MALAYSIA PACKAGING INDUSTRY BHD

Annual
2012
Report

Malaysia Packaging Industry Berhad

(Incorporated In Malaysia) (22265-u)

TOYO SEIKAN GROUP

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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting of the Company will be held at **6½ Miles, Simpang Salak South, (Lot 3, Jalan Kuchai Lama), 58200 Kuala Lumpur on Monday, 24 June 2013 at 10:00 a.m.** for the following purposes:

1 To receive the Report of the Directors and the Audited Financial Statements for the financial year ended 31 December 2012 together with the Report of the Auditors thereon. ***To refer to Explanatory Note 1***

2. To approve the payment of Directors' Fees of RM111,000 for the financial year ended 31 December 2012. ***Resolution 1***

3. To re-elect Mr. Kazuhisa Kobayashi, the Director who retires in accordance with Article 87 of the Company's Articles of Association. ***Resolution 2***

4. To re-appoint Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. ***Resolution 3***

AS SPECIAL BUSINESS:

To consider and, if thought fit, pass the following resolutions:

5. **PROPOSED RETENTION OF INDEPENDENT DIRECTOR** ***Resolution 4***

"**THAT** authority be and is hereby given to Datuk Sulaiman Bin Daud who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company."

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 the Related Parties as stated below and as set out in Section 2.1.2 (i) of the Circular to Shareholders dated 31 May 2013 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 Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company:

i) **DIC CORPORATION AND ITS SUBSIDIARIES ("DIC GROUP")** for the purchase of raw materials by Maypak. ***Resolution 5***

ii) **TOYO SEIKAN GROUP HOLDINGS, LTD. (formerly known as Toyo Seikan Kaisha, Ltd.) AND ITS SUBSIDIARIES ("TSGHD GROUP")** for the purchase of raw materials, equipment and machineries, sales of packaging materials by Maypak, royalty payable for the use of manufacturing know-how and technical fees payable by Maypak. ***Resolution 6***

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

(a) 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

(b) 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

(c) revoked or varied by resolution passed by the shareholders at 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. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

CHOK KWEE WAH (MACS 00550)
TAN KEAN WAI (MAICSA 7056310)
Secretaries

Kuala Lumpur
31 May 2013

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. Only members registered in the Record of Depositors as at 18 June 2013 shall be eligible to attend, speak and vote at this meeting or appoint proxy to attend and vote for his/her behalf.

4. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

5. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities amount ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.

6. 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.

Notice Of Annual General Meeting (cont'd)

Explanatory Notes:

Item 1 of the Agenda
To receive the Report of the Directors and the Audited Financial Statements for the financial year ended 31 December 2012 together with the Report of the Auditors thereon

This item is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require shareholders' approval for the Audited Financial Statements. Henceforth, this item is not put forward for voting.

Item 5 of the Agenda
Proposed retention of Independent Director

In line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, the Nomination Committee has assessed the independence of Datuk Sulaiman Bin Daud, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and upon its recommendation, the Board of Directors has recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

i) Datuk Sulaiman Bin Daud has fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Malaysia Securities Berhad, and hence, he would be able to provide an element of objectivity, independent judgement and balance of the Board;
ii) He performed his duty diligently and in the best interest of the Company;
iii) He, having been with the Company for more than nine years, is familiar with the Company's business operations and has devoted sufficient time and attention to his professional obligations for an informed and balanced decision making process.

Item 6 of the Agenda
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution Nos. 5 and 6, if passed, will empower the Company to enter into recurrent related party transactions of a revenue and 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

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors.**

  No individual is seeking election as a Director at the forthcoming Thirty-Eighth Annual General Meeting of the Company.

Corporate Information

DIRECTORS

Chairman (Senior Independent)	:	Datuk Sulaiman Bin Daud
Managing Director/CEO (Non-Independent)	:	Mitsuru Hiramuki
Non-Executive Director (Independent)	:	Taufiq Ahmad @ Ahmad Mustapha Ghazali
Non-Executive Director (Non-Independent)	:	Kazuhisa Kobayashi Hiroshi Amano Hayato Kashiwagi

BANKERS
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (302316-U)
Malayan Banking Berhad (3813-K)
Sumitomo Mitsui Banking Corporation Malaysia Berhad (926374-U)

AUDITORS
Ernst & Young (AF:0039)
Level 16-1, Jaya 99, Tower B,
99, Jalan Tun Sri Lanang,
75100 Melaka, Malaysia.

COMPANY SECRETARIES
Winnie Chok Kwee Wah (MACS 00550)
Tan Kean Wai (MAICSA 7056310)

REGISTERED OFFICE
6 ½ 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

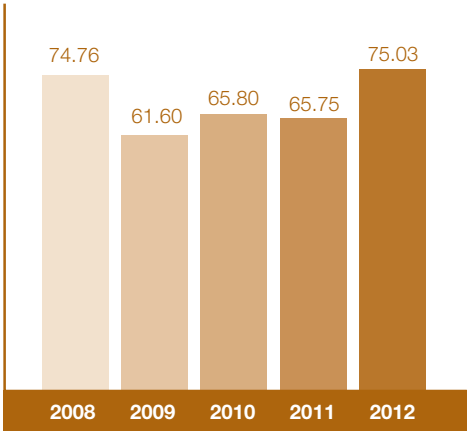
REGISTRAR
Bina Management (M) Sdn. Bhd. (50164-V)
Lot 10, The Highway Centre,
Jalan 51/205, 46050 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03-7784 3922
Fax : 03-7784 1988

STOCK EXCHANGE LISTING
Main Market, Bursa Malaysia Securities Berhad

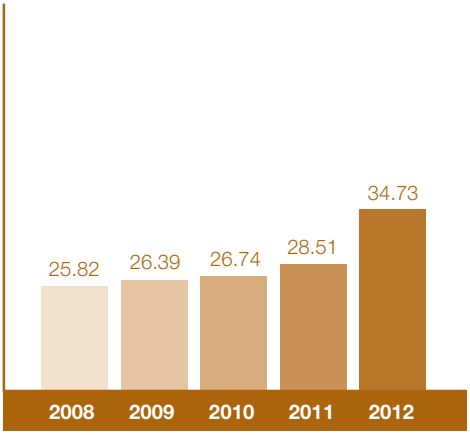
CERTIFIED MANAGEMENT SYSTEM
MS ISO 9001 : 2008
MS ISO 14001 : 2004

Five-Years Financial Highlights

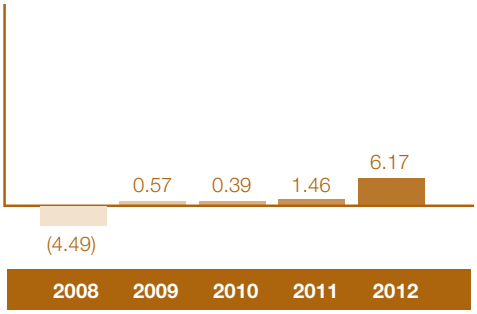
REVENUE *(RM'mil)*



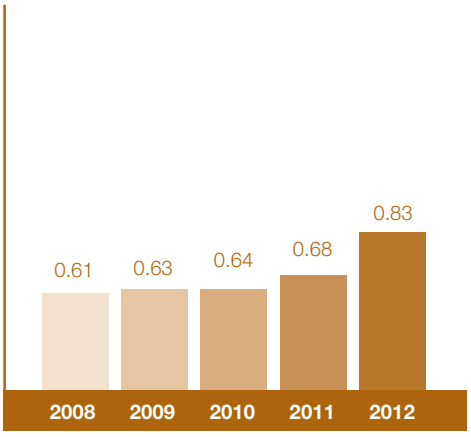
SHAREHOLDERS' FUND *(RM'mil)*



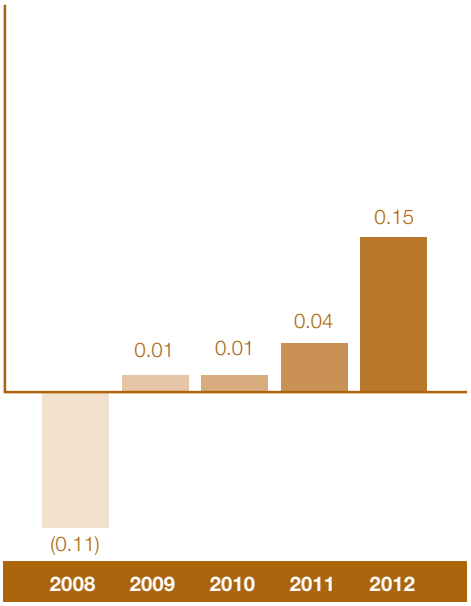
PROFIT / (LOSS) BEFORE TAXATION *(RM'mil)*



NET ASSETS PER SHARE *(RM)*



PROFIT / (LOSS) PER SHARE *(RM)*



Board Of Directors

Mr. Hayato Kashiwagi
(Non-Independent Non-Executive Director)

Mr. Taufiq Ahmad @ Ahmad Mustapha Ghazali
(Independent Non-Executive Director)

Mr. Mitsuru Hiramuki
(Managing Director/Chief Executive Director)

Datuk Sulaiman Bin Daud
(Chairman, Senior Independent Non-Executive Director)

Mr. Kazuhisa Kobayashi
(Non-Independent Non-Executive Director)

Mr. Hiroshi Amano
(Non-Independent Non-Executive Director)

Profile Of Directors

DATUK SULAIMAN BIN DAUD

Senior Independent Non-Executive Director, Malaysian, aged 66.

Datuk Sulaiman Daud was appointed to the Board on 1 September 2003. He was appointed Non-Executive Chairman of the Company on 1 January 2009 and Chairman of the Nomination Committee on 9 November 2012. Besides being a member of the Audit Committee of the Company, he is also the Senior Independent Non-Executive Director to whom concerns may be conveyed.

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 Fountainbleau, France.

Datuk Sulaiman Daud 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 Daud is a director in Konsortium Transnasional Berhad, Tadmax Resources Berhad (formerly known as Wijaya Baru Global Berhad) and Axis Systems Holdings Ltd. (Singapore). He is also director and chairman of a number of private companies in Malaysia and abroad in various industries. He spends a considerable part of his time now seeking and developing business opportunities in Asia, Middle East and North Africa.

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. MITSURU HIRAMUKI

Managing Director/Chief Executive Director, Japanese, aged 42.

Mr. Mitsuru Hiramuki was appointed to the Board as Managing Director/Chief Executive Officer of Malaysia Packaging Industry Berhad on 1 October 2011. He first joined the Company in June 2006 as Chief Production Officer and later was re-designated as Chief Technical Officer in July 2008.He is a member of the Remuneration Committee of the Company.

He graduated with a Master Degree in Chemistry from Yamagata University in 1996.

He joined Toyo Seikan Group on April in 1996 and was assigned to the production department, Toyohashi Plant of the Group. During his service with the Group, he had held various positions.

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 (cont'd)

MR. TAUFIQ AHMAD @ AHMAD MUSTAPHA GHAZALI
Independent Non-Executive Director, Malaysian, aged 64.

Mr. Mustapha was appointed to the Board on 1 July 2010. He was also appointed as the Chairman of Audit Committee on 1 July 2010. On 9 November 2012 he was appointed as a member of the Nomination Committee.

Mr. Mustapha, a chartered accountant, is a member of the Malaysian Institute of Accountants, a fellow of the Association of Chartered Certified Accountants (UK), an associate of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Master in Business Administration (MBA) from the University of Leicester, England.

Mr. Mustapha is a director of Prolexus Berhad, Tambun Indah Land Berhad, Global Maritime Ventures Berhad and several non-listed companies. He was previously attached to an international accounting firm as a partner and has more than 30 years experience in statutory audits, financial accounting and corporate finance.

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. HIROSHI AMANO
Non-Independent Non-Executive Director, Japanese, aged 52.

Mr. Amano was appointed to the Board on 1 July 2009. He is the Chairman of Remuneration Committee of the Company.

Mr. Amano graduated from the Department of Economics, Sophia University, Japan in 1983.

He joined Ajinomoto Co., Inc Japan in 1983 and began his career with the Hiroshima branch Yamagchi Sales Office and has held various positions in Japan and Overseas within the Ajinomoto Group of Companies.

Mr. Amano is the Managing Director/ Chief Executive Officer 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.

Profile Of Directors (cont'd)

MR. HAYATO KASHIWAGI
Non-Independent Non-Executive Director, Japanese, aged 36.

Mr. Hayato Kashiwagi was appointed to the Board on 1 July 2009. He is a member of the Remuneration Committee of the Company.

He graduated with a Bachelor Degree in Commerce, Doshisha University, Japan in 1999.

He joined DIC Corporation, Japan in 1999 and began his career with the International division 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.

MR. KAZUHISA KOBAYASHI
Non-Independent Non-Executive Director, Japanese, aged 59.

Mr. Kazuhisa Kobayashi was appointed to the Board on 1 July 2008. He is a member of Audit and Nomination Committee of the Company.

He is a graduate of the Law Faculty, Rikkyo University, Japan in 1977.

He joined Toyo Seikan Group in 1977 and began his career in the Sales and Marketing Department and has held various positions within the Group. He is now the Senior Executive Officer and Deputy Head of Sales & Marketing Division (Diversified Products) of Toyo Seikan Co., 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.

Chairman's Statement

On behalf of the Board of Directors of Malaysia Packaging Industry Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2012.

FINANCIAL RESULT

The Company had recorded a 14% increase in sales turnover for the financial year ended 31 December 2012. The sales turnover of RM75.03 million was higher as compared to RM65.74 million recorded in the previous year. The increase in the turnover came mainly from better demand for its retort pouch packaging and also packaging wrappers for the condom industry.

Profit before taxation of RM6.17mil for the financial year ended 31 December 2012 was also higher compared to previous year pre-tax of RM1.46 million. The pre-tax profit for the current have been affected by the impact of higher depreciation charge of RM0.68 million following the revision of the estimated useful lives of certain machineries.

The higher profit before taxation was mainly due to increased sales turnover, unrealized foreign exchange translation gain of loans and other monetary items denominated in foreign currency and also insurance income received following the fire incident.

CORPORATE DEVELOPMENT

The manufacturing sector in Malaysia is envisaged to expand at a stronger pace at 4.9% for year 2013 (2012:4.2%) boosted by the export-oriented industries following an anticapted recovery in global trade. Regional demand is also strong, in particular Thailand's economy is picking up following the recent flood. With the improvement in business confidence, Maypak will strive to increase our market share for the flexible packaging industry in Thailand.

The Company had seen its ratio of export sales to domestic sales growing steadily from 18% in year 2010 to the about 33% in the current year.

PROSPECT

Global economy is forecasted to recover for the year ahead, so will be the demand for crude oil. The raw materials used in the flexible packaging industry are mainly petroleum based products which will be subject to the volatility of crude oil prices.

As such, any significant increase in crude oil price will affect the price of raw materials which will impact the Company's earnings.

In addition to this, the implementation of the minimum wage is also increasing our production cost. With all these challenges, the Company will mitigate it by enhancing production efficiencies through increasing productivity and cost control measures.

APPRECIATION

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

I also wish to extend our gratitude and appreciation to our 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 take this opportunity to record my deepest gratitude to my fellow directors, management and staff of the Company for their utmost commitment, dedication, cooperation and support to meet the Company's objectives and responsibility to its shareholders and stakeholders.

DATUK SULAIMAN BIN DAUD
Chairman
22 April 2013

Audit Committee Report

Members of the Audit Committee in the financial year ended 31 December 2012 are as follow:-

	Name of Member	Designation
1	Taufiq Ahmad @ Ahmad Mustapha Ghazali (Chairman)	Independent Non-Executive Director
2	Datuk Sulaiman Bin Daud	Senior Independent Non-Executive Director
3	Kazuhisa Kobayashi	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 who 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 reference and performance of the Committee and each of its members at least once every three (3) years.

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	Taufiq Ahmad @ Ahmad Mustapha Ghazali (Chairman)	5/5
2	Datuk Sulaiman Bin Daud	5/5
3	Kazuhisa Kobayashi	5/5

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

- reviewed the audited financial statements and un-audited 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 (Bursa Securities) Listing Requirements, applicable Malaysian Financial Reporting Standards and other relevant legal and regulatory requirements;
- reviewed the effectiveness of the Company's internal control system and quarterly reports submitted by the internal auditors;
- discussed and reviewed the annual internal audit plan with the internal auditors.

INTERNAL AUDIT

The Board of Malaysia Packaging Industry Berhad is pleased to present the Statement on the Internal Audit function for the financial year ended 31 December 2012.

The Company's Internal Audit function, which is outsourced to a professional service firm, is an integral part of the assurance mechanism in ensuring that the Company systems of internal controls are adequate and effective. The Internal Audit function reports directly to the Audit Committee.

On an annual basis, an internal audit plan is tabled to the Audit Committee for review and approval, and the Internal Audit function executes the audits based on the approved plan. The results of the audit reviews are periodically reported to the Audit Committee. In addition, the Internal Audit function carries out follow up reviews to ensure that previously reported issues have been adequately addressed by Management and the results of such reviews are also periodically reported to the Audit Committee.

Based on the internal audit reviews conducted, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

The total costs incurred for the outsourcing of the Internal Audit function for the financial year ended 31 December 2012 was RM48,617.10.

Statement On Risk Management And Internal Control

INTRODUCTION

The Board of Directors ("the Board") of Malaysia Packaging Industry Berhad is pleased to present its Statement on Risk Management and Internal Control which has been prepared pursuant to paragraph 15.26 (b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITY

The Board recognizes the importance of sound risk management practices and internal controls to safeguard shareholders' investments and the Company's assets. The Board acknowledges its responsibility and committed in maintaining the Company's risk management and system of internal control as well as reviewing its adequacy, integrity and effectiveness. The Board does not consider its risk appetite to be high, and it seeks to minimize risks at lowest level.

There are inherent limitations in any system of internal control and the system is designed to manage and mitigate the impact rather than completely eliminate the risks that may impact the achievement of the Company's business objectives. Hence, the system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK AND KEY FEATURES OF INTERNAL CONTROL SYSTEM

1. RISK MANAGEMENT FRAMEWORK

Risk management is firmly embedded in the Company's management system as the Board firmly believes that risk management is critical for the Company's sustainability and the enhancement of shareholder value. Key management staff and heads of department are delegated with the responsibility to manage identified risks within defined parameters and standards. Periodic management meetings, attended by the executive director are held to discuss key risks and the appropriate mitigating controls. Significant risks affecting the Company's strategic and business plans are escalated to the Board at their scheduled meetings.

The Risk Management Committee, comprising key management staff, meets monthly to review the risks faced by the Company and ensure that the existing mitigation actions are adequate. Risks identified were prioritized in terms of likelihood of occurrence and magnitude of impact on the achievement of the Company's business objectives.

The abovementioned risk management framework of the Company serve as an on-going process to identify, evaluate and manage significant risks faced by the Company.

2. INTERNAL CONTROL SYSTEM

- **Organisation Structure & Authorisation Procedures**

  The Company maintains formal and structured lines of reporting. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures within the various operational segments.

- **Periodical and/ or Annual Budget**

  An annual budget is prepared by management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget to identify significant variances and devise remedial action plans.

- **Company Policies and Procedures**

  The Company has established 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.

RISK MANAGEMENT FRAMEWORK AND KEY FEATURES OF INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL SYSTEM (CONT'D)

- **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.

- **ISO certification**

  Certain of the Company's operations are ISO 9001:2008 and ISO14001:2004 certified. With such certifications, audits are conducted by external parties periodically to ensure compliance with the terms and conditions of the certification.

- **Related Party Transactions**

  Related party transactions are disclosed, reviewed, and monitored by the Board on a periodic basis.

- **Monitoring and Review**

  Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Company. Monthly management accounts containing key financial results, operational performance and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board for their review and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Company.

3. INTERNAL AUDIT FUNCTION

The Company's internal audit function is outsourced to a professional service firm to assist the Audit Committee in providing independent assessment on the adequacy and effectiveness of the Company's internal control system.

The internal audit function carried out audit in accordance with the internal audit plan approved by the Audit Committee. The audit findings and the recommendations for improvement were reported to the Audit Committee in the quarterly meetings. In addition, follow up visits were also conducted to ensure that corrective action plans have been implemented in a timely manner and the results of the follow up reviews are also reported to the Audit Committee in the quarterly meetings.

BOARD ASSESSMENT

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and have received the same assurance from both the Chief Executive Officer and Chief Financial Officer of the Company. The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Company has been in place throughout financial year 2012 up to the date of approval of this statement.

This statement was approved by the Board of Directors on 22 April 2013.

Statement On Corporate Governance

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 on Corporate Governance 2012 (the Code) by adhering to the principles and recommendations 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 Board is of the view that it has complied with the Code except for the recommendation on the tenure of an independent director should not exceed a cumulative term of nine years. The Company believes an independent director is independent of management and free from any business or other relationship which could interfere with the exercise of his independent judgement or the ability to act in the best interests of the Company. The Board will seek in shareholders' approval in the event it retains as an independent director, a director who has served in that capacity for more than nine years.

The following statements set out how the Company has applied the principles of corporate governance and the extent it had complied with the Code:-

A. BOARD OF DIRECTORS

1. Board Composition

The Board consists of individuals with diverse background in business, financial, professional and technical knowledge collectively bring with them a range of experience and expertise to ensure the company is guided by a competent Board.

The number of directors including a managing director shall not be less than two (2) or more than twelve (12). At any one time, at least two (2) or one-third (1/3) of the Board members, whichever is higher, are Independent Directors.

The Board shall appoint a Senior Independent Director who will attend to any query or concerns raised by shareholders.

2. Appointment of Directors

The Board is empowered to appoint a director upon recommendation from the Nomination Committee. In making the recommendation, the Committee will consider and evaluate the required mix of skills, knowledge, expertise and experience that a candidate bring to the Board.

3. Board Roles and Responsibilities

The role of the Board of the Company is to provide strategic guidance to the Company and effective oversight of its management for the benefit of shareholders and other stakeholders.

In performing its role the Board should act at all times:

- with integrity and objectivity , and in accordance with the principles and recommendation set out in the Code
- in accordance with the duties and obligations imposed upon it by the constitution of the Company and law; and
- to act honestly and fairly and in accordance with law, in serving the interests of the shareholders and other stakeholders of the Company

A. BOARD OF DIRECTORS (CONT'D)

3. Board Roles and Responsibilities (cont'd)

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

The responsibilities of the Board include the following:

- approving corporate plans, annual budget, major capital expenditure projects
- decision-making regarding significant financial matters
- reviewing financial and operating performance of the Company
- review and approving quarterly and annual financial statements prior to publication
- ensuring the financial statements are prepared in accordance with the applicable financial reporting standards and the requirements of the Companies Act, 1965 in Malaysia.
- Review the adequacy and integrity of the system of internal control
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

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

4. 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 2012, 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.

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

	Name	Attendance
1	Datuk Sulaiman Bin Daud	5/5
2	Kazuhisa Kobayashi	5/5
3	Mitsuru Hiramuki	5/5
4	Hayato Kashiwagi	5/5
5	Hiroshi Amano	5/5
6	Taufiq Ahmad @ Ahmad Mustapha Ghazali	5/5

5. Board Committees

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

As at the date of this report, the Nomination Committee was made up wholly of three (3) non-executive directors and a majority of whom are independent directors. The members are as follows:

1. Datuk Sulaiman Bin Daud (Chairman, Senior Independent Non-Executive Director)
2. Mr. Taufiq Ahmad @ Ahmad Mustapha Ghazali (Independent Non-Executive Director)
3. Mr. Kazuhisa Kobayashi (Non-Independent Non-Executive Director)

The Committee is tasked with evaluating and recommending candidates for appointment to the Board, appointing directors to board committees and also assessing the independence of the directors.

Statement On Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (CONT'D)

5. Board Committees (cont'd)

As at the date of this report, member of the Remuneration Committee is made up of two (2) non-independent non-executive directors and one (1) executive director who include the following:

1. Hiroshi Amano (Chairman, Non-Executive Non-Independent Director)
2. Mitsuru Hiramuki (Executive Non-Independent Director)
3. Hayato Kashiwagi (Non-Executive Non-Independent Director)

The Committee is responsible for recommending to the Board the remuneration of the Executive Directors in all its forms, drawing from outside advice as necessary. Executive Directors play no part in decisions on their own remuneration.

The determination of remuneration packages of Non-Executive Directors should be a matter for the Board as a whole.

6. Board Balance

As at the date of this report, the Board consists of six (6) members, comprising one (1) executive director and five (5) non-executive directors of which two (2) are independent.

The profile of each Director is presented on pages 9 to 11 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. Datuk Sulaiman bin Daud as the Chairman whilst the executive management of the Company is led by Mr. Mitsuru Hiramuki, the Managing Director and Chief Executive Officer.

The Board has taken note of Recommendation 2.2 of the Code pertaining to the new policy formalizing its approach to boardroom diversity and taking into consideration the recent announcement by the Government on gender diversity and the number of women directors should be appointed by year 2016, the Company will take consideration on steps of reviewing the internal policy to achieve the target.

7. 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.

A. BOARD OF DIRECTORS (CONT'D)

8. Company Secretary

The Company Secretary plays an important advisory role as source of information and advice to the Board. The Company Secretary attends all Board meetings and is responsible for ensuring the Board procedures as well as statutory and regulatory requirements relating to the duties and responsibilities of the Directors are complied with.

Their roles and functions are set out in the Board Charter approved by the Board.

9. 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 have attended the following training programmes:

No.	Directors	Title of Training Programmes	Date
1.	Datuk Sulaiman Bin Daud	1. Ordinary Member of the Singapore Institute of Directors	22/08/12
		2. Fraud Detection and Prevention	08/10/12
		3. Crisis Communication Management	21/11/12
2.	Mitsuru Hiramuki	1. Sustainability Training for Directors & Practitioners	20/11/12
3.	Hiroshi Amano	1. Executive and Delivery of Decoding Gen-Y Program	29/03/12
		2. Governance Risk Management Compliance - What Director Should Know	08/08/12
4.	Kazuhisa Kobayashi	1. Developing Internal Audit System for Risk Management	29/06/12
5.	Hayato Kashiwagi	1. Half Day Governance Program "Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012"	18/06/12
6.	Taufiq Ahmad @ Ahmad Mustapha Ghazali	1. Crisis Communication Management	21/11/12
		2. Detecting Financial Statement Fraud - W2: Case Studies in Corporate Fraud	30/08/12
		3. Detecting Financial Statement Fraud - W3: Evolution of Corporate Fraud	03/09/12

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.

10. 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.

Statement On Corporate Governance (cont'd)

A. BOARD OF DIRECTORS (CONT'D)

11. Appointment of Director and Time Commitment

The Board is empowered to appoint a director upon recommendation from the Nomination Committee. New Directors are expected to have such expertise so as to qualify them to make positive contribution to the Board, performance of its duties and to give sufficient time and attention to the affairs of the Company.

B. DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for recommending to the Board the remuneration of the Executive Director in all its form, drawing from outside advice where necessary. Executive Director pays no part in decision on his own remuneration.

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 (RM)	Salaries & Other Emoluments (RM)	Benefit-in-Kind (RM)
Executive Directors	14,000	–	170,123	58,243
Non-Executive Directors	97,000	–	–	–

The numbers 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	–	5
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 which shareholders can access for information.

In accordance with Listing Requirements, the company has assigned specific personnel to answer queries for the shareholders.

2. Annual General Meeting

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

D. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

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

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

The Board is responsible to prepare the financial statements in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies' Act, 1965 in Malaysia 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 financial reporting 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 Risk Management and Internal Control - Guidance for Directors of Listed Issuers 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 14 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.

E. OTHER INFORMATION

1. Share buybacks

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

2. Options or convertible securities

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

E. OTHER INFORMATION (CONT'D)

3. Depository Receipt Programme

During the financial year, the Company did not sponsor any Depository Receipt Programme.

4. Imposition of sanctions/penalties

The Company is not aware of any sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory body.

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 RM 5,000 non-audit fees to the external auditors, Ernst & Young.

10. Utilisation of Proceeds

Not Applicable.

The Company had approved a Board Charter which set out the duties, responsibilities and operations of the Board amongst others and is made available for reference in the Company's website at **www.maypak.com**. The Charter will be review periodically to ensure it remains consistent with the Board's objectives and responsibilities.

This Statement of Corporate Governance is made in accordance with the resolution adopted by the Board at its meeting held on 22 April 2013.

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 Corporate Social Responsibility activities.

THE WORKPLACE

Recognising the importance of employees as valuable assets, the Company provides continuous training and development opportunities to its workforce. In the year under review, a total of 92 trainings were provided to the employees. These include talks, seminars and some conducted in house to enhance their skills and competency level. Newly promoted managers were sent for training programme on leadership and managing people. All level of staff were given the appropriate training. We believe employees would be able to enhance their skills and competency level with these trainings.

To encourage a healthy workforce, sports and recreational activities organized by the in-house sports club are funded by the Company on the basis of one to one subsidy. We have launched the Health Awareness Campaign to encourage employees keep track of their health status. During the year, we conducted health screenings in partnership with National Kidney Foundation of Malaysia (NKF) to raise employees' awareness about importance of health tracking. Occupational safety and health activities such as audiometric test, chemical exposure screening, safety day and fire evacuation drill were carried out annually.

THE ENVIRONMENT

Since September 2000, the Company has been certified ISO 14001 Environmental Management System. In September 2012, the company's ISO 14001 Environmental Management System certification was recertified without any non-conformance report by SIRIM QAS International (SIRIM).

Since its inception, the company had installed a waste water treatment system (WWTS) to treat waste water from its operations. This WWTS was upgraded to a vacuum evaporator system using cleaner technology in October 2002.

Production & administration staffs are encouraged to participate in recycling activities. For instance, recycling activities are encouraged among both the production and administration personnel. On the shop-floor, 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.

Lights and air-conditioning systems within the Main Office are switched off during lunch hour to conserve electricity.

We joined our neighbour and also our corporate shareholder, Ajinomoto (M) Berhad in their programme "Clean Up Our Earth Together Day" on 10 October 2012 to clean up the surrounding area. Some 33 employees led by our Chief Financial Officer participated in the cleaning activities. Through these activities, we demonstrate our commitment to the community to protect the environment.

THE MARKETPLACE

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

The Company obtained the ISO 9001 Quality Management System (QMS) certification by SIRIM in October 1995 with zero non-conformances.

In October 2012, SIRIM QAS International(SIRIM) came to perform a surveillance audit on ISO 9001. There were zero non-conformance and the certification was maintained.

THE COMMUNITY

The Company accepts undergraduates for industrial training each year, ranging from ten (10) weeks to six (6) months. In the year 2012, the Company provided internship programs for eight (8) undergraduates.

FINANCIAL STATEMENTS

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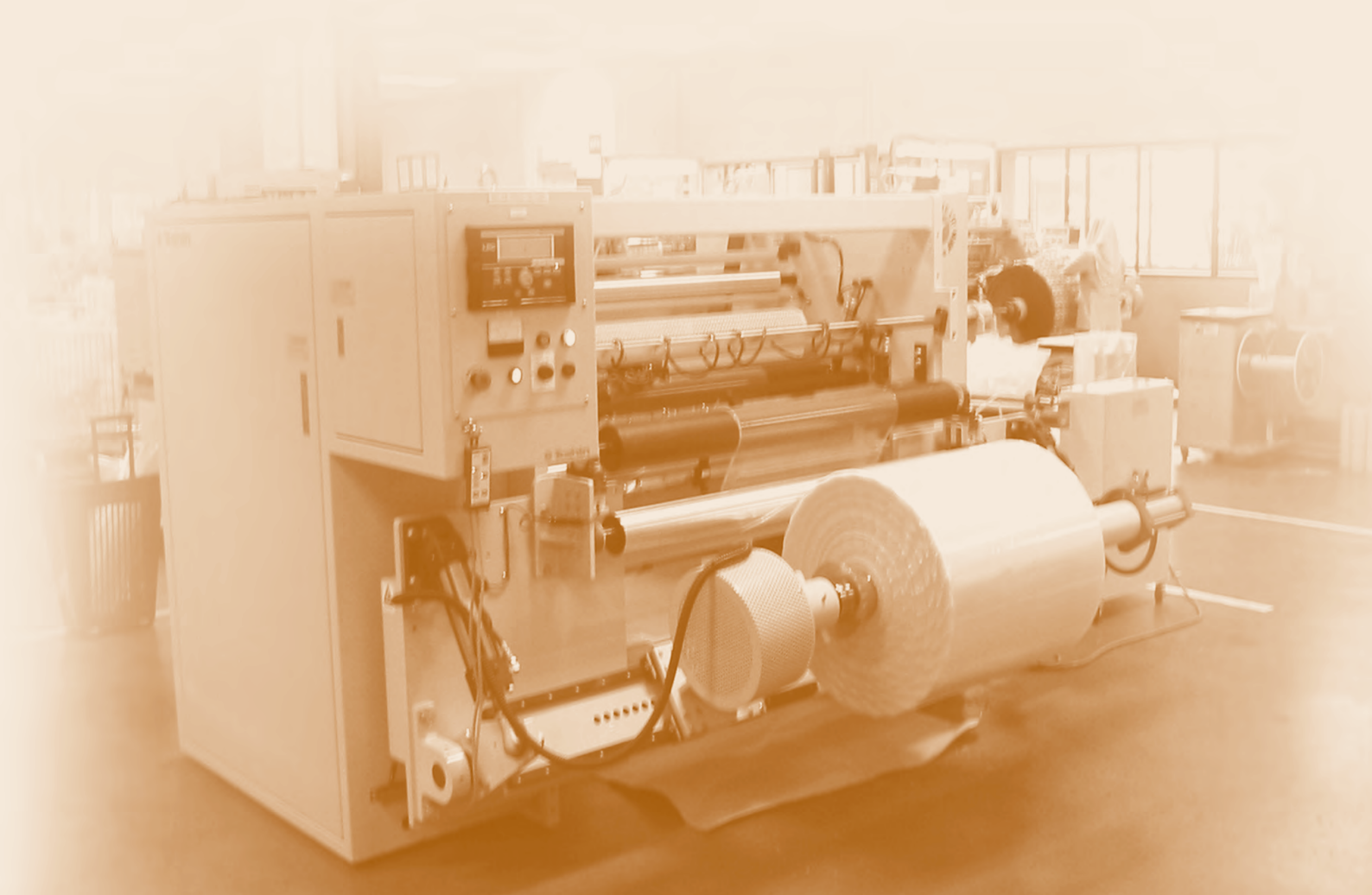

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are manufacturing and sale of printed and laminated flexible light packaging materials.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	RM
Profit for the year	6,174,957

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 other than the effect arising from changes in estimates, where the estimated useful lives of certain plant and equipment were revised and resulting in a decrease in the Company's profit for the year by RM679,220 as disclosed in Note 13 to the financial statements.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

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:

Datuk Sulaiman bin Daud
Kazuhisa Kobayashi
Hiroshi Amano
Hayato Kashiwagi
Taufiq Ahmad @ Ahmad Mustapha Ghazali
Mitsuru Hiramuki

Directors' Report (cont'd)

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 or the fixed salary of a full-time employee of the Company as disclosed in Note 9 to the financial statements) 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, except as disclosed in Note 23 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1 each			
	1.1.2012	Acquired	Sold	31.12.2012
Direct interest:				
Hiroshi Amano	14,000	–	–	14,000

The other directors in office at the end of the financial year had no interest in shares in the Company during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts 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.

OTHER STATUTORY INFORMATION (cont'd)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 29 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2013.

DATUK SULAIMAN BIN DAUD **MITSURU HIRAMUKI**

Statement By Directors

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

We, **Datuk Sulaiman bin Daud** and **Mitsuru Hiramuki**, 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 75 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and cash flows for the year then ended.

The information set out in Note 31 to the financial statements on page 76 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 April 2013.

DATUK SULAIMAN BIN DAUD **MITSURU HIRAMUKI**

Statutory Declaration

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

I, **Lee Yan Mee**, the officer primarily responsible for the financial management of **Malaysia Packaging Industry Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 75 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed, **Lee Yan Mee**,
on 22 April 2013 at Kuala Lumpur
in Federal Territory.

LEE YAN MEE

Before me,

Commissioner of Oaths
No. W549
LEE CHOON HEI

Independent Auditors' Report

To the members of Malaysia Packaging Industry Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malaysia Packaging Industry Berhad, which comprise the statement of financial position as at 31 December 2012, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 75.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, 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.

Other reporting responsibilities

The supplementary information set out in Note 31 to the financial statements on page 76 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (""MIA Guidance"") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent Auditors' Report (cont'd)

OTHER MATTERS

1. As stated in Note 2 to the financial statements, Malaysia Packaging Industry Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Kuantan, Malaysia
Date: 22 April 2013

SANDRA SEGARAN A/L MUNIANDY @ KRISHNAN
2882/01/15(J)
Chartered Accountant

Statement Of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 RM	2011 RM
Revenue	4	75,031,986	65,746,351
Other income	5	7,337,019	7,856,214
Changes in work-in-progress and finished goods		936,176	(209,352)
Consumables and raw materials		(46,203,422)	(42,203,564)
Employee benefits expense	8	(12,230,052)	(11,125,505)
Depreciation and amortisation		(4,933,398)	(3,989,730)
Finance costs	6	(1,501,450)	(1,684,092)
Other expenses		(12,261,902)	(12,932,913)
Profit before tax	7	6,174,957	1,457,409
Income tax expense	10	–	–
Net profit for the year		6,174,957	1,457,409
Other comprehensive income:			
Fair value gain from cash flow hedge		47,870	314,410
Total comprehensive income for the year		6,222,827	1,771,819
Earnings per share (sen)			
- Basic	12	14.69	3.47
- Diluted	12	14.69	3.47

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statement Of Financial Position

As at 31 December 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets				
Non-current assets				
Property, plant and equipment	13	51,942,961	45,776,762	43,359,541
Land use rights	14	2,402,125	2,427,300	2,452,475
		54,345,086	48,204,062	45,812,016
Current assets				
Inventories	15	10,753,896	9,023,418	9,977,848
Trade and other receivables	16	14,441,751	12,127,572	19,757,485
Other current assets	17	281,938	4,103,023	188,418
Cash and bank balances		6,038,207	4,508,822	1,430,391
		31,515,792	29,762,835	31,354,142
Total assets		85,860,878	77,966,897	77,166,158
Equity and liabilities				
Current liabilities				
Loans and borrowings	18	12,730,655	17,594,020	16,152,026
Trade and other payables	20	9,813,396	9,675,579	13,881,360
		22,544,051	27,269,599	30,033,386
Net current assets		8,971,741	2,493,236	1,320,756
Non-current liabilities				
Loans and borrowings	18	28,222,510	21,849,724	19,391,113
Derivative	19	361,549	337,633	1,003,537
		28,584,059	22,187,357	20,394,650
Total liabilities		51,128,110	49,456,956	50,428,036
Net assets		34,732,768	28,509,941	26,738,122
Equity attributable to owners of the Company				
Share capital	21	42,042,824	42,042,824	42,042,824
Cash flow hedging reserve	22	328,283	280,413	(33,997)
Accumulated losses		(7,638,339)	(13,813,296)	(15,270,705)
Total equity		34,732,768	28,509,941	26,738,122
Total equity and liabilities		85,860,878	77,966,897	77,166,158

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statement Of Changes In Equity

For the year ended 31 December 2012

	I----Non-distributable----I			
	Share capital RM	Cash flow hedging reserve RM (Note 22)	Distributable Profit/ (Accumulated losses) RM	Total RM
2012				
At 1 January 2012	42,042,824	280,413	(13,813,296)	28,509,941
Total comprehensive income	–	47,870	6,174,957	6,222,827
At 31 December 2012	42,042,824	328,283	(7,638,339)	34,732,768
2011				
At 1 January 2011	42,042,824	(33,997)	(15,270,705)	26,738,122
Total comprehensive income	–	314,410	1,457,409	1,771,819
At 31 December 2011	42,042,824	280,413	(13,813,296)	28,509,941

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Statement Of Cash Flows

For the year ended 31 December 2012

	2012 RM	2011 RM
Cash flows from operating activities		
Profit before tax	6,174,957	1,457,409
Adjustments for:		
Depreciation of property, plant and equipment	4,908,223	3,964,555
Amortisation of land use rights	25,175	25,175
Gain on disposal of property, plant and equipment	(1,098)	(1,499)
Property, plant and equipment written off	66,660	267,413
Short term accumulating compensated absences	51,831	50,629
Inventories written down	2,141	4,848
Inventories written off	75,149	408,839
Reversal of impairment loss on trade receivables	–	(308,273)
Impairment loss on trade receivables	6,451	–
Interest income	(18,286)	–
Finance costs	1,501,450	1,684,092
Insurance claims	(4,367,805)	(6,751,897)
Net unrealised (gain)/loss on foreign exchange	(1,667,631)	661,730
Operating profit before working capital changes	6,757,217	1,463,021
(Increase)/decrease in receivables	(2,163,276)	3,132,514
(Increase)/decrease in inventories	(1,807,768)	540,743
Increase/(decrease) in payables	91,662	(4,214,586)
Cash flows from operations	2,877,835	921,692
Interest paid	(1,501,450)	(1,684,092)
Net cash flows from/(used in) operating activities	1,376,385	(762,400)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,264,187)	(6,649,190)
Deposits paid for purchase of property, plant and equipment	(211,714)	(3,894,061)
Proceeds from disposal of property, plant and equipment	1,700	1,500
Interest received	18,286	–
Insurance claims received	4,367,805	11,621,150
Net cash flows (used in)/from investing activities	(3,088,110)	1,079,399

Statement Of Cash Flows (cont'd)

	2012 RM	2011 RM
Cash flows from financing activities		
(Decrease)/increase in short term borrowings	(3,818,000)	535,000
Drawdown of term loan	–	6,000,000
Drawdown of loan from holding company	10,032,000	–
Repayments of loans to holding company	(2,917,603)	(2,454,287)
Repayments of obligations under finance leases	(65,864)	(490,904)
Net cash flows from financing activities	3,230,533	3,589,809
Net increase in cash and bank balances	1,518,808	3,906,808
Effects of exchange rate changes on cash and bank balances	10,577	2,906
Cash and bank balances at 1 January	4,508,822	599,108
Cash and bank balances at 31 December	6,038,207	4,508,822

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Notes To The Financial Statements

31 December 2012

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of 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 immediate and ultimate holding company of the Company is Toyo Seikan Group Holdings, Ltd (formerly known as Toyo Seikan Kaisha, Ltd.), which is incorporated in Japan and produces financial statements available for public use.

The principal activities of the Company are manufacturing and sale of printed and laminated flexible light packaging materials. There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

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

2.2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

For periods up to and including the year ended 31 December 2011, the Company had previously prepared financial statements in accordance with Financial Reporting Standards ("FRS").

These financial statements are the first the Company have prepared in accordance with MFRS. Accordingly, the Company has prepared financial statements which comply with MFRS together with the comparative period data as at, and for the year ended, 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position were prepared as at 1 January 2011, being the date of transition to MFRS. The notes to the financial statements as at 1 January 2011 is not presented and no restatement and adjustments were required to be made to its FRS statement of financial position as at 1 January 2011 and its previously published FRS financial statements as at, and for the year ended, 31 December 2011 except as disclosed in Note 2.3 to the financial statements. Hence, the reconciliations of equity reported under FRS to equity reported under MFRS as at 1 January 2011 and 31 December 2011 are disclosed in Note 2.3 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Application of MFRS 1

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain MFRS and the Company has applied the following exemptions:

(a) Property, plant and equipment

The Company has previously adopted the transitional provision available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Company had recorded the factory and office buildings at revalued amounts and had not adopted a policy of revaluation and continued to carry those factory and office buildings at their previous revalued amounts to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Company has elected to measure all its property, plant and equipment using the costs model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Company elected to regard the carrying amounts of the factory and office buildings as at 1 January 2011 as deemed cost. The revaluation surplus of RM64,979 (31.12.2011: RM64,979) was transferred to accumulated losses on date of transition to MFRS.

(b) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Company to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Application of MFRS 1 (cont'd)

The reconciliations of equity reported in accordance with FRS to equity in accordance with MFRS for the date of transition to MFRS and as at 31 December 2011 are as below:

	1.1.2011 (date of transition)			31.12.2011 (end of last period presented under FRS)		
	FRS RM	Effect of transition to MFRS RM	Opening MFRS statement of financial position RM	FRS RM	Effect of transition to MFRS RM	Opening MFRS statement of financial position RM
Equity attributable to owners of the Company						
Share capital	42,042,824	–	42,042,824	42,042,824	–	42,042,824
Cash flow hedging reserve	(33,997)	–	(33,997)	280,413	–	280,413
Revaluation reserve	64,979	(64,979)	–	64,979	(64,979)	–
Accumulated losses	(15,335,684)	64,979	(15,270,705)	(13,878,275)	64,979	(13,813,296)
Total Equity	26,738,122		26,738,122	28,509,941		28,509,941

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Standards issued but not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt, where applicable, these standards, amendments and interpretations as and when they become effective:

(a) Effective for annual periods beginning on or after 1 July 2012

MFRS 101	Amendments to MFRS 101 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)

(b) Effective for annual periods beginning on or after 1 January 2013

MFRS 1	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Government Loans)
MFRS 1	Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009 - 2011 Cycle)
MFRS 3	MFRS 3 Business Combinations (IFRS 3 issued by IASB in March 2004)
MFRS 7	Amendments to MFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Amendments to MFRS 10 Consolidated Financial Statements (Transition Guidance)
MFRS 11	Joint Arrangements
MFRS 11	Amendments to MFRS 11 Joint Arrangements (Transition Guidance)
MFRS 12	Disclosure of Interests in Other Entities
MFRS 12	Amendments to MFRS 12 Disclosure of Interests in Other Entities (Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 101	Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)
MFRS 116	Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle)
MFRS 119	Employee Benefits
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in December 2003)
MFRS 127	Separate Financial Statements

Notes To The Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Standards issued but not yet effective (cont'd)

(b) Effective for annual periods beginning on or after 1 January 2013 (cont'd)

MFRS 128	Investments in Associates and Joint Ventures
MFRS 132	Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009 - 2011 Cycle)
MFRS 134	Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009 - 2011 Cycle)
IC Interpretation 2	Amendments to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009 - 2011 Cycle)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

(c) Effective for annual periods beginning on or after 1 January 2014

MFRS 10	Amendments to MFRS 10 Consolidated Financial Statements (Investment Entities)
MFRS 12	Amendments to MFRS 12 Disclosure of Interests in Other Entities (Investment Entities)
MFRS 127	Amendments to MFRS 127 Consolidated and Separate Financial Statements (Investment Entities)
MFRS 132	Amendments to MFRS 132 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

(d) Effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

2.5 Foreign currencies

(a) Functional and presentation currency

The financial statements of the Company are measured and presented in Ringgit Malaysia (RM), being the currency of the primary economic environment in which it operates ("the functional currency").

(b) Foreign currency transactions

Transactions in foreign currencies are measured in Ringgit Malaysia and are recorded on initial recognition in the functional currency at exchange rate approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Capital work-in-progress is not depreciated as these assets are not yet available for use. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Factory, office buildings and office renovation: 10 to 50 years
- Plant and equipment: 10 to 30 years
- Furniture, fixtures, fittings and motor vehicles: 5 to 13 years
- Printing cylinders: 4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit and loss in the year the asset is derecognised.

2.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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 written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

Notes To The Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Instruments

(a) Financial assets

(i) Initial recognition and measurement

Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and bank balances and trade and other receivables.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Company did not have any financial asset at fair value through profit or loss during the years ended 31 December 2012 and 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Subsequent measurement (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

The Company did not have any held-to-maturity investment during the years ended 31 December 2012 and 2011.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

Notes To The Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Subsequent measurement (cont'd)

Available-for-sale financial investments (cont'd)

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the Company has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

The Company did not have any available-for-sale financial investment during the years ended 31 December 2012 and 2011.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Instruments (cont'd)

(b) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Notes To The Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Instruments (cont'd)

(b) Impairment of financial assets (cont'd)

Available-for-sale investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(c) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities within the scope of MFRS 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Instruments (cont'd)

(c) Financial liabilities (cont'd)

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes To The Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Financial Instruments (cont'd)

(e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

2.9 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

(a) Raw materials: purchase costs on a weighted average basis.

(b) Finished goods and work-in-progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

2.13 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.14 Leases

As lessee

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. 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.

Notes To The Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Revenue

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. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

2.16 Income tax

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Income tax (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes To The Financial Statements (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Hedge accounting

The Company uses cross currency swaps to manage its exposure to foreign currency risk. The Company applies hedge accounting for the hedging relationship which qualify for hedge accounting.

For the purpose of hedge accounting, the hedging relationship is classified as cash flow hedge. Cash flow hedge when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects profit or loss.

The Company uses cross currency swaps as hedge of its exposure to foreign currency risk in forecasted transactions and firm commitments, the details of which are disclosed in Note 19.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgments made in applying accounting policies

There were no critical judgments made by management in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements during the current financial year.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 discussed below.

(a) Useful lives of plant and equipment

The cost of plant and equipment for the manufacture of flexible packaging materials is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 10 to 30 years, based on the existing useful lives of similar assets in use. Changes in the expected level of usage and maintenance performed could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of loans and receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Company's loans and receivables at the reporting date is disclosed in Note 16.

4. REVENUE

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

5. OTHER INCOME

	2012 RM	2011 RM
Insurance claims	4,367,805	6,751,897
Gain on disposal of property, plant and equipment	1,098	1,499
Cylinders charged to customers	1,005,771	888,555
Interest income	18,286	–
Miscellaneous	276,428	214,263
Unrealised gain on foreign exchange	1,667,631	–
	7,337,019	7,856,214

Notes To The Financial Statements (cont'd)

6. FINANCE COSTS

	2012 RM	2011 RM
Interest expense on:		
Bankers' acceptances	83,634	139,033
Loans from holding company	715,824	736,040
Others	37,959	55,436
Obligations under finance leases	3,134	24,771
Revolving credits	366,094	448,505
Term loan	294,805	280,307
	1,501,450	1,684,092

7. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	2012 RM	2011 RM
Auditors' remuneration:		
- Statutory audit	55,000	50,000
- other service	5,000	5,000
Employee benefits expense (Note 8)	12,230,052	11,125,505
Directors' remuneration (Note 9)	281,123	256,086
Depreciation	4,908,223	3,964,555
Amortisation of land use rights (Note 14)	25,175	25,175
Impairment loss on trade receivables	6,451	–
Reversal of impairment loss on trade receivables	–	(308,273)
Inventories written down	2,141	4,848
Property, plant and equipment written off	66,660	267,413
Inventories written off	75,149	408,839
Operating lease:		
- Minimum lease payments on land and buildings	840,120	856,683
- Minimum lease payments on office equipment	52,670	57,865
Net foreign exchange loss		
- Realised	74,237	438,053
- Unrealised	–	661,730

8. EMPLOYEE BENEFITS EXPENSE

	2012 RM	2011 RM
Wages and salaries	7,451,497	7,255,090
Social security contributions	102,283	99,388
Contributions to defined contribution plan	1,113,790	1,004,166
Short term accumulating compensated absences	51,831	50,629
Gratuities	–	3,000
Other benefits	3,510,651	2,713,232
	12,230,052	11,125,505

Included in employee benefits expense of the Company is executive directors' remuneration amounting to RM184,123 (2011: RM159,086) as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	2012 RM	2011 RM
Executive directors:		
Salaries and other emoluments	170,123	142,086
Fees and gratuities	14,000	17,000
Estimated money value of benefits-in-kind	58,243	60,480
	242,366	219,566
Non-executive directors:		
Fees	97,000	97,000
Total	339,366	316,566
Total directors' remuneration excluding benefits-in-kind (Note 7)	281,123	256,086
Analysis excluding benefits-in-kind:		
Total executive director's remuneration	184,123	159,086
Total non-executive directors' remuneration	97,000	97,000
Total directors' remuneration excluding benefits-in-kind (Note 7)	281,123	256,086

Notes To The Financial Statements (cont'd)

9. DIRECTORS' REMUNERATION (cont'd)

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	
	2012	2011
Executive directors:		
Below RM100,000	–	1
RM100,001 - RM200,000	1	1
Non-executive directors:		
Below RM50,000	5	5

10. INCOME TAX EXPENSE

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	2012 RM	2011 RM
Profit before tax	6,174,957	1,457,409
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	1,543,739	364,352
Adjustments:		
Income not subject to tax	(433,703)	–
Non-deductible expenses	147,724	71,399
Utilisation of previously unabsorbed capital allowances	(1,257,760)	(435,751)
Income tax expense for the year	–	–

11. DEFERRED TAX

Deferred income tax as at reporting dates relates to the following:

	At 1 January	Recognised in profit or loss	At 31 December
2012			
Deferred tax liabilities:			
Property, plant and equipment	6,565,327	997,443	7,562,770
Deferred tax assets:			
Unabsorbed capital allowances	(5,943,480)	(833,762)	(6,777,242)
Unutilised tax losses	(395,781)	(54,718)	(450,499)
Provisions	(226,066)	(108,963)	(335,029)
	(6,565,327)	(997,443)	(7,562,770)
2011			
Deferred tax liabilities:			
Property, plant and equipment	4,924,470	1,640,857	6,565,327
Deferred tax assets:			
Unabsorbed capital allowances	(4,706,290)	(1,237,190)	(5,943,480)
Unutilised tax losses	–	(395,781)	(395,781)
Provisions	(218,180)	(7,886)	(226,066)
	(4,924,470)	(1,640,857)	(6,565,327)

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

	2012 RM	2011 RM
Unabsorbed capital allowances	2,123,000	6,642,000
Unutilised export allowances	1,238,000	248,000
Unutilised reinvestment allowances	18,859,000	18,859,000
	22,220,000	25,749,000

12. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, by the weighted average number of ordinary shares outstanding during the financial year.

	2012	2011
Net profit for the year (RM)	6,174,957	1,457,409
Weighted average number of ordinary shares in issue	42,042,824	42,042,824
Earnings per share (sen)	14.69	3.47

There is no potential share issuance which may have a dilutive effect to the basic earnings per share of the Company.

Notes To The Financial Statements (cont'd)

13. PROPERTY, PLANT AND EQUIPMENT

	Factory, office buildings and office renovation RM	Plant and equipment RM	Furniture, fixtures, fittings and motor vehicles RM	Printing cylinders RM	Capital work-in-progress RM	Total RM
Cost						
At 1 January 2011	11,557,115	53,169,975	5,506,419	6,905,848	2,795,336	79,934,693
Additions	442,307	4,083,489	1,002,646	1,120,748	–	6,649,190
Disposals	–	(21,997)	–	–	–	(21,997)
Written off	–	(573,614)	–	(4,160,085)	–	(4,733,699)
Reclassification	1,571,766	169,840	965,137	–	(2,706,743)	–
At 31 December 2011 and 1 January 2012	13,571,188	56,827,693	7,474,202	3,866,511	88,593	81,828,187
Additions	323,891	9,581,352	45,933	1,190,508	–	11,141,684
Disposals	–	(49,000)	(4,624)	–	–	(53,624)
Written off	–	(173,571)	(129,370)	(283,509)	–	(586,450)
At 31 December 2012	13,895,079	66,186,474	7,386,141	4,773,510	88,593	92,329,797
Accumulated depreciation						
At 1 January 2011	3,496,312	24,142,825	3,946,780	4,989,235	–	36,575,152
Depreciation charge for the year	324,235	2,121,038	561,926	957,356	–	3,964,555
Disposals	–	(21,996)	–	–	–	(21,996)
Written off	–	(454,369)	–	(4,011,917)	–	(4,466,286)
At 31 December 2011 and 1 January 2012	3,820,547	25,787,498	4,508,706	1,934,674	–	36,051,425
Depreciation charge for the year	329,492	3,018,792	585,347	974,592	–	4,908,223
Disposals	–	(48,999)	(4,023)	–	–	(53,022)
Written off	–	(172,315)	(124,646)	(222,829)	–	(519,790)
At 31 December 2012	4,150,039	28,584,976	4,965,384	2,686,437	–	40,386,836
Net carrying amount						
At 31 December 2012	9,745,040	37,601,498	2,420,757	2,087,073	88,593	51,942,961
At 31 December 2011	9,750,641	31,040,195	2,965,496	1,931,837	88,593	45,776,762

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Assets held under finance lease

The carrying amount of property, plant and equipment held under finance leases at the reporting date was RM63,367 (2011: RM759,536).

Changes in estimates

During the financial year, the Company revised the estimated useful lives of certain plant and equipment which range from 20 to 30 years to 10 years and some tools and equipments from 10 years to 4 years. The effect in future periods arising from the revision in estimates is not disclosed as the directors are of the view that estimating it is impracticable.

14. LAND USE RIGHTS

	2012 RM	2011 RM
Cost:		
At 1 January/31 December	3,163,728	3,163,728
Accumulated amortisation:		
At 1 January	736,428	711,253
Amortisation for the year	25,175	25,175
At 31 December	761,603	736,428
Net carrying amount	2,402,125	2,427,300
Amount to be amortised:		
- Not later than one year	25,175	25,175
- Later than one year but not later than five years	100,700	100,700
- Later than five years	2,276,250	2,301,425

The Company is the beneficial owner of the land use rights which is currently registered in the name of Ajinomoto (Malaysia) Berhad, which is a corporate shareholder of the Company.

15. INVENTORIES

	2012 RM	2011 RM
Cost		
Raw materials	6,576,529	5,782,226
Work-in-progress	1,723,837	1,118,765
Finished goods	2,405,433	2,089,610
	10,705,799	8,990,601
Net realisable value		
Finished goods	48,097	32,817
	10,753,896	9,023,418

Notes To The Financial Statements (cont'd)

16. TRADE AND OTHER RECEIVABLES

	2012 RM	2011 RM
Trade receivables		
Third parties	15,449,085	13,229,997
Related parties		
- Ajinomoto (Malaysia) Berhad, a corporate shareholder	188,365	135,659
- Tokan Trading Corporation (formerly known as Saiwai Shoji Co., Ltd.), a fellow subsidiary	15,404	–
	15,652,854	13,365,656
Less: Allowance for impairment (third parties)	(1,308,620)	(1,302,169)
Trade receivables, net	14,344,234	12,063,487
Other receivables		
Sundry receivables	17,745	4,615
Refundable deposits	79,772	59,470
	97,517	64,085
Total trade and other receivables	14,441,751	12,127,572
Add: Cash and bank balances	6,038,207	4,508,822
Total loans and receivables	20,479,958	16,636,394

The Company's normal credit terms range from 30 to 90 (2011: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the trade receivables is as follows:

	2012 RM	2011 RM
Neither past due nor impaired	7,471,631	8,936,201
1 to 30 days past due not impaired	5,448,523	1,768,790
31 to 60 days past due not impaired	1,212,391	1,051,916
61 to 90 days past due not impaired	204,296	120,511
91 to 120 days past due not impaired	2,022	19,467
More than 121 days past due not impaired	5,371	26,579
	6,872,603	2,987,263
Impaired	1,308,620	1,442,192
	15,652,854	13,365,656

16. TRADE AND OTHER RECEIVABLES (cont'd)

Receivable that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

None of the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivable that are past due not impaired

Trade receivables that are past due but not impaired are active accounts which are recoverable. These receivables are not secured by any collateral or credit enchancement.

Receivable that are impaired

	Individually impaired	
	2012 RM	2011 RM
Trade receivables - nominal amounts	1,308,620	1,442,192
Less: Allowance for impairment	(1,308,620)	(1,302,169)
	–	140,023

Movement in allowance accounts:

	2012 RM	2011 RM
At 1 January	1,302,169	1,773,162
Charge for the year	6,451	–
Written off	–	(162,720)
Reversal of impairment losses	–	(308,273)
At 31 December	1,308,620	1,302,169

Trade receivables that are individually determined to be impaired at the reporting date relate mainly to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. OTHER CURRENT ASSETS

	2012 RM	2011 RM
Prepaid operating expenses	53,660	208,962
Deposits for property, plant and equipment	228,278	3,894,061
	281,938	4,103,023

Notes To The Financial Statements (cont'd)

18. LOANS AND BORROWINGS

	Maturity	2012 RM	2011 RM
Current			
Secured:			
Obligations under finance leases (Note 24)	2013	12,751	65,864
Unsecured:			
Loans from holding company	2013	1,751,750	4,590,156
Term loan	2013	1,846,154	–
Revolving credits	2013	7,500,000	10,600,000
Bankers' acceptances	2013	1,620,000	2,338,000
		12,717,904	17,528,156
		12,730,655	17,594,020
Non-current			
Secured:			
Obligations under finance leases (Note 24)		–	12,751
Unsecured:			
Term loan	2014-2016	4,153,846	6,000,000
Loans from holding company	2014-2020	24,068,664	15,836,973
		28,222,510	21,836,973
		28,222,510	21,849,724
Total loans and borrowings		40,953,165	39,443,744

The remaining maturities of the loans and borrowings as at reporting dates are as follows:

	2012 RM	2011 RM
Within one year	12,730,655	17,594,020
More than 1 year and less than 2 years	3,597,904	6,449,061
More than 2 years and less than 5 years	19,571,481	15,400,663
More than 5 years	5,053,125	–
	40,953,165	39,443,744

18. LOANS AND BORROWINGS (cont'd)

Obligations under finance leases

The Company has obligations under finance leases, which are denominated in Ringgit Malaysia, for certain items of property, plant and equipment (Note 13). These obligations are secured by a charge over the leased assets (Note 13).

The average discount rate implicit in the leases is 2.26% (2011: 3.68%) per annum.

Loans from holding company

Loans from holding company are denominated in United States Dollars (USD) and Japanese Yen respectively. These loans are unsecured and repayable over a period of 5 to 8 years with half-yearly instalments. These loans bear interest at fixed rates of 1.8% to 5.1% (2011: 1.8% to 5.1%) per annum.

During the financial year, the holding company has made an amendment to the original loan agreements for loans denominated in Japanese Yen to defer the repayment of the remaining amounts of the principal of these loans to the end of the original loan periods respectively. Hence, the outstanding balances of these loans as at 31 December 2012 have been reclassified as non-current liabilities.

Revolving credits

Revolving credits are denominated in Ringgit Malaysia and bear interest at rates of 3.85% to 3.90% (2011: 3.90% to 4.14%) per annum.

Bankers' acceptances

These are used to finance purchases of the Company and are denominated in Ringgit Malaysia and short term in nature. The average interest rates range from 3.72% to 3.74% (2011: 3.71% to 4.74%) per annum.

Term loan

The term loan is denominated in Ringgit Malaysia and bears interest at a fixed rate of 4.9% (2011: 4.9%) per annum. The term loan is repayable over a period of 5 years with quarterly instalments commencing January 2013.

19. DERIVATIVE

As part of the Company's risk management operation, the Company uses a derivative to reduce its foreign currency risk exposures on a loan from holding company.

The table below shows the fair value of the derivative, recorded as liability, together with its notional amount. The notional amount, recorded gross, is the amount of the derivative's underlying contract and is the basis upon which changes in the value of the derivative is measured. The fair value of the derivative is estimated using the prices quoted by a counterparty bank.

	Liability 2012 RM	Notional amount 2012 RM	Liability 2011 RM	Notional amount 2011 RM
Derivative used as cash flow hedge				
Cross currency swap	361,549	5,794,932	337,633	7,726,576

19. DERIVATIVE (cont'd)

Cash flow hedge

At 31 December 2012, the Company had a cross currency swap agreement in place with a notional amount of USD1,716,000 (equivalent to RM5,794,932) (2011: USD2,288,000 (equivalent to RM7,726,576)) whereby the Company receives a fixed amount of USD with interest of 5.09% per annum and pays a fixed amount of RM with interest of 6.50% per annum. The cross currency swap is being used to hedge the exposure to changes in the foreign exchange rates arising from the loan from holding company. The management considers the cross currency swap as an effective hedging instrument as the loan from holding company and the swap have identical critical terms.

The ineffective portion of the hedging was not material as the principal terms of the hedging instrument and of the hedged item are the same, the changes in cash flows attributable to the risk being hedged may be likely to fully offset each other, both when the hedge is entered into and afterwards.

20. TRADE AND OTHER PAYABLES

	2012 RM	2011 RM
Trade payables		
Third parties	5,513,419	5,429,363
Related parties:		
- DIC (Malaysia) Sdn. Bhd., a subsidiary of a corporate shareholder	406,440	371,708
- Tokan Trading Corporation (formerly known as Saiwai Shoji Co., Ltd.) a fellow subsidiary	192,277	253,018
	6,112,136	6,054,089
Other payables		
Sundry payables - third parties	1,660,726	1,790,302
Related party:		
- Kanagata (Thailand) Co. Ltd., a fellow subsidiary	27,045	–
Accrued operating expenses	2,013,489	1,831,188
	3,701,260	3,621,490
Total trade and other payables	9,813,396	9,675,579
Add: Loans and borrowings (Note 18)	40,953,165	39,443,744
Total financial liabilities carried at amortised cost	50,766,561	49,119,323

20. TRADE AND OTHER PAYABLES (Cont'd)

(a) Trade payables

The normal credit terms granted to the Company range from 30 to 90 (2011: 30 to 90) days. These amounts are non-interest bearing.

(b) Other payables

The sundry payables amounts are non-interest bearing and are normally settled on an average term of 6 (2011: 6) months.

Included in accrued operating expenses are:

(i) Provision for accumulating compensated absences amounting to RM405,757 (2011: RM378,425); and

(ii) Accrued interest for loans from holding company amounting to RM139,082 (2011: RM166,542).

(c) Related parties

These amounts are unsecured, non-interest bearing and are repayable on demand.

21. SHARE CAPITAL

	Number of ordinary share of RM1 each		Amount	
	2012	2011	2012 RM	2011 RM
Authorised:				
1 January/31 December	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid:				
1 January/31 December	42,042,824	42,042,824	42,042,824	42,042,824

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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

22. CASH FLOW HEDGING RESERVE

The cash flow hedging reserve arose from the cross currency swap entered into with a financial institution to hedge the foreign currency risk arising from the loan from holding company.

Notes To The Financial Statements (cont'd)

23. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2012 RM	2011 RM
Purchase of raw materials from:		
- DIC (Malaysia) Sdn. Bhd., a subsidiary of a corporate shareholder	1,457,802	1,203,169
- Tokan Trading Corporation (formerly known as Saiwai Shoji Co., Ltd), a fellow subsidiary	1,686,265	1,928,777
Purchase of machine parts from Kanagata (Thailand) Co. Ltd., a fellow subsidiary	138,554	59,724
Sales of finished goods to:		
- Ajinomoto (Malaysia) Berhad, a corporate shareholder	3,120,723	4,751,619
- Wellpack Innovation Co., Ltd, a fellow subsidiary	–	751,284
- Tokan Trading Corporation (formerly known as Saiwai Shoji Co., Ltd), a fellow subsidiary	2,201,345	–
Rental charged by Ajinomoto (Malaysia) Berhad, a corporate shareholder	587,089	587,089
Technical fee charged by Toyo Seikan Technical & Administration Service Center (Asia) Co. Ltd., a fellow subsidiary	247,674	171,160
Interest charged by holding company	715,824	736,040
Royalty charged by holding company	137,602	104,543

Information regarding outstanding balances arising from related party transactions as at 31 December 2012 are disclosed in Notes 16 and 20 respectively. Outstanding loan balances from holding company and related terms are disclosed in Note 18.

23. RELATED PARTY TRANSACTIONS (cont'd)

(b) Compensation of key management personnel

	2012 RM	2011 RM
Salaries, allowances and bonuses	360,121	343,808
Estimated money value of benefits-in-kind	130,272	123,532
	490,393	467,340

Remuneration of directors is as disclosed in Notes 9. Certain directors of the Company have received salaries from the holding company amounting to RM1,110,091 (2011: RM1,081,787).

24. COMMITMENTS

(a) Capital commitments

	2012 RM	2011 RM
Approved but not contracted for:		
Property, plant and equipment	1,800,000	3,700,000

(b) Operating lease commitments - 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 also leases various buildings and equipment under cancellable operating lease agreements. The Company is required to give a two-months notice for the termination of these agreements.

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

	2012 RM	2011 RM
Not later than 1 year	645,311	624,489
Later than 1 year and not later than 5 years	1,650	537,614
	646,961	1,162,103

Notes To The Financial Statements (cont'd)

24. COMMITMENTS (cont'd)

(c) Finance lease commitments

The Company has finance leases for certain items of plant and machinery and motor vehicles (Note 13). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2012 RM	2011 RM
Minimum lease payments:		
Not later than 1 year	14,144	68,999
Later than 1 year and not later than 2 years	–	14,144
Total minimum lease payments	14,144	83,143
Less: Amounts representing finance charges	(1,393)	(4,528)
Present value of minimum lease payments	12,751	78,615
Present value of payments:		
Not later than 1 year	12,751	65,864
Later than 1 year and not later than 2 years	–	12,751
	12,751	78,615
Less: Amount due within 12 months (Note 18)	(12,751)	(65,864)
Amount due after 12 months (Note 18)	–	12,751

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	16
Trade and other payables	20
Loans and borrowings	18

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of the long term portion of loans and borrowings have 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.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1, that are observable for asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at reporting date, the Company's financial liability measured at fair value, which is the derivative designated as hedging instrument was classified under the Level 2 of the fair value hierarchy. There were no transfers between fair value measurements level during the reporting years ended 31 December 2012 and 2011.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

It is, and has been throughout the current and previous financial year, the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Notes To The Financial Statements (cont'd)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade receivables. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position, with positive fair values.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired are disclosed in Notes 16. Cash at banks are placed with reputable financial institutions that have no history of default.

Financial assets that are either past due or impaired

Information of financial assets that are either past due or impaired is disclosed in Note 16.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Company manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that 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, either through borrowings from financial institutions or loans from its holding company. In addition, the Company strives to maintain available banking facilities of a reasonable level to its overall debt position.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2012			
	On demand or within one year RM	One to five years RM	More than five years RM	Total RM
Financial liabilities:				
Trade and other payables	9,813,396	–	–	9,813,396
Loans and borrowings	13,580,660	24,705,437	5,183,327	43,469,424
Total undiscounted financial liabilities	23,394,056	24,705,437	5,183,327	53,282,820

	2011		
	On demand or within one year RM	One to five years RM	Total RM
Financial liabilities:			
Trade and other payables	9,675,579	–	9,675,579
Loans and borrowings	17,597,155	21,851,117	39,448,272
Total undiscounted financial liabilities	27,272,734	21,851,117	49,123,851

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises primarily from interest-bearing borrowings. The Company manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings and actively review its debt portfolio taking into account the investment holding period and nature of its assets.

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Company's profit net of tax would have been approximately RM3,300 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes To The Financial Statements (cont'd)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to transactional currency risk primarily through borrowings, sales and purchases that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Japanese Yen ("JPY"), United States Dollars ("USD"), Thai Baht ("THB"), and Singapore Dollars ("SGD"). Foreign exchange exposures in transactional currencies other than functional currency of the Company are kept to an acceptable level.

From 31 December 2010, the Company hedged its foreign currency denominated loan from holding company for which firm commitments existed at the reporting date, extending to September 2015. The exposure relating to these commitments is disclosed in Note 19.

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

	2012 RM	2011 RM
THB	(27,045)	(163,487)
JPY	(10,590,501)	(13,423,014)
SGD	(88,457)	42,021
USD	(5,382,641)	3,531,251

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonably possible change in the JPY, USD, THB, and SGD exchange rates against the functional currency of the Company, with all other variables held constant.

		2012 RM Profit net of tax	2011 RM Profit net of tax
THB/RM	- strengthened 5%	(1,352)	(8,174)
	- weakened 5%	1,352	8,174
JPY/RM	- strengthened 5%	(529,525)	(671,151)
	- weakened 5%	529,525	671,151
USD/RM	- strengthened 5%	(269,132)	(176,563)
	- weakened 5%	269,132	176,563
SGD/RM	- strengthened 5%	(4,433)	(2,100)
	- weakened 5%	4,433	2,100

27. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances.

	Note	2012 RM	2011 RM
Loans and borrowings	18	40,953,165	39,443,744
Trade and other payables	20	9,813,396	9,675,579
Less: - Cash and bank balances		(6,038,207)	(4,508,822)
Net debt		44,728,354	44,610,501
Total capital - equity attributable to owners of the Company		34,732,768	28,509,941
Capital and net debt		79,461,122	73,120,442
Gearing ratio		56%	61%

28. SEGMENTAL INFORMATION

Segmental reporting has not been prepared as the Company is principally engaged only in manufacturing and sale of printed and laminated flexible light packaging materials and its operations are predominantly in Malaysia.

29. SUBSEQUENT EVENTS

During the financial year, the Company's immediate and ultimate holding company, Toyo Seikan Kaisha, Ltd. ("TSK") is embarking on an internal reorganisation, where TSK will become a holding company and a new subsidiary, Toyo Seikan Spin-off Preparation Co., Ltd. ("TSSP"), a private limited company incorporated in Japan on 2 April 2012, will assume amongst others, the packaging and container manufacture and retail business, filling machinery and equipment manufacture and retail business of TSK. Hence, the 54.95% interest in the Company held directly by TSK will be transferred to TSSP.

On 15 March 2013, TSK has obtained approval from the Securities Commission Malaysia, for the exemption under paragraph 21.1(c) of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010, from the obligation to undertake a mandatory offer for the remaining voting shares in the Company.

On 1 April 2013, the 54.95% interest or 23,104,569 ordinary shares of the Company held by TSK has been transferred to TSSP.

On 1 April 2013, TSK has changed its name to Toyo Seikan Group Holdings, Ltd and TSSP has changed its name to Toyo Seikan Co., Ltd.

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 22 April 2013.

Supplementary Information

31. SUPPLEMENTARY INFORMATION – BREAKDOWN OF REALISED AND UNREALISED ACCUMULATED LOSSES

The break-down of the accumulated losses of the Company as at 31 December 2012 into realised and unrealised losses is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010. The breakdown and components of accumulated losses are identified and disclosed in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	2012 RM	2011 RM
Total accumulated losses of the Company:		
- Realised	(8,783,411)	(12,651,726)
- Unrealised	1,145,072	(1,161,570)
	(7,638,339)	(13,813,296)

Analysis Of Shareholdings

As at 22 April 2013

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	264	15.97	10,911	0.03
100 to 1,000	116	7.02	55,738	0.13
1,001 to 10,000	1,079	65.28	3,330,694	7.92
10,001 to 100,000	172	10.41	4,682,855	11.14
100,001 to less than 5% of issued shares	19	1.15	4,551,634	10.83
5% and above of issued shares	3	0.18	29,410,992	69.95
	1,653	100.00	42,042,824	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct		Indirect	
	No. of shares	%	No. of shares	%
Toyo Seikan Co., Ltd. *(f.k.a. Toyo Seikan Spin-Off Preparation Co., Ltd.)*	23,104,569	54.95	–	–
DIC Corporation	4,204,283	10.00	–	–
Ajinomoto (Malaysia) Berhad	2,102,140	5.00	–	–
Toyo Seikan Group Holdings, Ltd. *(f.k.a. Toyo Seikan Kaisha Ltd.)*	–	–	23,104,569 *	54.95

Note:

* Deemed interested through its shareholding in Toyo Seikan Co., Ltd. pursuant to Section 6A of the Companies Act, 1965

DIRECTORS' SHAREHOLDINGS

		No. of Shares	%	No. of Shares	%
1.	Datuk Sulaiman Bin Daud	–	–	–	–
2.	Mitsuru Hiramuki	–	–	–	–
3.	Taufiq Ahmad @ Ahmad Mustapha Ghazali	–	–	–	–
4.	Kazuhisa Kobayashi	–	–	–	–
5.	Hiroshi Amano	14,000	0.03	–	–
6.	Hayato Kashiwagi	–	–	–	–

List Of Thirty Largest Shareholders

As at 22 April 2013

		No. of Shares	%
1.	Toyo Seikan Co., Ltd. *(f.k.a. Toyo Seikan Spin-Off Preparation Co., Ltd.)*	23,104,569	54.95
2.	DIC Corporation	4,204,283	10.00
3.	Ajinomoto (Malaysia) Berhad	2,102,140	5.00
4.	Ong Leong Huat	436,600	1.04
5.	Ho Siew Lee	408,800	0.97
6.	Chuah Chew Hing	385,000	0.92
7.	Chuah Cheng Soon	378,500	0.90
8.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Teh Kian Lang*	358,600	0.85
9.	RHB Capital Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Chee Sai Mun*	322,400	0.77
10.	Goh Yai Heng	300,000	0.71
11.	Quah Lake Jen	251,800	0.60
12.	Tan Lan Diang	239,900	0.57
13.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Khor Keng Saw @ Khaw Ah Soay*	234,000	0.56
14.	HLB Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Loh Kuan Fong*	168,000	0.40
15.	Dato' Teo Soo Cheng	163,300	0.39
16.	Loh Kee Fook	161,400	0.38
17.	Chua Eng Ho Wa'a @ Chua Eng Wah	142,000	0.34
18.	MKW Consolidated Sdn. Bhd.	140,667	0.33
19.	Soh Poh Yen	140,667	0.33
20.	Public Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Wong Ai Ming*	109,400	0.26
21.	Ou Yang Chow Min	107,200	0.25
22.	Public Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Teh Kian Lang*	103,400	0.25
23.	Maybank Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Tan Siew Giap*	100,000	0.24
24.	Teh Teaw Kee	93,500	0.22
25.	Liew Thong	90,000	0.21
26.	TA Nominees (Tempatan) Sdn. Bhd. *Beneficiary: Pledged Securities Account for Chua Eng Ho Waa @ Chua Eng Wah*	84,000	0.20
27.	Tan Kim Hwee	81,600	0.19
28.	Lee Mun Leong	81,000	0.19
29.	Teo Soo Cheng Sdn Bhd	80,000	0.19
30.	RHB Capital Nominees (Tempatan) Sdn Bhd *Beneficiary: Pledged Securities Account for Teh Yoke Fong*	75,000	0.18
		34,647,726	82.39

Properties

As at 31 December 2012

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 58602 in the Mukim Kuala Lumpur, 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 (26.05.2108)	38	12,145,171	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)	23	1	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)	23	1,991	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.

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MALAYSIA PACKAGING INDUSTRY BERHAD

(22265-U)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.:
Number of shares held:

I/ We, _____

of _____
being a *member/ members of **MALAYSIA PACKAGING INDUSTRY BERHAD**, hereby appoint

of _____

and/or failing him/ her, _____

of _____
or the Chairman of the Meeting as *my/ our proxy to attend and vote for *me/ us on *my/ our behalf at the **THIRTY-EIGHTH ANNUAL GENERAL MEETING** of the Company to be held at 6½ Mile, Simpang Salak South Baru (Lot 3, Jalan Kuchai Lama), 58200 Kuala Lumpur on Monday, 24 June 2013 at 10:00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below (if no indication is given, the proxy will vote as he thinks fit or abstain from voting):-

No.	Resolutions	FOR	AGAINST
1	Approval of payment of Directors' Fees of RM111,000		
2	Re-election of Mr. Kazuhisa Kobayashi as Director		
3	Re-appointment of Auditors		
4	Proposed retention of Datuk Sulaiman Bin Daud as Independent Director		
5	Proposed renewal of shareholders' mandate – DIC Group		
6	Proposed renewal of shareholders' mandate – TSGHD Group		

The proportion of *my/our holding to be represented by my/our *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

Telephone No. _____

Dated this_____ day of June 2013

NOTES:

i. 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.
ii. 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.
iii. Only members registered in the Record of Depositors as at 18 June 2013 shall be eligible to attend, speak and vote at this meeting or appoint proxy to attend and vote for his/her behalf.
iv. Where the member of the Company appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
v. Shareholders' attention is hereby drawn to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, which allows a member of the Company which is an exempt authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities amount ("omnibus account") to appoint multiple proxies in respect of each omnibus account it holds.
vi. 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.

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Then fold here

AFFIX
STAMP

The Company Secretary
BINA MANAGEMENT (M) SDN BHD
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan

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www.maypak.com

Malaysia Packaging Industry Berhad
(Incorporated In Malaysia) (22265-u)
Registered Office
6 ½ 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