



MALAYSIA PACKAGING INDUSTRY BERHAD (22265-U)
Quarterly Report for the 2nd quarter ended 30 June 2003

NOTES TO THE QUARTERLY REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MASB 26

1. Basis of Preparation and Significant Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with MASB 26 - Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Kuala Lumpur Stock Exchange, and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2002.

The same accounting policies and methods of computation are adopted in the interim financial statements as those used in the preparation of the most recent annual financial statement except during the financial year, the Company changed its accounting policy in respect of the treatment of deferred tax to comply with MASB 25 : Income Taxes, which became effective from 1 January 2003. In previous years, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future; and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences; and deferred tax assets are recognised for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

2. Audit Report

The audit report of the financial statements for the year ended 31 December 2002 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The operations of the Company for the financial period under review had not been materially affected by any seasonal or cyclical factors.

4. Unusual Items

There were no items during this quarter affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence except as otherwise noted in this report.

5. Changes in Estimate

There were no changes in estimates of amounts reported in prior quarter of the current or prior financial year which have a material effect in the current quarter.

6. Debt and Equity Securities

There were no share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares, issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date.

7. Dividends Paid

No dividend was paid during the quarter under review.



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8. Segmental Analysis

There is no segmental analysis prepared as the Company is principally engaged in the manufacturing of printed and laminated flexible light packaging materials and the operations are predominantly carried out

9. Valuations of Property, Plant and Equipment

The valuation of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

10. Subsequent Events

There were no material events subsequent to 30 June 2003 that have not been reflected in the financial statements for the quarter ended 30 June 2003.

11. Changes in the Composition of the Company

There were no changes in the composition of the Company for the current quarter and financial year-to-date.

12. Contingent Liabilities

There were no contingent liabilities as at the date of this quarterly report.

13. Capital Commitments

The amount of commitments not provided for in the interim financial statements as at 30 June 2003 is as follows :

Approved and contracted for :
Property, plant and equipment

RM'000

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PART B - EXPLANATORY NOTES PURSUANT TO CHAPTER 9 PART K OF THE LISTING
REQUIREMENTS OF KLSE

14. Performance Review

Turnover for the quarter under review was RM15.2 million as against RM16.2 million of the previous corresponding period, representing a decrease of RM1 million or 6%. The loss in consumer confidence caused by the uncertain economic outlook arising from the political turmoil in the Middle East and the global outbreak of Severe Acute Respiratory Syndrome (SARS) in the quarter under review impacted the Company's turnover.

The lower than planned turnover fell short of absorbing the additional financial and depreciation charges as well as operating overheads arising from the recent investment in plant and machinery to increase production capacity. The Company incurred a loss of RM771,000 during the quarter as against a profit before tax of RM919,000 in the corresponding period.

15. Material Changes in Quarterly Results compared to the Results of the Immediate Preceding Quarter

The turnover for the quarter under review was higher at RM15.2 million as against RM13.4 million in the last quarter, representing an increase of RM1.8mil or 13%. However, sharp increases in major raw material prices and intense competition in a shrinking market further eroded the already thin margins. The Company registered a loss of RM771,000 for the quarter under review as compared to a loss of RM40,000 as reported in the previous quarter.

16. Current Year Prospects

The RM7.3 billion Economic Stimulus Package unveiled by the Government on 21 May 2003 and World Health Organisation's clearance of the SARS affected areas has helped regained consumer confidence and spending. Stronger growth is thus expected in the second half of 2003. Barring unforeseen circumstances, the Directors expect the overall performance of the company will be marginally improved in the 2nd half of 2003.

17. Profit Forecast or Profit Guarantee

Not applicable for the quarter under review.

18. Taxation

Except for reversal of deferred taxation due to over provision in prior years, there is no tax charge for the current quarter and current year-to-date due to losses incurred in operations.

19. Profits/(loss) on Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investments and/or properties for the current quarter and financial year-to-

20. Quoted Securities

There is no quoted securities nor were there any purchases or disposals of quoted securities for the current quarter and financial year-to-date.



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21. Status of Corporate Proposals

The Company is implementing a Rights and Bonus Issue to meet the present requirements of the Securities Commission ("SC") for companies listed on the Second Board of the KLSE to have a minimum issued and paid-up share capital of RM40million.

Shareholders approved the Proposed Rights Issue, Bonus Issue and Exemption to Ajinomoto Co. Inc. ("Aji Co.") and Concert Parties from holding a mandatory offer for shares they do not own after the Rights Issue and additional subscription by Aji Co. (Exemption) at an EGM held on 26 June 2003.

On 23 July 2003, the SC has granted an exemption under Practice Note 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1998 to exempt Aji Co. and its Concert Parties.

Approval-in-principle has been obtained from the KLSE on 13 August 2003 for the listing of and quotation for the Rights Issue and Bonus Issue.

22. Borrowings and Debt Securities

The company has unsecured short term borrowings of USD700,000 and RM4,356,000 as at 30 June 2003.

23. Financial Instruments with Off Balance Sheet Risk

There were no financial instruments with off balance sheet risk as at the date of this quarterly report.

24. Material Litigation

There were no pending material litigation as at the date of this quarterly report.

25. Dividend Payable

The directors do not recommend any dividend for the financial quarter under review.

26. Earnings Per Share

(a) Basic Earnings Per Share

The earnings per share is calculated by dividing the net profit for the period under review by the number of ordinary shares in issue of 21,021,412 shares of RM1.00 each during the said financial period.

(b) Diluted Earnings Per Share

Not applicable.

By Order of the Board

TAY HOW SENG
Chairman

Kuala Lumpur, Malaysia
28 August 2003