



MALAYSIA PACKAGING INDUSTRY BERHAD (22265-U)
Quarterly Report for the 2nd Quarter ended 30 June 2006

NOTES TO THE QUARTERLY REPORT

PART A - EXPLANATORY NOTES PERSUANT TO FRS134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and Appendix 9B (Part A) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2005.

2. Changes in Accounting Policies

The significant accounting policies and methods of computation adopted in the interim financial statements are consistent with those used in the preparation of the most recent annual financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006 :

FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 112	Income taxes
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

In addition to the above, the Company has also taken the option of early adoption of FRS 117 : Leases for the financial period beginning 1 January 2006.

The adoption of the above FRSs does not have significant financial impact on the Company except the principal effects of the changes in accounting policies resulting from the adoption of the following new/revised FRSs as discussed below :

- (a) FRS 112 : Income taxes
In prior years, the Company recognised the deferred tax assets arising from reinvestment allowances to the extent of deferred tax liabilities. During the current year, the Company changed its accounting policy and accordingly, deferred tax assets on unused reinvestment allowances are no longer recognised. As a result of this change, the Company has restated its prior year accumulated losses and net loss for 2005 by increasing the accumulated losses as at 1 January 2005 by RM786,789 and reduced the net loss for 2005 by RM786,789 accordingly.
- (b) FRS 116 : Property, Plant and Equipment ("PPE")
The revised FRS 116 requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The standard also requires the depreciation to be charged separately for each significant part of an item of PPE. Under the revised standard, initial estimate of cost of obligatory dismantling, removing and restoring the site are included as cost of PPE, similarly, regular major inspections of assets is also recognised in the carrying amount of the PPE regardless of whether parts of the item are replaced while the cost of the previous inspection is derecognised. Any revisions made will be accounted for as change in accounting estimates.



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2. Changes in Accounting Policies (cont.)

(c) FRS 117 : Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses. The leasehold land was last revalued in 1990.

Upon the adoption of the revised FRS 117 at 1 January 2006, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retroactively and as disclosed in Note 3, certain comparative amounts as at 31 December 2005 have been restated.

3. Comparatives

The following comparative amounts as at 31 December 2005 have been restated due to the adoption of FRS 117 (Note 2(c)) :

	As previously stated RM'000	Reclassification RM'000	Restated RM'000
Property, plant and equipment	32,028	(2,285)	29,743
Prepaid lease payments			
- Non-current asset	-	2,247	2,247
- Current asset	-	38	38

4. Auditors' Report

The auditors' report of the financial statements for the year ended 31 December 2005 was not qualified.

5. 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.

6. 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.

7. Changes in Estimates

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 results except that the Company had revised the residual values of motor vehicles and certain plant machinery. In addition, the estimated useful lives of private motor vehicles and certain plant machinery has been extended from 5 to 7 years and 10 to 20 and 30 years respectively with effect from 1 January 2006. The revisions were accounted for as change in accounting estimates and as a result, the depreciation charges for the current quarter and the current financial period ended 30 June 2006 have been reduced by RM504,657 and RM510,970 accordingly.



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8. 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.

9. Dividends Paid

No dividend was paid during the quarter under review.

10. 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 in Malaysia.

11. 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.

12. Subsequent Events

There were no material events subsequent to 30 June 2006 that have not been reflected in the financial statements for the quarter under review.

13. Changes in the Composition of the Company

On 28 February 2006, the Company received notification of a conditional Shares Sale Agreement ("SSA") signed between the Ajinomoto group of companies comprising Ajinomoto Co., Inc., Ajinomoto (Malaysia) Berhad and Malaysia Ve-Tsin Manufacturing Company Berhad and Toyo Seikan Kaisha, Ltd. ("TSK") for the sale and purchase of 52.01% equity interest in the Company.

On 30 March 2006, conditions of the SSA were met and the Company became a 52.01% owned subsidiary of TSK, a company incorporated in Japan. In consequence thereof and pursuant to Section 33B(2) of the Securities Commission Act, 1993 and Part II of Malaysian Code On Take-Overs and Mergers, 1998, TSK is obliged to extend an unconditional take-over offer to acquire the remaining 47.99% shares of the Company not already owned by TSK ("the Offer"). Upon the expiry of the Offer on 11 May 2006, TSK holds a total of 54.95% of the issued and paid-up share capital of the Company.

14. Contingent Liabilities

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

15. Capital Commitments

There were no capital commitments as at the date of this quarterly report.



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PART B - EXPLANATORY NOTES PERSUANT TO APPENDIX 9B (PART A) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

16. Performance Review

Turnover for the quarter under review was RM16.7 million as against RM18.7 million of the previous corresponding quarter, representing a reduction of RM2.0 million or 11%. The Company registered a pre-tax loss of RM509,000 during the quarter as against a pre-tax profit of RM116,000 in the corresponding quarter. Higher loss incurred in current quarter was mainly due to sales mix and higher production cost.

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

The turnover for the quarter under review was slightly higher at RM16.7 million as against RM15.9 million in the immediate preceding quarter. The Company registered a pre-tax loss of RM509,000 for the quarter under review as compared to a pre-tax loss of RM618,000 in the immediate preceding quarter. Lower loss incurred in the current quarter was mainly due to higher sales volume and adjustment made in respect of depreciation on motor vehicles and plant machinery as a result of adoption of FRS 116 - Property, Plant and Equipment.

18. Current Year Prospects

The increase in electricity tariff, surging crude oil price and potential inflationary effect have further increased the cost of production and intensified the competition. However, the Company will remain committed to its long term strategies to develop new markets and to introduce new technologies. The directors are of the opinion that the Company's performance outlook for the year is envisaged to be the same as last financial year.

19. Profit Forecast or Profit Guarantee

Not applicable for the quarter under review.

20. Taxation

There is no provision for taxation in the current quarter and current financial year-to-date as the Company have sufficient unabsorbed capital allowances brought forward to set off against its tax liabilities.

21. 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-date.

22. Quoted Securities

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

23. Status of Corporate Proposals

There were no corporate proposals announced as at the date of this report except as disclosed in Note 13 of this report.

24. Borrowings

	As at 30/06/2006	As at 31/12/2005
	RM'000	RM'000
<u>Short Term Borrowings</u>		
<u>Unsecured</u>		
Term loan	813	813
Bankers acceptance	3,787	3,208
Revolving credit	-	2,600
Hire purchase	116	42
Bank overdraft	-	304
	4,716	6,967



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24. Borrowings (cont.)

	As at 30/06/2006	As at 31/12/2005
	RM'000	RM'000
<u>Long Term Borrowings</u>		
<u>Unsecured</u>		
Hire purchase	192	-
Term loan	5,687	5,687
	5,879	5,687

25. 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.

26. Material Litigation

As at the date of this quarterly report, there were no changes in material litigation, including the status of pending material litigation since the last quarter balance sheet date of 31 March 2006, except that on 22 June 2006, a judgment in default of RM162,720 was recorded in the Company's favour against LS Rubber Sdn Bhd. The Company is now awaiting the extraction of the said draft judgment from Court.

As at the date of this report, the above amount claimed have been fully provided for in the financial statements.

27. Dividend Payable

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

28. Earnings/(Loss) Per Share

(a) Basic Earnings/(Loss) Per Share

The loss per share are calculated by dividing the net loss for the period under review by the number of ordinary shares in issue of 42,042,824 shares of RM1.00 each during the said financial period.

(b) Diluted Earnings Per Share

Not applicable.

By Order of the Board

MANABU WATANABE
 Chief Executive Officer

Kuala Lumpur, Malaysia
 24 August 2006