



QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

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MASTER-PACK GROUP BERHAD (297020-W)
for the second quarter ended 30 September 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(the figures have not been audited)

		Current quarter ended 30.09.2018 RM'000	Preceding year corresponding quarter ended 30.09.2017 RM'000	Current year-to-date ended 30.09.2018 RM'000	Preceding year corresponding year-to-date ended 30.09.2017 RM'000
Revenue	B1	37,125	31,667	103,772	82,546
Operating expenses		(35,286)	(30,217)	(98,908)	(78,429)
Other operating income		139	128	1,103	413
Profit from operations		1,978	1,578	5,967	4,530
Finance costs		(304)	(258)	(813)	(610)
Share of (Loss)/Profit in associated companies		42	(17)	53	(102)
Profit before taxation		1,716	1,303	5,207	3,818
Taxation	B4	(463)	(293)	(1,268)	(1,048)
Profit for the period		1,253	1,010	3,939	2,770
Other comprehensive income :-					
<u>Items that may be reclassified subsequently to profit or loss:-</u>					
- Fair value gain/(loss) on available-for-sale financial assets		7	(16)	(21)	27
Other comprehensive income for the period		7	(16)	(21)	27
		1,260	994	3,918	2,797
Profit/(loss) for the financial period attributable to:-					
- Owners of the Company		1,255	1,012	3,945	2,777
- Non-Controlling Interest		(2)	(2)	(6)	(7)
		1,253	1,010	3,939	2,770
Total comprehensive income/(loss) for the financial period attributable to:-					
- Owners of the Company		1,262	996	3,924	2,804
- Non-Controlling Interest		(2)	(2)	(6)	(7)
		1,260	994	3,918	2,797
Earnings per share (sen) :					
(i) Basic	B8	2.30	1.85	7.22	5.08
(ii) Fully diluted		N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements)

MASTER-PACK GROUP BERHAD (297020-W)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at end of current quarter ended 30.09.2018 RM'000 (unaudited)	As at end of financial year ended 31.12.2017 RM'000 (audited)
Non-Current Assets			
Property, plant and equipment		41,726	39,478
Investment properties		13,664	14,170
Goodwill on consolidation		196	196
Investment in associates		479	540
Investment in unquoted shares		268	-
Available-for-sales financial assets		280	301
		56,613	54,685
Current Assets			
Inventories		13,325	12,830
Trade and other receivables		37,549	33,413
Prepayments		1,551	2,601
Current tax assets		8	230
Cash and bank balances		6,021	4,571
		58,454	53,645
TOTAL ASSETS		115,067	108,330
Non-Current Liabilities			
Loans and borrowings - secured	B5	5,705	4,404
Deferred tax liabilities		2,941	3,262
		8,646	7,666
Current Liabilities			
Trade and other payables		11,190	10,610
Loans and borrowings - secured	B5	16,172	14,428
Current tax liabilities		444	109
		27,806	25,147
TOTAL LIABILITIES		36,452	32,813
Equity			
Equity attributable to owners of the Company			
Share capital		55,339	55,339
Other reserves		23,251	20,147
Equity attributable to owner of the Company		78,590	75,486
Non-controlling interest		25	31
TOTAL EQUITY		78,615	75,517
TOTAL LIABILITIES AND EQUITY		115,067	108,330
Net assets per share attributable to owners of the Company (RM)		1.44	1.38

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial

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for the second quarter ended 30 September 2018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	-----Attributable to Owners of the Company-----						TOTAL RM'000	Non- Controlling Interest RM'000	TOTAL EQUITY RM'000
	Share Capital RM'000	Share Premium RM'000	Capital Redemption Reserve RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000			
9 months ended 30 September 2017									
Balance as at 1 January 2017	54,620	284	435	5,742	87	10,895	72,063	40	72,103
Reclassification adjustments on :-									
Fair value gain on available-for-sale financial assets	-	-	-	-	27	-	27	-	27
Other comprehensive income for the period	-	-	-	-	27	-	27	-	27
Profit for the financial period	-	-	-	-	-	2,777	2,777	(7)	2,770
Total comprehensive income for the period	-	-	-	-	27	2,777	2,804	(7)	2,797
Dividend Owners of the Company	-	-	-	-	-	(546)	(546)	-	(546)
Total transactions with owners	-	-	-	-	-	(546)	(546)	-	(546)
Transfer pursuant to S618(2) Companies Act 2016	719	(284)	(435)	-	-	-	-	-	-
Transfer of revaluation surplus	-	-	-	(326)	-	326	-	-	-
Balance as at 30 September 2017	55,339	-	-	5,416	114	13,452	74,321	33	74,354

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for the second quarter ended 30 September 2018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

(the figures have not been audited)

Note	-----Attributable to Owners of the Company-----						TOTAL RM'000	Non- Controlling Interest RM'000	TOTAL EQUITY RM'000
	Share Capital RM'000	Share Premium RM'000	Capital Redemption Reserve RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000			
9 months ended 30 September 2018									
Balance as at 1 January 2018	55,339	-	-	5,297	111	14,739	75,486	31	75,517
Reclassification adjustments on :-									
Fair value loss on available-for-sale financial assets	-	-	-	-	(21)	-	(21)	-	(21)
Other comprehensive income for the period	-	-	-	-	(21)	-	(21)	-	(21)
Profit for the period	-	-	-	-	-	3,945	3,945	(6)	3,939
Total comprehensive income for the period	-	-	-	-	(21)	3,945	3,924	(6)	3,918
Dividend									
Owners of the Company	-	-	-	-	-	(820)	(820)	-	(820)
Transfer of revaluation surplus	-	-	-	(338)	-	338	-	-	-
Balance as at 30 September 2018	55,339	-	-	4,959	90	18,202	78,590	25	78,615

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements)

MASTER-PACK GROUP BERHAD (297020-W)
for the second quarter ended 30 September 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(the figures have not been audited)

	Current year-to-date ended 30.09.2018 RM'000	Preceding year-to-date ended 30.09.2017 RM'000
OPERATING ACTIVITIES		
Profit before taxation	5,207	3,818
<u>Adjustments for non-cash flow items :-</u>		
Allowance for slow moving inventories	-	51
Depreciation	2,702	2,385
Dividend income	(6)	(4)
(Gain) on changes in ownership of an associate	(154)	-
(Gain) on disposal of investment properties	(418)	-
(Gain) on disposal of property, plant and equipment	(16)	-
Impairment loss on loans and receivables	110	656
Interest expense	813	610
Interest income	(27)	(52)
Inventories written down	164	-
Property, plant and equipment written-off	-	6
Share of associate's (profit)/loss	(53)	102
	8,322	7,572
<u>Operating profit before working capital changes</u>		
<u>Changes in Working Capital :-</u>		
Inventories	(659)	(1,826)
Receivables and prepayments	(3,197)	(9,662)
Payables	579	69
	5,045	(3,847)
Cash generated from/(used in) operations		
Income tax refunded	22	178
Income tax paid	(1,113)	(1,727)
	3,954	(5,396)
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	6	4
Interest received	27	52
Proceeds from disposal of investment properties	1,716	-
Purchase of property, plant and equipment	(5,664)	(4,070)
Net cash (used in) / generated from investing activities	(3,915)	(4,014)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(the figures have not been audited)

	Current year-to-date ended 30.09.2018 RM'000	Preceding year-to-date ended 30.09.2017 RM'000
Note		
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(820)	(546)
Interest paid	(813)	(610)
Net increase/(decrease) in short-term loans and borrowings	1,153	4,754
Proceeds from hire purchase loans	3,178	3,460
Repayment of hire purchase obligations	(1,275)	(707)
Repayment of short term loans	(166)	(258)
Net cash generated from / (used in) financing activities	1,257	6,093
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,296	(3,317)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	2,815	4,571
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4,111	1,254

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Notes to the Interim Financial Statements:-

A. Explanatory Notes to the Interim Financial Statements as required by MFRS134

A1. Basis of preparation

The interim financial statements of the Group for the period ended 30 September 2018 are unaudited and have been prepared in accordance with the requirements of MFRS134: Interim Financial Reporting and paragraph 9.22 of Bursa Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of Master-Pack Group Berhad (“the Group”) for the year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions so as to give a true and fair view of the state of affairs of the Group as of 30 September 2018 and of its results and cash flows for the period ended on that date.

A2. Annual Audit Report

The auditors’ report on the financial statements for the year ended 31 December 2017 was not qualified.

A3. Changes in Accounting Policies and Method of Computation

The significant accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the newly-issued Malaysian Financial Reporting Standards (“MFRS”), to be applied for the financial period beginning on 1st January 2018:

- MFRS 15: Revenue from Contracts with Customers

The adoption of the above MFRS 15 did not have any material financial impact on these condensed consolidated financial statements.

- MFRS 9: Financial Instruments

For impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with the expected credit loss (“ECL”) model. The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 on trade receivables and has elected not to restate comparatives. The Group considers a trade receivable to be in default when payment are 180 days past due and also consider factors specific to the individual debtor who has defaulted in payment.

The movements in allowance for impairment based on the ECL model in MFRS 9 is as follows:-

	RM'000
Balance at 1 January 2018	3,334
Impairment loss recognised :-	
Retrospective adjustment	117
Impairment loss for the year to-date	-
	<u>117</u>
Impairment loss reversed	(7)
Impairment loss written off	(2,304)
Balance at 30 September 2018	<u><u>1,140</u></u>

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The age analysis of trade receivables as at 30 September 2018 after impairment is as follows:-

	Before impairment	Allowance for impairment	After impairment
	RM'000	RM'000	RM'000
Neither past due nor impaired	28,691	-	28,691
Past due :-			
- 1 to 30 days	3,661	-	3,661
- 31 to 120 days	2,626	(21)	2,605
- more than 121 days	1,126	(1,119)	7
Balance at 30 Sep 2018	36,104	(1,140)	34,964

A4. Seasonality or cyclicity of operations

The Group's performance is not significantly affected by any seasonal or cyclical factor for the financial period under review.

A5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows because of their nature, size, or incidence for the financial period under review.

A6. Changes in estimates

There were no material changes in the estimates for the financial period under review.

A7. Issues, repurchases, and repayment of debt and equity securities

There were no issuance and repayment of debts and equity securities.

A8. Dividend

There was no dividend paid during the quarter under review.

A9. Segmental information

The Group has two operating segments as follows:-

a) Packaging Division

Designing and manufacturing corrugated paper cartons as well as providing one-stop packaging solutions.

b) Other Divisions

Inactive companies and investment holding company.

In view that contribution from the other divisions is not significant, operating results from the other divisions is not segregated.

A10. Events after reporting period

There was no material event subsequent to the reporting period that has not been reflected in these financial statements.

A11. Changes in the composition of the Group

There was no business combinations, long term investment and restructuring or discontinuing operations during the financial period under review.

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A12. Changes in contingent liabilities or contingent assets

There was no liability that the Group is contingently liable to since the last annual reporting date.

A13. Recurrent Related Party Transactions

The recurrent related party transactions of revenue and trading nature approved in accordance with the shareholders' mandate on 24th May 2017 and transacted with the subsidiaries are set out below:-

	Current quarter ended 30.09.2018 RM'000	Current year-to-date ended 30.09.2018 RM'000
Transactions with related party	3,604	8,816

B. Additional information required by the listing requirements of Bursa Malaysia Securities Berhad

B1 Performance Review of the Group

Current Quarter 2018 vs Corresponding Quarter 2017

	Current quarter ended 30.09.2018 RM'000	Preceding year corresponding quarter ended 30.09.2017 RM'000	Changes	
			RM'000	%
Revenue	37,125	31,667	+5,458	+17.2%
Profit before taxation	1,716	1,303	+413	+31.7%

The group's revenue continue to rise in the current quarter under review, registering an increase of RM5.5 million or 17.2% against the corresponding quarter of the preceding year's revenue. Year-to date revenue has surpassed the RM100 million mark at RM103.8 million compared to RM82.5 million for the same period last year. The increase is due to higher delivery volume to customers. Profit before tax is RM1.7 million. The higher revenue has improved profit before tax margin to 4.6% against 4.1%.

Current Quarter 2018 vs Preceding Quarter 2018

	Current quarter ended 30.09.2018 RM'000	Preceding quarter ended 30.06.2018 RM'000	Changes	
			RM'000	%
Revenue	37,125	32,796	+4,329	+13.2%
Profit before taxation	1,716	1,759	(43)	-2.4%

Compared against the preceding quarter, revenue increased by 13.2% to RM37.1 million but profit before tax registered a contraction of 2.4% to RM1.7 million only due to increase in cost of raw material, manufacturing costs and some start-up cost for the investment in Vietnam. The new subsidiary in Vietnam commenced operations in July 2018 and contributed 2% to the current quarter's revenue.

B2. Prospect 2018

While revenue is expected to continue to grow in the last quarter of 2018, profitability is expected to contract due to imposition of the Sales and Services Tax 2018, as the Group need to absorb the Sales and Services Tax where it is not possible to increase the selling prices to customers. In addition, cost of raw material is expected to increase further due to the exchange rate of the USD against Ringgit.

B3. Variance of actual profit from forecast profit and shortfall in the profit guarantee

Not applicable.

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B4. Taxation

The taxation of the Group comprises:

	Current quarter ended 30.09.2018 RM'000	Current year-to-date ended 30.09.2018 RM'000
Taxation		
- current year	(492)	(1,589)
Deferred tax	29	321
	<u>(463)</u>	<u>(1,268)</u>

The effective tax rate for the current quarter is high due to non-allowable expenses.

B5. Group borrowings as at 30.09.2018
Short term borrowings - Secured

	RM'000
Bank overdrafts	1,910
Banker acceptances	12,090
Short-term loans due within one year	160
Hire-purchase obligations due within one year	2,012
	<u>16,172</u>

Long-term borrowings - Secured

	Due Within 1 to 2 years RM'000	Due Within 2 to 5 years RM'000	Total RM'000
Hire-purchase obligations	<u>2,508</u>	<u>3,197</u>	<u>5,705</u>

The effective interest rates of loans and borrowings as at 30.09.2018 ranged from 4.51% to 8.35% per annum.

B6. Litigation

There is no material litigation at the date of this report.

B7. Dividend Declared

The Board of Directors does not declare any dividend for the financial period under review.

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**B8. Earnings per Share
Basic**

Basic earnings per share is calculated by dividing profit attributable to owners of the parent entity by the weighted average number of ordinary shares in issue during the period.

	Current quarter ended 30.09.2018	Current year-to-date ended 30.09.2018
Profit attributable to owners of the parent (RM'000)	1,255	3,945
Number of ordinary shares outstanding	54,620,150	54,620,150
Basic earning per share (sen)	2.30	7.22
Diluted	N/A	N/A

B9. Cash and cash equivalents

	As at 30.09.2018 RM'000	As at 30.09.2017 RM'000
Cash and bank balances	6,021	5,204
Bank overdrafts	(1,910)	(3,950)
	<u>4,111</u>	<u>1,254</u>

B10. Profit Before Tax Items

	quarter ended 30.09.2018 RM'000	year-to-date ended 30.09.2018 RM'000
Depreciation	943	2,702
Foreign exchange gain	(21)	(68)
Gain on changes in ownership of associates	(154)	(154)
Loss/(Gain) on disposal of investment properties	1	(418)
Gain on disposal of property, plant and equipment	-	(16)
Impairment (gain) / loss on loans and receivables	(17)	110
Interest expense	304	813
Interest income	(9)	(27)
Inventory written-down	158	164

Items which are not disclosed as per Listing Requirement Notes 16 Appendix 9B are not applicable to the group for the current period.

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B11. Disclosure of realised and unrealised profits and losses

	Current quarter ended 30.09.2018 RM'000	Preceding year ended 30.09.2017 RM'000
Master-Pack Group Berhad and its subsidiaries :		
- Realised	(12,623)	(16,678)
- Unrealised	1,664	1,222
	<hr/>	<hr/>
	(10,959)	(15,456)
Total share of retained profits from associates :		
- Realised	452	185
- Unrealised	-	-
	<hr/>	<hr/>
	(10,507)	(15,271)
Less : Consolidation adjustments	28,709	28,723
	<hr/>	<hr/>
Total Group retained profit	<u>18,202</u>	<u>13,452</u>

By order of the Board
Lee Peng Loon
P'ng Chiew Keem

Secretaries

Penang
Date: 23 November 2018