

**MALAYSIA PACKAGING INDUSTRY BERHAD**

(22265-U)

(Incorporated in Malaysia)

## CONTENTS

Notice of Annual General Meeting . . . . .	2 - 4
Statement Accompanying Notice of Annual General Meeting . . . . .	4
Corporate Information . . . . .	5
Five Years Financial Highlights . . . . .	6
Board of Directors . . . . .	7
Profile of Directors . . . . .	8 - 10
Chairman's Statement . . . . .	11 - 12
Audit Committee Report . . . . .	13 - 15
Statement on Internal Control . . . . .	16 - 18
Corporate Governance Statement . . . . .	19 - 24
Corporate Social Responsibility Statement . . . . .	25
Financial Statements . . . . .	26 - 66
Analysis of Shareholdings . . . . .	67
List of Thirty Largest Shareholders . . . . .	68
Properties . . . . .	69
Form of Proxy	

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Thirty-third Annual General Meeting of the Company will be held at 6½ Mile, Simpang Salak South Baru, (Lot 3, Jalan Kuchai Lama), 58200 Kuala Lumpur on Monday, 23 June 2008 at 10:00 a.m. for the following purposes:

1. To receive and adopt the Report of the Directors and the audited Financial Statements for the financial year ended 31 December 2007 and the Report of the Auditors thereon. **RESOLUTION 1**
2. To approve the payment of Directors' Fees of RM136,000.00 for the financial year ended 31 December 2007. **RESOLUTION 2**
3. To re-elect directors:
  - (a) In accordance with Article 87 of the Company's Articles of Association, Datuk Sulaiman Bin Daud retires by rotation and, being eligible, offers himself for re-election. **RESOLUTION 3**
  - (b) In accordance with Article 87 of the Company's Articles of Association, Mr. Ho Chee Siong retires by rotation and, being eligible, offers himself for re-election. **RESOLUTION 4**
  - (c) In accordance with Article 89 of the Company's Articles of Association, Mr. Mitsunobu Suzumi retires and, being eligible, offers himself for re-election. **RESOLUTION 5**
4. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:

"That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Ahmad Badri Bin Mohamed Basir be and is hereby re-appointed a director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

**RESOLUTION 6**
5. To re-appoint Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **RESOLUTION 7**

### **AS SPECIAL BUSINESS**

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

#### **6. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT approval be and is hereby given to Malaysia Packaging Industry Berhad ("Maypak") to renew the Shareholders' Mandate for the Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature with DIC (Malaysia) Sdn. Bhd. for the purchase of raw materials by Maypak as stated in Section 2.1.2 of the Circular to Shareholders dated 30 May 2008 which are necessary in the ordinary course of business and for Maypak's day-to-day operations and are on normal commercial terms which are not more favourable to DIC (Malaysia) Sdn. Bhd. than those generally available to the public and not detrimental to the minority shareholders of the Company.

**RESOLUTION 8**

AND THAT the approval shall continue to be in force until:

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

whichever is earlier;

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

**7. PROPOSED SHAREHOLDERS' MANDATE FOR NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT approval be and is hereby given to Malaysia Packaging Industry Berhad ("Maypak") to enter into new Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature with the Toyo Seikan Kaisha, Ltd. Group ("TSK Group") for the purchase of raw materials, sale of packaging materials and technical fee paid by Maypak as stated in Section 2.1.2 of the Circular to Shareholders dated 30 May 2008 which are necessary in the ordinary course of business and for Maypak's day-to-day operations and are on normal commercial terms which are not more favourable to the TSK Group than those generally available to the public and not detrimental to the minority shareholders of the Company.

**RESOLUTION 9**

AND THAT the approval shall continue to be in force until:

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

whichever is earlier;

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

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

By Order of the Board

Winnie Chok Kwee Wah  
Leong Mee Lee  
Secretaries

Kuala Lumpur  
30 May 2008

Notes:

- (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- (2) If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorised.
- (3) The instrument appointing a proxy must be deposited at the office of Bina Management (M) Sdn. Bhd., Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

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

- **Ordinary Resolution 8 and 9**
- **Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature**
- **Proposed Shareholders' Mandate for New Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Ordinary Resolution 8 and 9, if passed, will empower the Company to enter into recurrent related party transactions of a revenue or trading nature which are necessary in the ordinary course of business and for the Company's day to day operations, subject to the transactions made at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

## **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

1. **Profile of Directors who are standing for re-election**  
Further details pertaining to directors standing for re-election are outlined on pages 8 to 10.
2. **Details of the Directors' Interest in the Company**  
Details of the directors' shareholdings are outlined on page 67.

## CORPORATE INFORMATION

### DIRECTORS

Chairman (Independent)	:	Dato' Ahmad Badri Bin Mohamed Basir
Managing Director / CEO (Non-Independent)	:	Manabu Watanabe
Non Executive Director (Independent)	:	Datuk Sulaiman Bin Daud Ho Chee Siong
Non Executive Director (Non-Independent)	:	Ryuichi Ozaki Mitsuo Kondo Mitsunobu Suzumi (appointed on 5.7.2007)

### 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 SECRETARY

Winnie Chok Kwee Wah (MACS 00550)  
Leong Mee Lee (LS 0001836)

### REGISTERED OFFICE

6 1/2 Miles, Simpang Salak South Baru  
(Lot 3, Jalan Kuchai Lama) 58200 Kuala Lumpur  
Tel : 03-7983 1877 Fax : 03-7981 3198

### HOMEPAGE

<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 : 03-7784 3922 Fax : 03-7784 1988

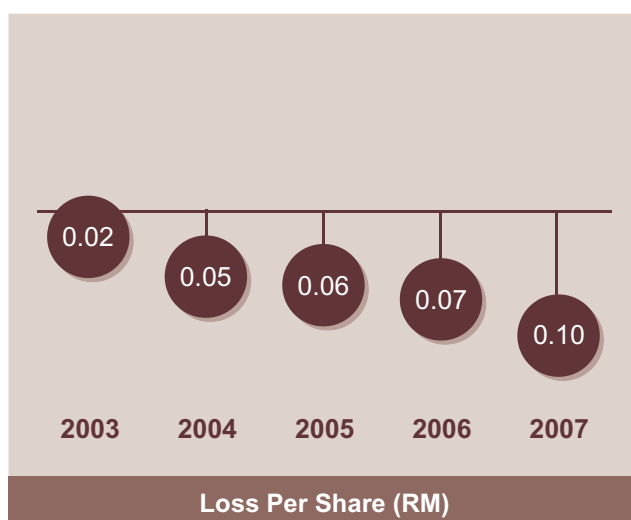
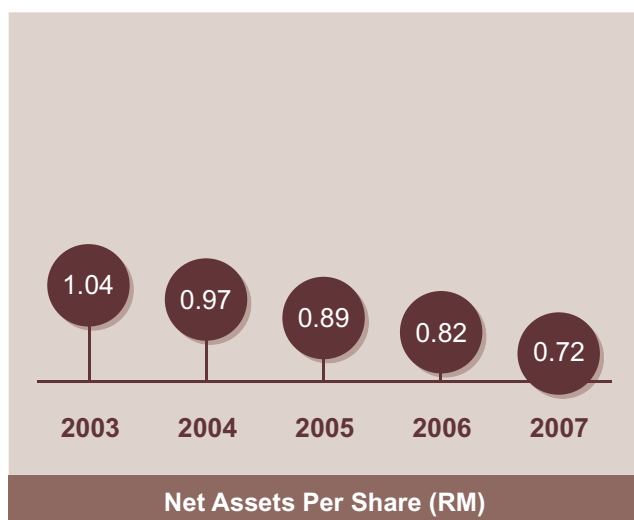
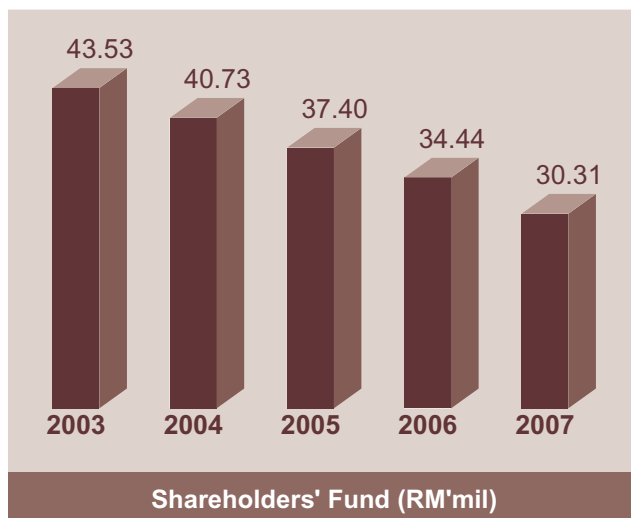
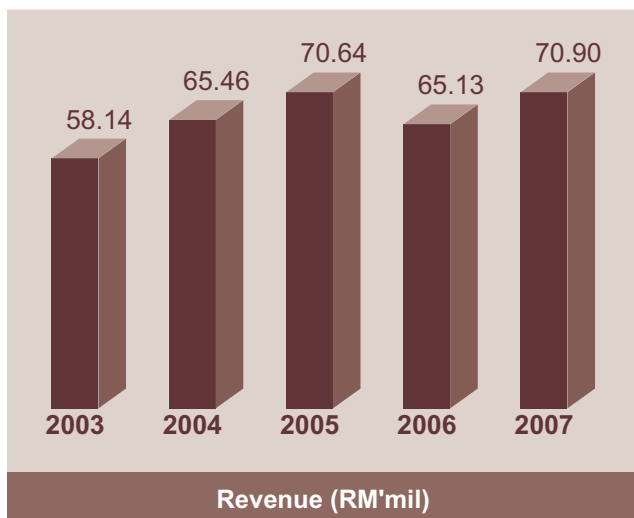
### STOCK EXCHANGE LISTING

The Second Board, Bursa Malaysia Securities Berhad

### CERTIFIED MANAGEMENT SYSTEM

MS ISO 9001 : 2000  
MS ISO 14001 : 2004

## FIVE YEARS FINANCIAL HIGHLIGHTS



## BOARD OF DIRECTORS



**Center : DATO' AHMAD BADRI BIN MOHAMED BASIR**

**From left to right :**

- 1. MR MITSUNOBU SUZUMI**
- 2. MR MANABU WATANABE**
- 3. MR HO CHEE SIONG**

**From right to left :**

- 1. MR MITSUO KONDO**
- 2. MR RYUICHI OZAKI**
- 3. DATUK SULAIMAN BIN DAUD**

## **PROFILE OF DIRECTORS**

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

**Chairman, Independent Non-Executive Director, Malaysian, aged 73**

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.

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.

### **DATUK SULAIMAN BIN DAUD**

**Independent Non-Executive Director, Malaysian, aged 61**

Datuk Sulaiman was appointed to the Board on 1 September 2003. He is the Chairman of the Remuneration Committee and a member of the 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 is a graduate of 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 previously served as the Chairman of Bank Pertanian Malaysia Berhad for four terms from 1998 to 2006.

Datuk Sulaiman is a director in Park May Berhad, Pharmaniaga Berhad and Silverlake Axis Ltd (Singapore).

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 42**

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 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 DIRECTORS

### **MR MANABU WATANABE**

**Non-Independent Executive Director, Japanese, aged 57**

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 Officer on 1 October 2006. He is a member of 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.

### **MR RYUICHI OZAKI**

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

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.

### **MR MITSUO KONDO**

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

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 DIC Corporation (formerly known as 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.

## **PROFILE OF DIRECTORS**

### **MR MITSUNOBU SUZUMI**

**Non-Independent Non-Executive Director, Japanese, aged 50**

Mr. Suzumi was appointed to the Board on 5 July 2007. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

He graduated with a Bachelor of Liberal Arts in Asian studies from the College of Arts And Sciences, the University of Tokyo, Japan in 1981.

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

Mr. Suzumi is the Managing Director of Ajinomoto (Malaysia) Berhad.

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

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

## 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 2007.

### COMPANY'S PERFORMANCE

Turnover increased 9% from RM65.13m in year 2006 to RM70.89m in year 2007 due mainly to better sales mix. However, the loss for the year increased to RM4.13m compared to RM2.96m in 2006.

High crude oil prices impacted the Company's bottom line and negated cost-saving measures and productivity enhancement efforts being carried out.



### PROSPECTS

The year ahead is expected to be even more challenging than 2007. The un-relentless surge in crude oil price is expected to severely impact raw material prices further.

Going forward, the Company will continue to pursue enhancement in productivity, and increase market share locally as well as abroad.

The Company will take advantage and benefit from the extensive R & D facilities from the holding company, Toyo Seikan Kaisha Ltd., Japan. The technology transfer from Japan will enable the Company to make greater strides in development of new product and applications.

The investment and commissioning of new production facilities in the fourth quarter of 2008 will enable the Company to tap into new markets. However, the new product line is not expected to have any immediate significant impact on the Company's financial performance for 2008.

### DIRECTORATE

The Board extends a warm welcome to Mr. Mitsunobu Suzumi, who succeeds Mr. Shunichi Komatsu on the Board.

The Board wishes to record its appreciation and thanks to Mr. Shunichi Komatsu for his invaluable contributions, cooperation and commitment to the Board.

## **CHAIRMAN'S STATEMENT**

### **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**  
**7 May 2008**

## AUDIT COMMITTEE REPORT

Members of the Audit Committee in the financial year ended 31 December 2007 are as follow:-

Name of Member	Designation
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. Ryuichi Ozaki	Non-Independent Non-Executive Director
5. Mitsunobu Suzumi	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 all of whom must be non-executive directors with a majority of them being independent 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; or
- 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
- 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 which include persons who are members of professional accountancy organisations which have been admitted as full members of the International Federation of Accountants ; 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; or
- fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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 office and performance of the Committee and each of its members at least once every three (3) years.

## **AUDIT COMMITTEE REPORT**

### **MEETINGS AND MINUTES**

Meetings shall be held not less than four (4) times a year. The quorum for each meeting shall be two (2) members of the Committee of which a majority of the members present must be independent non-executive directors. Other Board members and employees may attend meetings only upon the invitation of the Audit Committee.

The director responsible for the financial management and a representative from the external auditors and the internal auditors shall normally attend the meetings. At least twice a year the Committee shall meet with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company whenever deemed necessary. 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.
- 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, the Company's accounting policies and reporting requirements, and any other matters he may wish to discuss in the absence of the management;
- 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 with internal auditors, the internal audit plan and controls;
- review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- 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;
  - compliance with accounting standards and other legal requirements;
  - significant and unusual events; and
  - significant adjustments arising from the audit.
- 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;



## 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 meeting are as follows:-

Name of Member	Attendance
1. Ho Chee Siong (Chairman)	5/5
2. Dato' Ahmad Badri Bin Mohamed Basir	5/5
3. Datuk Sulaiman Bin Daud	4/5
4. Ryuichi Ozaki	4/5
5. Manabu Watanabe (Resigned 3.10.2007)	3/4
6. Mitsunobu Suzumi (Appointed 27.11.2007)	1/1

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 applicable Financial Reporting Standards in Malaysia;
- reviewed the recurrent related party transactions of the Company;
- reviewed the Company's compliance with the Bursa Malaysia Securities Berhad's Listing Requirements, applicable Malaysian Financial Reporting Standards 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 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 the 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.

## STATEMENT ON INTERNAL CONTROL

### INTRODUCTION

Pursuant to paragraph 15.27 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Bursa Malaysia's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"), the Board of Directors ("the Board") of Malaysia Packaging Industry Berhad is pleased to include a statement on the state of the Company's internal controls in the annual report for the financial year ended 31 December 2007.

### RESPONSIBILITY

The Board acknowledges its responsibility and re-affirms its commitment in maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets as well as reviewing the adequacy and integrity of the system of internal control.

However, as there are inherent limitations in any system of internal controls, such systems put into effect by Management can only reduce but cannot eliminate all risks that may impede the achievement of the Company's business objectives. Therefore, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

### KEY FEATURES OF THE COMPANY'S INTERNAL CONTROL SYSTEM

#### 1. CONTROL ENVIRONMENT

- **Organisation Structure & Authorisation Procedures**

The Company maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Company's Senior Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Company's various operations.

- **Periodical and/or Annual Budget**

Budgetary control for every operations of the Company, where actual performance is closely monitored against budgets to identify and to address significant variances.

- **Company Policies and Procedures**

The Company has documented policies and procedures that are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Company's business activities at all times as the Company continues to grow.

- **Human Resource Policy**

Comprehensive guidelines on the employment and retention of employees are in place, to ensure that the Company has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibility effectively.



## STATEMENT ON INTERNAL CONTROL

### 2. RISK MANAGEMENT FRAMEWORK

Risk Management is regarded by the Board to be an integral part of the business operations. The Board maintains an on-going commitment to enhance the Company's control environment and processes. The key risks relating to the Company's operations and strategic and business plans are addressed at Management's periodic meetings. Significant risks identified are brought to the attention of the Board at their scheduled meetings.

During the financial year ended 31 December 2007, a Risk Management Committee comprising of key management staff was established. This Committee reviewed the key risks faced by the Company and ensured adequacy of the existing mitigating measures. Risks identified were prioritised in terms of likelihood of their occurrence and the impact on the achievement of the Company's business objectives/goals. The key risk profile shall be updated on a regular basis to ensure that all key risks are identified and adequate responses are devised and continue to be relevant in mitigating these risks.

The abovementioned practices/initiatives by Management serves as the on-going process used to identify, evaluate and managed significant risks.

### 3. INTERNAL AUDIT FUNCTION

The Company's internal audit function is outsourced to external consultants. The outsourced internal auditors assist the Board and the Audit Committee in providing independent assessment of the adequacy, efficiency and effectiveness of the Company's internal control systems. They report directly to the Audit Committee and internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage.

On a quarterly basis, the Company's internal auditors table the results of their review of the business processes of different operating units to the Audit Committee at their scheduled meetings. The status of the implementation of corrective actions to address control weaknesses are also followed up by the internal auditors to ensure that these actions have been satisfactorily implemented.

During the financial year under review, identified weaknesses in internal controls have been appropriately addressed and Senior Management will continue to ensure that appropriate action is taken to enhance and strengthen the internal control environment.

### 4. INFORMATION AND COMMUNICATION

Information critical to the achievement of the Company's business objectives are communicated through established reporting lines across the Company. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

## STATEMENT ON INTERNAL CONTROL

### 5. MONITORING AND REVIEW

Scheduled management meetings are held to discuss and review the business planning, budgeting, financial and operational performances.

- **Financial and Operational Review**

The monthly management accounts and the quarterly financial statements containing key financial results, operational performance results and comparisons of performance against budget are presented to the Board for their review, consideration and approval.

- **Business Planning and Budgeting Review**

The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Company.

### 6. CONCLUSION

The Board is of the view that the Company's system of internal controls is adequate to safeguard shareholders' investments and the Company's assets. However, the Board is also cognizant of the fact that the Company's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

This statement was approved by the Board of Directors on 12 May 2008.

## 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 by ("the Code") 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 2007, 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	4/5
3. Ho Chee Siong	5/5
4. Manabu Watanabe	5/5
5. Ryuichi Ozaki	4/5
6. Mitsuo Kondo	5/5
7. Shunichi Komatsu Resigned 4 July 2007	3/3
8. Mitsunobu Suzumi Appointed 5 July 2007	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. Mitsunobu Suzumi
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 recommended the nomination of the candidate proposed by a substantial corporate shareholder to replace their outgoing corporate representative before recommending them to the Board for appointment.

Member of the Remuneration Committee is made up of four (4) 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. Mitsunobu Suzumi
4. Manabu Watanabe
5. Mitsuo Kondo

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



## 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 8 to 10 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 an in-house training on "Sniffing out the Frauds: Lessons from Recent Cases"

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 Director	14,000	-	114,459	53,375
Non-Executive Directors	122,000	3,000	-	-

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		7
RM100,001~RM200,000	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 13 to 15 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 12 May 2008.

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Malaysia Packaging Industry Berhad ("Maypak") recognises the importance of being a good corporate citizen in the conduct of its business as well as fulfilling its corporate and social obligations.

Maypak's commitment to its stakeholders and the community are exemplified through its CSR activities.

### The Workplace

Recognising the importance of employees as valuable assets, the Company provides continuous training and development opportunities to its workforce. During the year under review, the average training conducted was 9 hours per employee. 20 employees were given overseas training at the parent company in new production technology. In addition, three (3) employees were sponsored to participate in the Tun Razak Youth Leadership Awards coordinated by the Malaysian Institute of Management.

To ensure a healthy workforce, sports and recreational activities organized by the in-house sports club are financially supported by the Company. Occupational safety and health activities such as safety day and fire evacuation drill are carried out annually.

### The Environment

Since September 2000, the Company has been certified to the ISO 14001 Environmental Management System. To-date, the Company has received continual renewal of its certification.

Recycling activities are encouraged among both the production and administration personnel. On the shopfloor, solid wastes are segregated and placed into recyclable and non-recyclable bins whilst the administration group segregates the paper waste into coloured and black and white for recycling.

### The Marketplace

The Company regards transparency, confidentiality and integrity as important business practices in building and maintaining long term relationship with our stakeholders.

The Company obtained the ISO 9001 Quality Management System in October 1995 with zero non-conformance. In 2007, the Company has continuously maintained its ISO 9001 certification by SIRIM QAS with zero non-conformance for the fourth consecutive year since 2004.

### The Community

Since 2005, the Company carries out annual "Maypak Corporate Citizenship Day" to remind its employees of its corporate social responsibilities.

In 2007, a blood donation campaign was carried out with the National Blood Bank. Employees were encouraged to donate used and new items for a jumble sale. The cash proceeds from the jumble sale were then donated to the needy.

Used computers were also donated to the schools in the vicinity of the Company.

Each year, the Company accepts undergraduates for industrial training ranging from one (1) to five (5) months. In 2007, the Company provided training for five (5) undergraduates.

## **FINANCIAL STATEMENTS**

Directors' Report . . . . .	27 - 30
Statement by Directors . . . . .	31
Statutory Declaration . . . . .	31
Report of the Auditors . . . . .	32
Income Statement . . . . .	33
Balance Sheet . . . . .	34
Statement of Changes in Equity . . . . .	35
Cash Flow Statements . . . . .	36 - 37
Notes to the Financial Statements . . . . .	38 - 66

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 December 2007.

### PRINCIPAL ACTIVITY

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

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

### RESULTS

Loss for the year	<b>RM</b> <u>(4,129,762)</u>
-------------------	---------------------------------

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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.

### 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	
Manabu Watanabe	
Ryuichi Ozaki	
Ho Chee Siong	
Mitsuo Kondo	
Mitsunobu Suzumi	(appointed on 5 July 2007)
Shunichi Komatsu	(resigned on 4 July 2007)

## DIRECTORS' REPORT

### 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 6 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' 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 2007	Acquired	Sold	31 December 2007

#### The Company

Direct Interest:  
Mitsunobu Suzumi

- 14,000 - 14,000

Number of Ordinary Shares of JPY 50 each			
1 January 2007	Acquired	Sold	31 December 2007

#### Holding Company

- Toyo Seikan Kaisha, Ltd.

#### Direct Interest:

Manabu Watanabe  
Ryuichi Ozaki

1,100 - - 1,100  
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.



## DIRECTORS' REPORT

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

## **DIRECTORS' REPORT**

### **OTHER STATUTORY INFORMATION (CONTD.)**

(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.

### **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 14 April 2008.

Dato' Ahmad Badri bin Mohamed Basir

Manabu Watanabe



## STATEMENT BY DIRECTORS / STATUTORY DECLARATION

### 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 33 to 66 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2007 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 14 April 2008.

Dato' Ahmad Badri bin Mohamed Basir

Manabu Watanabe

### PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

We, Manabu Watanabe and She Kok Hoong, being the director and officer respectively, 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 33 to 66 are in our opinion correct, and we 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 Manabu Watanabe  
and She Kok Hoong at Kuala Lumpur in  
the Federal Territory on 14 April 2008

Manabu Watanabe

She Kok Hoong

Before me,

## 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 33 to 66. 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 Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Company as at 31 December 2007 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

Wong Kang Hwee  
No. 1116/01/10 (J)  
Partner

Kuala Lumpur, Malaysia  
12 April 2008



## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 RM	2006 RM
Revenue	3	70,896,636	65,131,014
Other income	4	1,421,785	1,581,882
Changes in work-in-progress and finished goods		(28,229)	721,854
Consumables and raw materials		(50,775,691)	(45,149,040)
Employee benefits expense	5	(10,691,912)	(10,908,839)
Depreciation and amortisation		(3,820,155)	(3,509,452)
Other expenses		<u>(10,416,153)</u>	<u>(10,234,001)</u>
Loss from operations		<u>(3,413,719)</u>	<u>(2,366,582)</u>
Finance costs	7	<u>(716,043)</u>	<u>(592,782)</u>
Loss before tax	8	<u>(4,129,762)</u>	<u>(2,959,364)</u>
Income tax expense	9	-	-
Loss for the year		<u>(4,129,762)</u>	<u>(2,959,364)</u>
Loss per share (sen)	10	<u>(9.82)</u>	<u>(7.04)</u>

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

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 RM	2006 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	27,441,949	29,784,515
Prepaid land lease payment	12	<u>2,207,767</u>	<u>2,245,487</u>
		<u>29,649,716</u>	<u>32,030,002</u>
<b>Current assets</b>			
Inventories	13	7,752,032	8,278,117
Trade receivables	14	17,399,207	15,725,753
Other receivables	15	6,183,129	218,652
Tax recoverable		-	240,000
Cash and bank balances	16	<u>5,164,652</u>	<u>1,437,834</u>
		<u>36,499,020</u>	<u>25,900,356</u>
<b>TOTAL ASSETS</b>		<u>66,148,736</u>	<u>57,930,358</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	42,042,824	42,042,824
Reserves		<u>(11,734,309)</u>	<u>(7,604,547)</u>
<b>Total equity</b>		<u>30,308,515</u>	<u>34,438,277</u>
<b>Non-current liability</b>			
Long term borrowings	17	<u>13,773,664</u>	<u>4,206,383</u>
<b>Current liabilities</b>			
Short term borrowings	17	8,162,660	6,964,066
Trade payables	19	11,218,665	9,789,034
Other payables	20	<u>2,685,232</u>	<u>2,532,598</u>
		<u>22,066,557</u>	<u>19,285,698</u>
<b>Total liabilities</b>		<u>35,840,221</u>	<u>23,492,081</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>66,148,736</u>	<u>57,930,358</u>

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



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital RM	Non Distributable Capital Reserves RM (Note22)	Accumulated Losses RM	Total RM
<b>At 1 January 2006</b>	42,042,824	64,979	(4,710,162)	37,397,641
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
Loss for the year	-	-	(4,129,762)	(4,129,762)
<b>At 31 December 2007</b>	42,042,824	64,979	(11,799,288)	30,308,515

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

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(4,129,762)	(2,959,364)
Adjustments for:		
Depreciation of property, plant and equipment	3,782,435	3,469,648
Amortisation of prepaid land lease payment	37,720	39,804
Loss on disposal of property, plant and equipment	55,676	11,392
Property, plant and equipment written off	829,057	83,895
Short term accumulating compensated absences	42,840	33,551
Write (back)/down of inventories	(31,647)	38,954
Inventories written off	714,060	1,105,493
Bad debts written off	-	36,944
Provision for doubtful debts	59,795	194,921
Interest expense	716,043	592,782
Interest income	(46,634)	-
Net unrealised foreign exchange gain	(482,814)	(88,468)
Operating profit before working capital changes	<u>1,546,769</u>	<u>2,559,552</u>
(Increase)/decrease in receivables	(2,251,934)	3,514,968
Increase in inventories	(156,328)	(272,732)
Increase/(decrease) in payables	<u>1,597,004</u>	<u>(1,764,647)</u>
Cash generated from operations	735,551	4,037,141
Interest paid	(716,043)	(592,782)
Tax refunded	240,000	-
Net cash generated from operating activities	<u>259,468</u>	<u>3,444,359</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,340,167)	(3,417,397)
Down payment for purchase of property, plant and equipment	(5,494,500)	-
Proceeds from disposal of property, plant and equipment	15,565	111,116
Interest received	46,634	-
Net cash used in investing activities	<u>(7,772,468)</u>	<u>(3,306,281)</u>



## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTD.)

	2007 RM	2006 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown/(repayment) of short term borrowings	1,377,000	(1,164,000)
Repayment of term loan	(1,625,000)	(812,500)
Loan from holding company	11,831,160	-
Repayment of hire purchase and finance lease payables	<u>(100,048)</u>	<u>(100,017)</u>
Net cash generated from/(used in) financing activities	<u>11,483,112</u>	<u>(2,076,517)</u>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,970,112	(1,938,439)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	(59,440)	135,730
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>841,530</u>	<u>2,644,239</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 16)</b>	<u>4,752,202</u>	<u>841,530</u>

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

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 1. CORPORATE INFORMATION

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 is Toyo Seikan Kaisha, Ltd., a company incorporated in Japan which produces financial statements available for public use.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 April 2008.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia. 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 2007 as described fully in Note 2.3.

The financial statements of the Company have been prepared on a historical basis except for the revaluation of certain buildings under property, plant and equipment and the long term leasehold land under prepaid land lease payments.

The financial statements are presented in Ringgit Malaysia ("RM").

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

#### 2.2 Summary of Significant Accounting Policies

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

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for factory and office buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

The factory and office buildings are stated at valuation less accumulated depreciation and any accumulated impairment losses. The factory and office 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 and any accumulated impairment losses.

Depreciation of other property, plant and equipment is provided for 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 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. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

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

##### (b) Impairment of Non-Financial Assets

The carrying amounts of the Company's assets other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a prorata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.



## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

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

##### (c) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost of raw materials comprises costs of purchase. The cost of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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.

##### (d) 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) Cash and Cash Equivalents

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

##### (ii) 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.

##### (iii) 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.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

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

##### (d) Financial Instruments (Contd.)

###### (iv) Interest-Bearing Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

###### (v) Equity instruments

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

##### (e) Leases

###### (i) Classification

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

###### (ii) Finance leases - the Company as Lessee

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. Any initial direct costs are also added to the carrying amount of such assets.



## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

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

##### (e) Leases (Contd.)

##### (ii) Finance leases - the Company as Lessee (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 in the profit or loss 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).

##### (iii) Operating Leases - the Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings 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.

##### (f) Borrowing Costs

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

##### (g) Income Tax

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.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

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

##### (g) Income Tax (Contd.)

Deferred tax is provided for, using the liability method. 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 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 as income or an expense and included in the profit or loss for the period, 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.

##### (h) Provision for Liabilities

Provisions 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

##### (i) 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.



## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

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

##### (i) Employee Benefits (Contd.)

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

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund.

##### (j) Foreign Currencies

###### (i) Functional and Presentation Currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

###### (ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

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

	2007 RM	2006 RM
Japanese Yen	0.0295	0.0326
Singapore Dollars	2.2938	2.2702
United States Dollars	<u>3.3125</u>	<u>3.7800</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

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

##### (k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Sale of Goods

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

##### (ii) Interest Income

Interest income is recognised on an accrual basis using the effective interest method

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

On 1 January 2007, the Company adopted the following new and revised FRSs and Amendments to FRS mandatory for financial periods beginning on or after 1 January 2007:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 124	Related Party Disclosures
Amendment to FRS 119 <sub>2004</sub>	Employees Benefit - Actuarial Gains and Losses, Group Plans and Disclosures

FRS 6 and Amendment to FRS 119<sub>2004</sub> are not relevant to the Company's operation. The adoption of FRS 124 did not result in significant changes in accounting policies of the Company but give rise to certain additional disclosures.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

#### 2.4 Standards and Interpretations Issued but Not Yet Effective

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

FRSs, Amendments to FRS and Interpretations		Effective for financial periods beginning on or after
FRS 139	Financial Instruments: Recognition and Measurement	Deferred
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 Participation in a Specific Market - Waste Electrical and Electronical Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 119 <sub>2004</sub> - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007
Amendment to FRS107	Cash Flow Statements	1 July 2007
Amendment to FRS111	Construction Contracts	1 July 2007
Amendment to FRS112	Income taxes	1 July 2007
Amendment to FRS118	Revenue	1 July 2007
Amendment to FRS120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
Amendment to FRS121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operations	1 July 2007
Amendment to FRS134	Interim Financial Reporting	1 July 2007
Amendment to FRS137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

#### 2.4 Standards and Interpretations Issued but Not Yet Effective (Contd.)

The above new and revised FRSs, Amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Company upon their initial application except for FRS 139.

The Company is exempted from disclosing the possible impact to the financial statements upon the initial application of FRS 139.

#### 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 disclosed 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 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 assumptions 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 machinery for the manufacture of flexible packaging materials is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 30 years based on the existing useful lives of similar assets in use.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

#### 2.5 Significant Accounting Estimates and Judgements (Contd.)

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

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.

### 4. OTHER INCOME

Included in other income are:

	2007 RM	2006 RM
Interest income	46,634	-
Gain on disposal of property, plant and equipment	9,714	30,948
Realised foreign exchange gain	<u>61,946</u>	<u>114,679</u>

### 5. EMPLOYEE BENEFITS EXPENSE

	2007 RM	2006 RM
Wages and salaries	6,889,749	7,130,468
Social security contributions	99,217	99,489
Contributions to defined contribution plan	1,022,140	906,704
Short term accumulating compensated absences	42,840	33,551
Gratuities	3,000	43,000
Other benefits	<u>2,634,966</u>	<u>2,695,627</u>
	<u>10,691,912</u>	<u>10,908,839</u>

Included in employee benefits expense of the Company are executive directors' remuneration amounting to RM181,834 (2006: RM707,692) as further disclosed in Note 6.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 6. DIRECTORS' REMUNERATION

	2007 RM	2006 RM
Executive Directors:		
Salaries and other emoluments	114,459	561,098
Fees	14,000	30,333
Pention costs - defined contribution plan	-	6,000
Gratuities	-	12,000
Benefits-in-kind	53,375	98,261
Amount included in employee benefits expense	<u>181,834</u>	<u>707,692</u>
Benefits-in-kind included in other expenses	-	37,601
	<u>181,834</u>	<u>745,293</u>
Non-Executive Directors:		
Fees	122,000	121,917
Gratuities	3,000	31,000
Total	<u>306,834</u>	<u>898,210</u>
Total directors' remuneration excluding benefits-in-kind	<u>253,459</u>	<u>762,348</u>
Analysis excluding benefits-in-kind:		
Total executive directors' remuneration excluding benefits-in-kind	128,459	609,431
Total non-executive directors' remuneration	125,000	152,917
Total directors' remuneration excluding benefirs-in-kind	<u>253,459</u>	<u>762,348</u>

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

	Number of Directors	
	2007	2006
<b>Executive Directors:</b>		
Below RM100,000	-	1
RM100,001 - RM200,000	1	2
RM300,001 - RM400,000	-	1
	<u>-</u>	<u>1</u>
<b>Non-executive Directors:</b>		
Below RM50,000	7	10
	<u>7</u>	<u>10</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 7. FINANCE COSTS

	2007 RM	2006 RM
Interest expense on:		
Bank overdraft	33,173	11,072
Revolving credit and banker's acceptance	248,780	229,334
Term loan	265,128	345,013
Loans from holding company	160,578	-
Hire purchase	8,384	7,363
	<u>716,043</u>	<u>592,782</u>

### 8. LOSS BEFORE TAX

The following amounts have been included in arriving at loss before tax:

	2007 RM	2006 RM
Auditors' remuneration:		
- Statutory audit	30,000	30,000
- Other services	4,000	4,000
Amortisation of prepaid land lease payment (Note 12)	37,720	39,804
Bad debts written off	-	36,944
Provision for doubtful debts	59,795	194,921
Write (back)/down of inventories	(31,647)	38,954
Loss on disposal of property, plant and equipment	55,676	11,392
Property, plant and equipment written off	829,057	83,895
Inventories written off	714,060	1,105,493
Rental expense	870,631	866,430
Net foreign exchange gain		
- Realised	(61,946)	(114,679)
- Unrealised	(482,814)	(88,468)
	<u>(482,814)</u>	<u>(88,468)</u>

### 9. INCOME TAX EXPENSE

There is no tax charge for the year as the Company is in a tax loss position. The domestic statutory tax rate has been reduced to 27% for the current year of assessment 2007, to 26% effective year of assessment 2008 and to 25% effective year of assessment 2009.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 9. INCOME TAX EXPENSE (CONTD.)

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

	2007 RM	2006 RM
Loss before tax	<u>(4,129,762)</u>	<u>(2,959,364)</u>
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(1,115,036)	(828,622)
Income not subject to tax	-	(5,097)
Expenses not deductible for tax purposes	41,243	95,128
Deferred tax assets not recognised during the year	<u>1,073,793</u>	<u>738,591</u>
Income tax expense for the year	<u>-</u>	<u>-</u>

Deferred tax assets and liabilities of the Company are as follows:

	2007 RM	2006 RM
Deferred tax assets	(2,784,434)	(2,845,696)
Deferred tax liabilities	<u>2,784,434</u>	<u>2,845,696</u>
	<u>-</u>	<u>-</u>

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

#### Deferred Tax Assets of the Company:

	Unabsorbed Capital Allowances RM	Provision for Liabilities RM	Total RM
At 1 January 2006	(2,490,251)	(115,632)	(2,605,883)
Recognised in the income statement	(227,660)	(12,153)	(239,813)
At 31 December 2006	<u>(2,717,911)</u>	<u>(127,785)</u>	<u>(2,845,696)</u>
Recognised in the income statement	25,176	36,086	61,262
At 31 December 2007	<u>(2,692,735)</u>	<u>(91,699)</u>	<u>(2,784,434)</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 9. INCOME TAX EXPENSE (CONTD.)

#### Deferred Tax Liabilities of the Company:

	<b>Accelerated Capital Allowances RM</b>	<b>Others RM</b>	<b>Total RM</b>
At 1 January 2006	2,591,632	14,251	2,605,883
Recognised in the income statement	<u>229,293</u>	<u>10,520</u>	<u>239,813</u>
At 31 December 2006	2,820,925	24,771	2,845,696
Recognised in the income statement	<u>(166,851)</u>	<u>105,589</u>	<u>(61,262)</u>
At 31 December 2007	<u>2,654,074</u>	<u>130,360</u>	<u>2,784,434</u>

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

	<b>2007 RM</b>	<b>2006 RM</b>
Unabsorbed capital allowances	8,652,133	4,675,121
Unutilised reinvestment allowances	<u>14,830,135</u>	<u>13,583,193</u>
	<u>23,482,268</u>	<u>18,258,314</u>

The unabsorbed capital allowances of the Company is available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

### 10. LOSS PER SHARE

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

	<b>2007 RM</b>	<b>2008 RM</b>
Loss for the year (RM)	<u>(4,129,762)</u>	<u>(2,959,364)</u>
Weighted average number of ordinary shares in issue	<u>42,042,824</u>	<u>42,042,824</u>
Basic loss per share (sen)	<u>(9.82)</u>	<u>(7.04)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 11. PROPERTY, PLANT AND EQUIPMENT

	Factory, office building and office renovation RM	Plant and equipment RM	Furniture, fixtures, fittings and motor vehicles RM	Printing cylinders RM	Total RM
<b>At 31 December 2007</b>					
<b>Cost or Valuation</b>					
At 1 January 2007					
At cost	10,469,168	45,729,734	6,102,063	6,607,917	68,908,882
At valuation	1,600,000	-	-	-	1,600,000
	<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>
Additions	6,700	521,943	132,171	1,679,353	2,340,167
Disposals	-	(2,386,587)	-	-	(2,386,587)
Write offs	(22,232)	(737,344)	(1,071,187)	(2,815,323)	(4,646,086)
At 31 December 2007	<u>12,053,636</u>	<u>43,127,746</u>	<u>5,163,047</u>	<u>5,471,947</u>	<u>65,816,376</u>
<b>Representing:</b>					
At cost	10,453,636	43,127,746	5,163,047	5,471,947	64,216,376
At valuation	1,600,000	-	-	-	1,600,000
At 31 December 2007	<u>12,053,636</u>	<u>43,127,746</u>	<u>5,163,047</u>	<u>5,471,947</u>	<u>65,816,376</u>
<b>Accumulated Depreciation</b>					
At 1 January 2007	2,688,074	31,792,011	3,653,472	2,590,810	40,724,367
Charge for the year	272,451	1,219,103	481,266	1,809,615	3,782,435
Disposals	-	(2,315,346)	-	-	(2,315,346)
Write offs	(22,231)	(724,135)	(1,067,399)	(2,003,264)	(3,817,029)
At 31 December 2007	<u>2,938,294</u>	<u>29,971,633</u>	<u>3,067,339</u>	<u>2,397,161</u>	<u>38,374,427</u>
<b>Net Carrying Amount</b>					
At cost	8,091,342	13,156,113	2,095,708	3,074,786	26,417,949
At valuation	1,024,000	-	-	-	1,024,000
At 31 December 2007	<u>9,115,342</u>	<u>13,156,113</u>	<u>2,095,708</u>	<u>3,074,786</u>	<u>27,441,949</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

	Factory, office building 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 or Valuation</b>					
At 1 January 2006					
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
	<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>
Additions	180,165	963,993	707,022	1,866,217	3,717,397
Disposals	-	-	(292,134)	(5,681)	(297,815)
Write offs	-	(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	1,600,000	-	-	-	1,600,000
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>					
At 1 January 2006	2,415,437	30,840,928	3,353,532	1,181,889	37,791,786
Charge for the year	272,637	1,273,652	476,082	1,447,277	3,469,648
Disposals	-	-	(174,952)	(355)	(175,307)
Write offs	-	(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 Carrying Amount</b>					
At cost	8,325,094	13,937,723	2,448,591	4,017,107	28,728,515
At valuation	1,056,000	-	-	-	1,056,000
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 2007

### 11. 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 carrying amount of the assets that would have been included in the financial statements of the Company as at 31 December 2007 would have been RM522,271 (2006: RM548,175).

- (b) Net carrying amount of property, plant and equipment held under hire purchase and finance lease arrangements is RM345,897 (2006: RM395,643).
- (c) Included in property, plant and equipment of the Company are the following cost of fully depreciated assets which are still in use:

	2007 RM	2006 RM
Factory, office buildings and office renovation	<u>29,000</u>	<u>22,232</u>
Plant and equipment	<u>22,755,866</u>	<u>24,518,237</u>
Furniture, fixtures, fittings and motor vehicle	<u>1,225,729</u>	<u>1,931,057</u>

### 12. PREPAID LAND LEASE PAYMENT

	2007 RM	2006 RM
At 1 January	2,245,487	2,285,291
Amortisation for the year (Note 8)	<u>(37,720)</u>	<u>(39,804)</u>
At 31 December	<u>2,207,767</u>	<u>2,245,487</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.

Following the adoption of FRS 117 on 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.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 12. PREPAID LAND LEASE PAYMENT (CONTD.)

(b) The Company is the beneficial owner of the long term leasehold land. The long term leasehold land is currently registered under the name of Ajinomoto (Malaysia) Berhad, which is a corporate shareholder of the Company.

### 13. INVENTORIES

	2007 RM	2006 RM
<b>At cost</b>		
Raw materials	4,394,051	4,891,907
Work-in-progress	1,512,136	989,994
Finished goods	<u>1,762,213</u>	<u>2,204,298</u>
	7,668,400	8,086,199
<b>Net realisable value</b>		
Finished goods	<u>83,632</u>	<u>191,918</u>
	<u>7,752,032</u>	<u>8,278,117</u>

The cost of inventories recognised as an expense during the financial year amounted to RM67,885,779 (2006: RM61,216,729).

### 14. TRADE RECEIVABLES

	2007 RM	2006 RM
Trade receivables	19,169,929	17,436,680
Less: Provision for doubtful debts	<u>(1,770,722)</u>	<u>(1,710,927)</u>
	<u>17,399,207</u>	<u>15,725,753</u>

The Company's normal credit term ranges from 60 to 90 (2006: 60 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

As at balance sheet date, the Company has significant concentration of credit risk in the form of outstanding balances due from 30 (2006: 30) customers representing approximately 86% (2006: 87%) of total trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 15. OTHER RECEIVABLES

	2007 RM	2006 RM
Deposits	65,305	70,505
Prepayments	5,585,850	84,065
Advance payment for trade purchases	516,874	31,972
Sundry receivables	15,100	32,110
	<u>6,183,129</u>	<u>218,652</u>

Included in prepayments is a down payment for the purchase of certain plant and machinery amounting to RM5,494,500 (2006: Nil).

### 16. CASH AND CASH EQUIVALENTS

	2007 RM	2006 RM
Cash on hand and at banks	1,823,692	1,437,834
Deposits with a licensed bank	3,340,960	-
Cash and bank balances	5,164,652	1,437,834
Less: Bank overdrafts (Note 17)	(412,450)	(596,304)
Cash and cash equivalents	<u>4,752,202</u>	<u>841,530</u>

The weighted average effective interest rate and average maturity of deposits at the balance sheet date were 3.2% and 31 days respectively.

### 17. BORROWINGS

	2007 RM	2006 RM
<b>Short Term Borrowings</b>		
<b>Secured:</b>		
Hire purchase and finance lease payables (Note 18)	<u>103,210</u>	<u>97,762</u>
<b>Unsecured:</b>		
Term loan	1,625,000	1,625,000
Bank overdraft	412,450	596,304
Revolving credit	3,100,000	2,600,000
Banker's acceptance	2,922,000	2,045,000
	<u>8,059,450</u>	<u>6,866,304</u>
	<u>8,162,660</u>	<u>6,964,066</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 17. BORROWINGS (CONTD.)

	2007 RM	2006 RM
<b>Long Term Borrowings</b>		
<b>Secured:</b>		
Hire purchase and finance lease payables (Note 18)	<u>38,387</u>	<u>143,883</u>
<b>Unsecured:</b>		
Term Loan	2,437,500	4,062,500
Loans from holding company	<u>11,297,777</u>	-
	<u>13,735,277</u>	<u>4,062,500</u>
	<u>13,773,664</u>	<u>4,206,383</u>
<b>Total Borrowings</b>		
Term loan	4,062,500	5,687,500
Loans from holding company	11,297,777	-
Bank overdraft (Note 16)	412,450	596,304
Revolving credit	3,100,000	2,600,000
Banker's acceptance	2,922,000	2,045,000
Hire purchase and finance lease payables	141,597	241,645
	<u>21,936,324</u>	<u>11,170,449</u>
<b>Maturity of borrowings (excluding hire purchase and finance lease payables):</b>		
Within one year	8,059,450	6,866,304
Later than 1 year and less than 2 years	1,625,000	1,625,000
Later than 2 years and less than 5 years	5,331,611	2,437,500
Later than 5 years	<u>6,778,666</u>	-
	<u>21,794,727</u>	<u>10,928,804</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 17. BORROWINGS (CONTD.)

The weighted average effective interest rates at balance sheet date for the borrowings, excluding hire purchase and finance lease payables, were as follows:

	2007 %	2006 %
Term loan	5.5	5.5
Loans from holding company	2.0 - 5.1	-
Bank overdraft	7.3 - 7.8	6.5 - 7.8
Revolving credit	4.2 - 4.3	3.8 - 4.3
Banker's acceptance	<u>4.1 - 4.5</u>	<u>3.7 - 5.4</u>

### 18. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	2007 RM	2006 RM
<b>Future minimum lease payments:</b>		
Not later than 1 year	108,432	108,432
Later than 1 year and not later than 2 years	45,084	108,432
Later than 2 years and not later than 5 years	-	45,084
Total future minimum lease payments	<u>153,516</u>	<u>261,948</u>
Less: Future finance charges	<u>(11,919)</u>	<u>(20,303)</u>
	<u>141,597</u>	<u>241,645</u>
<b>Analysis of present value of finance lease liabilities:</b>		
Not later than 1 year	103,210	97,762
Later than 1 year and not later than 2 years	38,387	103,210
Later than 2 years and not later than 5 years	-	40,673
	<u>141,597</u>	<u>241,645</u>
Less: Amount due within 12 months (Note 17)	<u>(103,210)</u>	<u>(97,762)</u>
Amount due after 12 months (Note 17)	<u>38,387</u>	<u>143,883</u>

The Company has hire purchase contracts for various items of property, plant and equipment (Note 11(b)). There are no restrictions placed upon the Company by entering into these leases and no arrangements have been entered into for contingent rental payments.

The hire purchase and finance lease liabilities of the Company are subject to an effective interest rate of 5.31% (2006: 5.31%) per annum.

Other information of financial risks of hire purchase and finance lease liabilities are disclosed in Note 26.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 19. TRADE PAYABLES

	2007 RM	2006 RM
<b>Third parties</b>	9,356,302	9,262,651
<b>Related parties</b>		
DIC (Malaysia) Sdn. Bhd.	498,298	526,383
Saiwai Shoji Co. Ltd.	1,364,065	-
	<u>11,218,665</u>	<u>9,789,034</u>

DIC (Malaysia) Sdn. Bhd. is a subsidiary of Dainippon Ink & Chemicals Inc., which is a corporate shareholder of the Company and Saiwai Shoji Co. Ltd. is a fellow subsidiary of the Company.

The normal credit terms granted to the Company ranges from 60 to 90 (2006: 60 to 90) days.

### 20. OTHER PAYABLES

	2007 RM	2006 RM
Accruals	1,009,768	1,050,671
Sundry payables	1,675,464	1,481,927
	<u>2,685,232</u>	<u>2,532,598</u>

### 21. SHARE CAPITAL

	Number of Ordinary Share of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid	<u>42,042,824</u>	<u>42,042,824</u>	<u>42,042,824</u>	<u>42,042,824</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

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

	2007 RM	2006 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 in 1990.

### 23. OPERATING LEASE ARRANGEMENTS

#### The Company as Lessee

The Company has entered into non-cancellable operating lease agreements for the use of land and buildings. These leases have an average life of between 2 and 3 years with renewal but no purchase option included in the contracts. The Company is required to give, on an average, a two-month notice for the termination of these leases.

The Company also leases various buildings and equipments under cancellable operating lease agreements. The Company is required to give a two-month notice for the termination of those agreements.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	2007 RM	2006 RM
Future minimum lease payables:	617,689	675,204
Not later than 1 year	<u>1,124,103</u>	<u>735,331</u>
Later than 1 year and not later than 5 years	<u>1,741,792</u>	<u>1,410,535</u>

### 24. CAPITAL COMMITMENTS

	2007 RM	2006 RM
Capital expenditure Approved and contracted for: Property, plant and equipment	<u>5,458,000</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 25. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (a) Significant related party transactions

	2007 RM	2006 RM
Loans from holding company	11,831,160	-
Purchase of raw materials from DIC (Malaysia) Sdn. Bhd., a subsidiary of Dainippon Ink & Chemicals Inc.	1,192,585	1,407,490
Purchase of raw materials from Saiwai Shoji Co. Ltd., a fellow subsidiary	<u>1,520,870</u>	<u>-</u>

Information regarding outstanding balance arising from related party transactions as at 31 December 2007 are disclosed in Notes 17 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.

#### (b) Compensation of key management personnel

The remuneration of members of key management during the year excluding directors was as follows:

	2007 RM	2006 RM
Salary, allowances and bonuses	579,639	335,679
Estimated monetary value of benefits-in-kind	102,128	70,745
Contributions to defined contribution plan	<u>32,202</u>	<u>27,228</u>
Total short-term employee benefits	<u>713,969</u>	<u>433,652</u>

Remuneration of directors is as disclosed in Note 6.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 26. FINANCIAL INSTRUMENT

#### (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 2007. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

The Company manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Company actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

#### (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 currency of the Company are kept to an acceptable level.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 26. FINANCIAL INSTRUMENT (CONTD.)

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

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

	Japanese Yen RM	Singapore Dollars RM	United States RM
<b>At 31 December 2007:</b>			
<b>Trade Receivables</b>			
Ringgit Malaysia	-	272,596	1,178,548
<b>Cash and bank balances</b>			
Ringgit Malaysia	-	652,772	1,025
<b>Trade Payables</b>			
Ringgit Malaysia	1,372,804	42,435	335,992
<b>Borrowings</b>			
Ringgit Malaysia	1,824,027	-	9,473,750
<b>At 31 December 2006:</b>			
<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

#### (d) Liquidity Risk

The Company manages its debt maturity profile, operating cash flows and the availability of funding 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 instruments to meet its working capital requirements. In addition, the Company strives to maintain available banking facilities of a reasonable level to its overall debt position.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2007

### 26. FINANCIAL INSTRUMENT (CONTD.)

#### (e) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

Information on significant concentration of credit risk is as disclosed in Note 14.

#### (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:

	Carrying Amount RM	Fair Value RM
<b>At 31 December 2007:</b>		
Hire purchase and finance lease payables	141,597	148,438
Term loan	4,062,500	3,565,431
Loans from holding company	<u>11,297,777</u>	<u>11,176,618</u>
<b>At 31 December 2006:</b>		
Hire purchase and finance lease payables	241,645	260,938
Term loan	<u>5,687,500</u>	<u>5,324,215</u>

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

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

### 27. 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.

## ANALYSIS OF SHAREHOLDINGS - As at 28 April 2008

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	208	11.69	9,009	0.02
100 to 1,000	130	7.30	74,394	0.18
1,001 to 10,000	1,240	69.66	3,827,135	9.10
10,001 to 100,000	182	10.22	4,802,560	11.43
100,001 to less than 5% of issued shares	17	0.96	3,918,734	9.32
5% and above of issued shares	<u>3</u>	<u>0.17</u>	<u>29,410,992</u>	<u>69.95</u>
	<u>1,780</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
DIC Corporation (formerly known as Dainippon Ink And Chemicals Incorporated)	4,204,283	10.00
Ajinomoto (Malaysia) Berhad	<u>2,102,140</u>	<u>5.00</u>
	<u>29,410,992</u>	<u>69.95</u>

### DIRECTORS' SHAREHOLDINGS

	Direct No. of shares	%	Indirect 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. Mitsunobu Suzumi	14,000	0.03	-	-
7. Mitsuo Kondo	-	-	-	-

## LIST OF THIRTY LARGEST SHAREHOLDERS - As at 28 April 2008

	No. of Shares	%
1. Toyo Seikan Kaisha Ltd.	23,104,569	54.95
2. DIC Corporation (formerly known as 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	356,400	0.85
5. Chuah Chew Hing	340,000	0.81
6. Dato' Teo Soo Cheng	333,300	0.79
7. Ho Siew Lee	322,700	0.77
8. Goh Yai Heng	300,000	0.71
9. Ong Leong Huat	293,700	0.70
10. Quah Lake Jen	251,800	0.60
11. Citigroup Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Khor Keng Saw @ Khaw Ah Soay	234,000	0.56
12. Tan Lan Diang	221,100	0.53
13. Billy Ho Kum Chew	198,200	0.47
14. EB Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Chee Sai Mun	182,200	0.43
15. HLB Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Loh Kuan Fong	168,000	0.40
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. Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Teh Kian Lang	100,000	0.24
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. Lee Mun Leong	81,000	0.19
26. Teo Soo Cheng Sdn Bhd	80,000	0.19
27. Teh Yoke Fong	75,000	0.18
28. Lua Cheng Sea	72,000	0.17
29. Mah King Woon Sendirian Berhad	68,000	0.16
30. Ooi Kim Lan	66,667	0.16
	<u>34,142,393</u>	<u>81.21</u>

## PROPERTIES - As at 31 December 2007

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)	33	11,285,538	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)	18	15,674	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)	18	21,896	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.

Note : This page has been left blank intentionally.

# MALAYSIA PACKAGING INDUSTRY BERHAD

Company No. 22265 - U  
(Incorporated in Malaysia)

## FORM OF PROXY

I/We .....  
of .....  
being a member/members of MALAYSIA PACKAGING INDUSTRY BERHAD, hereby appoint  
.....(NRIC No).....  
of.....  
or failing him.....(NRIC No).....  
of.....

as my/our proxy to vote for me/us and on my/our behalf at the THIRTY-THIRD ANNUAL GENERAL MEETING of the Company to be held at 6 1/2 Mile, Simpang Salak South Baru, (Lot 3, Jalan Kuchai Lama), 58200 Kuala Lumpur on Monday, 23 June 2008 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he thinks fit or abstain from voting): -

Ordinary Resolution No.		For	Against
1	Adoption of the Report of the Directors and the audited Financial Statements for the financial year ended 31-12-2007 and the Report of the Auditors thereon.		
2	Approval of payment of Directors' Fees.		
3	Re-election of Datuk Sulaiman Bin Daud as director		
4	Re-election of Mr. Ho Chee Siong as director		
5	Re-election of Mr. Mitsunobu Suzumi as director		
6	Re-appointment of Dato' Ahmad Badri bin Mohamed Basir as director		
7	Re-appointment of Auditors.		
8	Proposed renewal of shareholders' mandate - DIC (Malaysia) Sdn. Bhd.		
9	Proposed new shareholders' mandate - TSK Group		

Dated this ..... day of June 2008.

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

First Named Proxy	%
Second Named Proxy	%
	100%

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

.....  
Signature of Shareholder

Tel No. ....

Notes:

- (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- (2) If the appointer is a corporation, the proxy form should be executed under its common seal or under the hand of an officer or attorney duly authorised.
- (3) The instrument appointing a proxy must be deposited at the office of Bina Management (M) Sdn. Bhd., Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Fold Here

Form of Proxy

The Company Secretary  
**Bina Management (M) Sdn. Bhd.**  
**Lot 10, The Highway Centre**  
**Jalan 51 / 205**  
**46050 Petaling Jaya**  
**Selangor Darul Ehsan**

Stamp

Fold Here

**MALAYSIA  
PACKAGING  
INDUSTRY  
BHD**



Registered Office  
6 1/2 Mile, Simpang Salak South Baru  
(Lot 3, Jalan Kuchai Lama)  
58200 Kuala Lumpur  
P.O.Box 11145, 50736 Kuala Lumpur  
Tel : 603-7983 1877  
Fax : 603-7981 3198  
Homepage : [www.maypak.com](http://www.maypak.com)