



MALAYSIA PACKAGING INDUSTRY BERHAD (22265-U)
Quarterly Report for the 3rd Quarter and nine months ended 30 September 2016

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	3 months ended 30 Sept 2016 RM'000	3 months ended 30 Sept 2015 RM'000	9 months ended 30 Sept 2016 RM'000	9 months ended 30 Sept 2015 RM'000
Revenue	21,907	21,966	66,156	66,216
Other operating income	394	435	949	997
Operating expenses	(22,561)	(26,282)	(68,903)	(72,577)
Gain/(Loss) from operations	(260)	(3,881)	(1,798)	(5,364)
Interest expense	(335)	(303)	(996)	(915)
Gain/(Loss) before taxation	(595)	(4,184)	(2,794)	(6,279)
Taxation	-	-	-	-
Profit/(Loss) for the period	(595)	(4,184)	(2,794)	(6,279)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent period:</i>				
Fair value loss from cash flow hedge	-	(184)	-	(222)
Fair value (loss)/gain from available-for-sale financial asset	7	16	(40)	89
Other comprehensive (loss)/gain for the period	7	(168)	(40)	(133)
Total comprehensive gain/(loss) for the period	(588)	(4,352)	(2,834)	(6,412)
Gain/(Loss) per share (sen) :				
- Basic	(1.42)	(9.95)	(6.65)	(14.93)
- Diluted	(1.42)	(9.95)	(6.65)	(14.93)

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



MALAYSIA PACKAGING INDUSTRY BERHAD (22265-U)
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CONDENSED STATEMENT OF FINANCIAL POSITION

(The figures have not been audited)

	30 September 2016 RM'000	31 December 2015 RM'000
NON CURRENT ASSETS		
Property, plant and equipment	43,631	46,185
Land use rights	2,308	2,327
	45,939	48,512
CURRENT ASSETS		
Inventories	11,834	13,855
Trade and other receivables	19,578	18,526
Other current assets	193	137
Available-for-sale financial asset	332	372
Cash and bank balances	4,617	5,516
	36,554	38,406
TOTAL ASSETS	82,493	86,918
EQUITY AND LIABILITIES		
EQUITY		
Issued capital	42,043	42,043
Available-for-sale reserve	258	298
Equity Contribution	32,426	-
Accumulated losses	(22,293)	(19,499)
TOTAL EQUITY	52,434	22,842
NON-CURRENT LIABILITIES		
Loans and borrowings	91	24,443
CURRENT LIABILITIES		
Loans and borrowings	15,136	24,125
Trade and other payables	14,832	15,508
	29,968	39,633
TOTAL LIABILITIES	30,059	64,076
TOTAL EQUITY AND LIABILITIES	82,493	86,918
Net assets per share (RM)	1.25	0.54

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



MALAYSIA PACKAGING INDUSTRY BERHAD (22265-U)
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CONDENSED STATEMENT OF CASH FLOW

(The figures have not been audited)

	9 months ended 30 Sept 2016	12 months ended 31 Dec 2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(2,794)	(7,457)
Adjustments for :		
Non-cash operating items	3,507	12,792
Interest expense	996	1,258
Operating profit before working capital changes	1,709	6,593
Changes in working capital :		
Decrease/(Increase) in inventories	1,607	(2,976)
Increase in receivables	(1,116)	(1,136)
(Decrease)/Increase in payables	(671)	1,582
Cash (used in)/generated from operations	1,529	4,063
Interest paid	(996)	(1,258)
Net cash (used in)/generated from operating activities	533	2,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,320)	(3,057)
Net cash used in investing activities	(1,320)	(3,057)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan to holding company	(2,820)	(4,817)
Drawdown of loan from holding company	-	3,500
Repayment of a term loan	(462)	(1,846)
Increase in short term borrowings	3,230	1,272
Repayments of obligations under finance leases	(29)	(36)
Net cash generated from/(used in) financing activities	(80)	(1,927)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(866)	(2,179)
EFFECT OF EXCHANGE RATE CHANGES	(32)	(720)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	5,516	8,415
CASH AND CASH EQUIVALENT AT END OF THE PERIOD *	4,617	5,516
* Cash and cash equivalents consists of :		
Cash on hand and at bank	<u>4,617</u>	<u>5,516</u>

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



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CONDENSED STATEMENTS OF CHANGES IN EQUITY

(The figures have not been audited)

	I---Non-distributable---I			Distributable		Total
	Issued capital	Cashflow hedge reserve	Available- for-sale reserve	Equity Contribution	Accumulated losses	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	42,043	-	298	-	(19,499)	22,842
Total comprehensive gain for the period	-	-	(40)	32,426	(2,794)	29,592
At 30 September 2016	42,043	-	258	32,426	(22,293)	52,434
At 1 January 2015	42,043	222	129	-	(12,042)	30,352
Total comprehensive loss for the period	-	(222)	89	-	(6,279)	(6,412)
At 30 September 2015	42,043	-	218	-	(18,321)	23,940

The Condensed Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



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NOTES TO THE QUARTERLY REPORT

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

1 Basis of Preparation and Significant Accounting Policies

The condensed interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 : *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

This report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2015.

The accounting policies and methods of computation adopted in this interim financial reports are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2015.

2 Changes in Accounting Policies

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2015 except as follows:

On 1 January 2016, the Company adopted the following amended MFRS and improvements to MFRS for annual financial period beginning on or after 1 January 2016, where applicable.

MFRS 5	Amendment to MFRS 5(Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 7	Amendment to MFRS 7(Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 10	Amendment to MFRS 10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments to MFRS 10 Investment Entities: Applying the Consolidation Exception
MFRS 11	Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
MFRS 12	Amendments to MFRS 12 Investment Entities: Applying the Consolidation Exception
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Amendments to MFRS 101 Disclosure Initiative
MFRS 116	Amendment to MFRS 116(Clarification of Acceptable Methods of Depreciation and Amortisation)
MFRS 119	Amendment to MFRS 119(Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 127	Amendment to MFRS 127 Equity Method in Separate Financial Statements



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MFRS 128	Amendment to MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments to MFRS 128 Investment Entities:Applying the Consolidation Exception
MFRS 134	Amendment to MFRS 134(Annual Improvements to MFRSs 2012-2014 Cycle)
MFRS 138	Amendment to MFRS 138(Clarification of Acceptable Methods of Depreciation and Amortisation)

The directors expect that the adoption of the above amendments to standard and annual improvements will have no material impact on the financial statements in the period of initial application.

2.1 MFRS issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRS, amendments to MFRS and annual improvements to MFRS were issued but not yet effective and have not been applied by the Company. The Company intends to adopt, where applicable , these standards and amendments to standards as and when they become effective:

Effective for annual periods beginning on or after 1 January 2017

MFRS 107	Amendment to MFRS 107 (Disclosure Initiative)
MFRS 112	Amendment to MFRS 112 (Recognition of Deferred Tax Assets for Unrealised Losses)

Effective for annual periods beginning on or after 1 January 2018

MFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendment to MFRS 2)
MFRS 9	Financial Instruments(IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
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The directors expect that the adoption of the above amendment to standard will have no material impact on the financial statements in the period of initial application.

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.



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4 Unusual Items

On 13 September 2016, a deed of waiver was executed between the Company and Toyo Seikan Group Holdings, Ltd whereby subject to the completion of the sale of shares under the Sale and purchase agreement dated 29 July 2016, the latter has agreed to waive all the outstanding amounts owing by the Company, except for interests charged for the period until the said completion ("Waiver of Loans"). As at 30 June 2016, the total amount owing to Toyo Seikan Group Holdings, Ltd (excluding interest payable) is RM32,426,000 (being RM equivalent of the aggregate amount of JPY205,200,000, USD5,180,000 and RM3,500,000 based on the middle exchange rate quoted on Bank Negara Malaysia website as at 30 June 2016 of JPY100:RM3.9196 and USD1:RM4.0315). On 29 September 2016, the Acquisition has been completed and accordingly, the condition in the deed of waiver has been fulfilled.

5 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.

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.

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 in Malaysia.

Geographical information

Revenue information based on geographical location of customers is as follows:

	9 months ended	
	30/9/2016	30/9/2015
	<u>RM'000</u>	<u>RM'000</u>
Malaysia	49,644	47,115
ASEAN	14,877	17,039
Others	1,635	2,062
	<u>66,156</u>	<u>66,216</u>

9 Valuations of Property, Plant and Equipment

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



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NOTES TO THE QUARTERLY REPORT

10 Subsequent Events

There were no material events subsequent to 30 September 2016 and up to the date of this report that have not been reflected or disclosed in the financial statements for the quarter under review.

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 Liability

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

13 Capital Commitments

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

14 Related party transactions

Significant transactions between the Company and related parties are as follows:-

	9 months ended	
	30/9/2016	30/9/2015
	<u>RM'000</u>	<u>RM'000</u>
Sales to related parties:		
Ajinomoto (M) Berhad	3,305	2,494
Toyo Seikan (Thailand) Co. Ltd	1,600	866
Purchases from related parties:		
DIC (Malaysia) Sdn Bhd	664	1,153
Tokan Trading Corporation	1,518	755

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

15 Performance Review

Turnover for the quarter under review was RM21.91 million, decreased by RM0.06 million from RM21.97 million achieved in last year similar quarter. The decrease in turnover was mainly due to lower demand for retort pouch.

The Company registered a pre-tax loss of RM0.59 million during the quarter as against a pre-tax loss of RM4.18 million similar quarter of last year. The lower loss was mainly due to unrealised foreign exchange gain of RM0.06 million as opposed to a unrealised foreign exchange loss of RM4.39 million in the similar quarter of last year.



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NOTES TO THE QUARTERLY REPORT

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

The turnover of RM21.91 million for the current quarter is lower by 2.0% as compared with turnover of RM22.35 million achieved in the immediate preceding quarter. The decrease was attributable to lower sales in condom category.

The Company recorded a pre-tax loss of RM0.59 million during the quarter as against a pre-tax loss of RM2.63 million in the preceding quarter. This was mainly due to foreign translation gain of RM0.01 million as opposed to foreign translation loss of RM1.79 million achieved in the immediate preceding quarter.

17 Prospect

The Board is of the opinion that the business operating environment is expected to a challenging one due to uncertainties in the global economy and rising costs. However, the Company will continue to focus on enhancing its business profitability by cost control measures and better management of its product sales mix by exploring new market opportunities.

18 Profit Forecast or Profit Guarantee

There was no profit forecast or profit guarantee for the current quarter and financial year-to-date.

19 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 and reinvestment allowance brought forward to set off against its tax liabilities.

20 Status of Corporate Proposal

On 29 July 2016, the Company's major shareholder, Toyo Seikan Co Ltd ("TSCL") has entered into a conditional sale and purchase agreement ("SPA") with Taisei Lamick Co Ltd ("TLC") for the acquisition of TSCL's entire equity interest of 54.95% stake in the Company for 16.6 sen per share, totalling a cash consideration RM3.84 million ("Proposed Acquisition"). On 15 September 2016, the SPA was declared unconditional. As a result thereof, TLC is obliged to extend a mandatory take-over offer to acquire all the remaining ordinary shares not already held by TLC for a cash consideration of RM0.65 per Offer Share pursuant to Section 218(2) of the CMSA and subparagraph 4.01(a) of the Rules. The SPA was completed on 29 September 2016. On 6 October 2016, TLC issued the offer documents to the Company shareholders in relation to unconditional mandatory take-over offer. On 17 October 2016, the Company posted Independent Advice Circular to the shareholders of the Company. The Company has on 31 October 2016 received a notice from RHB Investment Bank Berhad, on behalf of the Offeror, informing that the Offeror has revised the offer price for the Offer Shares from RM0.65 to RM1.00 per Offer Share ("Revised Offer Price"). The Revised Offer shall remain open for acceptances until 5.00 p.m (Malaysian time) on Tuesday, 15 November 2016. All other terms and conditions as stated in the Offer Document remain unchanged.



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21 Borrowings

	As at 30/9/2016 RM'000	As at 30/9/2015 RM'000
Short Term Borrowings		
<i>Secured</i>		
Obligations under finance leases	36	36
<i>Unsecured</i>		
Term loan	-	923
Bankers acceptance	-	1,250
Revolving credit	15,100	10,000
Bank Overdraft	-	42
Loans from holding company	-	4,546
	15,100	16,761
	15,136	16,797
	As at 30/9/2016 RM'000	As at 30/9/2015 RM'000
Long Term Borrowings		
<i>Secured</i>		
Obligations under finance leases	91	129
<i>Unsecured</i>		
Loans from holding company	-	30,270
	-	30,270
	91	30,399

22 Material Litigation

As at the date of this quarterly report, there was no material litigation pending.

23 Dividend Payable

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



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24 Loss Per Share

The loss per share is 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.

	9 months ended	
	<u>30/9/2016</u>	<u>30/9/2015</u>
<u>Gain/(Loss) per share</u>		
Gain/(Loss) attributable to equity holders of the Company(RM'000)	(2,794)	(6,279)
Weighted average number of ordinary shares in issued('000)	42,043	42,043
Gain/(Loss) per share(sen)	(6.65)	(14.93)

25 Gain/(Loss) before taxation

The following amounts have been included in arriving at gain/(loss) before taxation

	9 months ended	
	<u>30/9/2016</u>	<u>30/9/2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Other income	(949)	(997)
Interest expense	996	915
Depreciation and amortisation	3,823	3,906
Write off of inventories	415	180
Property, plant and equipment - written off	68	23
Net Foreign exchange (gain)/loss		
- Realised	1,167	(1,904)
- Unrealised	(1,286)	7,353

26 Realised and Unrealised Losses Disclosures

The breakdown of the accumulated losses as at the reporting date, into realised and unrealised is as follows:

	<u>As at 30/9/2016 RM'000</u>	<u>As at 31/12/2015 RM'000</u>
Total accumulated losses for the Company:		
- Realised loss	(23,579)	(12,690)
- Unrealised gain / (loss)	1,286	(6,809)
Total accumulated losses as per financial statements	(22,293)	(19,499)



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NOTES TO THE QUARTERLY REPORT

27 Auditors' Report

The auditors' report of the financial statements for the year ended 31 December 2015 was not qualified.

By Order of the Board

TAKUNARI OSHITANAI
Chief Executive Officer/Managing Director

Kuala Lumpur, Malaysia
Date : 14 November 2016