December 2020	13,200	16,534	4,152	1,249	175	153	175	85	35,723

* Subject to operating leases

The freehold 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	
	2020 RM'000	2019 RM'000
Freehold land	1,904	1,904
Buildings	9,014	8,884
	<u>10,918</u>	<u>10,788</u>

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

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

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

The Group leases certain plant and machinery, motor vehicles and a small portion of its buildings to a third party for 2 to 7 years. The undiscounted lease payments to be received are as follows:-

	Group	
	2020	2019
	RM'000	RM'000
Within 1 year	561	112
1 to 2 years	450	86
2 to 3 years	271	48
3 to 4 years	271	0
4 to 5 years	163	0
After 5 years	19	0
	<u>1,735</u>	<u>246</u>

Company

	Furniture, fittings and office equipment RM'000
Cost	
Balance at 1 January 2019	1,007
Additions	<u>2</u>
Balance at 31 December 2019	1,009
Additions	<u>3</u>
Balance at 31 December 2020	<u>1,012</u>
Accumulated depreciation	
Balance at 1 January 2019	998
Depreciation	<u>3</u>
Balance at 31 December 2019	1,001
Depreciation	<u>3</u>
Balance at 31 December 2020	<u>1,004</u>
Carrying amount	
Balance at 1 January 2019	<u>9</u>
Balance at 31 December 2019	<u>8</u>
Balance at 31 December 2020	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

5. Investment properties

Group

	Freehold land RM'000	Buildings RM'000	Office lots RM'000	Total RM'000
Fair value				
Balance at 1 January 2019	3,301	8,049	3,320	14,670
Fair value gains	139	16	0	155
Balance at 31 December 2019	3,440	8,065	3,320	14,825
Fair value gains	0	0	320	320
Balance at 31 December 2020	3,440	8,065	3,640	15,145

Company

	Office lots RM'000
Fair value	
Balance at 1 January 2019 / 31 December 2019	3,320
Fair value gains	320
Balance at 31 December 2020	3,640

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Freehold land	3,050	3,050	0	0
Buildings	7,950	7,950	0	0
Office lots	2,280	2,080	2,280	2,080
	<u>13,280</u>	<u>13,080</u>	<u>2,280</u>	<u>2,080</u>

The Group and the Company lease some investment properties to third parties for 1 to 3 years. The undiscounted lease payments to be received are as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within 1 year	121	560	1	0
1 to 2 years	0	150	0	0
	<u>121</u>	<u>710</u>	<u>1</u>	<u>0</u>

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

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	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
Transfer to property, plant and equipment	0	0	0	(68)	(68)
Derecognition	0	(10)	0	0	(10)
Balance at 31 December 2020	7,200	0	10,665	74	17,939
Accumulated depreciation					
Balance at 1 January 2019	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
Depreciation	443	4	1,067	15	1,529
Transfer to property, plant and equipment	0	0	0	(68)	(68)
Derecognition	0	(10)	0	0	(10)
Balance at 31 December 2020	886	0	3,659	24	4,569
Carrying amount					
Balance at 1 January 2019	7,200	10	9,902	112	17,224
Balance at 31 December 2019	6,757	4	8,073	65	14,899
Balance at 31 December 2020	6,314	0	7,006	50	13,370

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 Group.

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:-

	2020 RM'000	2019 RM'000
Within 1 year	82	328
1 to 2 years	0	82
	<u>82</u>	<u>410</u>

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. Investments in subsidiaries

Company

	2020	2019
	RM'000	RM'000
Unquoted shares - at cost	26,363	26,363
Impairment losses	<u>(10,825)</u>	<u>(10,825)</u>
	<u>15,538</u>	<u>15,538</u>

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2020	2019	
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

	2020	2019
	RM'000	RM'000
Unquoted shares - at cost	100	100
Share of post-acquisition changes in net assets	<u>506</u>	<u>445</u>
	<u>606</u>	<u>545</u>

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

8. Investment in associate (cont'd)

The details of the associate are as follows:-

Name of associate	Principal place of business/ Country of incorporation	Effective ownership interest		Principal activity
		2020	2019	
Richmond Technology Sdn. Bhd.	Malaysia	20%	20%	Manufacture of packaging materials

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.

In January 2021, the Group disposed of its entire interest in the associate for cash consideration of RM600,000.

9. Other investments

Group and Company

	2020	2019
	RM'000	RM'000
Quoted shares - at fair value	<u>287</u>	<u>265</u>

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

In January 2021, the Group disposed of its entire interest in the associate for cash consideration of RM600,000.

10. Inventories

Group

	2020	2019
	RM'000	RM'000
Raw materials	9,321	9,356
Work-in-progress	173	820
Finished goods	1,307	1,288
Goods-in-transit	1,002	1,108
	<u>11,803</u>	<u>12,572</u>

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

11. Receivables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets				
Amounts due from subsidiaries	0	0	27,868	28,618
Loss allowance	0	0	(16,500)	(17,000)
	0	0	11,368	11,618
Current assets				
Trade receivables:-				
- Associate	67	105	0	0
- Unrelated parties	23,883	38,664	0	0
	23,950	38,769	0	0
- Loss allowance	(651)	(795)	0	0
	23,299	37,974	0	0
Other receivables	1,988	1,814	18	18
Amounts due from subsidiaries	0	0	50	53
Dividend receivable	0	0	3,087	875
	25,287	39,788	3,155	946
Total receivables	25,287	39,788	14,523	12,564

Trade receivables

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2020, there were 2 (2019 : 1) major groups of customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major groups amounted to RM9,605,000 (2019 : RM21,939,000). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	Group	
	2020 RM'000	2019 RM'000
Malaysia	18,301	33,161
Vietnam	5,378	5,403
Others	271	205
	23,950	38,769

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

11. Receivables (cont'd)

Trade receivables (cont'd)

The credit terms of trade receivables range from 30 to 90 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	
	2020	2019
	RM'000	RM'000
Not past due	18,086	32,571
1 to 30 days past due	3,485	3,639
31 to 60 days past due	856	1,038
61 to 90 days past due	415	540
More than 90 days past due	1,108	981
	<u>23,950</u>	<u>38,769</u>

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

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

Group

	Not past due	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
2020							
Gross carrying amount	18,086	3,485	856	415	488	620	23,950
Average credit loss rate	0.08%	0.11%	0.35%	0.48%	1.43%	100.00%	2.72%
Loss allowance	15	4	3	2	7	620	651
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

The average credit loss rates were based on the payment profile of revenue over a period of 36 (2019 : 36) months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

11. Receivables (cont'd)

Trade receivables (cont'd)

The changes in the loss allowance are as follows:-

	Group	
	2020	2019
	RM'000	RM'000
Balance at 1 January	795	1,130
Impairment gains	(138)	(291)
Write-offs	(6)	(44)
Balance at 31 December	651	795

Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, repayable on demand and interest free except for an amount of RM750,000 which bore interest at 4.00% per annum as at 31 December 2019.

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	Credit- impaired	Total
	RM'000	RM'000	RM'000
2020			
Gross carrying amount	50	27,868	27,918
Loss allowance:-			
- Balance at 1 January	0	(17,000)	(17,000)
- Impairment gains	0	500	500
- Balance at 31 December	0	(16,500)	(16,500)
	50	11,368	11,418
Disclosed as:-			
- Non-current assets	0	11,368	11,368
- Current assets	50	0	50
	50	11,368	11,418
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

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

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

12. Cash and cash equivalents

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Highly liquid investments in money market funds	7,966	4,350	0	0
Term deposits	7,830	0	0	0
Cash and bank balances	22,192	18,565	1,333	1,469
	<u>37,988</u>	<u>22,915</u>	<u>1,333</u>	<u>1,469</u>

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

The effective interest rates of term deposits as at 31 December 2020 ranged from 3.30% to 4.80% per annum.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and cash equivalents	37,988	22,915	1,333	1,469
Bank overdrafts	0	(1,080)	0	0
	<u>37,988</u>	<u>21,835</u>	<u>1,333</u>	<u>1,469</u>

13. Payables

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables	4,572	7,184	0	0
Other payables	6,918	6,906	300	302
	<u>11,490</u>	<u>14,090</u>	<u>300</u>	<u>302</u>

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade and other payables

The credit terms of trade and other payables range from 30 to 90 days.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

14. Loans and borrowings

Group

	2020	2019
	RM'000	RM'000
Secured		
Banker acceptances	7,182	11,309
Bank overdrafts	0	1,080
	7,182	12,389

Loans and borrowings are secured against certain property, plant and equipment (Note 4), investment properties (Note 5) and right-of-use assets (Note 6).

The effective interest rates of loans and borrowings as at 31 December 2020 ranged from 1.98% to 3.45% (2019 : 3.68% to 8.35%) per annum.

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.

15. Lease liabilities

Group

	2020	2019
	RM'000	RM'000
Gross lease liabilities:-		
- Within 1 year	2,286	2,219
- 1 to 5 years	1,259	3,545
Total contractual undiscounted cash flows	3,545	5,764
Future finance charges	(202)	(465)
Present value of lease liabilities	3,343	5,299
Disclosed as:-		
- Current liabilities	2,132	1,953
- Non-current liabilities	1,211	3,346
	3,343	5,299

The incremental borrowing rates applied to lease liabilities as at 31 December 2020 ranged from 5.30% to 7.07% (2019 : 5.00% to 7.07%) per annum.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

16. Deferred tax liabilities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Balance at 1 January	5,399	5,661	93	94
Deferred tax (income)/ expense relating to origination and reversal of temporary differences	(24)	(276)	32	(1)
Deferred tax liabilities (over)/under provided in prior year	(12)	14	0	0
Balance at 31 December	<u>5,363</u>	<u>5,399</u>	<u>125</u>	<u>93</u>
In respect of:-				
- Taxable/(Deductible) temporary differences of:-				
- Property, plant and equipment	3,885	4,073	1	1
- Right-of-use assets	2,293	2,746	0	0
- Investment properties	314	282	124	92
- Inventories	(209)	(171)	0	0
- Financial instruments	(106)	(261)	0	0
- Lease liabilities	(802)	(1,270)	0	0
- Unused capital allowances	(12)	0	0	0
	<u>5,363</u>	<u>5,399</u>	<u>125</u>	<u>93</u>

Save as disclosed above, as at 31 December 2020, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of RM955,000 (2019 : RM913,000). No further deferred tax assets have been recognised for the following excess of unused capital allowances and tax losses over taxable temporary differences:-

	Group	
	2020 RM'000	2019 RM'000
Unused capital allowances	4,062	4,062
Unused tax losses	20,176	20,176
Taxable temporary differences of investment properties	<u>(3,981)</u>	<u>(3,805)</u>
	<u>20,257</u>	<u>20,433</u>

The 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

	2020 RM'000	2019 RM'000
Issued and fully paid		
54,620,150 ordinary shares with no par value	<u>55,339</u>	<u>55,339</u>

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

18. Non-controlling interests ("NCI")

Group

	Accumulated NCI		Loss allocated to NCI	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Master-Pack Energy Sdn. Bhd.	10	15	(5)	(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		Principal activity
		2020	2019	
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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers:-				
- Sale of goods	141,421	204,215	0	0
Other sources of revenue:-				
- Dividend income	4	7	3,966	1,757
- Operating lease income	441	385	22	65
	445	392	3,988	1,822
	<u>141,866</u>	<u>204,607</u>	<u>3,988</u>	<u>1,822</u>

Disaggregation of revenue from contracts with customers

	Group	
	2020	2019
	RM'000	RM'000
Geographical areas:-		
- Malaysia	86,729	144,272
- Vietnam	53,100	58,312
- Others	1,592	1,631
	<u>141,421</u>	<u>204,215</u>

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

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

20. Impairment gains on financial assets

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables from contracts with customers:-				
- Associate	0	4	0	0
- Unrelated parties	138	287	0	0
Amount due from subsidiary	0	0	500	3,045
	<u>138</u>	<u>291</u>	<u>500</u>	<u>3,045</u>

21. Employee benefits expense (including directors' remuneration)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors of the Company:-				
- Fees	249	253	249	249
- Other short-term employee benefits	3,143	2,949	15	14
- Defined contribution plans	104	123	0	0
	<u>3,496</u>	<u>3,325</u>	<u>264</u>	<u>263</u>
Directors of subsidiaries:-				
- Fees	16	20	0	0
- Other short-term employee benefits	1,621	1,484	0	0
- Defined contribution plans	87	94	0	0
	<u>1,724</u>	<u>1,598</u>	<u>0</u>	<u>0</u>
Other employees:-				
- Short-term employee benefits	10,514	10,136	8	29
- Defined contribution plans	715	764	0	0
	<u>11,229</u>	<u>10,900</u>	<u>8</u>	<u>29</u>
	<u>16,449</u>	<u>15,823</u>	<u>272</u>	<u>292</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

22. Profit before tax

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax is arrived at after charging:-				
Auditors' remuneration	140	136	45	45
Direct operating expenditure for investment properties:-				
- Generating rental income	144	139	12	12
- Not generating rental income	3	3	0	0
Fee expense for financial instruments not measured at fair value through profit or loss	193	244	2	2
Interest expense for financial liabilities not measured at fair value through profit or loss	388	1,078	0	0
Interest expense for lease liabilities	264	383	0	0
Inventories written down	240	471	0	0
Lease expense relating to:-				
- Short-term leases	711	605	0	1
- Leases of low-value assets (other than short-term leases)	9	11	0	0
Property, plant and equipment written off	0	6	0	0
Realised loss on foreign exchange	94	452	0	0
and crediting:-				
Compensation income	0	130	0	0
Fair value gains on financial instruments mandatorily measured at fair value through profit or loss	22	17	22	17
Fair value gains on investment properties	320	155	320	0
Gain on disposal of property, plant and equipment	5	19	0	0
Interest income for financial assets measured at amortised cost	360	92	31	53
Operating lease income from:-				
- Investment properties	441	385	22	65
- Subleasing right-of-use assets	328	328	0	0
- Others	299	112	0	0
Reversal of inventories written down	85	270	0	0

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

23. Tax expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax based on results for the year:-				
- Current tax	1,413	2,893	7	18
- Deferred tax	(24)	(276)	32	(1)
- Real property gains tax	0	10	0	0
	<u>1,389</u>	<u>2,627</u>	<u>39</u>	<u>17</u>
Tax under/(over) provided in prior year:-				
- Current tax	146	(706)	(1)	5
- Deferred tax	(12)	14	0	0
	<u>1,523</u>	<u>1,935</u>	<u>38</u>	<u>22</u>

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	<u>12,793</u>	<u>17,622</u>	<u>4,367</u>	<u>4,385</u>
Tax at applicable tax rate of 24%	3,070	4,229	1,048	1,052
Non-deductible expenses	266	393	29	24
Non-taxable income	(14)	(30)	(993)	(1,059)
Tax incentives claimed	(1,539)	(1,542)	0	0
Effect of differential tax rates	(352)	(325)	(45)	0
Decrease in unrecognised deferred tax assets	(42)	(98)	0	0
Tax under/(over) provided in prior year	<u>134</u>	<u>(692)</u>	<u>(1)</u>	<u>5</u>
Tax expense	<u>1,523</u>	<u>1,935</u>	<u>38</u>	<u>22</u>

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:-

	2020	2019
Profit for the financial year attributable to owners of the Company (RM'000)	<u>11,275</u>	<u>15,695</u>
Weighted average number of shares in issue ('000)	<u>54,620</u>	<u>54,620</u>
Basic earnings per share (sen)	<u>20.64</u>	<u>28.73</u>

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

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

25. Dividends

Group and Company

	2020	2019
	RM'000	RM'000
In respect of the financial year ended 31 December 2019:-		
- Interim single tier dividend of 2.0 sen per share	0	1,092
In respect of the financial year ended 31 December 2020:-		
- Interim single tier dividend of 4.0 sen per share	2,185	0
- Special single tier dividend of 2.0 sen per share	1,092	0
	3,277	1,092

26. Notes to consolidated statement of cash flows

Group

Acquisition of right-of-use assets

	2020	2019
	RM'000	RM'000
Cost of right-of-use assets acquired	0	73
Acquisition by means of leases	0	(71)
Net cash disbursed	0	2

Short-term loans and borrowings

	2020	2019
	RM'000	RM'000
Balance at 1 January	11,309	11,933
Net cash flow changes	(4,071)	(677)
Other changes	(56)	53
Balance at 31 December (Note 14)	7,182	11,309

Lease liabilities

	2020	2019
	RM'000	RM'000
Balance at 1 January	5,299	7,200
Additions	0	71
Payments	(1,956)	(1,972)
Balance at 31 December (Note 15)	3,343	5,299

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

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

Lease liabilities (cont'd)

The total cash outflow for leases is as follows:-

	2020	2019
	RM'000	RM'000
Operating activities		
Lease expense recognised in profit or loss (Note 22)	720	616
Investing activities		
Acquisition of right-of-use assets	0	2
Financing activities		
Interest portion of lease liabilities (Note 22)	264	383
Principal portion of lease liabilities	1,956	1,972
	<u>2,940</u>	<u>2,973</u>

27. 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Dividends declared from subsidiaries	0	0	3,962	1,750
Interest charged to subsidiary	0	0	8	35
Sale of goods to associate	561	1,359	0	0
	<u>561</u>	<u>1,359</u>	<u>0</u>	<u>0</u>

28. 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	87,174	144,664	64,238	65,415
Vietnam	53,100	58,312	196	207
Others	1,592	1,631	0	0
	<u>141,866</u>	<u>204,607</u>	<u>64,434</u>	<u>65,622</u>

28. Segment reporting (cont'd)

Major customers

For the financial year ended 31 December 2020, there was 1 (2019 : 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 RM18,408,000 (2019 : RM69,747,000).

29. 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 RM13,345,000 (2019 : RM19,205,000). The total utilisation of these credit facilities as at 31 December 2020 amounted to RM13,345,000 (2019 : RM19,205,000). 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 2.11. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

30. Financial risk management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 29.

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.

**NOTES TO THE
FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

30. Financial risk management (cont'd)

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	
	2020	2019
	RM'000	RM'000
Receivables	0	2,494
Cash and cash equivalents	5,879	4,245
Payables	(39)	(1)
	<u>5,840</u>	<u>6,738</u>

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

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

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

	Group	
	Increase/ (Decrease) in profit	Increase/ (Decrease) in profit
	2020	2019
	RM'000	RM'000
Appreciation of USD against RM by 3% (2019 : 1%)	116	58
Depreciation of USD against RM by 3% (2019 : 1%)	<u>(116)</u>	<u>(58)</u>

Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

30. Financial risk management (cont'd)

Interest rate risk (cont'd)

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	
	2020 RM'000	2019 RM'000
Fixed rate instruments		
Financial assets	7,830	0
Financial liabilities	10,525	16,608
Floating rate instruments		
Financial liabilities	0	1,080

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
	2020 RM'000	2019 RM'000
Increase in interest rates by 40 basis points (2019 : 10 basis points)	0	(1)
Decrease in interest rates by 40 basis points (2019 : 10 basis points)	0	1

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	Increase/ (Decrease) in profit
	2020 RM'000	2019 RM'000
Increase in FBMKLCI by 5% (2019 : 3%)	14	8
Decrease in FBMKLCI by 5% (2019 : 3%)	(14)	(8)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

31. 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	
	2020	2019
	RM'000	RM'000
Loans and borrowings	7,182	12,389
Lease liabilities	3,343	5,299
Total interest-bearing debts	<u>10,525</u>	<u>17,688</u>
Total equity	<u>113,402</u>	<u>105,837</u>
Total capital	<u>123,927</u>	<u>123,525</u>
Debt-to-equity ratio	<u>9%</u>	<u>17%</u>

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



GROUP PROPERTIES

AS AT 31 DECEMBER 2020

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	25	L:RM10,000,000 B:RM7,679,000	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	20	L:RM3,200,000 B:RM4,487,000	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	28	L:RM6,314,000 B:RM4,369,000	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	30	L:RM390,000 B:RM115,000	31-Dec-20
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	23	L:RM3,050,000 B:RM7,950,000	31-Dec-20
6	Office units 5-3-1 to Office units 5-3-6, Hunza Complex, Greenlane Heights, Jalan Gangsa, 11600 Penang. Parent Lot: 4744, Section 5, Town of Georgetown, North East District, Penang.	Commercial Lots	8,530 sq ft	Not Applicable	Rental for investment purpose	Freehold	25	B:RM3,640,000	31-Dec-20

L: Land
B: Building

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2021

DISTRIBUTION OF SHAREHOLDER AS AT 31 MARCH 2021

No. of Holders	Holdings	Total Holdings	%
326	Less Than 100	14,252	0.03
661	100 - 1,000	453,685	0.83
2,444	1,001 - 10,000	9,267,208	16.97
509	10,001 – 100,000	14,147,405	25.90
39	100,001 and below 5% of issued shares	14,865,600	27.21
2	5% and above of issued shares	15,872,000	29.06
3,981	TOTAL	54,620,150	100

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2021

Name of Director	Direct interest	%	Deemed interest	%
Dato' Syed Mohamad Bin Syed Murtaza	-	-	-	-
Dato' Seri Khor Teng Tong	350,000	0.64	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 31 MARCH 2021

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



ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2021 (CONT'D)

LIST OF TOP 30 SHAREHOLDERS

NO	NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
1	YAYASAN BUMIPUTRA PULAU PINANG BHD.	9,500,000	17.39
2	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HDM CAPITAL SDN. BHD. FOR YAYASAN BUMIPUTRA PULAU PINANG BHD.	6,372,000	11.67
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: TAN BOON PING	2,700,000	4.94
4	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : HDM CAPITAL SDN. BHD. FOR CH'NG ENG SEONG	1,500,000	2.75
5	KHOR TENG TONG HOLDINGS SDN. BHD	1,127,000	2.06
6	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY : LAW TECK PENG	958,700	1.76
7	CHONG CHIEW TSHUNG	715,000	1.31
8	LIM SEN OON	583,000	1.07
9	LEE KOK HIN	533,400	0.98
10	HLB NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: LEE POH KWEE	489,200	0.90
11	ONG BENG KEE	450,000	0.82
12	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY:YOONG KAH YIN	410,000	0.75
13	MOHD. NAZRIN BIN SAAD	354,600	0.65
14	KHOR TENG TONG	350,000	0.64
15	ELEBEST ENGINEERING SDN. BHD.	300,000	0.55
16	SIEOW CHONG SENG	250,000	0.46
17	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY :LOW HENG NAM	246,000	0.45
18	LIBERALIS LIMITED	220,000	0.40
19	CHONG WEE BENG	210,000	0.38
20	STARVIEW RESTORAN SDN. BHD.	200,000	0.37
21	TA NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: ANITHA BINTI MOHAMED HANIFFA	200,000	0.37
22	TAN KIM KEE @ TAN KEE	200,000	0.37
23	TAN SENG CHONG @ TAN AH TEE	196,000	0.36
24	OH TEK HAN	190,400	0.35
25	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. BENEFICIARY: ABD RAHMAN DHARMARAJAH BIN ABDULLAH	189,500	0.35
26	KENANGA NOMINESS (TEMPATAN) SDN. BHD. BENEFICIARY: TEOH BENG TIANG	184,800	0.34
27	NG THONG PIN	180,000	0.33
28	TAN AH PAN	179,000	0.33
29	CHONG SIEW TATT	177,000	0.32
30	CGS-CIMB NOMINEES (ASING) SDN. BHD. BENEFICIARY:CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	165,000	0.30

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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 27th Annual General Meeting ("AGM") of the Company to be held at St. John Ambulance Penang Hall, No. 2A, Grove Road, 10400 Georgetown, Penang on Thursday, 27 May 2021 at 11.00 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1	To re-elect Dato' Syed Mohamad Bin Syed Murtaza as a director of the Company.		
2	To re-elect Puan Nazriah Binti Shaik Alawdin as a director of the Company.		
3	To approve the payment of Directors' fees for the financial year ended 31 December 2020.		
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 Dr. Junid Bin Abu Saham as an Independent Non-Executive Director.		
8	To retain Dato' Seri Khor Teng Tong as an Independent Non-Executive Director.		
9	To retain Mr. Chew Hock Lin as an Independent Non-Executive Director.		
10	To retain Encik Aminuddin Bin Saad as an Independent Non-Executive Director.		

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

Signed thisday of, 2021.

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 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.
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 May 2021. Only a depositor whose name appear on the Record of Depositors on 17 May 2021 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.

Fold this flag sealing

2nd fold here

Stamp

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

1st fold here

MASTER-PACK GROUP BERHAD

199401011341 (297020-W)

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