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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-eighth Annual General Meeting of the Company will be held at 6 1/2 Miles, Simpang Salak South Baru, (Lot 3, Jalan Kuchai Lama), 58200 Kuala Lumpur on Thursday, 26 June 2003 at 10.00 a.m. for the following purposes:

- |  |  |
|--|--|
| <p>1. To receive and adopt the Report of the Directors and the Accounts for the financial year ended 31 December 2002 and the Report of the Auditors thereon.</p>  | <p><b>RESOLUTION 1</b></p>   |
| <p>2. To approve the declaration of a first and final tax exempt dividend of 2% for the financial year ended 31 December 2002.</p>   | <p><b>RESOLUTION 2</b></p>   |
| <p>3. To approve the Directors' Fees for the financial year ended 31 December 2002, which have proposed to be increased from RM 80,000 to RM 140,000.</p>  | <p><b>RESOLUTION 3</b></p>   |
| <p>4. To re-elect directors:</p> <p>(i) In accordance with Article 87 of the Company's Articles of Association, the following directors retire by rotation and, being eligible, offer themselves for re-election:</p> <p>(a) Dato' Ahmad Badri Bin Mohamed Basir</p> <p>(b) Mr. Hiroyuki Sugae</p> <p>(ii) In accordance with Article 89 of the Company's Articles of Association, the following directors retire and, being eligible, offer themselves for re-election:</p> <p>(a) Mr. Takashi Imai</p> <p>(b) Mr. Koichi Takahashi</p> | <p><b>RESOLUTION 4</b></p> <p><b>RESOLUTION 5</b></p><br><p><b>RESOLUTION 6</b></p> <p><b>RESOLUTION 7</b></p> |
| <p>5. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:</p> <p>That pursuant to Section 129(6) of the Companies Act, 1965, Mr. Tay How Seng be and is hereby re-appointed a director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.</p>   | <p><b>RESOLUTION 8</b></p>   |
| <p>6. To appoint Messrs. Ernst &amp; Young as Auditors of the Company in place of the retiring Auditors, Messrs. Arthur Andersen &amp; Co., who do not wish to seek re-appointment, in accordance with Section 172(11) of the Companies Act, 1965, notice of which nomination has been received and to authorise the directors to fix their remuneration.</p>  | <p><b>RESOLUTION 9</b></p>   |

### AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following Ordinary Resolution:

**7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"THAT approval be and is hereby given to the Company (Maypak) to renew the Shareholders' Mandate for the recurrent related party transactions of a revenue or trading nature and with specified class of the Related Parties as stated below in Section 2.1.2 of the Circular to Shareholders dated 4 June 2003 which are necessary for the Company's day-to-day operations:

## NOTICE OF ANNUAL GENERAL MEETING

- i) AJINOMOTO (MALAYSIA) BHD., for the sale of packaging materials by Maypak.
- ii) MALAYSIA VE-TSIN MANUFACTURING CO. BHD., for the sale of packaging materials by Maypak, rental of leasehold land, warehouse and store office and share of security guards' salaries paid by Maypak.
- iii) DIC (M) SDN. BHD., for the purchase of raw materials by Maypak.

These transactions above are subject further to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders and that such transactions are made on an arm's length basis and on normal commercial terms;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;
- (c) the issuance of circular to shareholders by the listed issuer which shall include the information set out in the Listing Requirements;
- (d) interested Directors, interested major shareholders or interested persons connected with a Director or major shareholder and where it involves the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder must not vote on the resolution approving the transactions. An interested Director or interested major shareholder must also ensure that persons connected with him abstain from voting on the resolution approving the transactions.

AND THAT the authority conferred by the Proposed Shareholders' Mandate shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting (AGM) of the Company following the forthcoming AGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is again renewed; or
- (ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (The Act) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of The Act); or
- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

- 8. To transact any other ordinary business of which due notice shall have been given.

**RESOLUTION 10**

**RESOLUTION 11**

**RESOLUTION 12**

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS ALSO HEREBY GIVEN** that the First and Final Tax Exempt Dividend of 2%, if approved, will be paid on 18 July 2003 to depositors registered in the Record of Depositors at the close of business on 10 July 2003.

A depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 10 July 2003 in respect of ordinary transfers;
- b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order of the Board

**Winnie Chok**  
Secretary

Kuala Lumpur  
4 June 2003

### **Notes:**

- 1) *A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*
- 2) *If the appointer is a corporation, the proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.*
- 3) *The instrument appointing a proxy must be deposited at the office of Bina Management (M) Sdn. Bhd., Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.*

### **EXPLANATORY NOTES ON SPECIAL BUSINESS**

#### **Item 7 of the Agenda**

##### ***Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature***

The proposed Ordinary Resolution Nos. 10, 11, 12 if passed, will empower the Company to enter into recurrent transactions of a revenue or trading nature which are necessary for the Company's day to day operations, subject to the transactions made at arm's length and are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

## LETTER OF NOMINATION OF AUDITORS

GOH BI BI (Mdm)  
20, Jalan Desa Ria 2  
Taman Desa  
58100 Kuala Lumpur

8 May 2003

The Board of Directors  
Malaysia Packaging Industry Berhad  
6 1/2 Miles, Simpang Salak South Baru  
(Lot 3, Jalan Kuchai Lama)  
58200 Kuala Lumpur

Dear Sirs

### **NOMINATION FOR APPOINTMENT OF AUDITORS OF MALAYSIA PACKAGING INDUSTRY BERHAD**

I, Goh Bi Bi, being a shareholder of Malaysia Packaging Industry Berhad, hereby give notice that I wish to nominate Messrs. Ernst & Young to be appointed as the Auditors of the Company for the financial year ending 31 December 2003 at a fee to be fixed by the Directors at the forthcoming Annual General Meeting of the Company.

Yours faithfully

**GOH BI BI**

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### 1. Name of directors standing for re-election:

- Dato' Ahmad Badri Bin Mohamed Basir
- Mr Hiroyuki Sugae
- Mr Takashi Imai
- Mr Koichi Takahashi
- Mr Tay How Seng

### 2. Profile of Directors who are standing for re-election

Further details pertaining to directors standing for re-election are outlined on pages 10 -13 of the Annual Report.

### 3. Detail of Attendance of Directors at Board Meetings

Six (6) Board Meetings were held during the financial year ended 31 December 2002. The attendance of each Director on Board as at 31 December 2002 is as follows:

Name of Director	Date of Appointment	No. of Meetings Attended	Percentage %
Tay How Seng	17/03/1975	6/6	100
Kazumitsu Tanabe	01/07/1999	6/6	100
Dato' Seri Haji Mohd Bakri Bin Abdul Rais <i>(Deceased on 19/05/2003)</i>	09/08/1975	6/6	100
Dato' Ahmad Badri Bin Mohamed Basir	01/07/1997	4/6	67
Takashi Imai	12/07/2002	3/3	100
Dr Goh Chin Siew	15/08/1990	6/6	100
Katsuyuki Inoue <i>(Resigned on 12/07/2002)</i>	03/07/2000	3/3	100
Hiroyuki Sugae	03/07/2000	6/6	100
Koichi Takahashi	12/06/2002	2/3	67
Peony Lye	03/11/1995	6/6	100
Tsutomu Hayano <i>(Resigned on 11/06/2002)</i>	16/07/2001	0/3	0
Gew Ah Lek	24/08/2001	6/6	100

### 4. Place, Date and Time of the Board Meetings

The place, date and time of the Board Meetings held during the financial year are as follows:

Date of Meeting	Hour	Place
20 February 2002	11.00 a.m.	Kuala Lumpur
12 April 2002	11.00 a.m.	Kuala Lumpur
23 May 2002	3.00 p.m.	Kuala Lumpur
22 July 2002	12.30 p.m.	Kuala Lumpur
26 August 2002	10.30 a.m.	Kuala Lumpur
28 November 2002	12.00 noon	Kuala Lumpur



## CORPORATE INFORMATION

### DIRECTORS

**Tay How Seng** (*Chairman*)

**Kazumitsu Tanabe** (*Managing Director*)

**Dato' Seri Haji Mohd. Bakri Bin Abdul Rais** (*Independent Director*)(Deceased on 19/05/2003)

**Dato' Ahmad Badri Bin Mohamed Basir** (*Independent Director*)

**Takashi Imai** (*Non-Independent Director*)

**Hiroyuki Sugae** (*Executive Director*)

**Koichi Takahashi** (*Non-Independent Director*)

**Dr. Goh Chin Siew** (*Independent Director*)

**Peony Lye** (*Independent Director*)

**Gew Ah Lek** (*Non-Independent Director*)

### BANKERS

Bank of Tokyo - Mitsubishi (Malaysia) Berhad

Malayan Banking Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

### AUDITORS

Arthur Andersen & Co.

### COMPANY SECRETARY

Winnie Chok Kwee Wah (MACS 00550)

### REGISTERED OFFICE

6 1/2 Miles, Simpang Salak South Baru

(Lot 3, Jalan Kuchai Lama)

58200 Kuala Lumpur.

Tel : 03-7983 1877

Fax : 03-7981 3198

### HOME PAGE

[http : //www.maypak.com](http://www.maypak.com)

### REGISTRARS

Bina Management (M) Sdn. Bhd.,

Lot 10, The Highway Centre,

Jalan 51/205, 46050 Petaling Jaya,

Selangor Darul Ehsan.

Tel : 03-7784 3922

Fax : 03-7784 1988

### STOCK EXCHANGE LISTING

The Second Board, Kuala Lumpur Stock Exchange

### CERTIFIED MANAGEMENT SYSTEM

MS ISO 9001 : 2000

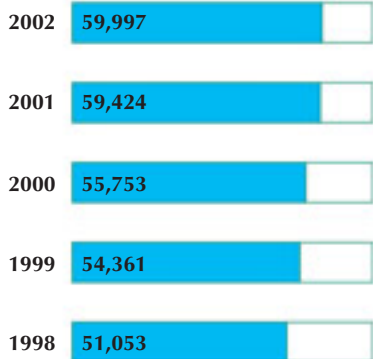
MS ISO 14001 : 1997



## FIVE YEARS FINANCIAL HIGHLIGHTS

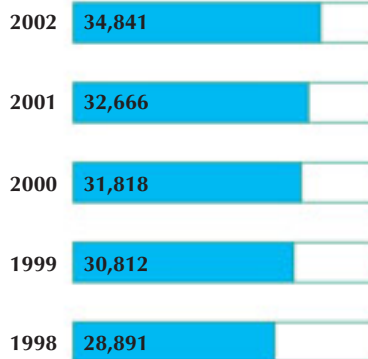
### Revenue

(RM'000)



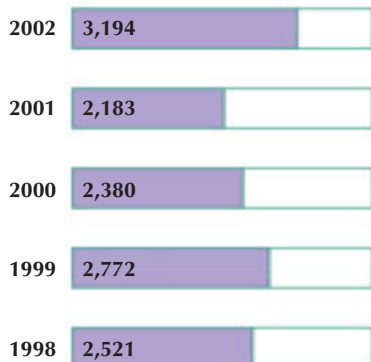
### Shareholders' Fund

(RM'000)



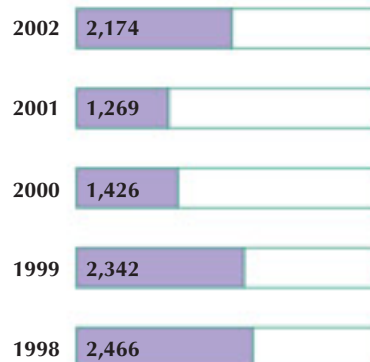
### Profit Before Taxation

(RM'000)



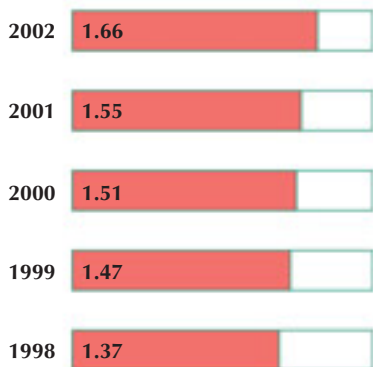
### Profit After Taxation

(RM'000)



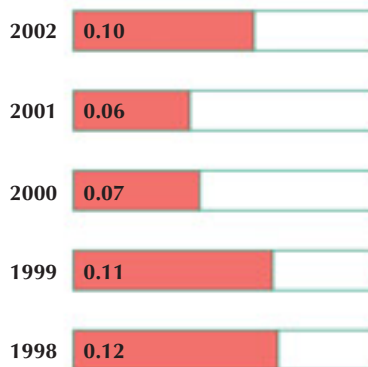
### Net Tangible Assets Per Share

(RM)



### Earnings Per Share

(RM)



## BOARD OF DIRECTORS

**Tay How Seng**  
*Chairman*



**Kazumitsu Tanabe**  
*Managing Director*

**Hiroyuki Sugae**  
*Executive Director*



**Takashi Imai**  
*Non-Independent Director*

**Koichi Takahashi**  
*Non-Independent Director*



**Gew Ah Lek**  
*Non-Independent Director*

**Dato' Seri Haji Mohd.  
Bakri Bin Abdul Rais**  
*Independent Director*  
*(Deceased on 19/05/2003)*



**Dr. Goh Chin Siew**  
*Independent Director*

**Peony Lye**  
*Independent Director*

**Dato' Ahmad Badri  
Bin Mohamed Basir**  
*Independent Director*



### **MR TAY HOW SENG**

*Chairman, Malaysian, aged 76*

Mr Tay was appointed to the Board on 17 March 1975. He is the Chairman and one of the founder members of the Company.

He completed his Cambridge School Certificate and is active in business and community associations.

He is also the Chairman of Malaysia Ve-Tsin Manufacturing Co. Bhd, Tong Ah Co. Sdn Bhd, Tong Ah Pengarakan Sdn Bhd, How Tian Enterprises Sdn. Bhd., Usaha Permai Sdn. Bhd., Thong Teck Enterprise Sdn. Bhd., Kuantan Enterprises Sdn. Bhd., Tay Miang Guan & Co. Sdn. Bhd. and Tay Miang Guan Pengarakan Sdn. Bhd. In community associations, Mr Tay is the President of the Selangor Wine & Spirit Dealers Association, The Associated Liquor Merchants Association of the Federation of Malaya, The Selangor & Kuala Lumpur Teo Chew Association and the Deputy President of the Federated Teochew Associations of Malaysia.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

### **MR KAZUMITSU TANABE**

*Managing Director, Japanese, aged 45*

Mr Tanabe was appointed to the Board on 1 July 1999. He is the Managing Director of the Company.

He graduated with a Bachelor of Engineering from The University of Tokyo, Japan in 1981.

He joined Ajinomoto Co. Inc., Japan in 1981 and began his career in Central Research Laboratories, in-charge of automation engineering. In 1991, he was posted to Ajinomoto Bioitalia S.p.A, Italy responsible for Technical Service. In 1993, he was posted to Ajinomoto Co. Inc., Japan, Yokohama Factory as an Engineering Manager. In 1999, he was posted to Malaysia as an Executive Director.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

### **MR HIROYUKI SUGAE**

*Executive Director, Japanese, aged 36*

Mr Sugae was appointed to the Board on 3 July 2000. Currently, he is the Executive Director/Technical Adviser of the Company.

He graduated with a Bachelor of Engineering (Mechanical) from Tohoku University in 1989 and went on to pursue and obtained his master degree in the same discipline in 1991.

He joined Ajinomoto Co. Inc., Japan in 1991 and began his career in Technical and Engineering Centre, in-charge of Packaging Technology. In 1996, he was posted to Technical Department, Ace Package Co. Ltd in-charge of Production Technology. In 2000, he was posted to Malaysia as an Executive Director.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

## PROFILE OF BOARD OF DIRECTORS

**DATO' SERI HAJI MOHD. BAKRI BIN ABDUL RAIS** (Deceased on 19/05/2003)

*Independent Non-Executive Director, Malaysian, aged 75*

Y. Bhg. Dato' Seri Hj Mohd Bakri was appointed to the Board on 9 August 1975. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

He completed his Cambridge School Certificate and has served in the Immigration Department. He was a Member of Parliament from 1974 to 1982. Since then, he has served as a director of various companies.

He is also a Director of Pernas Trading Sdn Bhd, Keretapi Tanah Melayu, Syarikat Permodalan Perak Bhd and Pernida Sdn Bhd. He was awarded several decorations like DPMP, PMP, AMP and was conferred the 'Dato Seri' title by the Sultan of Perak on 19 April 2001.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

**MR TAKASHI IMAI**

*Non-Independent Non-Executive Director, Japanese, aged 53*

Mr Imai was appointed to the Board on 12 July 2002. He is a member of the Audit Committee of the Company.

He graduated with a Bachelor of Agriculture from The University of Tokyo, Japan in 1971.

He joined Ajinomoto Co. Inc., Japan in 1971 and began his career in the Specialty Chemical Department and has held various positions in Japan and overseas within the Ajinomoto Group of Companies.

He sits on the Board of Malaysia Ve-Tsin Manufacturing Co. Berhad and Ajinomoto (Singapore) Pte Ltd. and is currently the Managing Director of Ajinomoto (Malaysia) Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

**DR. GOH CHIN SIEW**

*Independent Non-Executive Director, Malaysian, aged 65*

Dr Goh was appointed to the Board on 15 August 1990. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

He graduated from University of Hong Kong, Medical Faculty in 1964, and was a Chan Weng Scholar. He is a fellow of the Royal Australasian College of Physicians (Occupational Medicine) and a member of the Academy of Medicine Malaysia. He was the medical director for Hamburg International Re-Insurer Company, Germany, and medical director/advisor for several local and international insurance companies, besides being a practising Occupational Health Physician.

He is an Independent Non-Executive Director and member of the Audit Committee of Ajinomoto (Malaysia) Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

### **MR GEW AH LEK**

*Non-Independent Non-Executive Director, Malaysian, aged 52*

Mr Gew was appointed to the Board on 24 August 2001. He is a member of the Audit Committee of the Company.

He graduated with a Bachelor of Commerce (Accountancy) from Nanyang University, Singapore in 1972. He is a Certified Public Accountant (Singapore) and an Associate Member of Australian Society of Certified Practising Accountants.

He was the Chief Accountant and later promoted to Assistant General Manager of Amoy Canning Corporation (Malaysia) Berhad, which is involved in food and beverages manufacturing and investment holding. He left Amoy Canning after 20 years of service and joined Ajinomoto (Malaysia) Berhad in 1995 as Senior Sales Manager. He is an Executive Director and member of the Audit Committee of Ajinomoto (Malaysia) Berhad.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

### **DATO' AHMAD BADRI BIN MOHAMED BASIR**

*Independent Non-Executive Director, Malaysian, aged 67*

Dato' Ahmad Badri was appointed to the Board on 1 July 1997. He is the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company.

He graduated with a Bachelor of Art from University Malaya in 1959 and obtained his MPA from Pittsburgh University in 1971. He further obtained his AMP from the Harvard University in 1986.

Dato' Ahmad Badri started his working career in the civil service and has held several positions in the District Offices and Public Services Department. Some of the senior positions held included General Manager of Malayan Railway Administration, Chairman of MARDI, Secretary General of Ministry of Agriculture and Chairman of Bank Pertanian Malaysia.

In the private sector, he is a Director in MNI Holdings Bhd., KEN Holdings Bhd., Mayban Finance Berhad and Aseamlease Bhd.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.

## PROFILE OF BOARD OF DIRECTORS

### **MS PEONY LYE**

*Independent Non-Executive Director, Malaysian, aged 43*

Ms Peony was appointed to the Board on 3 November 1995. She is the Chairperson of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

She obtained her L.L.B. (Hons) Barrister-At-Law in 1982 from the London School of Economics. She worked as a legal assistant for several legal firms as well as private companies before becoming a partner with Messrs Eugene Lye & Co. in 1993

She does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

She has not been convicted of any offence within the past 10 years.

### **MR KOICHI TAKAHASHI**

*Non-Independent Non-Executive Director, Japanese, aged 56*

Mr Takahashi was appointed to the Board on 12 June 2002.

He graduated with a Bachelor of Science, Chemistry from Saitama University in 1969.

He has served in several senior positions in Dainippon Ink and Chemicals, Incorporated, and was also appointed the Managing Director of DIC-France in October 1987.

Currently, he is the Managing Director of DIC Holdings (M) Sdn Bhd.

He does not have any family relationship with any director and/or major shareholder of the Company. To-date, there has not been any occurrence of conflict of interest with the Company.

He has not been convicted of any offence within the past 10 years.



## CHAIRMAN'S STATEMENT



**On behalf of the Board of Directors, I am pleased to present to the shareholders, the Annual Report of the Company for the financial year ended 31 December 2002.**

### Company Performance

Sales turnover increased marginally from RM59.42m in year 2001 to RM60.0m in year 2002. However, profit after tax for the year under review improved from RM1.27m to RM2.17m. Lower production costs through productivity and efficiency improvement efforts helped improved the Company's profitability in the year under review.

### Corporate Developments

The Company is currently undertaking corporate proposals to increase its paid up share capital through a Proposed Rights Issue and Proposed Bonus Issue to meet requirements of the Securities Commission for companies listed on the Second Board of the Kuala Lumpur Stock Exchange to have a minimum issued and paid-up share capital of RM40 million.

The Company successfully up-graded its Quality Management System from ISO 9002:1994 to the new standard under ISO 9001:2000 in November 2002.

The expansion programme to extend the factory building to accommodate new machinery as well as provide for future expansion was completed in February 2003.

In line with the Company's policy of environmental protection, the waste water treatment system was changed to a new evaporator waste water treatment system which uses "Cleaner Technology"

## CHAIRMAN'S STATEMENT

### Prospects

The year ahead is expected to be a difficult and challenging one, against the back drop of the US led invasion of Iraq and the widespread affliction of SARS (Severe Acute Respiratory Syndrome) in several countries across the globe. The loss in consumer confidence and growing concerns across the world will intensify competition in a shrinking market.

The Company's recent investments in new machinery would enhance its competitive edge and cushion some of the effects of the depressed economic condition. Productivity improvement efforts will be intensified together with cost savings measure to maintain cost competitiveness.

### Dividend

The Directors are recommending the payment of a first and final tax-exempt dividend of 2% for the year. The recommended dividend, upon approval by shareholders in the forthcoming Annual General Meeting will be paid on 18 July 2003.

### Directorate

The year under review saw changes to the Board with the resignation of Mr. Tsutomu Hayano and Mr. Katsuyuki Inoue and appointment of Mr. Koichi Takahashi and Mr. Takashi Imai.

The Board wishes to record its appreciation and thanks to the outgoing directors for their invaluable contributions and extend a warm welcome to the new directors.

### Appreciation

On behalf of the Board, I would like to express our sincere appreciation to our valued customers, suppliers, bankers, business associates and shareholders for their confidence and continued support.

I would also like to extend our gratitude for the assistance and guidance given by our corporate consultants and regulatory authorities in connection with the Company's corporate proposals.

A word of thanks must be extended to all our employees for their hard work, commitment and dedication during the year.

Finally, I wish to take this opportunity to thank my fellow Board members for their cooperation and support.

**TAY HOW SENG**  
CHAIRMAN

8 April 2003

## AUDIT COMMITTEE REPORT

The Audit Committee was first set up 20 April 1994. Details of the members of the present Committee are as follows:-

Name of Member	Designation
1. Dr Goh Chin Siew (Chairman)	Independent Non-Executive Director
2. Peony Lye	Independent Non-Executive Director
3. Dato' Seri Haji Mohd Bakri Bin Abdul Rais (Deceased on 19/05/2003)	Independent Non-Executive Director
4. Dato' Ahmad Badri Bin Mohamed Basir	Independent Non-Executive Director
5. Takashi Imai (Appointed on 12/07/2002)	Non-Executive Director
6. Gew Ah Lek	Non-Executive Director
7. Katsuyuki Inoue (Resigned on 12/07/2002)	Non-Executive Director

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### MEMBERSHIP

The Audit Committee ("the Committee") shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three (3) members of which a majority of whom shall be independent non-executive directors.

The Chairman of the Committee shall be elected among its members of whom shall be an independent director. No alternate director of the Board shall be appointed as a member of the Committee.

At least one member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he or she is not a member of the MIA, he or she must have at least three years' working experience and he or she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- he or she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- A degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance would include persons who are members of professional accountancy organisations which have been admitted as full members of the International Federation of Accountants (IFAC); or
- at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements, the vacancy shall be filled within three (3) months.

The Board shall review the terms of reference and performance of the Committee and each of its members at least once every three (3) years.

In order to form a quorum for the meeting, the majority of the members present must be independent non-executive directors.

#### MEETINGS AND MINUTES

Meetings shall be held not less than four (4) times a year. The director responsible for the financial management and a representative of the external auditors shall normally attend the meetings. At least once a year the Committee shall meet with the external auditors without any executive member of the board present. The external auditors may request a meeting if they consider it necessary.

The Secretary of the Committee shall be the Company Secretary. Minutes of each meeting shall be circulated to each member of the Board.

#### AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference and is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Committee.

The Committee is also authorised by the Board to obtain external legal or other independent professional advice as and when necessary.

## AUDIT COMMITTEE REPORT

### FUNCTIONS

The Committee shall undertake the following responsibilities and duties:

- Review with the external auditors, the audit plan, the evaluation of the system of internal control, the audit reports and the Company's accounting policies and reporting requirements;
- Review the assistance given by the Company officers to the external auditors;
- Consider the nomination and appointment of the external auditors and review their independence and objectivity;
- Review any letter of resignation from the external auditors and any questions of resignation or dismissal;
- Review the quarterly results and year end annual financial statements prior to the approvals by the Board, focusing particularly on;
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements;
- Review any related party transaction and conflict of interest situation that may arise within the Company including any transaction, procedure or course of conduct that raises question on management integrity.
- Review with internal auditors the internal audit plan and controls.

### SUMMARY OF ACTIVITIES

The Audit Committee held five (5) meetings during the financial year. Details of the members of the Committee and their attendance at the meeting are as follows:-

Name of Member	Attendance
1. Dr Goh Chin Siew	5/5
2. Peony Lye	5/5
3. Dato' Seri Haji Mohd Bakri Bin Abdul Rais <i>(Deceased on 19/05/2003)</i>	5/5
4. Dato' Ahmad Badri Bin Mohamed Basir	3/5
5. Takashi Imai <i>(Appointed on 12/07/2002)</i>	2/2
6. Gew Ah Lek	5/5
7. Katsuyuki Inoue <i>(Resigned on 12/07/2002)</i>	3/3

Mr Takashi Imai was appointed to the Committee on 12/7/2002 to replace Mr Katsuyuki Inoue.

In line with the terms of reference of the Committee, the following activities were carried out:-

- reviewed the audited financial statements and unaudited quarterly financial results of the Company prior to recommendations to the Board for approval for announcement;
- discussed and reviewed the external and internal auditors' scope of work and the audit planning memorandum, the results of their examination, their auditors' report and management letters in relation to the audit and accounting issues arising from the audit and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;
- reviewed recurrent related party transactions of the Company;
- reviewed the Company's compliance with the Kuala Lumpur Stock Exchange (KLSE) Listing Requirements, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements;
- reviewed the effectiveness of the Company's internal control system, risk assessment framework and quarterly reports submitted by the internal auditors;
- discussed and reviewed the annual internal audit plan with the internal auditors.

## INTERNAL CONTROL STATEMENT

In line with the Malaysian Code on Corporate Governance which requires the Board of listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets, the Board is pleased to include a statement on the state of the Company's internal controls in accordance with paragraph 15.27 (b) of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE") and as guided by the KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies.

### RESPONSIBILITIES

The primary role of the Board of Directors ("Board") is to oversee the Company's operations by setting general guidance on direction and policies. The Board acknowledges its responsibility in maintaining a sound system of internal control and in seeking regular assurance on the adequacy and integrity of the internal control system to safeguard shareholders' value and Company's assets. In this context, the Board has delegated the responsibility for implementation of these policies and to provide an oversight function on reviewing the adequacy and integrity of the internal control system to the Audit Committee. In turn, the Audit Committee seeks assurance on the adequacy and integrity of the internal control system through independent appraisals by the outsourced internal auditors and self-appraisals by management and staff. The internal audit function was outsourced to external consultants on 13 December 2001.

The Charter of the outsourced Internal Auditors was formulated to stipulate the role and responsibility of the out-sourced internal auditors within the Company and was subsequently approved on 23 May 2002 by the Audit Committee. The role of the Internal Auditors is to examine, evaluate and ensure compliance with the Company's policies, guidelines, procedures and systems of internal controls.

Management has effected a system of internal control designed to manage, rather than eliminate, the risk of failure in achieving the Company's business objectives throughout the financial period. Such a system provides only reasonable and not absolute assurance against material misstatement and loss.

### RISK MANAGEMENT FRAMEWORK

The Board strongly believes that risk management is an ongoing process for identifying, evaluating and managing significant risks faced by the Company and formally endorsed a risk framework for the Company on 26 February 2003. Management has adopted an "Enterprise-Wide Risk Management" approach by using the "Corporate Risk Scorecard" as the risk assessment tool to assist the Board to review and monitor the risks identified for the Company. The risk assessment process covers all significant areas including operational, financial, strategic and compliance risks. In assessing priority for these risks, the process takes into account the possibility of the risk occurring and its impact to the Company, in the event the risk occurs. Explicit responsibility for treatment of business risks is placed with the relevant owner of the process where the risk occurs.

Risk awareness and control understanding are the responsibilities of all staff. As such, a risk awareness workshop was conducted for all key management on 11 March 2002. Each risk owner will have clear objectives of their risks, which will be in line with the treatment strategy and standard procedures.

The identification of risks of the Company was finalised on 20 February 2003 and the validation of these risks as well as the controls by the key management and the Board will be carried out subsequent to the financial year-end.

The Board has acknowledged that the self-assessment and monitoring of the risk framework, is an on-going process used in coordinating the overall strategic approach to risk management and the way forward. In doing so, the Company is focusing on achieving its objectives and prioritising the allocation of its resources to maintain and enhance shareholders' value.

### INTERNAL CONTROL

Good corporate governance requires that the Board maintains a sound system of internal control to safeguard shareholders' investment and Company's assets. In meeting this requirement, principal risks faced by the Company need to be identified and thereafter, mitigated through an appropriate system of internal control. This integral link between risk and control provides a platform for the Internal Auditors to plan the auditable areas for the financial period. The internal audit plan as well as the scope of coverage were approved by the Audit Committee on 12 April 2002.

Management is required to explain internal control issues and other matters raised by the internal auditors. The audit reports which includes management's comments are then circulated to the Executive Directors and the Audit Committee of the Company.

## INTERNAL CONTROL STATEMENT

### KEY ELEMENTS OF INTERNAL CONTROL

The Company has a number of internal controls in place. The controls include the following:-

- Clearly defined and structured lines of reporting and responsibility within the Company, including authorisation levels for all divisions within the Company;
- Regular and comprehensive information provided to management via monthly performance reports for monitoring and controlling of the Company's performance;
- Regular weekly meetings among the senior management staff to evaluate and monitor the progress of business operations;
- Adherence and application of its quality and environment management system manuals and other programmes implemented through its ISO 9001 and ISO 14000 accreditation programme for the Company;
- Established investment approval processes involving the Executive Committee's evaluation and Board's approval;
- Monthly meetings among executive directors to evaluate and monitor the progress of business operations;
- Twice yearly meetings among section heads to evaluate and monitor the progress of business operations; and
- Daily monitoring and control of business operation via Emergency Information System.

### ASSURANCE

The Board reviews the effectiveness of the Company's internal control system through feedback mainly from the Audit Committee which oversees the function of the Internal Audit Division and comments made by the external auditors in their management letters and other reports. Starting from 2003 onwards, the Board is also placing reliance on the representations made by management on their self-assessment of the internal controls for their areas of responsibilities as highlighted in the "Corporate Risk Scorecard". The Internal Audit Division provides quarterly Internal Audit And Compliance Summary Reports on the state of internal control in terms of the adequacy and effectiveness of the Company's system of internal controls to the Audit Committee.

A number of internal control weaknesses were identified during the financial period, all of which have been, are being, addressed. None of the weaknesses have resulted in any material losses, contingent or uncertainties that would require disclosure in the Company's annual report.

Based on the assessment of the internal controls of the Company, the Board of Directors is of the opinion that the state of internal controls of the Company is satisfactory.

The Board will ensure that the internal control system of the Company will continuously improve to meet the changing and challenging business environment.

This statement is made in accordance with a resolution of the Board of Directors dated 28 March 2003.

The Board of Directors (the Board) fully appreciates the importance of exercising high standards of corporate governance in the conduct of the Company's business and affairs through transparency, accountability and corporate performance.

The Board is thus committed to support the recommendations of the Malaysian Code of Corporate Governance as amended in March 2000 (the Code) by implementing the principles and best practices set out in the Code.

The Board and management are committed to ensuring the highest standards of corporate governance are observed throughout the Company. It is a continuous evolving process and the adherence is aimed at aligning with both the spirit and letter of the Code.

The Company has complied with the Best Practices in Corporate Governance set out in Part II of the Code except that:

1. the Board has not identified a Senior Independent Non-executive Director to whom concerns may be conveyed as there are a number of very experienced and competent senior independent directors on the board. As such, the Board does not consider it necessary to appoint one person as a Senior Independent Non-executive Director.
2. the Board has not formulated or implemented a process to carry out an annual assessment of the effectiveness of the board as a whole, the committees of the board and assessing the individual contribution of each individual director. The Board is still studying the matter and will formulate a suitable evaluation process for the board, committees and directors.

The following statements set out how the Company has applied the principles in Part 1 of the Code:-

### A. Board of Directors

#### 1. Board Responsibilities

The Board is entrusted with directing the Company's operation to enhancing long term shareholders' value.

The schedule of matters reserved specifically for the Board's decision includes approval of corporate plans and annual budgets, approval of major capital expenditure projects, consideration of significant financial matters and review of financial and operating performance of the Company to ensure compliance with applicable laws, rules and regulations of relevant statutory bodies.

No individual or group of individuals on the Board dominate decisions of the Board.

#### 2. Meetings

The Board ordinarily meets at least five (5) times a year at quarterly intervals to deliberate and consider on matters relating to financial results, major investment and business plans of the Company.

In the financial year ended 31 December 2002, the Board met on six(6) occasions.

The Board receives the agenda and documents for deliberation prior to and in advance of each meeting to enable the Directors to obtain further explanation where necessary. All proceedings of the Board meetings are minuted and signed by the Chairman of the meeting.

Details of each existing Directors' meeting attendance are as below:-

Name	Attendance
1. Tay How Seng	6/6
2. Kazumitsu Tanabe	6/6
3. Dato' Seri Haji Mohd Bakri Bin Abdul Rais <i>(Deceased on 19/05/2003)</i>	6/6
4. Dato' Ahmad Badri Bin Mohamed Basir	4/6
5. Dr Goh Chin Siew	6/6
6. Katsuyuki Inoue <i>(Resigned on 12/7/2002)</i>	3/3
7. Takashi Imai <i>(Appointed on 12/7/2002)</i>	3/3
8. Hiroyuki Sugae	6/6
9. Peony Lye	6/6
10. Tsutomu Hayano <i>(Resigned on 11/6/2002)</i>	0/3
11. Gew Ah Lek	6/6
12. Koichi Takahashi <i>(Appointed on 12/6/2002)</i>	2/3

## CORPORATE GOVERNANCE STATEMENT

### 3. Board Committees

To enhance business and operational efficiency, the Board delegates certain responsibilities to three (3) Board Committees namely, Audit, Nomination and Remuneration Committee.

The Nomination and Remuneration committees were established on 28 May 2001.

The Nomination Committee is made up wholly of four (4) independent directors comprising of the following members:

1. Dato' Ahmad Badri Bin Mohamed Basir (Chairman)
2. Dato' Seri Haji Mohd Bakri Bin Abdul Rais (*Deceased on 19/05/2003*)
3. Peony Lye
4. Dr. Goh Chin Siew

The Committee is tasked with evaluating and recommending candidates for appointment to the Board.

For the year under review, the Committee met twice to discuss the nomination of candidates proposed by the substantial corporate shareholders to replace their outgoing corporate representatives, before recommending them to the Board for appointment.

Members of the Remuneration Committee are also made up wholly of independent directors who include the following:

1. Peony Lye (Chairperson)
2. Dato' Seri Haji Mohd Bakri Bin Abdul Rais (*Deceased on 19/05/2003*)
3. Dato' Ahmad Badri Bin Mohamed Basir
4. Dr. Goh Chin Siew

The Committee is responsible for recommending to the Board the remuneration of the executive directors. For the year under review, the Committee held one (1) meeting.

### 4. Board Balance

As at the date of this statement, the Board consists of ten (10) members, comprising three (3) executive directors and seven (7) non-executive directors of which four (4) are independent.

The profile of each Director is presented on pages 10 to 13 of this annual report.

The Directors, with their diverse background in business, financial, professional, technical and public services collectively bring with them a wide range of experience and expertise to ensure the Company is guided by a competent Board.

The Company practises a clear demarcation of power and authority. The role of the Chairman and Managing Director are separated and clearly defined to ensure a balance of authority and power.

The Board is led by Mr. Tay How Seng as the Chairman whilst the executive management of the Company is led by Mr. Kazumitsu Tanabe, the Managing Director.

### 5. Supply of Information

The Chairman ensures that all Directors have full and timely access to information. Board papers are distributed prior to meetings at least three (3) working days in advance to enable the Directors to obtain explanation where necessary.

The Directors have access to all information within the Company whether as a full board or in their individual capacities to the extent that the information required is pertinent to the discharge of their duties as director in the furtherance of the Company's interest and benefit.

The Directors have access to advice and services of the Company Secretary and are allowed to take independent professional advice where necessary and in appropriate circumstance in the furtherance of their duties as directors at the Company's expense.

### 6. Directors' Training

All Directors' have attended and successfully completed the Mandatory Accreditation Program (MAP) conducted by the Research Institute of Investment Analyst Malaysia (RIIAM) as required by the KLSE Revamped Listing Requirements. The Directors will continue to undergo other relevant training programme to enable them to enhance their knowledge and skills and be updated on new regulatory requirements.

Newly appointed Directors are briefed on the Company's business process and operation to ensure they have a comprehensive understanding of the Company's operations.

### 7. Re-election

In accordance with the Company's Articles of Association, all directors including the Managing Director retire from office at least once in every three (3) years and offer themselves for re-election.

Directors over seventy (70) years of age are required to submit themselves for reappointment on an annual basis in accordance with Section 129(6) of the Companies' Act, 1965.

## B. Directors' Remuneration

The Managing Director and Technical Adviser /Executive Director are corporate representatives of a substantial corporate shareholder. Their remuneration packages were based on the remuneration policy and guidelines as set by the corporate shareholder in accordance with their experience and performance.

The remuneration package of the Chairman was based on an agreement signed with the substantial corporate shareholders since the inception of the Company.

Bonus payments to all the Executive Directors are dependent on Company's performance.

The remuneration to Non-executive Directors are decided by the full Board after taking into consideration the market norms, responsibility, experience and profitability of the Company.

The aggregate remuneration of the Directors categorised into the appropriate components is as follows:-

Category	Fees (RM)	Salaries & Other Emoluments (RM)	Benefit in Kind (RM)
Executive Directors	24,000	1,303,457	58,639
Non-Executive Directors	56,300	-	-

The remuneration paid to the Directors analysed into bands of RM50,000 are as follows:-

Amount of Remuneration	Executive Director	Non-executive Director
Below RM50,000	-	7
RM150,001~RM200,000	-	-
RM250,001~RM300,000	1	-
RM400,001~RM450,000	-	-
RM450,001~RM500,000	1	-
RM500,001~RM550,000	-	-
RM550,001~RM600,000	1	-

## CORPORATE GOVERNANCE STATEMENT

### C. Shareholders

#### 1. *Dialogue between the Company and Investors*

The Company communicates with its shareholders via the annual report and Annual General Meeting. In addition, the Company has established a web site at [www.maypak.com](http://www.maypak.com) which shareholders can access for information.

#### 2. *Annual General Meeting*

It is the Company's practice to send the Notice of the AGM to shareholders at least 21 days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Company's performance in general. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholders with written answers after the AGM.

### D. Accountability and Audit

#### 1. *Financial Reporting*

It is the Board's objective to provide and present a balanced and understandable assessment of the Company's position and prospects through the annual financial statements and quarterly announcements to the shareholders. The Board scrutinizes these announcements at its Board meeting prior to publication, to ensure that they are accurate and present a balanced assessment of the Company's affairs.

#### 2. *Statement of Directors' Responsibility for Preparing the Annual Audited Financial Statements*

The Board is responsible to prepare the financial statements in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies' Act, 1965 so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

In preparing for financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates; and
- ensured that all applicable accounting standards have been complied with.

The directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

#### 3. *Internal Control*

The Board recognises the importance of a sound system of internal control to safeguard shareholders' investment and the Company's assets. On 13 December 2001, Horwath Mok & Poon was appointed as internal auditors to assist in identifying, evaluating, monitoring and managing the significant risks to ensure proper risk management, adequacy and integrity of the internal control systems in line with the requirements of the Statement on Internal Control-Guidance for Directors of Public Listed Companies and the Code. The internal auditors report directly to the Audit Committee.

#### 4. *Relationship with the Auditors*

The role of the Audit Committee in relation to the external auditors and the key features underlying their relationship are included in the Audit Committee's terms of reference as detailed on page 16 to 17 of the Annual Report.

#### 5. *Conflict of Interest*

None of the Directors have any family relationship with other Directors and/or major shareholders of the Company nor any personal interest in any business arrangement involving the Company.

### E. Other Information

#### 1. *Material Contracts*

The Company does not have any material contracts involving directors' and major shareholders' interest, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

#### 2. *Sanction and/or Penalties*

During the financial year under review, the Company was fined RM250 by the Registrar of Companies for late submission of information of directorship in another public listed company by one of its directors.

The Company also paid a compound fine amounting RM13,000 to Dewan Bandaraya Kuala Lumpur for commencement of renovation and extension to existing building without a Development order.

#### 3. *Non-Audit Fees*

During the financial year under review, the Company paid a total of RM75,000 to its external auditors, Arthur Andersen & Co. for non-audit professional services rendered as reporting accountants in relation to the Company's corporate proposals.

## FINANCIAL STATEMENTS

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The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2002.

### PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture of printed and laminated flexible light packaging materials.

There has been no significant change in the nature of this activity during the financial year.

### RESULT

Net profit for the year

**RM**  
2,174,003

There were no material transfers to or from reserves or provisions during the financial year.

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

### DIVIDEND

The amount of dividends paid by the Company since 31 December 2001 were as follows:

In respect of the financial year ended 31 December 2001 as reported in the directors' report of that year:

First and final tax exempt dividend of 2%, paid on 18 July 2002

**RM**  
420,428

At the forthcoming Annual General Meeting, the directors will propose a first and final tax exempt dividend of 2% amounting to RM420,428 in respect of the current financial year for shareholders' approval. As disclosed in Note 2(n) to the financial statements, the financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2003.

### DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tay How Seng

Dato' Seri Haji Mohd. Bakri Bin Abdul Rais (*Deceased on 19/05/2003*)

Dr. Goh Chin Siew

Peony Lye

Dato' Ahmad Badri Bin Mohamed Basir

Kazumitsu Tanabe

Hiroyuki Sugae

Gew Ah Lek

Koichi Takahashi (*appointed on 12 June 2002*)

Takashi Imai (*appointed on 12 July 2002*)

Tsutomu Hayano (*resigned on 11 June 2002*)

Katsuyuki Inoue (*resigned on 12 July 2002*)

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 4 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### DIRECTORS' INTERESTS

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

The Company	----- Number of ordinary shares of RM1 each -----			
	1 January 2002	Bought	Sold	31 December 2002
<b>Direct</b>				
Tay How Seng	1,000,000	-	-	1,000,000
Dato' Seri Haji Mohd. Bakri Bin Abdul Rais ( <i>Deceased on 19/05/2003</i> )	500	-	-	500
Takashi Imai	10,500	-	-	10,500

None of the other directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

### ISSUE OF SHARES

During the financial year, the Company increased its authorised share capital from RM38,000,000 to RM50,000,000 through the creation of RM12,000,000 ordinary shares of RM 1 each.

### OTHER STATUTORY INFORMATION

- (a) Before the income statement and balance sheet of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action has 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; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render:
  - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

### OTHER STATUTORY INFORMATION (cont'd)

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of 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 of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) 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 will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

### OTHER SIGNIFICANT EVENT

The Company is currently undertaking corporate proposals including the Proposed Rights Issue and Proposed Bonus Issue to meet the present requirements of the Securities Commission for companies listed on the Second Board of the Kuala Lumpur Stock Exchange to have a minimum issued and paid-up share capital of RM40million.

### AUDITORS

Arthur Andersen & Co. retire and do not seek re-appointment. A resolution to appoint Ernst & Young will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board in accordance with a resolution of the directors

**TAY HOW SENG**

**KAZUMITSU TANABE**

Kuala Lumpur, Malaysia  
Date : 28 March 2003

## STATEMENT BY DIRECTORS

Pursuant to section 169 (15) of the Companies Act, 1965

We, TAY HOW SENG and KAZUMITSU TANABE, being two of the directors of MALAYSIA PACKAGING INDUSTRY BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 47 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as at 31 December 2002 and of the results and the cash flow of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors

**TAY HOW SENG**

**KAZUMITSU TANABE**

Kuala Lumpur, Malaysia  
Date : 28 March 2003

## STATUTORY DECLARATION

Pursuant to section 169 (16) of the Companies Act, 1965

I, KAZUMITSU TANABE, being the Director primarily responsible for the financial management of MALAYSIA PACKAGING INDUSTRY BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 47 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed KAZUMITSU TANABE at  
Kuala Lumpur in Wilayah Persekutuan  
on 28 March 2003

**KAZUMITSU TANABE**

Before me,  
Commissioner for Oaths  
No. W327  
MOHD RADZI BIN YASIN

## AUDITORS' REPORT

We have audited the accompanying financial statements set out on pages 31 to 47. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Company as at 31 December 2002 and of the results and the cash flow of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**ARTHUR ANDERSEN**  
AF: 0103  
Chartered Accountants

**Adrian Tsen Keng Yam**  
No. 1314/05/04 (J)  
Partner

Kuala Lumpur, Malaysia  
Date : 28 March 2003

## INCOME STATEMENT

For the year ended 31 December 2002

	Note	2002 RM	2001 RM
Revenue	3	<b>59,996,944</b>	59,423,780
Other operating income		<b>100,205</b>	52,450
Changes in work-in-progress and finished goods		<b>(44,284)</b>	185,172
Consumables and raw materials		<b>(33,748,004)</b>	(34,784,021)
Staff costs	4	<b>(9,919,641)</b>	(9,361,953)
Depreciation		<b>(2,572,375)</b>	(3,056,748)
Other operating expenses		<b>(10,510,914)</b>	(9,983,071)
Profit from operations	5	<b>3,301,931</b>	2,475,609
Finance costs, net	6	<b>(107,928)</b>	(292,624)
Profit before taxation		<b>3,194,003</b>	2,182,985
Taxation	7	<b>(1,020,000)</b>	(914,000)
Net profit for the year		<b>2,174,003</b>	1,268,985
Earnings per share	8	<b>10 sen</b>	6 sen

The accompanying notes form an integral part of the financial statements.

## BALANCE SHEET

As at 31 December 2002

	Note	2002 RM	2001 RM
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	9	<b>25,382,209</b>	19,174,724
<b>CURRENT ASSETS</b>			
Inventories	10	<b>7,106,214</b>	7,165,763
Trade receivables	11	<b>17,766,298</b>	15,732,215
Other receivables	12	<b>219,593</b>	95,858
Cash and bank balances		<b>753,879</b>	3,097,964
Fixed deposits with a licensed bank		-	753,335
		<b>25,845,984</b>	26,845,135
<b>CURRENT LIABILITIES</b>			
Provisions for liabilities	13	<b>695,378</b>	619,192
Short term borrowings	14	<b>7,016,000</b>	3,800,000
Trade payables	15	<b>5,807,898</b>	5,088,799
Other payables	16	<b>1,801,487</b>	1,844,378
Tax payable		<b>208,609</b>	616,244
Dividend payable		-	420,428
		<b>15,529,372</b>	12,389,041
<b>NET CURRENT ASSETS</b>			
		<b>10,316,612</b>	14,456,094
		<b>35,698,821</b>	33,630,818
<b>FINANCED BY:</b>			
Share capital	17	<b>21,021,412</b>	21,021,412
Reserves		<b>13,819,409</b>	11,645,406
Shareholders' equity		<b>34,840,821</b>	32,666,818
<b>NON-CURRENT LIABILITY</b>			
Deferred taxation	18	<b>858,000</b>	964,000
		<b>35,698,821</b>	33,630,818

The accompanying notes form an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2002

	Share Capital RM	Non- Distributable Capital Reserves RM (Note 21)	Distributable Retained Profits RM	Total RM
<b>At 1 January 2001</b>	21,021,412	64,979	10,731,870	31,818,261
Net profit for the year	-	-	1,268,985	1,268,985
Dividends (Note 19)	-	-	(420,428)	(420,428)
<b>At 31 December 2001</b>	21,021,412	64,979	11,580,427	32,666,818
<b>At 1 January 2002</b>				
As previously stated	21,021,412	64,979	11,580,427	32,666,818
Prior year adjustment (Note 20)	-	-	420,428	420,428
<b>As restated</b>	21,021,412	64,979	12,000,855	33,087,246
Net profit for the year	-	-	2,174,003	2,174,003
Dividends (Note 19)	-	-	(420,428)	(420,428)
<b>At 31 December 2002</b>	<b>21,021,412</b>	<b>64,979</b>	<b>13,754,430</b>	<b>34,840,821</b>

The accompanying notes form an integral part of the financial statements.

## CASH FLOW STATEMENT

For the year ended 31 December 2002

	2002 RM	2001 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,194,003	2,182,985
Adjustments for:		
Depreciation	2,572,375	3,056,748
Gain on disposal of property, plant and equipment	(89,795)	(45,149)
Property, plant and equipment written off	229,095	5,883
Provisions for liabilities	87,875	-
Inventories written off	510,665	271,872
Bad debts written off	311,494	73,981
Write back of provision for doubtful debts	(577,165)	-
Interest expenses	139,018	299,054
Interest income	(10,288)	(6,430)
Operating profit before working capital changes	6,387,277	5,838,944
Increase in receivables	(1,912,147)	(1,405,541)
(Decrease)/increase in inventories	(451,116)	806,281
Increase in payables	664,519	707,099
Cash generated from operations	4,688,533	5,946,783
Interest paid	(139,018)	(299,054)
Income tax paid	(1,533,635)	(420,588)
Net cash generated from operating activities	3,015,880	5,227,141
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(9,008,960)	(1,059,857)
Proceeds from disposal of property, plant and equipment	89,800	50,497
Interest received	10,288	6,430
Net cash used in investing activities	(8,908,872)	(1,002,930)

## CASH FLOW STATEMENT

For the year ended 31 December 2002

	2002 RM	2001 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of short term borrowings	4,356,000	-
Repayment of term loan	(1,140,000)	(1,140,000)
Dividend paid	(420,428)	(420,428)
Net cash generated from/(used in) financing activities	2,795,572	(1,560,428)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,097,420)</b>	<b>2,663,783</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>3,851,299</b>	<b>1,187,516</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>753,879</b>	<b>3,851,299</b>
Cash and cash equivalents comprise:		
Cash in hand	13,993	13,169
Cash at banks	739,886	3,084,795
Fixed deposits with a licensed bank	-	753,335
	<b>753,879</b>	<b>3,851,299</b>

The accompanying notes form an integral part of the financial statements.

## 1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The principal activity of the Company is the manufacture of printed and laminated flexible light packaging materials. There has been no significant change in the nature of this activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at 6 1/2 Miles, Simpang Salak South Baru (Lot 3, Jalan Kuchai Lama), 58200 Kuala Lumpur.

The number of employees in the Company at the end of the financial year was 259 (2001 : 234).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 March 2003.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention except for the revaluation of leasehold land.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

### (b) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Long term leasehold land and buildings are stated at valuation less any identified impairment losses. Long term leasehold land and buildings of the Company have not been revalued since it was first revalued in 1990. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of International Accounting Standard 16 (Revised) : Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board, these assets continue to be stated at their 1990 valuation less accumulated depreciation.

Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A revaluation decrease is first offset against an increase on earlier valuation in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Long term leasehold land is depreciated over the period of the lease. Work-in-progress is not depreciated. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Long term leasehold land	Over 70 - 77 years
Factory, office buildings and office renovation	2% - 10%
Plant and equipment	10%
Furniture, fixtures, fittings and motor vehicles	7.5% - 20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

### (c) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### (e) Leases

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

#### (f) Deferred Tax

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

#### (g) Provisions for Liabilities

Provisions for liabilities are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

#### (h) Retirement benefits

##### *Defined contribution plan*

The Company's contributions to a defined contribution plan are charged to the income statement in the financial year to which they relate.

#### (i) Revenue Recognition

##### *Sales of goods*

Revenue relating to sale of goods is recognised net of sales tax and discounts upon the transfer of risks and rewards.

#### (j) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

#### (k) Foreign Currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>
Japanese Yen	<b>0.0320</b>	0.0289
Singapore Dollars	<b>2.1915</b>	2.0535
United States Dollars	<b>3.8000</b>	3.8000

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (l) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets, other than inventories and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

#### (m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

##### (ii) Trade and Other Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (iii) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

##### (iv) Equity Instrument

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (n) Proposed Dividend

Proposed dividend is recognised once the obligation to pay has been established.

Prior to 1 November 2001, dividend proposed after the balance sheet date were accrued as liabilities at the balance sheet date. In the current year, in compliance with the new Malaysian Accounting Standards Board's Standard 19 ("MASB 19") : Events after the Balance Sheet Date, the proposed dividend will be disclosed by way of notes to the financial statements and will only be accounted for as an appropriation of undistributed income in the year where the obligation to pay has been established.

Following this change in accounting policy, the amounts for the current and comparative years are stated on the new basis and a prior year adjustment has been made. The effects of this change in accounting policy are disclosed in Note 20 to the financial statements.

### 3. REVENUE

Revenue represents the invoiced value of sales net of sales tax and less returns.

### 4. STAFF COSTS

Included in staff costs are:

	2002 RM	2001 RM
Executive Directors:		
Salaries and other emoluments	1,303,457	1,256,003
Fees	24,000	24,000
Benefits-in-kind	58,639	56,213
	<b>1,386,096</b>	1,336,216
Non-Executive Directors:		
Fees	56,300	56,000
Total	<b>1,442,396</b>	1,392,216
Total excluding benefits-in-kind	<b>1,383,757</b>	1,336,003

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	-- Number of Directors --	
	2002	2001
Executive Directors:		
RM150,001 - RM200,000	-	-
RM250,001 - RM300,000	1	1
RM400,001 - RM450,000	-	1
RM450,001 - RM500,000	1	-
RM500,001 - RM550,000	-	1
RM550,001 - RM600,000	1	-

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	2002 RM	2001 RM
Auditors' remuneration:		
Statutory audit	19,000	19,000
Other services	75,000	-
Bad debts written off	311,494	73,981
Write back of provision for doubtful debts	(557,165)	-
Realised loss on foreign exchange	114,191	139,702
Gain on disposal of property, plant and equipment	(89,795)	(45,149)
Property, plant and equipment written off	229,095	5,883
Inventories written off	510,665	271,872
Rental expense	564,844	466,093
Provision for liabilities	87,875	129,373
Management fee expense	-	195,252

### 6. FINANCE COSTS, NET

Included in finance costs, net are:

	2002 RM	2001 RM
Interest expense	139,018	299,054
Interest income	(10,288)	(6,430)
	<b>128,730</b>	292,624
Less amount capitalised in assets:		
Work-in-progress	(20,802)	-
	<b>107,928</b>	292,624

### 7. TAXATION

Tax expense for the year:

	2002 RM	2001 RM
Malaysian income tax	1,126,000	780,000
Transfer (from)/to deferred taxation (Note 18)	(106,000)	134,000
	<b>1,020,000</b>	914,000

The effective tax rate of the Company is higher than the statutory tax rate principally due to certain expenses being disallowed for taxation purposes.

The Company has sufficient tax exempt income under Schedule 7A of the Income Tax Act, 1967 and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of its entire retained profits as at 31 December, 2002.

### 8. EARNINGS PER SHARE

The earnings per share is calculated by dividing the net profit for the year of RM2,174,003 (2001 : RM1,268,985) by the number of ordinary shares in issue of 21,021,412 (2001 : 21,021,412) shares of RM1.00 each.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 9. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land and buildings RM	Furniture, fixtures and fitting RM	Motor vehicles RM	Plant and equipment RM	Work-in- progress RM	Total RM
<b>Cost/Valuation</b>						
At 1 January 2002	11,922,051	3,009,619	1,709,185	36,747,208	-	53,388,063
Additions	1,433,628	827,074	-	665,818	6,082,440	9,008,960
Disposals	-	-	(227,885)	(393,728)	-	(621,613)
Written off	(133,489)	(149,162)	(4,237)	(1,413,773)	-	(1,700,661)
<b>At 31 December 2002</b>	<b>13,222,190</b>	<b>3,687,531</b>	<b>1,477,063</b>	<b>35,605,525</b>	<b>6,082,440</b>	<b>60,074,749</b>
<b>Representing:</b>						
At cost	9,622,190	3,687,531	1,477,063	35,605,525	6,082,440	56,474,749
At valuation	3,600,000	-	-	-	-	3,600,000
	13,222,190	3,687,531	1,477,063	35,605,525	6,082,440	60,074,749
<b>Accumulated Depreciation</b>						
At 1 January 2002	1,927,672	2,335,954	1,341,986	28,607,727	-	34,213,339
Charge for the year	261,637	211,973	181,024	1,917,741	-	2,572,375
Disposals	-	-	(227,882)	(393,726)	-	(621,608)
Written off	(29,218)	(118,102)	(4,236)	(1,320,010)	-	(1,471,566)
<b>At 31 December 2002</b>	<b>2,160,091</b>	<b>2,429,825</b>	<b>1,290,892</b>	<b>28,811,732</b>	<b>-</b>	<b>34,692,540</b>
<b>Representing:</b>						
At cost	1,406,429	2,429,825	1,290,892	28,811,732	-	33,938,878
At valuation	753,662	-	-	-	-	753,662
	2,160,091	2,429,825	1,290,892	28,811,732	-	34,692,540
<b>Net Book Value</b>						
At cost	8,215,761	1,257,706	186,171	6,793,793	6,082,440	22,535,871
At valuation	2,846,338	-	-	-	-	2,846,338
<b>At 31 December 2002</b>	<b>11,062,099</b>	<b>1,257,706</b>	<b>186,171</b>	<b>6,793,793</b>	<b>6,082,440</b>	<b>25,382,209</b>
At cost	7,090,067	673,665	367,199	8,139,481	-	16,270,412
At valuation	2,904,312	-	-	-	-	2,904,312
<b>At 31 December 2001</b>	<b>9,994,379</b>	<b>673,665</b>	<b>367,199</b>	<b>8,139,481</b>	<b>-</b>	<b>19,174,724</b>
Depreciation charge for 2001	229,125	183,489	251,451	2,392,683	-	3,056,748

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Included in the above are the following property, plant and equipment which have been fully depreciated but are still in use:

	2002 RM	2001 RM
At cost:		
Long term leasehold land and buildings	22,232	-
Plant and equipment	18,695,236	12,559,448
Furniture, fixtures and fittings	1,796,046	1,552,031
Motor vehicles	959,357	547,650
	<b>21,472,871</b>	<b>14,659,129</b>

(b) The long term leasehold land and buildings were revalued in 1990 by Jurukor Hartanah, an independent professional valuer, as approved by the relevant authorities and based on open market value on the existing use basis. The surplus arising from the revaluation has been transferred to the capital reserves account.

Had the revalued assets been carried at cost less accumulated depreciation, the net book value of the assets that would have been included in the financial statements of the Company as at 31 December 2002 would have been RM963,255 (2001: RM1,003,024).

(c) The Company is the beneficiary owner of the long term leasehold land. The long term leasehold land is currently registered under the name of Malaysia Ve-Tsin Manufacturing Company Berhad, a corporate shareholder.

(d) Borrowing costs capitalised during the financial year under work in progress amounted to RM20,802 ( 2001: RM Nil).

### 10. INVENTORIES

	2002 RM	2001 RM
At cost:		
Raw materials	4,626,524	4,641,789
Work-in-progress	632,034	1,223,105
Finished goods	1,847,656	1,300,869
	<b>7,106,214</b>	<b>7,165,763</b>

The cost of inventories recognised as an expense during the financial year in the Company amounted to RM 33,703,720 (2001 : RM34,598,849).

### 11. TRADE RECEIVABLES

	2002 RM	2001 RM
Trade receivables	18,493,927	17,017,009
Less: Provision for doubtful debts	(727,629)	(1,284,794)
	<b>17,766,298</b>	<b>15,732,215</b>

Included in trade receivables are amounts due from corporate shareholders, Ajinomoto (Malaysia) Berhad and Malaysia Ve-Tsin Manufacturing Company Berhad, amounting to RM 201,845 (2001 : RM795,816) and RM 4,182 (2001: Nil) respectively. The amounts due from corporate shareholders are unsecured, interest free and have no fixed terms of repayment.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 11. TRADE RECEIVABLES (cont'd)

The Company's normal credit term ranges from 90 - 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

### 12. OTHER RECEIVABLES

	2002 RM	2001 RM
Deposits	51,875	43,205
Prepayments	144,656	29,265
Sundry debtors	23,062	23,388
	<b>219,593</b>	<b>95,858</b>

### 13. PROVISIONS FOR LIABILITIES

	Unutilised leave RM	Retirement benefit RM	Total RM
At 1 January 2002	94,192	525,000	619,192
Additional provision during the year	62,875	25,000	87,875
Less: Utilisation of provision during the year	(11,689)	-	(11,689)
<b>At 31 December 2002</b>	<b>145,378</b>	<b>550,000</b>	<b>695,378</b>
<b>At 31 December 2002:</b>			
Current	145,378	550,000	695,378
<b>At 31 December 2001:</b>			
Current	94,192	525,000	619,192

### 14. SHORT TERM BORROWINGS

	2002 RM	2001 RM
Unsecured:		
Revolving credits	4,356,000	-
Term loan	2,660,000	3,800,000
	<b>7,016,000</b>	<b>3,800,000</b>

The term loan amounting to USD700,000 (2001 : USD1 million) is unsecured, bears interest of between 1.94% to 2.63% (2001 : 2.47% to 6.92%) per annum and is repayable on 13 May 2003.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 14. SHORT TERM BORROWINGS (cont'd)

The weighted average effective interest rates during the financial year for borrowings, were as follows:

	2002	2001
	%	%
Revolving credit	3.7	-
Bank overdraft	6.9	7.2 - 7.3

### 15. TRADE PAYABLES

The normal credit term granted to the Company ranges from 60 - 90 days.

Included in sundry payables is an amount of RM 135,593 (2001: RM 43,395) due to Malaysia Ve-Tsin Manufacturing Company Berhad, a corporate shareholder.

### 16. OTHER PAYABLES

	2002	2001
	RM	RM
Accruals	1,025,134	1,069,294
Sundry payables	776,353	775,084
	<b>1,801,487</b>	<b>1,844,378</b>

### 17. SHARE CAPITAL

	Number of Ordinary Share of RM 1 Each		Amount	
	2002	2001	2002 RM	2001 RM
Authorised:				
At beginning of year	38,000,000	38,000,000	38,000,000	38,000,000
Created during the year	12,000,000	-	12,000,000	-
At end of year	<b>50,000,000</b>	38,000,000	<b>50,000,000</b>	38,000,000
Issued and fully paid:				
At beginning/end of year	<b>21,021,412</b>	21,021,412	<b>21,021,412</b>	21,021,412

During the financial year, the Company increased its authorised share capital from RM38,000,000 to RM50,000,000 through the creation of RM12,000,000 ordinary shares of RM 1 each.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 18. DEFERRED TAXATION

	2002 RM	2001 RM
At 1 January	964,000	830,000
Transfer (to)/from income statement (Note 7)	(106,000)	134,000
At 31 December	<b>858,000</b>	964,000
Deferred taxation is in respect of the following:		
Timing differences between depreciation and corresponding capital allowances	<b>3,837,000</b>	4,697,000
Timing differences on provisions	<b>(773,000)</b>	(1,255,000)
Net amount of all timing differences	<b>3,064,000</b>	3,442,000

Deferred taxation is not provided for on the surplus arising from the revaluation of long term leasehold land and buildings as it is not the intention of the directors to dispose off these properties.

### 19. DIVIDENDS

	----- Amount -----		--- Dividend per share ---	
	2002 RM	2001 RM	2002 Sen	2001 Sen
Ordinary tax exempt dividends of 2%	<b>420,428</b>	420,428	2	2

At the forthcoming Annual General Meeting, the directors will propose a first and final tax exempt dividend of 2% amounting to RM420,428 in respect of the current financial year for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2003.

### 20. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the effects of the change in accounting policy for proposed dividend as referred to in Note 2(n). These changes have been accounted for retrospectively and comparatives have been restated to conform with the change in accounting policy.

This change in accounting policy for the proposed dividend has the effect of increasing the Company's retained earnings for the financial year ended 31 December 2001 by RM420,418, with a corresponding decrease in dividend payable for the financial year ended 31 December 2001.

### 21. CAPITAL RESERVES

	2002 RM	2001 RM
Balance at 1 January/31 December	<b>64,979</b>	64,979

Capital reserves arise from the revaluation of long term leasehold land and buildings in 1990.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 22. SIGNIFICANT RELATED PARTY DISCLOSURES

	2002 RM	2001 RM
Sales of finished goods to Ajinomoto (Malaysia) Berhad, a corporate shareholder	3,533,089	3,399,224
Sales of finished goods to Malaysia Ve-Tsin Manufacturing Company Berhad, a corporate shareholder	44,495	18,330
Sales of finished goods to CPC/AJI (M) Sdn Bhd., an associated company of a corporate shareholder	211,760	122,448
Rental expense charged by Malaysia Ve-Tsin Manufacturing Company Berhad, a corporate shareholder	460,214	421,459
Miscellaneous operating expenses paid to Malaysia Ve-Tsin Manufacturing Company Berhad, a corporate shareholder	114,679	142,471
Management fee paid for services rendered by Ajinomoto (Malaysia) Berhad, a corporate shareholder	-	195,252
Purchase of property, plant and equipment from Malaysia Ve-Tsin Manufacturing Company Berhad, a corporate shareholder	50,000	-
Purchase of property, plant and equipment and consumables from Fix-On Concept Sdn. Bhd., a company in which Mr. Meng Pek, an officer, is a substantial shareholder	79,143	103,356
Purchase of raw materials and consumable supplies from shareholder DIC (M) Sdn. Bhd., an associated company of Dainippon Ink & Chemicals Incorporated, a corporate shareholder	1,451,983	1,713,411

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

### 23. CAPITAL COMMITMENTS

	2002 RM	2001 RM
Contracted but not provided for	2,211,000	13,000

### 24. OTHER SIGNIFICANT EVENT

The Company is currently undertaking corporate proposals including the Proposed Rights Issue and Proposed Bonus Issue to meet the present requirements of the Securities Commission for companies listed on the Second Board of the Kuala Lumpur Stock Exchange to have a minimum issued and paid-up share capital of RM40million.

### 25. COMPARATIVES

Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB 24 - Financial Instruments: Disclosure and Presentation upon first application.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2002

### 26. FINANCIAL INSTRUMENTS

**(a) Financial Risk Management Objectives and Policies**

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is to not engage in speculative transactions.

**(b) Interest Rate Risk**

The Company's primary interest rate risk relates to interest-bearing debt, as the Company had no substantial long-term interest-bearing assets as at 31 December 2002. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes.

**(c) Foreign Exchange Risk**

The Company operates internationally and is exposed to various currencies, mainly Japanese Yen, United States Dollar and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

**(d) Liquidity Risk**

The Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Company maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Company strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Company raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

**(e) Credit Risk**

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Company management reporting procedures. The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

**(f) Fair values**

The carrying amounts of cash and cash equivalents, trade and other receivables or payables approximated their fair values due to the relatively short term maturity of these financial instruments.

### 27. SEGMENTAL INFORMATION

**(a) Business Segment:**

Segmental reporting by business activities has not been prepared as the Company is principally engaged only in the manufacture of printed and laminated flexible light packaging materials.

**(b) Geographical Segment:**

Segmental reporting by geographical regions has not been prepared as the Company's operations are predominantly in Malaysia.

## ANALYSIS OF SHAREHOLDINGS

As at 12 May 2003

Class of shares : RM1.00 Ordinary Share  
Voting rights : 1 Vote per Ordinary Share

### DISTRIBUTION OF SHAREHOLDINGS

	No. of Shareholders	%	No. of Shares	%
Less than 100	6	0.32	300	0.00
100 to 1,000	935	50.62	871,350	4.15
1,001 to 10,000	819	44.35	2,807,075	13.35
10,001 - 100,000	75	4.06	1,958,788	9.32
100,001 to less than 5% of issued shares	7	0.38	2,771,052	13.18
5% and above of issued shares	5	0.27	12,612,847	60.00
	<b>1,847</b>	<b>100.00</b>	<b>21,021,412</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

	No. of Shares	%
Malaysia Ve-Tsin Mfg. Co. Bhd.	4,204,284	20.00
Dainippon Ink and Chemicals Incorporated	3,153,212	15.00
Ajinomoto Co., Inc.	2,102,141	10.00
Ajinomoto (Malaysia) Berhad	2,102,140	10.00
DNP Technopack Tokai Co. Ltd.	1,051,070	5.00
	<b>12,612,847</b>	<b>60.00</b>

### DIRECTORS' SHAREHOLDINGS

	----- Direct -----		----- Indirect -----	
	No. of Shares	%	No. of Shares	%
Tay How Seng	1,000,000	4.76	181,738	0.86
Kazumitsu Tanabe	-	-	-	-
Dato' Seri Hj Mohd Bakri Bin Abdul Rais <i>(Deceased on 19/05/2003)</i>	500	0.002	-	-
Dato' Ahmad Badri Bin Mohamed Basir	-	-	-	-
Dr. Goh Chin Siew	-	-	-	-
Gew Ah Lek	-	-	2,000	0.01
Hiroyuki Sugae	-	-	-	-
Peony Lye	-	-	-	-
Koichi Takahashi	-	-	-	-
Takashi Imai	10,500	0.05	-	-

## LIST OF THIRTY LARGEST SHAREHOLDERS

As at 12 May 2003

	No. of Shares	%
1. Malaysia Ve-Tsin Mfg. Co. Bhd.	4,204,284	20.00
2. Dainippon Ink and Chemicals Incorporated	3,153,212	15.00
3. Ajinomoto Co., Inc.	2,102,141	10.00
4. Ajinomoto (Malaysia) Berhad	2,102,140	10.00
5. DNP Technopack Tokai Co. Ltd.	1,051,070	5.00
6. Tay How Seng	1,000,000	4.76
7. Cartaban Nominees (Asing) Sdn. Bhd. <i>Beneficiary: Bank of Tokyo Mitsubishi Luxembourg S. A. for Osterreichische Volksbanken AG</i>	700,000	3.33
8. Kuala Lumpur City Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary: KLCS Asset Management Sdn. Bhd. for Lee Chuat Chong @ Lee Huan Chong</i>	342,000	1.63
9. HDM Nominees (Asing) Sdn. Bhd. <i>Beneficiary: DBS Vickers Secs (S) Pte. Ltd. for Ettrick Company Limited</i>	326,052	1.55
10. Dato' Teo Soo Cheng	160,000	0.76
11. Ng Hin Kwee	133,000	0.63
12. Tasec Nominees (Asing) Sdn. Bhd. <i>Beneficiary: Meespierson Asia Limited for Savern Finance Limited</i>	110,000	0.52
13. Chuah Chew Hing	88,000	0.42
14. Hong Leong Finance Berhad <i>Beneficiary: Pledged Securities Account for Loh Kuan Fong</i>	84,000	0.40
15. Loh Suit Tsing @ Loh Chwee Ngan	73,500	0.35
16. Inter-Pacific Equity Nominees (Tempatan) Sdn. Bhd. <i>Beneficiary: Pledged Securities Account for Tiong Kiong Choon</i>	63,000	0.30
17. MKW Consolidated Sdn. Bhd.	62,000	0.29
18. Soh Poh Yen	57,000	0.27
19. Goh Yai Heng	52,000	0.25
20. Cheng Sin Huat	49,000	0.23
21. Ling Choay Hua @ Ling Chong Hua	44,000	0.21
22. Teo Soo Cheng Sdn. Bhd.	40,000	0.19
23. Ng Chew Lan	39,000	0.19
24. Tan Gaik Leong	38,000	0.18
25. Lai Kui Yin	36,000	0.17
26. Yap Qwee Beng	36,000	0.17
27. Yap Swee Fatt	35,000	0.17
28. Mah King Woon Sendirian Berhad	34,000	0.16
29. Lim Tuan	32,000	0.15
30. Teoh Ah Koo @ Teo Kai Joo	31,600	0.15
	16,277,999	77.43

## PROPERTIES

As at 31 December 2002

Address	Description (Sq-Ft)	Existing Use	Tenure (Expiry Date)	Approximate Age of Building (Years)	Net Book Value (RM)	Date of Revaluation (DR)/Date of Acquisition (DA)
1. Part of Lot L. O. No. 3 in the Mukim of Kuala Lumpur and registered under provisional title No. Q.T. (R) 5621 Jalan Kuchai Lama, Petaling 58200 Kuala Lumpur.	Industrial land with a single-storey factory and three-storey office premises (93,778)	Office and factory	Leasehold (31.07.2066)	28	10,986,184	16.2.1976 (DA) 6.3.1990 (DR) 30.3.1995 (DA)
2. Lot 90D, 74-2A, Jalan 2/116B Kuchai Entrepreneurs Park 58200 Kuala Lumpur.	Apartment on 2nd Floor of three-storey shop cum apartment building (870)	Staff quarters	Leasehold (23.06.2081)	13	34,114	19.3.1992 (DA)
3. Lot 95F, 3-3A, Jalan 2/116B Kuichai Entrepreneurs Park 58200 Kuala Lumpur.	Apartment on 3rd Floor of three-storey shop cum apartment building (932)	Staff quarters	Leasehold (23.06.2081)	13	41,801	18.3.1993 (DA)

### Revaluation Policy on Landed Properties

The Company does not have a policy to revalue its landed properties on a regular basis. There was no revaluation of its landed properties during the financial year under review.

## FORM OF PROXY

**NO. OF SHARES HELD:**

I/We, .....  
of .....  
being a member/members of MALAYSIA PACKAGING INDUSTRY BERHAD, hereby appoint .....  
..... (NRIC No.....)  
of.....  
or failing him..... (NRIC No.....)  
of.....  
as my/our proxy to vote for me/us and on my/our behalf at the TWENTY-EIGHTH ANNUAL GENERAL MEETING of the Company to be held at 6 1/2 Miles, Simpang Salak South Baru, (Lot 3, Jalan Kuchai Lama), 58200 Kuala Lumpur on Thursday, 26 June 2003 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he thinks fit or abstain from voting):-

No.		For	Against
1.	Adoption of the Report of the Directors and the Accounts for the year ended 31-12-2002 and the Report of the Auditors thereon.		
2.	Declaration of a first and final tax exempt dividend of 2%.		
3.	Approval of Directors' Fees.		
4.	Re-election of Dato' Ahmad Badri Bin Mohamed Basir as director.		
5.	Re-election of Mr. Hiroyuki Sugae as director.		
6.	Re-election of Mr. Takashi Imai as director.		
7.	Re-election of Mr. Koichi Takahashi as director.		
8.	Re-appointment of Mr. Tay How Seng as director.		
9.	Appointment of Auditors.		
10.	Proposed renewal of shareholders' mandate - Ajinomoto (Malaysia) Bhd.		
11.	Proposed renewal of shareholders' mandate - Malaysia Ve-Tsin Mfg. Co.Bhd.		
12.	Proposed renewal of shareholders' mandate - DIC (M) Sdn. Bhd.		

Dated this ..... day of ..... 2003

The proportion of \*my/our holding to be represented by my \*proxy/proxies are as follows:

First Named Proxy	%
Second Named Proxy	%
	<hr/>
	100 %

In case of a vote taken by show of hands, the first proxy shall vote on \*my/our behalf.

.....  
Signature of Shareholder

Tel No. ....

**NOTES:**

An instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing and in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or officer of the corporation so authorised.

This proxy must be deposited at the office of Bina Management (M) Sdn. Bhd., Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time appointed for holding the meeting.