



**MALAYSIA  
PACKAGING  
INDUSTRY  
BHD**



*Annual Report 2006*

**MALAYSIA PACKAGING INDUSTRY BERHAD**  
(22265-U)  
(Incorporated in Malaysia)

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## CORPORATE INFORMATION

### DIRECTORS

Chairman (Independent)	:	Dato' Ahmad Badri Bin Mohamed Basir
Managing Director (Non-Independent)	:	Manabu Watanabe (appointed on 1.6.06)
Non Executive Director (Independent)	:	Datuk Sulaiman Bin Daud Ho Chee Siong (appointed on 1.6.06)
Non Executive Director (Non-Independent)	:	Shunichi Komatsu Ryuichi Ozaki (appointed on 1.6.06) Mitsuo Kondo (appointed on 1.8.06)

### BANKERS

Bank of Tokyo – Mitsubishi UFJ (Malaysia) Berhad (302316-U)  
Malayan Banking Berhad (3813-K)  
RHB Bank Berhad (6171-M)

### AUDITORS

Ernst & Young (AF:0039)

### COMPANY SECRETARIES

Winnie Chok Kwee Wah (MACS 00550)  
Leong Mee Lee (LS 01836)

### REGISTERED OFFICE

6 ½ Miles, Simpang Salak South Baru  
(Lot 3, Jalan Kuchai Lama)  
58200 Kuala Lumpur  
Tel : 03-79831877  
Fax : 03-79813198

### HOME PAGE

<http://www.maypak.com>

### REGISTRAR

Bina Management (M) Sdn. Bhd. (50164-V)  
Lot 10, The Highway Centre,  
Jalan 51/205, 46050 Petaling Jaya,  
Selangor Darul Ehsan;  
Tel : 03-77843922  
Fax : 03-77841988

### STOCK EXCHANGE LISTING

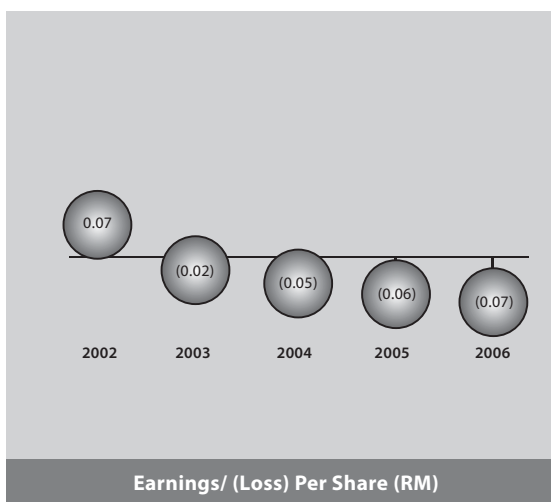
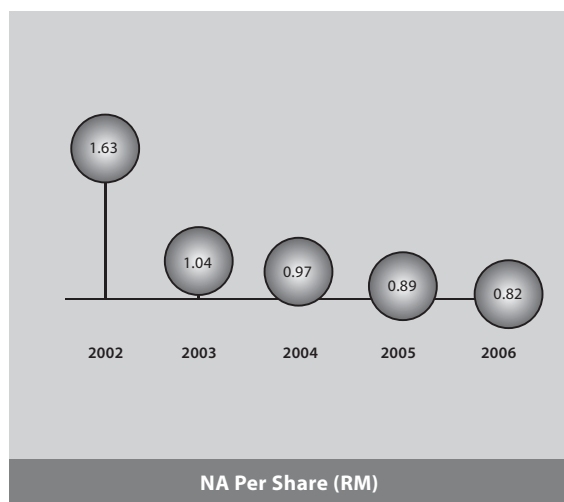
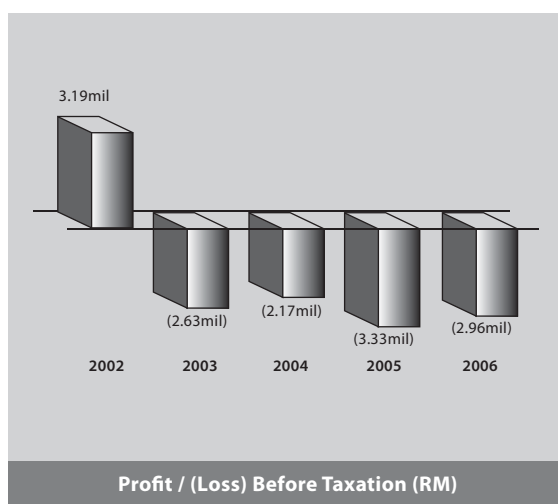
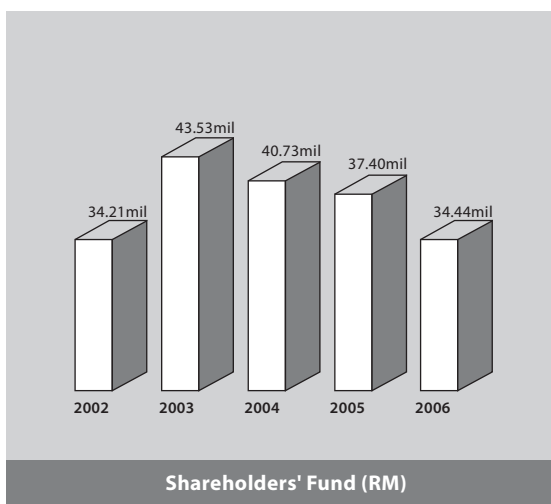
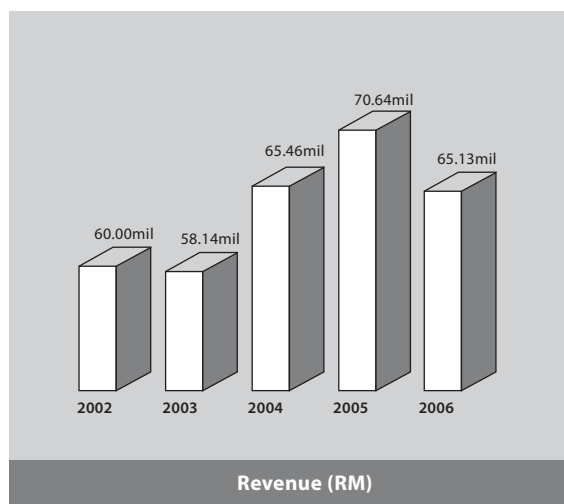
The Second Board, Bursa Malaysia Securities Berhad

### CERTIFIED MANAGEMENT SYSTEM

MS ISO 9001 : 2000  
MS ISO 14001 : 2004



## FIVE YEARS FINANCIAL HIGHLIGHTS



## **PROFILE OF BOARD OF DIRECTORS**

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

Chairman, Malaysian, aged 72

Dato' Ahmad Badri was appointed to the Board on 1 July 1997. He was appointed Non Executive Chairman of the Company on 18 June 2004. He is also 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 Arts 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 the Chairman of KEN Holdings Bhd., and director in MNI Holdings Bhd and Aseamlease Bhd. Dato' Ahmad Badri also sits on the board of nine (9) other private limited companies and is the Chairman for five (5) of these boards.

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 MANABU WATANABE**

Non-Independent Executive Director, Japanese, aged 56

Mr Manabu Watanabe was appointed to the Board as a Joint Managing Director on 1 June 2006 and was redesignated as Managing Director/Chief Executive on 1 October 2006. He is a member of Audit and Remuneration Committee of the Company.

He graduated with a Bachelor of Agriculture from the University of Tokyo in 1977.

He joined Toyo Seikan Kaisha, Ltd in 1977 and began his career in the Research & Development Department, Head Office and has held various positions within Toyo Seikan Group of Companies.

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

### **DATUK SULAIMAN BIN DAUD**

Independent Non-Executive Director, Malaysian, aged 60

Datuk Sulaiman was appointed to the Board on 1 September 2003. He is the Chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee of the Company.

He holds a Diploma in Agriculture, UPM and a Master of Business Administration, IMC Buckingham, United Kingdom and has attended the Stanford-Insead Advanced Management Programme (AMP) in Fountainebleau, France.

Datuk Sulaiman started his working career as Trainee Executive with Malaysian Tobacco Company Ltd. in 1968, where he ascended the corporate ladder to be its Deputy Chief Executive and Executive Director. He is currently the Chairman of Bank Pertanian Malaysia Berhad and holds directorship in Park May Berhad, Pharmaniaga Berhad, Ho Hup Construction Company Berhad and Silverlake Axis Ltd.

Datuk Sulaiman is the Chairman and Director for seven (7) other private limited companies.

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 HO CHEE SIONG**

Independent Non-Executive Director, Malaysian, aged 41

Mr Ho was appointed to the Board on 1 June 2006. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Company.

He is a member of Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA) .

He is currently an Executive Director of GMM Corporate Services Sdn Bhd. He is also an Independent Non Executive Director and a member of audit committee of Axis Incorporation Berhad and Kzen Solutions 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.

## **PROFILE OF BOARD OF DIRECTORS**

### **MR SHUNICHI KOMATSU**

Non Independent Non Executive Director, Japanese, aged 48

Mr. Komatsu was appointed to the Board on 6 July 2005. He is a member of Remuneration Committee and Nomination Committee of the Company.

He graduated with a Bachelor of Agriculture from the Faculty of Agricultural Economics, University of Tokyo, Japan in 1981.

He joined Ajinomoto Co., Inc., Japan in 1981 and began his career with the Nagoya Sales Department and has held various positions in Japan and overseas within the Ajinomoto Group of Companies.

He also sits on the Board of Ajinomoto (Malaysia) Berhad, Ajinomoto (Singapore) Pte Ltd, and Malaysia Ve-Tsin Manufacturing Co. Berhad. He is also a member of Audit Committee, Nomination Committee and Remuneration Committee in 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 RYUICHI OZAKI**

Non-Independent Non-Executive Director, Japanese, aged 64

Mr Ryuichi Ozaki was appointed to the Board on 1 June 2006. He is a member of the Nomination Committee and Audit Committee of the Company.

He graduated with a Bachelor of Business Administration from Meiji University, Japan in 1965

He joined Toyo Seikan Kaisha Ltd in 1965 and began his career in the Distribution Department, Sendai Plant and has held various positions within Toyo Seikan Group of Companies. He is a Senior Executive Director of Toyo Seikan Kaisha, Ltd.

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

### **MR MITSUO KONDO**

Non Independent Non Executive Director, Japanese, aged 42

Mr. Mitsuo Kondo was appointed to the Board on 1 August 2006. He is a member of the Remuneration Committee of the Company.

He graduated with a Bachelor of Arts from the Faculty of Foreign Studies, Sophia University, Japan in 1987.

He joined Dainippon Ink & Chemicals Incorporated, Japan in 1987 and began his career with the Graphic Arts Department and has held various positions in Japan and overseas within the DIC Group of Companies.

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 2006.

### **Company's Performance**

Total sales revenue decreased 7.8% to RM65.13m in 2006 from RM70.64m in the previous year.

Higher raw materials cost had impacted both sales volume and the bottom line. Petroleum-based raw materials prices remained high due to high crude oil prices which showed no signs of abating. The all-time high prices of aluminium ingot has also resulted in a surge in price of aluminium foil, another key raw material for the Company's products.

Loss before tax for the year under review was lower at RM2.96m compared with RM3.33m in 2005. However, the loss after tax of RM2.96m was higher than that for 2005 at RM2.55m due to tax write-backs amounting to RM786,789 for the earlier period.

### **Corporate Developments**

As reported in the last Report, the change in controlling shareholder of the Company from the Ajinomoto Group to the Toyo Seikan Kaisha (TSK) Group was completed in May 2006 with the latter now owning 54.95% equity interest in Maypak. Management change was completed in late September 2006.

### **Prospects**

2007 will be another challenging year for the Company. However, steps are being taken to introduce new product range as well as tap export markets serviced by the TSK Group.

The Company will continue with its efforts to enhance production efficiency and waste reduction to improve its performance in the coming year.

### **Dividends**

The Directors have not made any recommendation for the payment of dividend for the financial year ended 31 December 2006.



## CHAIRMAN'S STATEMENT

### Directorate

Other than what was previously reported in the last Report, the year under review saw further changes to the Board with the resignation of Mr. Gew Ah Lek, a corporate representative from the Ajinomoto Group in June.

Mr. Mitsuo Kondo succeeded Mr. Hiroshi Nagai on the Board when the latter was re-assigned to the head office of Dainippon Ink & Chemicals Inc. in August.

The resignation of Mr. Osamu Sekiguchi, the joint Managing Director on 30 September 2006 marked the completion of management change from the Ajinomoto Group to the TSK Group arising from their divestment of controlling interest in Maypak.

The Board wishes to record its appreciation and thanks to the outgoing directors for their invaluable contributions, cooperation and commitment to the Company.

### Acknowledgement

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 wish also to extend our gratitude and thanks to our corporate advisers and consultants, the various government agencies and regulatory bodies, the printing union both at national and company level for their cooperation during the year.

Lastly, I would like to thank our employees and staff for their continued commitment, dedication and cooperation.

DATO' AHMAD BADRI BIN MOHAMED BASIR  
CHAIRMAN  
3 MAY 2007

## AUDIT COMMITTEE REPORT

Members of the Audit Committee in the financial year ended 31 December 2006 are as follow:-

<b>Name of Member</b>	<b>Designation</b>
1. Ho Chee Siong (Chairman)	Independent Non-Executive Director
2. Dato' Ahmad Badri Bin Mohamed Basir	Independent Non-Executive Director
3. Datuk Sulaiman Bin Daud	Independent Non-Executive Director
4. Manabu Watanabe	Non-Independent Executive Director
5. Ryuichi Ozaki	Non-Independent 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.



## AUDIT COMMITTEE REPORT

### 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.

### 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.

## AUDIT COMMITTEE REPORT

### 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 meetings are as follows:-

Name of Member		Attendance
1. Dr. Goh Chin Siew	Resigned 31.5.06	3/3
2. Peony Lye	Resigned 31.5.06	3/3
3. Gew Ah Lek	Resigned 30.6.06	3/3
4. Osamu Sekiguchi	Resigned 30.9.06	3/3
5. Dato' Ahmad Badri Bin Mohamed Basir		5/5
6. Datuk Sulaiman Bin Daud		3/5
7. Shunichi Komatsu	Resigned 31.5.06	3/3
8. Ho Chee Siong	Appointed 1.6.06	2/2
9. Manabu Watanabe	Appointed 1.6.06	2/2
10. Ryuichi Ozaki	Appointed 1.6.06	1/2

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 the recurrent related party transactions of the Company;
- reviewed the Company's compliance with the Bursa Malaysia Securities Berhad (Bursa Securities) 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

### INTRODUCTION

Pursuant to paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors of Malaysia Packaging Industry Berhad (“the Board”) is pleased to provide the following statement on internal control of the Company for the financial year ended 31 December 2006, which has been prepared in accordance with the Bursa Securities’s Statement on Internal Control: Guidance for Directors of Public Listed Companies.

### BOARD’S RESPONSIBILITIES

Whilst the Board is responsible for the Company’s internal control systems and risk management practices as well as reviewing its adequacy and integrity, the Audit Committee has been delegated with the responsibility for reviewing the adequacy and integrity of the Company’s internal control systems. The Audit Committee obtains assurance of the adequacy and integrity of the internal control systems through independent reviews conducted by the out-sourced internal audit function and Management. All significant internal control issues are brought to the attention of the Board through the Audit Committee by Management, the internal audit function and the external auditors.

Due to the inherent limitations of any system of internal control, such systems put in place by Management can only manage rather than eliminate the risk of failure to achieve the goals and objectives of the Company. Therefore, such systems can only provide reasonable rather than absolute assurance against material misstatement or loss. Additionally, due consideration is given to the cost of implementation as compared to the expected benefits to be derived when devising internal control procedures.

### RISK MANAGEMENT

The responsibility of managing the risks of each department lies with the respective Heads of Department. Weekly and monthly management meetings are held whereby significant risks identified and the corresponding internal controls implemented are communicated to Senior Management.

In addition to the above, a Safety, Health and Environment Committee and Credit Control Committee have been established to manage the health, safety and environmental related risks and credit control risks respectively. Company Control or Special Meetings were also held to discuss and formulate appropriate actions to resolve any emergencies or special matters which arise.

The abovementioned risk management practices serve as the on-going process used by Management to identify, evaluate and manage significant risks.

### INTERNAL AUDIT

The Company’s internal audit function is outsourced to external consultants. The out-sourced internal audit function reviews the adequacy and effectiveness of the internal control systems based on the annual internal audit plan approved by the Audit Committee. The results of the internal audit reviews together with recommendations for improvement are formally reported to the Audit Committee at their quarterly meetings. Follow-up visits were also conducted to ensure that the recommendations for improvement are implemented on a timely basis.

The internal audit reviews conducted did not reveal significant weaknesses which would result in material losses, contingencies or uncertainties that would require separate disclosure in the annual report.

## **INTERNAL CONTROL STATEMENT**

### **Other Key Elements of Internal Control**

The other key elements of internal control are as follows:

- 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 programs implemented through its ISO 9001 and ISO 14001 accreditation programmes for the Company;
- Twice yearly meetings among section heads to evaluate and monitor the progress of business operations; and
- Daily monitoring and control of business operations via Emergency Information System.

### **ASSURANCE**

The Board is of the view that the system of internal controls is adequate and is fully aware that the system of internal control must continuously evolve to support the Company's operations and safeguard the shareholders' interests and Company's assets. As such, reviews of controls procedures will be continuously carried out to ensure ongoing adequacy and effectiveness of the system of internal controls.

This Statement on Internal Control is made in accordance with the resolution adopted by the Board at its meeting held on 16 April 2007.

## CORPORATE GOVERNANCE STATEMENT

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:

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.

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 groups of individuals on the Board dominate decisions of the Board.

#### 2. Meetings

The Board ordinarily meets at least five (5) times a year 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 2006, the Board met on 5 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.

## CORPORATE GOVERNANCE STATEMENT

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

Name		Attendance
1. Dato' Ahmad Badri Bin Mohamed Basir		5/5
2. Datuk Sulaiman Bin Daud		3/5
3. Shunichi Komatsu		5/5
4. Osamu Sekiguchi	Resigned 30.9.06	4/4
5. Gew Ah Lek	Resigned 30.6.06	3/3
6. Hiroshi Nagai	Resigned 31.7.06	3/3
7. Dr. Goh Chin Siew	Resigned 31.5.06	3/3
8. Peony Lye	Resigned 31.5.06	3/3
9. Hiroyuki Sugae	Resigned 31.5.06	3/3
10. Wong Mun Khow	Resigned 31.5.06	3/3
11. Ho Chee Siong	Appointed 1.6.06	2/2
12. Manabu Watanabe	Appointed 1.6.06	2/2
13. Ryuichi Ozaki	Appointed 1.6.06	2/2
14. Mitsuo Kondo	Appointed 1.8.06	2/2

### 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 Committee is made up wholly of 5 non-executive directors of which 3 are independent as follows:

1. Dato' Ahmad Badri Bin Mohamed Basir (Chairman)
2. Datuk Sulaiman Bin Daud
3. Shunichi Komatsu
4. Ryuichi Ozaki
5. Ho Chee Siong

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

For the year under review, the Committee met twice (2) to discuss the nomination of the candidate for independent director as well as candidates proposed by the substantial corporate shareholders to replace their outgoing corporate representative before recommending them to the Board for appointment.

Members of the Remuneration Committee is made up of three (3) non-executive directors and one (1) executive director who include the following:

1. Datuk Sulaiman Bin Daud (Chairman)
2. Dato' Ahmad Badri Bin Mohamed Basir
3. Shunichi Komatsu
4. Manabu Watanabe

The Committee is responsible for recommending to the Board the remuneration and fees for both the executive and non-executive directors.

For the year under review, the Committee met twice (2) to discuss the payment of fees and gratuity to executive and non-executive directors before recommending them to the Board and or shareholders for approval.



## CORPORATE GOVERNANCE STATEMENT

### **4. Board Balance**

As at the date of this report, the Board consists of seven (7) members, comprising one (1) executive director and six (6) non-executive directors of which three (3) are independent.

The profile of each Director is presented on pages 4 to 7 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 Y. Bhg. Dato' Ahmad Badri Bin Mohamed Basir as the Chairman whilst the executive management of the Company is led by Mr. Manabu Watanabe, the Managing Director and Chief Executive Officer.

### **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) as required by the Bursa Securities 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.

For the year under review, the Board members attended in-house training on "Corporate Social Responsibilities" and the requirements of CSR reporting .

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.

## CORPORATE GOVERNANCE STATEMENT

### B. Directors' Remuneration

The Managing Director/Chief Executive Officer is a corporate representative of a substantial corporate shareholder. His remuneration package is based on the remuneration policy and guidelines as set by the corporate shareholder in accordance with his experience and performance.

Bonus payment to the executive director is 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)	Gratuities & Pension Costs (RM)	Salaries & Other Emoluments (RM)	Benefit-in-Kind (RM)
Executive Directors	30,333	18,000	561,098	98,261
Non-Executive Directors	121,917	31,000	0	0

The number of Directors of the Company whose total remuneration during the financial year under review that fall within the following bands are as follows:-

Amount of Remuneration	Executive Director	Non-executive Director
Below RM50,000	-	10
RM 50,001~RM100,000	1	-
RM100,001~RM200,000	2	-
RM300,001~RM400,000	1	-

### 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.



## CORPORATE GOVERNANCE STATEMENT

### 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. The internal audit function in the Company is being out-sourced to external consultants 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 pages 10 to 12 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 or have any personal interest in any business arrangement involving the Company.

## CORPORATE GOVERNANCE STATEMENT

### E. Other Information

#### 1. *Share buybacks*

During the financial year, there were no share buybacks by the Company.

#### 2. *Options, warrants or convertible securities*

The Company did not issue any options, warrants or convertible securities during the financial year.

#### 3. *American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”)*

During the financial year, the Company did not sponsor any ADR or GDR program.

#### 4. *Imposition of sanctions/penalties*

Nil

#### 5. *Variation in results*

There is no variance between the results for the financial year and the unaudited results previously announced by the Company.

#### 6. *Profit Guarantee*

The Company did not issue any profit guarantee for the financial year.

#### 7. *Recurrent Related Party Transactions of A Revenue or Trading Nature*

Pursuant to paragraph 10.09 of the Bursa Securities Listing Requirements, the Company will be seeking a mandate from its shareholders for recurrent related party transactions of a revenue or trading nature, entered into or to be entered into between the Company and related parties, at the forthcoming Annual General Meeting of the Company.

#### 8. *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.

#### 9. *Non-Audit Fees*

During the financial year under review, the Company incurred RM4,000 non-audit fees to the external auditors, Ernst & Young.

This Statement of Corporate Governance is made in accordance with the resolution adopted by the Board at its meeting held on 16 April 2007.



## FINANCIAL STATEMENTS

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## **DIRECTORS' REPORT**

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2006.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is 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.

### **RESULTS**

	RM
Net loss for the year	<u>(2,959,364)</u>

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 other than the effect arising from the change in estimates where the residual values and the estimated useful lives of certain plant and machineries were revised resulting in a decrease in the Company's loss for the year by RM1,035,713 as disclosed in Note 2.4 to the financial statements.

### **DIVIDEND**

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend in respect of the current financial year.



## DIRECTORS' REPORT

### 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:

Dato' Ahmad Badri bin Mohamed Basir	
Datuk Sulaiman bin Daud	
Shunichi Komatsu	
Manabu Watanabe	(appointed on 1 June 2006)
Ryuichi Ozaki	(appointed on 1 June 2006)
Ho Chee Siong	(appointed on 1 June 2006)
Mitsuo Kondo	(appointed on 1 August 2006)
Dr. Goh Chin Siew	(resigned on 31 May 2006)
Peony Lye	(resigned on 31 May 2006)
Hiroyuki Sugae	(resigned on 31 May 2006)
Wong Mun Khoo	(resigned on 31 May 2006)
Gew Ah Lek	(resigned on 30 June 2006)
Hiroshi Nagai	(resigned on 31 July 2006)
Osamu Sekiguchi	(resigned on 30 September 2006)

### 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 the 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 a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Note 5 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 the director is a member, or with a company in which the director has a substantial financial interest.

## DIRECTORS' REPORT

### 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 and its related corporations during the financial year were as follows:

	← Number of Ordinary Shares of RM1 each →			
	1 January 2006	Bought	Sold	31 December 2006
<b>The Company</b>				
<b>Direct Interest</b>				
Shunichi Komatsu	14,000	-	-	14,000

	← Number of Ordinary Shares of JPY50 each →			
	1 January 2006	Bought	Sold	31 December 2006
<b>Holding Company</b>				
<b>- Toyo Seikan Kaisha, Ltd.</b>				
<b>Direct Interest</b>				
Manabu Watanabe	1,100	-	-	1,100
Ryuichi Ozaki	10,000	-	-	10,000

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

### 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 had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts 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 which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent;
  - (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.



## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION (CONTD.)

- (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.
- (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.

### SIGNIFICANT EVENT

The significant event is disclosed in Note 29 to the financial statements.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2007.

Dato' Ahmad Badri bin Mohamed Basir

Manabu Watanabe

## **STATEMENT BY DIRECTORS / STATUTORY DECLARATION**

### **STATEMENT BY DIRECTORS**

#### **Pursuant to Section 169(15) of the Companies Act, 1965**

We, Dato' Ahmad Badri bin Mohamed Basir and Manabu Watanabe, 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 28 to 56 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Company as at 31 December 2006 and of the results and the cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2007.

Dato' Ahmad Badri bin Mohamed Basir

Manabu Watanabe

### **STATUTORY DECLARATION**

#### **Pursuant to Section 169(16) of the Companies Act, 1965**

I, Chan Mun Ying, being the officer 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 28 to 56 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 Chan Mun Ying at  
Kuala Lumpur in Wilayah Persekutuan  
on 16 April 2007

Chan Mun Ying

Before me,

Commissioner for Oaths  
No. W 315  
SOH AH KAU



## REPORT OF THE AUDITORS

### REPORT OF THE AUDITORS TO THE MEMBERS OF MALAYSIA PACKAGING INDUSTRY BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 28 to 56. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:
  - (i) the financial position of the Company as at 31 December 2006 and of the results and the cash flows 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.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
16 April 2007

Teoh Soo Hock  
No. 2477/10/07 (J)  
Partner

## INCOME STATEMENT

### INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 RM	2005 RM (restated)
Revenue	3	65,131,014	70,640,542
Other income		1,581,882	1,899,940
Changes in work-in-progress and finished goods		721,854	(43,455)
Consumables and raw materials		(45,149,040)	(49,968,446)
Staff costs	4	(10,908,839)	(11,063,603)
Depreciation and amortisation		(3,509,452)	(3,537,070)
Other expenses		(10,234,001)	(10,818,186)
Loss from operations	6	<u>(2,366,582)</u>	<u>(2,890,278)</u>
Finance costs	7	<u>(592,782)</u>	<u>(444,652)</u>
Loss before taxation		<u>(2,959,364)</u>	<u>(3,334,930)</u>
Taxation	8	-	786,789
Net loss for year		<u>(2,959,364)</u>	<u>(2,548,141)</u>
Loss per share (sen)	9	<u>(7.04)</u>	<u>(6.06)</u>

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



## BALANCE SHEET

### BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 RM	2005 RM (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	29,784,515	29,743,169
Prepaid land lease payment	11	2,245,487	2,285,291
		<u>32,030,002</u>	<u>32,028,460</u>
<b>CURRENT ASSETS</b>			
Inventories	12	8,278,117	9,149,832
Trade receivables	13	15,725,753	19,450,896
Other receivables	14	218,652	287,604
Tax recoverable		240,000	240,000
Cash and bank balances		1,437,834	2,947,985
		<u>25,900,356</u>	<u>32,076,317</u>
<b>CURRENT LIABILITIES</b>			
Provision for liability	15	261,455	235,837
Short term borrowings	16	6,964,066	6,966,908
Trade payables	18	9,789,034	10,737,302
Other payables	19	2,271,143	3,079,589
		<u>19,285,698</u>	<u>21,019,636</u>
<b>NET CURRENT ASSETS</b>		<u>6,614,658</u>	<u>11,056,681</u>
		<u>38,644,660</u>	<u>43,085,141</u>
<b>FINANCED BY:</b>			
Share capital	20	42,042,824	42,042,824
Reserves		(7,604,547)	(4,645,183)
Shareholders' equity		<u>34,438,277</u>	<u>37,397,641</u>
Long term borrowings	16	4,206,383	5,687,500
		<u>38,644,660</u>	<u>43,085,141</u>

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

**BALANCE SHEET**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Share Capital RM	Non Distributable Capital Reserves RM (Note 21)	Accumulated Losses (restated) RM	Total RM
<b>At 1 January 2005</b>				
As previously stated	42,042,824	64,979	(1,375,232)	40,732,571
Prior year adjustment (Note 23)	-	-	(786,789)	(786,789)
<b>At 1 January 2005</b>	42,042,824	64,979	(2,162,021)	39,945,782
Net loss for the year	-	-	(2,548,141)	(2,548,141)
<b>At 31 December 2005</b>	42,042,824	64,979	(4,710,162)	37,397,641
<b>At 1 January 2006</b>	42,042,824	64,979	(4,710,162)	37,397,641
Net loss for the year	-	-	(2,959,364)	(2,959,364)
<b>At 31 December 2006</b>	42,042,824	64,979	(7,669,526)	34,438,277

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



## CASH FLOW STATEMENT

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(2,959,364)	(3,334,930)
Adjustments for:			
Depreciation of property, plant and equipment	10	3,469,648	3,499,528
Amortisation of prepaid land lease payment	11	39,804	37,542
Loss/(gain) on disposal of property, plant and equipment	6	11,392	(169,625)
Property, plant and equipment written off	6	83,895	34,889
Provision for liability	15	33,551	46,984
Write down of inventories	6	38,954	-
Inventories written off	6	1,105,493	964,982
Bad debts written off	6	36,944	-
Provision for doubtful debts	6	194,921	1,309,856
Interest expense	7	592,782	444,652
Net unrealised foreign exchange gain	6	(88,468)	( 50,896)
Operating profit before working capital changes		<u>2,559,552</u>	<u>2,782,982</u>
Decrease/ (increase) in receivables		3,514,968	(1,448,757)
Increase in inventories		(272,732)	(1,495,914)
(Decrease)/Increase in payables		<u>(1,756,714)</u>	<u>1,891,389</u>
Cash generated from operations		4,045,074	1,729,700
Utilisation of leave balances	15	(7,933)	(17,557)
Interest paid	7	(592,782)	(444,652)
Income tax refund		-	154,376
Net cash generated from operating activities		<u>3,444,359</u>	<u>1,421,867</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,417,397)	(9,468,742)
Proceeds from disposal of property, plant and equipment		111,116	177,440
Net cash used in investing activities		<u>(3,306,281)</u>	<u>(9,291,302)</u>

## CASH FLOW STATEMENT

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTD.)

	2006 RM	2005 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment)/drawdown of short term borrowings	(1,164,000)	3,483,000
(Repayment)/drawdown of term loan	(812,500)	6,500,000
Repayment of hire purchase and finance lease payables	<u>(100,017)</u>	<u>(50,004)</u>
Net cash (used in)/generated from financing activities	<u>(2,076,517)</u>	<u>9,932,996</u>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	(1,938,439)	2,063,561
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	135,730	50,896
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<u>2,644,239</u>	<u>529,782</u>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<u>841,530</u>	<u>2,644,239</u>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances	1,437,834	2,947,985
Bank overdraft (Note 16)	<u>(596,304)</u>	<u>(303,746)</u>
	<u>841,530</u>	<u>2,644,239</u>

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



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 1. CORPORATE INFORMATION

The principal activity of the Company is 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 Bursa Malaysia Securities Berhad. 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 holding company of the Company is Toyo Seikan Kaisha, Ltd., a company incorporated in Japan and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 April 2007.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The financial statements of the Company comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Company have also been prepared on a historical basis except for the revaluation of leasehold land, factory and office buildings.

#### 2.2 Summary of Significant Accounting Policies

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

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(j).

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:

Factory, office buildings and office renovation	2% - 10%
Plant and equipment	3.3% - 10%
Furniture, fixtures, fittings and motor vehicles	7.5% - 20%
Printing cylinders	25%

The buildings are stated at valuation less any identified impairment losses. The 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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.2 Summary of Significant Accounting Policies (contd.)

##### (a) Property, Plant and Equipment and Depreciation (contd.)

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

##### (b) Inventories

Inventories are stated at the lower of cost (determined on a weighted average basis) and net realisable value. The cost of raw materials comprises costs of purchase. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### (c) Cash and Cash Equivalents

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

##### (d) Leases

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incident to ownership. Leases of land are classified as operating or finance leases in the same way as leases of other assets. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

##### (i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.2 Summary of Significant Accounting Policies (contd.)

##### (d) Leases (contd.)

##### (i) Finance leases (contd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(a).

##### (ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

##### (e) 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.

##### (f) Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.2 Summary of Significant Accounting Policies (contd.)

##### (g) Employee Benefits

###### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

###### (ii) Defined contribution plan

As required by law, the Company makes contributions to the state pension scheme, Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

##### (h) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

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

##### (i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, 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 used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2006 RM	2005 RM
Japanese Yen	0.0296	0.0326
Singapore Dollars	2.2986	2.2702
United States Dollars	3.5218	3.7800

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.2 Summary of Significant Accounting Policies (contd.)

#### (j) Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. 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.

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

#### (k) 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 and 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 recognised directly in 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) Receivables

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

##### (ii) Payables

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, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Company's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of that borrowing.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.2 Summary of Significant Accounting Policies (contd.)

##### (k) Financial Instruments (contd.)

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

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

##### (iv) Equity instruments

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

#### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Company has adopted the following FRSs mandatory for the financial periods beginning on or after 1 January 2006. The following FRS are relevant to the Company's operations:

FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

In addition, the Company has early adopted FRS 117 : Leases, for the financial period beginning 1 January 2006.

The adoption of the above FRSs does not result in significant changes in accounting policies of the Company, other than the effect resulting from the adoption of revised FRS 117 as discussed below:

##### (a) FRS 117 : Leases

Prior to 1 January 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land. Leases of land are classified as operating or finance leases in the same way as leases of other assets and the land elements of a lease of land are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land element in proportion to the relative fair values for leasehold interests in the land element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (contd.)

#### (a) FRS 117 : Leases (contd.)

The Company has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2006, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and certain comparatives have been restated as follows:

	Previously Stated RM	Reclassification RM	Restated RM
Property, plant and equipment	32,028,460	(2,285,291)	29,743,169
Prepaid land lease payment	-	2,285,291	2,285,291

The effect on the Company's balance sheet as at 31 December 2006 is as follows:

Description of change	Increase/ (Decrease) RM
Property, plant and equipment	(2,245,487)
Prepaid land lease payment	2,245,487

There is no effect on the Company's income statement for the financial year ended 31 December 2006.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (contd.)

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Company:

<b>FRS, Amendments to FRS and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
FRS 124: Related Party Disclosures	1 October 2006
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
FRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119 <sub>2004</sub> : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application.

The Company is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 124 and FRS 139.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Company revised the residual values of motor vehicles and certain plant and machinery. The estimated useful lives of private motor vehicles had been extended from 5 to 7 years and the estimated useful lives of certain plant machinery had been extended from 10 to 20 or 30 years with effect from 1 January 2006. The revisions were accounted for as change in accounting estimates and as a result, the depreciation charges for the current financial year have been reduced by RM1,035,713 accordingly.

#### 2.5 Significant Accounting Estimates and Judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### (a) Critical Judgements Made in Applying Accounting Policies

The most significant effect on the amounts recognised in the financial statements in which management exercises judgements in the process of applying the Company's accounting policies is the classification of significant parts/components in plant and machinery.

The classification of significant parts/components in plant and machinery is performed based on functionality of each significant parts of the machine and upon consultation with the Company's engineers and machine suppliers. These classifications are determined upon physical inspection of the machines to determine the feasibility of the classification. The Company obtained confirmation from the respective overseas machine suppliers for the classification.

##### (b) Key Sources of Estimation Uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is depreciation of plant and equipment.

The cost of plant and equipment for the manufacture of flexible packaging materials is depreciated on a straight-line basis over the assets' estimated useful lives. Management estimates the useful lives of these plant and equipment to be between 10 to 30 years based on the existing useful lives of similar assets in use. Changes in the expected level of usage and maintenance perform could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The difference in the average useful lives of these assets from management's estimates would not result in material variance in loss for the year.

### 3. REVENUE

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

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**4. STAFF COSTS**

	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Wages and salaries	7,130,468	7,046,410
Social security costs	99,489	94,067
Pension costs - defined contribution plans	906,704	964,477
Unutilised leave	33,551	46,984
Gratuities	43,000	-
Other staff related expenses	2,695,627	2,911,665
	<u>10,908,839</u>	<u>11,063,603</u>

Included in staff costs of the Company are executive directors' remuneration amounting to RM707,692 (2005: RM1,065,846) as further elaborated in Note 5.

**5. DIRECTORS' REMUNERATION**

	<b>2006</b>	<b>2005</b>
	<b>RM</b>	<b>RM</b>
Executive Directors:		
Salaries and other emoluments	561,098	907,186
Fees	30,333	45,500
Pension costs - defined contribution plan	6,000	15,960
Gratuities	12,000	-
Benefits-in-kind	98,261	97,200
Amount included in staff costs	707,692	1,065,846
Benefits-in-kind included in other expenses	37,601	45,510
	<u>745,293</u>	<u>1,111,356</u>
Non-Executive Directors:		
Fees	121,917	119,000
Gratuities	31,000	-
Total	<u>898,210</u>	<u>1,230,356</u>
Total excluding benefits-in-kind	<u>762,348</u>	<u>1,087,646</u>
Analysis excluding benefits-in-kind:		
Total executive directors' remuneration excluding benefits-in-kind	609,431	968,646
Total non-executive directors' remuneration (Note 6)	152,917	119,000
Total directors' remuneration excluding benefits-in-kind	<u>762,348</u>	<u>1,087,646</u>



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 5. DIRECTORS' REMUNERATION (CONTD.)

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

	Number of Directors	
	2006	2005
Executive Directors:		
< RM100,000	1	-
RM100,001 - RM200,000	2	1
RM300,001 - RM400,000	1	-
RM400,001 - RM500,000	-	2
Non-executive Directors:		
< RM50,000	10	7

### 6. LOSS FROM OPERATIONS

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

	2006 RM	2005 RM
Staff costs (Note 4)	10,908,839	11,063,603
Non-executive directors' remuneration (Note 5)	152,917	119,000
Auditors' remuneration:		
- Statutory audit	30,000	25,000
- Other services	4,000	31,020
Amortisation of prepaid land lease payment (Note 11)	39,804	37,542
Bad debts written off	36,944	-
Provision for doubtful debts	194,921	1,309,856
Write down of inventories	38,954	-
Loss/(gain) on disposal of property, plant and equipment	11,392	(169,625)
Property, plant and equipment written off	83,895	34,889
Inventories written off	1,105,493	964,982
Rental expense	866,430	751,112
Net foreign exchange gains		
- Realised	(114,679)	(107,849)
- Unrealised	(88,468)	(50,896)
	(88,468)	(50,896)

### 7. FINANCE COSTS

	2006 RM	2005 RM
Interest expense on:		
Bank overdraft	11,072	8,407
Revolving credit and banker's acceptance	229,334	107,873
Term loan	345,013	325,420
Hire purchase	7,363	2,952
	592,782	444,652

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**8. TAXATION**

	<b>2006 RM</b>	<b>2005 RM</b>
Malaysian income tax:		
Tax expense for the year	-	-
Deferred tax (Note 22):		
Relating to origination and reversal of temporary differences	-	(254,263)
Overprovided in prior years	-	(532,526)
	<u>-</u>	<u>(786,789)</u>

Domestic current income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008.

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	<b>2006 RM</b>	<b>2005 RM</b>
Loss before taxation	(2,959,364)	(3,334,930)
Taxation at Malaysian statutory tax rate of 28% (2005:28%)	(828,622)	(933,780)
Income not subject to tax	(5,097)	-
Effect of expenses not deductible for tax purposes	95,128	55,336
Deferred tax assets not recognised during the year	738,591	624,181
Overprovision of deferred tax in prior years	-	(532,526)
Tax expense/(reversal) for the year	<u>-</u>	<u>(786,789)</u>

As at 31 December 2006, the Company has tax exempt profits available for distribution of approximately RM14,784,000 (2005: RM14,784,000), subject to the agreement of the Inland Revenue Board.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 9. LOSS PER SHARE

The loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the financial year.

	2006	2005
Net loss for the year (RM)	(2,959,364)	(2,548,241)
Weighted average number of ordinary shares in issue	42,042,824	42,042,824
Basic loss per share (sen)	<u>(7.04)</u>	<u>(6.06)</u>

There are no shares in issuance which have dilutive effect to the earnings per share of the Company.

### 10. PROPERTY, PLANT AND EQUIPMENT

	Factory, office buildings and office renovation RM	Plant and equipment RM	Furniture, fixtures, fittings and motor vehicles RM	Printing cylinders RM	Total RM
<b>At 31 December 2006</b>					
<b>Cost/Valuation</b>					
<b>At 1 January 2006</b>					
At cost	10,289,003	45,131,736	5,695,575	4,818,641	65,394,955
At valuation	<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>
	11,889,003	45,131,736	5,695,575	4,818,641	67,534,955
Additions	180,165	963,993	707,022	1,866,217	3,717,397
Disposals	-	-	(292,134)	(5,681)	(297,815)
Written off	-	(365,995)	(8,400)	(71,260)	(445,655)
At 31 December 2006	<u>12,069,168</u>	<u>45,729,734</u>	<u>6,102,063</u>	<u>6,607,917</u>	<u>70,508,882</u>
<b>Representing:</b>					
At cost	10,469,168	45,729,734	6,102,063	6,607,917	68,908,882
At valuation	<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>
At 31 December 2006	<u>12,069,168</u>	<u>45,729,734</u>	<u>6,102,063</u>	<u>6,607,917</u>	<u>70,508,882</u>
<b>Accumulated Depreciation</b>					
<b>At 1 January 2006</b>					
Charge for the year	272,637	1,273,652	476,082	1,447,277	3,469,648
Disposals	-	-	(174,952)	(355)	(175,307)
Written off	-	(322,569)	(1,190)	(38,001)	(361,760)
At 31 December 2006	<u>2,688,074</u>	<u>31,792,011</u>	<u>3,653,472</u>	<u>2,590,810</u>	<u>40,724,367</u>
<b>Net Book Value</b>					
At cost	8,325,094	13,937,723	2,448,591	4,017,107	28,728,515
At valuation	<u>1,056,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,056,000</u>
At 31 December 2006	<u>9,381,094</u>	<u>13,937,723</u>	<u>2,448,591</u>	<u>4,017,107</u>	<u>29,784,515</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	<b>Factory, office buildings and office renovation RM</b>	<b>Plant and equipment RM</b>	<b>Furniture, fixtures, fittings and motor vehicles RM</b>	<b>Printing cylinders RM</b>	<b>Total RM</b>
<b>At 31 December 2005</b>					
<b>Cost/Valuation</b>					
<b>At 1 January 2006</b>					
At cost	10,840,549	39,646,743	5,586,908	2,350,503	58,424,703
At valuation	236,638	-	-	-	236,638
	<u>11,077,187</u>	<u>39,646,743</u>	<u>5,586,908</u>	<u>2,350,503</u>	<u>58,661,341</u>
Additions	811,816	5,607,579	581,209	2,468,138	9,468,742
Disposals	-	(9,463)	(472,542)	-	(482,005)
Written off	-	(113,123)	-	-	(113,123)
At 31 December 2005	<u>11,889,003</u>	<u>45,131,736</u>	<u>5,695,575</u>	<u>4,818,641</u>	<u>67,534,955</u>
<b>Representing:</b>					
At cost	10,289,003	45,131,736	5,695,575	4,818,641	65,934,955
At valuation	1,600,000	-	-	-	1,600,000
At 31 December 2005	<u>11,889,003</u>	<u>45,131,736</u>	<u>5,695,575</u>	<u>4,818,641</u>	<u>67,534,955</u>
<b>Accumulated Depreciation</b>					
<b>At 1 January 2005</b>					
Charge for the year	249,874	1,880,404	465,493	903,757	3,499,528
Disposals	-	(1,656)	(472,534)	-	474,190
Written off	-	(78,234)	-	-	(78,234)
At 31 December 2005	<u>2,415,437</u>	<u>30,840,928</u>	<u>3,353,532</u>	<u>1,181,889</u>	<u>37,791,786</u>
<b>Net Book Value</b>					
At cost	8,385,566	14,290,808	2,342,043	3,636,752	28,655,169
At valuation	1,088,000	-	-	-	1,088,000
At 31 December 2005	<u>9,473,566</u>	<u>14,290,808</u>	<u>2,342,043</u>	<u>3,636,752</u>	<u>29,743,169</u>



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) The 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 reserve 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 2006 would have been RM548,175 (2005: RM574,079).

- (b) During the financial year, the Company acquired property, plant and equipment at aggregate costs of RM3,717,397 (2005: RM9,468,742) of which RM300,000 (2005: RMNil) was acquired by means of finance lease arrangements. Net book value of property, plant and equipment held under hire purchase and finance lease arrangements is RM399,788 (2005: RM110,396).

### 11. PREPAID LAND LEASE PAYMENT

	2006 RM	2005 RM
At 1 January	2,285,291	2,322,833
Amortisation for the year (Note 6)	(39,804)	(37,542)
At 31 December	<u>2,245,487</u>	<u>2,285,291</u>

- (a) The long term leasehold land 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 reserve account.

At 1 January 2006, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments and amortised over the lease term.

- (b) 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, an associate of Ajinomoto (Malaysia) Berhad, which is a corporate shareholder of the Company.

### 12. INVENTORIES

	2006 RM	2005 RM
<b>Cost</b>		
Raw materials	4,891,907	6,485,475
Work-in-progress	989,994	1,403,123
Finished goods	<u>2,204,298</u>	<u>1,261,234</u>
	8,086,199	9,149,832
<b>Net realisable value</b>		
Finished goods	<u>191,918</u>	-
	<u>8,278,117</u>	<u>9,149,832</u>

The cost of inventories recognised as an expense during the financial year amounted to RM61,216,729 (2005: RM66,937,922).

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**13. TRADE RECEIVABLES**

	<b>2006 RM</b>	<b>2005 RM</b>
Trade receivables	17,436,680	21,494,724
Less: Provision for doubtful debts	<u>(1,710,927)</u>	<u>(2,043,828)</u>
	<u>15,725,753</u>	<u>19,450,896</u>

Included in trade receivables is an amount due from a corporate shareholder, Ajinomoto (Malaysia) Berhad amounting to RM264,278 (2005: RM265,302). The amount due from this corporate shareholder is unsecured, interest free and subject to the Company's normal credit term.

The Company's normal credit term ranges from 60 - 90 (2005: 60 - 90) days. Other credit terms are assessed and approved on a case-by-case basis.

As at balance sheet date, the Company has a significant concentration of credit risk in the form of outstanding balances due from 30 (2005: 30) customers representing approximately 87% (2005: 78%) of total trade receivables.

**14. OTHER RECEIVABLES**

	<b>2006 RM</b>	<b>2005 RM</b>
Deposits	70,505	53,819
Prepayments	84,065	135,089
Advance payment for trade purchases	31,972	61,996
Sundry debtors	<u>32,110</u>	<u>36,700</u>
	<u>218,652</u>	<u>287,604</u>

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

**15. PROVISION FOR LIABILITY**

	<b>2006 RM</b>	<b>2005 RM</b>
Provision for liability relates to unutilised leave:		
At 1 January	235,837	206,410
Additional provision during the year	33,551	46,984
Utilisation of provision during the year	<u>(7,933)</u>	<u>(17,557)</u>
At 31 December	<u>261,455</u>	<u>235,837</u>



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 16. BORROWINGS

	2006 RM	2005 RM
<b>Short Term Borrowings</b>		
Secured:		
Hire purchase and finance lease payables (Note 17)	97,762	41,662
Unsecured:		
Term loan	1,625,000	812,500
Bank overdraft	596,304	303,746
Revolving credit	2,600,000	2,600,000
Banker's acceptance	2,045,000	3,209,000
	<u>6,866,304</u>	<u>6,925,246</u>
	<u>6,964,066</u>	<u>6,966,908</u>
<b>Long Term Borrowings</b>		
Secured:		
Hire purchase and finance lease payables (Note 17)	143,883	-
Unsecured:		
Term loan	4,062,500	5,687,500
	<u>4,206,383</u>	<u>5,687,500</u>
<b>Total Borrowings</b>		
Term loan	5,687,500	6,500,000
Bank overdraft	596,304	303,746
Revolving credit	2,600,000	2,600,000
Banker's acceptance	2,045,000	3,209,000
Hire purchase and finance lease payables (Note 17)	241,645	41,662
	<u>11,170,449</u>	<u>12,654,408</u>

The weighted average effective interest rates at balance sheet date for borrowings, were as follows:

	2006 %	2005 %
Unsecured:		
Term loan	5.50	5.50
Bank overdraft	6.5 - 7.8	6.5 - 7.3
Revolving credit	3.8 - 4.3	3.6 - 3.8
Banker's acceptance	3.7 - 5.4	3.3 - 3.9

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**17. HIRE PURCHASE AND FINANCE LEASE PAYABLES**

	<b>2006 RM</b>	<b>2005 RM</b>
<b>Future minimum lease payments:</b>		
Not later than 1 year	108,432	44,118
Later than 1 year and not later than 2 years	108,432	-
Later than 2 years and not later than 5 years	45,084	-
Total future minimum lease payments	<u>261,948</u>	<u>44,118</u>
Less: Future finance changes	(20,303)	(2,456)
Present value of finance lease liabilities (Note 16)	<u>241,645</u>	<u>41,662</u>
<b>Present value of finance lease liabilities:</b>		
Not later than 1 year	97,762	41,662
Later than 1 year and not later than 2 years	103,210	-
Later than 2 years and not later than 5 years	40,673	-
	<u>241,645</u>	<u>41,662</u>
<b>Analysed as:</b>		
Due within 12 months	97,762	41,662
Due after 12 months	143,883	-
	<u>241,645</u>	<u>41,662</u>

The hire purchase and finance lease payables bore interest at the balance sheet date of 5.31% (2005: 5.71%) per annum.

**18. TRADE PAYABLES**

Included in trade payables is an amount of RM526,383 (2005: RM662,661) due to DIC (Malaysia) Sdn Bhd, a subsidiary of Dainippon Ink & Chemicals Inc., which is a corporate shareholder of the Company.

The normal credit terms granted to the Company ranges from 60 - 90 (2005: 60 - 90) days.

**19. OTHER PAYABLES**

	<b>2006 RM</b>	<b>2005 RM</b>
Accruals	789,216	662,974
Sundry payables	1,481,927	2,416,615
	<u>2,271,143</u>	<u>3,079,589</u>

Included in sundry payables is an amount of RM171,412 (2005: RM293,693) due to Malaysia Ve-Tsin Manufacturing Company Berhad, an associate of Ajinomoto (Malaysia) Berhad, which is a corporate shareholder of the Company.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 20. SHARE CAPITAL

	Number of Ordinary Share of RM1 Each		Amount	
	2006	2005	2006 RM	2005 RM
<b>Authorised:</b>				
At beginning/end of year	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued and fully paid:</b>				
At beginning/end of year	<u>42,042,824</u>	<u>42,042,824</u>	<u>42,042,824</u>	<u>42,042,824</u>

### 21. OTHER RESERVE (NON-DISTRIBUTABLE)

	2006 RM	2005 RM
Revaluation reserve - leasehold land Balance at 1 January/31 December	<u>64,979</u>	<u>64,979</u>

The capital reserve arose from the revaluation of long term leasehold land and buildings in 1990.

### 22. DEFERRED TAX

	2006 RM	2005 RM
At 1 January	-	786,789
Recognised in the income statement (Note 8)	-	(786,789)
At 31 December	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**22. DEFERRED TAX (CONTD.)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred Tax Liabilities of the Company:**

	<b>Accelerated Capital Allowances RM</b>	<b>Revaluation of leasehold land and building RM</b>	<b>Others RM</b>	<b>Total RM</b>
At 1 January 2006	2,329,926	261,706	14,251	2,605,883
Recognised in the income statement	<u>127,360</u>	<u>101,933</u>	<u>10,520</u>	<u>239,813</u>
At 31 December 2006	<u>2,457,286</u>	<u>363,639</u>	<u>24,771</u>	<u>2,845,696</u>
At 1 January 2005	1,779,954	488,317	-	2,268,271
Recognised in the income statement	<u>549,972</u>	<u>(226,611)</u>	<u>14,251</u>	<u>337,612</u>
At 31 December 2005	<u>2,329,926</u>	<u>261,706</u>	<u>14,251</u>	<u>2,605,883</u>

**Deferred Tax Assets of the Company:**

	<b>Unabsorbed Capital Allowances RM</b>	<b>Provision for liabilities RM</b>	<b>Total RM</b>
At 1 January 2006	(2,490,251)	(115,632)	(2,605,883)
Recognised in the income statement	<u>(227,660)</u>	<u>(12,153)</u>	<u>(239,813)</u>
At 31 December 2006	<u>(2,717,911)</u>	<u>(127,785)</u>	<u>(2,845,696)</u>
At 1 January 2005	(1,387,587)	(93,895)	(1,481,482)
Recognised in the income statement	<u>(1,102,664)</u>	<u>(21,737)</u>	<u>(1,124,401)</u>
At 31 December 2005	<u>(2,490,251)</u>	<u>(115,632)</u>	<u>(2,605,883)</u>



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 22. DEFERRED TAX (CONTD.)

Deferred tax assets have not been recognised in respect of the following item:

	2006 RM	2005 RM
Unabsorbed capital allowances	<u>4,751,707</u>	<u>2,113,882</u>

Deferred tax assets have not been recognised in the financial statements as its realisation cannot be anticipated reliably at this juncture. The availability of the unabsorbed capital allowances for offsetting against future taxable profits of the Company is subject to no substantial changes in shareholdings of the Company under Section 44(5A) and (5B) of Income Tax Act, 1967.

### 23. PRIOR YEAR ADJUSTMENTS

In prior years, the Company recognised deferred tax assets on unused reinvestment allowances. During the current year, the Company changed its accounting policy and accordingly, deferred tax assets on unused reinvestment allowances are no longer recognised. The effects arising from this change on the comparative figures are as follows:

	2005 RM
Effect on accumulated losses:	
At 1 January, as previously stated	(1,375,232)
Effect of change in accounting policy	<u>(786,789)</u>
At 1 January, as restated	<u>(2,162,021)</u>
Effect on net loss for 2005:	
Net loss before change in accounting policy	(3,334,930)
Effect of change in accounting policy	<u>786,789</u>
Net loss for the year	<u>(2,548,141)</u>

### 24. COMMITMENTS

	2006 RM	2005 RM
Contracted but not provided for	<u>-</u>	<u>73,075</u>

### 25. CONTINGENT LIABILITY

	2006 RM	2005 RM
Bank guarantee	<u>441,250</u>	<u>354,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006**

**26. SIGNIFICANT RELATED PARTY TRANSACTIONS**

	<b>2006 RM</b>	<b>2005 RM</b>
Sales of finished goods to Ajinomoto (Malaysia) Berhad, a corporate shareholder	2,860,972	3,367,548
Sales of finished goods to Malaysia Ve-Tsin Manufacturing Company Berhad, an associate of Ajinomoto (Malaysia) Berhad	22,847	2,772
Purchase of raw materials from DIC (Malaysia) Sdn Bhd, a subsidiary of Dainippon Ink & Chemicals Inc.	1,407,490	1,435,186
Rental expense charged by Malaysia Ve-Tsin Manufacturing Company Berhad, an associate of Ajinomoto (Malaysia) Berhad	559,360	545,727
Miscellaneous operating expenses paid to Malaysia Ve-Tsin Manufacturing Company Berhad, an associate of Ajinomoto (Malaysia) Berhad	<u>40,626</u>	<u>173,092</u>

Information regarding outstanding balance arising from related party transactions as at 31 December 2006 are disclosed in Notes 11, 13, 18 and 19.

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 mutually agreed between parties.

**27. 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 not to engage in speculative transactions.

**(b) Interest Rate Risk**

The Company's primary interest rate risk relates to interest-bearing debt, the Company had no substantial long-term interest-bearing assets as at 31 December 2006. 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 exports its products to various countries and is exposed to various currencies, mainly Japanese Yen, United States Dollars and Singapore Dollars. Foreign currency denominated assets and liabilities together with expected cash flows 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.



## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 27. FINANCIAL INSTRUMENTS (CONTD.)

#### (c) Foreign Exchange Risk (contd.)

The net unhedged financial assets and financial liabilities of the Company that are not denominated in their functional currencies are as follows:

##### At 31 December 2006:

Functional Currency of the Company	Japanese Yen RM	Singapore Dollars RM	United States Dollars RM
<b>Trade Receivables</b>			
Ringgit Malaysia	-	371,090	949,418
<b>Cash and bank balances</b>			
Ringgit Malaysia	-	409,715	13,418
<b>Trade Payables</b>			
Ringgit Malaysia	-	8,843	31,754

##### At 31 December 2005:

Functional Currency of the Company	Japanese Yen RM	Singapore Dollars RM	United States Dollars RM
<b>Trade Receivables</b>			
Ringgit Malaysia	-	452,680	2,069,581
<b>Cash and bank balances</b>			
Ringgit Malaysia	-	372,056	949,151
<b>Trade Payables</b>			
Ringgit Malaysia	101,700	4,888	1,269,005

#### (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 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 at a reasonable level to its overall debt position. As far as possible, the Company raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2006

### 27. FINANCIAL INSTRUMENTS (CONTD.)

#### (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 by 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 has a significant concentration of credit risk as disclosed in Note 13.

#### (f) Fair values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values except for the following:

	<b>Carrying Amount RM</b>	<b>Fair Value RM</b>
<b>At 31 December 2006:</b>		
Hire purchase and finance lease payables	241,645	260,938
Term loan	5,687,500	5,324,215
<hr/>		
<b>At 31 December 2005:</b>		
Hire purchase and finance lease payables	41,662	42,524
Term loan	6,500,000	6,402,850
<hr/>		

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

The fair value has been determined using discounted estimated cash flows whereby the discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

### 28. SEGMENTAL INFORMATION

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

### 29. SIGNIFICANT EVENT

On 30 March 2006, the Company became a subsidiary of Toyo Seikan Kaisha, Ltd., a company incorporated in Japan.



## ANALYSIS OF SHAREHOLDING- AS AT 25 APRIL 2007

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	179	9.82	7,811	0.02
100 to 1,000	133	7.30	77,529	0.18
1,001 to 10,000	1,309	71.84	4,027,198	9.58
10,001 to 100,000	181	9.93	4,824,560	11.48
100,001 to less than 5% of issued shares	17	0.93	3,694,734	8.79
5% and above of issued shares	3	0.17	29,410,992	69.95
	<u>1,822</u>	<u>100.00</u>	<u>42,042,824</u>	<u>100.00</u>

### SUBSTANTIAL SHAREHOLDERS

	No. of Shares	%
Toyo Seikan Kaisha, Ltd.	23,104,569	54.95
Dainippon Ink And Chemicals Incorporated	4,204,283	10.00
Ajinomoto (Malaysia) Berhad	2,102,140	5.00
	<u>29,410,992</u>	<u>69.95</u>

### DIRECTORS' SHAREHOLDINGS

	Direct		Indirect	
	No. of shares	%	No. of shares	%
1 Dato' Ahmad Badri Bin Mohamed Basir	-	-	-	-
2 Manabu Watanabe	-	-	-	-
3 Datuk Sulaiman Bin Daud	-	-	-	-
4 Ho Chee Siong	-	-	-	-
5 Ryuichi Ozaki	-	-	-	-
6 Shunichi Komatsu	14,000	0.03	-	-
7 Mitsuo Kondo	-	-	-	-

**LIST OF THIRTY LARGEST SHAREHOLDERS - AS AT 25 APRIL 2007**

	No. of Shares	%
1. Toyo Seikan Kaisha, Ltd.	23,104,569	54.95
2. Dainippon Ink and Chemicals Incorporated	4,204,283	10.00
3. Ajinomoto (Malaysia) Berhad	2,102,140	5.00
4. RHB Capital Nominees (Tempatan) Sdn. Bhd. Beneficiary: Pledged Securities Account for Teh Kian Lang	349,600	0.83
5. Chuah Chew Hing	340,000	0.81
6. Dato' Teo Soo Cheng	333,300	0.79
7. Goh Yai Heng	300,000	0.72
8. Ho Siew Lee	271,800	0.65
9. Ong Leong Huat	239,100	0.57
10. Citigroup Nominees (Tempatan) Sdn. Bhd. Beneficiary: Pledged Securities Account for Khor Keng Saw @ Khaw Ah Soay	234,000	0.56
11. Quah Lake Jen	220,100	0.52
12. Billy Ho Kum Chew	198,200	0.47
13. HLB Nominees (Tempatan) Sdn. Bhd. Beneficiary: Pledged Securities Account for Loh Kuan Fong	168,000	0.40
14. EB Nominees (Tempatan) Sendirian Bhd Beneficiary: Pledged Securities Account for Chee Sai Mun	163,300	0.39
15. Tan Lan Diang	160,000	0.38
16. Tasec Nominees (Asing) Sdn. Bhd. Beneficiary: TA Securities (HK) Ltd. for Jeffrey Smith	150,000	0.36
17. Soh Poh Yen	142,667	0.34
18. Chua Eng Ho Wa'a @ Chua Eng Wah	142,000	0.34
19. Loh Kee Fook	142,000	0.34
20. MKW Consolidated Sdn. Bhd.	140,667	0.33
21. Lim Kim Huat	100,000	0.24
22. Teh Kian Lang	96,300	0.23
23. Chuah Cheng Soon	86,000	0.20
24. TA Nominees (Tempatan) Sdn. Bhd. Beneficiary: Pledged Securities Account for Chua Eng Ho Waa @ Chua Eng Wah	84,000	0.20
25. Wong Ai Ming	83,100	0.20
26. Lee Mun Leong	81,000	0.19
27. Teo Soo Cheng Sdn Bhd	80,000	0.19
28. Teh Yoke Fong	75,000	0.18
29. Lua Cheng Sea	72,000	0.17
30. Mah King Woon Sendirian Berhad	68,000	0.16
	<b>33,931,126</b>	<b>80.71</b>



## PROPERTIES - AS AT 31 DECEMBER 2006

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)	32	11,581,339	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)	17	19,362	19.3.1992(DA)
3. Lot 95F, 3-3A, Jalan 2/116B Kuchai Entrepreneurs Park 58200 Kuala Lumpur	Apartment on 3rd Floor of three-storey shop cum apartment building (932)	Staff quarters	Leasehold (23.06.2081)	17	25,877	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.

**MALAYSIA  
PACKAGING  
INDUSTRY  
BHD**



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