

**ADVANCED PACKAGING TECHNOLOGY  
(M) BHD**  
(Co. No. 82982 – K)  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY**

**REPORTS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2004**  
(In Ringgit Malaysia)

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Co. No. 82982 – K)  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARY**

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**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Co. No. 82982-K)  
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**AND ITS SUBSIDIARY**

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Chee Sam Fatt (Chairman)  
Tjin Kiat @ Tan Cheng Keat (Managing Director)  
Yeo Tek Ling (Finance Director)  
Dato' Haji Ghazali b. Mat Ariff  
Dato' Law Sah Lim  
Datuk Ismail bin Haji Ahmad  
Mah Siew Seng  
Eu Hock Seng  
Ng Choo Phuan @ Kuan Choo Phuan  
(Resigned on 25.2.2005)  
Ng Choo Tim

**SECRETARY**

Goon Kok Keong  
(MAICSA 0698849)

**AUDITORS**

PKF  
AF 0911  
Chartered Accountants

**AUDIT COMMITTEE**

Dato' Haji Ghazali b. Mat Ariff (Chairman)  
- Independent Non-Executive Director  
Datuk Ismail bin Haji Ahmad  
- Non-Independent Non-Executive Director  
Mah Siew Seng  
- Independent Non-Executive Director

**REGISTERED OFFICE**

23B Jalan 52/1  
46200 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03-7960 0648  
Fax: 03-7957 0094

**REGISTRAR & SHARE TRANSFER  
OFFICE**

Symphony Share Registrars Sdn. Bhd.  
(Formerly known as Malaysian Share Registration  
Service Sdn. Bhd.)  
Level 26, Menara Multi Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel: 03-2721 2222  
Fax: 03-2721 2530

**PRINCIPAL BANKER**

Bumiputra-Commerce Bank Berhad

**STOCK EXCHANGE LISTING**

Bursa Malaysia Securities Berhad - Second Board

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2004.

**Principal activities**

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials. The principal activities of the subsidiary are disclosed in Note 8 to the financial statements.

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

**Results**

	<b>Group RM</b>	<b>Company RM</b>
Net profit for the year	<u>2,431,844</u>	<u>2,516,280</u>

**Reserves and provisions**

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

**Dividends**

Since the end of the previous financial year, the Company paid a tax exempt final dividend of 4.00% totaling RM1,640,340 in respect of the financial year ended 31 December 2003, on 23 July 2004.

The final dividend recommend by the Directors in respect of the year ended 31 December 2004 is 2.00% tax exempt dividend totaling RM820,170.

**Directors**

Directors who served since the date of the last report are:-

Chee Sam Fatt  
Tjin Kiat @ Tan Cheng Keat  
Yeo Tek Ling  
Dato' Haji Ghazali b. Mat Ariff  
Dato' Law Sah Lim  
Datuk Ismail bin Haji Ahmad  
Mah Siew Seng  
Eu Hock Seng  
Ng Choo Phuan @ Kuan Choo Phuan - Resigned on 25.2.2005  
Ng Choo Tim

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**Directors' interest in shares**

The shareholdings in the Company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept under Section 134 of the Companies Act, 1965, are as follows:

	<b>Number of ordinary shares of RM1 each</b>			<b>At 31.12.2004</b>
	<b>At 1.1.2004</b>	<b>Bought</b>	<b>Sold</b>	
Shareholdings registered in the name of Directors:				
Dato' Law Sah Lim	839	105,790	(54,800)	51,829
Tjin Kiat @ Tan Cheng Keat	2,405,378	-	-	2,405,378
Yeo Tek Ling	24,338	-	-	24,338
Chee Sam Fatt	20,250	-	-	20,250
Eu Hock Seng	22,421	-	-	22,421
Ng Choo Phuan @ Kuan Choo Phuan	523,991	-	(523,991)	-
Ng Choo Tim	1,296,594	-	-	1,296,594

None of the other Directors holding office at 31 December 2004 had any interest in the ordinary shares of the Company during the financial year.

**Directors' benefits**

Since the end of the previous financial year, no Director has received nor become entitled to receive any benefit (other than a benefit included in aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the 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.

There were no arrangements during or at the end of the financial year, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**Issue of shares**

There were no changes in the issued and paid-up capital of the Company during the financial year.

**Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the year.

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**Other statutory information**

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts had been written off and adequate provision made for doubtful debts, and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the financial statements of the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to current assets in the Group and in the Company financial statements misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secured the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group and the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet their obligations when they fall due.

In the opinion of the Directors, the results of the operations of the Group and the Company for the financial year ended 31 December 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**Auditors**

The auditors, Messrs PKF, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

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TJIN KIAT @ TAN CHENG KEAT

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NG CHOO TIM

Kuala Lumpur

Dated: 26 April 2005

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Co. No. 82982-K)  
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**STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE  
COMPANIES ACT, 1965**

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2004 and of the results of their operations and the cash flows for the year ended on that date.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

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TJIN KIAT @ TAN CHENG KEAT

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NG CHOO TIM

Kuala Lumpur

Dated: 26 April 2005



**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965**

We, TJIN KIAT @ TAN CHENG KEAT and YEO TEK LING, being the Directors primarily responsible for the financial management of ADVANCED PACKAGING TECHNOLOGY (M) BHD, do solemnly and sincerely declare that to the best of our knowledge and belief, the accompanying financial statements are correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed TJIN KIAT @ TAN CHENG )  
KEAT and YEO TEK LING at Kuala Lumpur )  
in Wilayah Persekutuan on 26 April 2005 )

\_\_\_\_\_  
TJIN KIAT @ TAN CHENG KEAT

\_\_\_\_\_  
YEO TEK LING

Before me,

\_\_\_\_\_  
COMMISSIONER FOR OATHS

**REPORT OF THE AUDITORS TO THE MEMBERS OF  
ADVANCED PACKAGING TECHNOLOGY (M) BHD**

(Co. No. 82982-K)

(Incorporated in Malaysia)

We have audited the accompanying financial statements of ADVANCED PACKAGING TECHNOLOGY (M) BHD. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
    - (i) the state of affairs of the Group and the Company as at 31 December 2004 and of the results of their operations and cash flows for the year ended on that date; and
    - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and the Company;
- and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditor's report thereon of the subsidiary of which we have not acted as auditors, as indicated in Note 8 to the financial statements.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

PKF  
AF 0911  
CHARTERED ACCOUNTANTS

ANTHONY JOSEPH SKELCHY  
251/03/07 (J/PH)  
PARTNER

Kuala Lumpur

Dated: 26 April 2005

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue		22,564,161	22,528,028	22,564,161	22,528,028
Other operating income		887,479	337,675	887,479	337,675
Changes in inventories of finished goods and work-in-progress		229,025	(54,200)	229,025	(54,200)
Raw materials used		(14,087,328)	(12,440,119)	(14,087,328)	(12,440,119)
Staff costs (inclusive of Directors' remuneration)	2	(2,952,108)	(3,142,876)	(2,899,608)	(3,052,876)
Depreciation		(1,368,434)	(1,189,691)	(1,368,434)	(1,189,691)
Other operating expenses		(2,615,426)	(3,089,755)	(2,583,532)	(3,024,459)
<b>Operating profits</b>	3	<u>2,657,369</u>	<u>2,949,062</u>	<u>2,741,763</u>	<u>3,104,358</u>
Interest income		743,501	967,173	743,501	967,173
Finance cost		(20,637)	(20,514)	(20,595)	(20,387)
<b>Profit before tax</b>		<u>3,380,233</u>	<u>3,895,721</u>	<u>3,464,669</u>	<u>4,051,144</u>
Income tax expense	4	(948,389)	(752,409)	(948,389)	(752,409)
<b>Net profit for the year</b>		<u><u>2,431,844</u></u>	<u><u>3,143,312</u></u>	<u><u>2,516,280</u></u>	<u><u>3,298,735</u></u>
Basic earnings per share (sen)	5	<u><u>5.93</u></u>	<u><u>7.67</u></u>		
Dividends per share (sen)	6	<u><u>4.00</u></u>	<u><u>4.95</u></u>	<u><u>4.00</u></u>	<u><u>4.95</u></u>

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**BALANCE SHEETS AS AT 31 DECEMBER 2004**

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
<b>Long term assets</b>					
Property, plant and equipment	7	10,129,935	10,590,433	10,129,935	10,590,433
Investment in subsidiary	8	-	-	4,921	4,921
Investment in joint venture	9	10,810,566	10,828,091	-	-
Amount due from a subsidiary	10	-	-	11,147,887	11,063,444
		<u>20,940,501</u>	<u>21,418,524</u>	<u>21,282,743</u>	<u>21,658,798</u>
<b>Current assets</b>					
Inventories	11	6,261,945	3,766,636	6,261,945	3,766,636
Trade receivables	12	5,194,975	5,069,388	5,194,975	5,069,388
Other receivables, deposits and prepayments	13	776,109	529,640	776,109	529,640
Cash and cash equivalents	14	19,801,963	21,331,043	19,801,963	21,331,043
		<u>32,034,992</u>	<u>30,696,707</u>	<u>32,034,992</u>	<u>30,696,707</u>
<b>Current liabilities</b>					
Trade payables		1,530,101	1,497,494	1,530,101	1,497,494
Amount due to Directors	15	180,000	180,000	180,000	180,000
Other payables and accruals		861,924	1,024,061	856,483	1,018,612
Tax payable		91,383	-	91,383	-
		<u>2,663,408</u>	<u>2,701,555</u>	<u>2,657,967</u>	<u>2,696,106</u>
<b>Net current assets</b>		29,371,584	27,995,152	29,377,025	28,000,601
<b>Long term and deferred Liabilities</b>					
Deferred taxation	16	1,230,906	1,150,000	1,230,906	1,150,000
Provision for staff gratuity	17	466,566	423,043	466,566	423,043
		<u>(1,697,472)</u>	<u>(1,573,043)</u>	<u>(1,697,472)</u>	<u>(1,573,043)</u>
		<u>48,614,613</u>	<u>47,840,633</u>	<u>48,962,296</u>	<u>48,086,356</u>
<b>Financed by:</b>					
Share capital	18	41,008,500	41,008,500	41,008,500	41,008,500
Reserves	19	7,606,113	6,832,133	7,953,796	7,077,856
<b>Shareholders' funds</b>		<u>48,614,613</u>	<u>47,840,633</u>	<u>48,962,296</u>	<u>48,086,356</u>

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**STATEMENTS OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	Share capital RM	<i>Non- distributable Translation reserve RM</i>	<i>Distributable Retained profits RM</i>	Total RM
<b>Group</b>					
At 1 January 2003		18,226,000	(8,395)	27,357,877	45,575,482
Currency translation differences		-	24,026	-	24,026
Issue of shares	18	22,782,500	-	(22,782,500)	-
Net profit for the year		-	-	3,143,312	3,143,312
Dividends	6	-	-	(902,187)	(902,187)
<b>At 31 December 2003</b>		<b>41,008,500</b>	<b>15,631</b>	<b>6,816,502</b>	<b>47,840,633</b>
Currency translation differences		-	(17,524)	-	(17,524)
Net profit for the year		-	-	2,431,844	2,431,844
Dividends	6	-	-	(1,640,340)	(1,640,340)
<b>At 31 December 2004</b>		<b>41,008,500</b>	<b>(1,893)</b>	<b>7,608,006</b>	<b>48,614,613</b>
<b>Company</b>					
At 1 January 2003		18,226,000	-	27,463,808	45,689,808
Issue of shares	18	22,782,500	-	(22,782,500)	-
Net profit for the year		-	-	3,298,735	3,298,735
Dividends	6	-	-	(902,187)	(902,187)
<b>At 31 December 2003</b>		<b>41,008,500</b>	<b>-</b>	<b>7,077,856</b>	<b>48,086,356</b>
Net profit for the year		-	-	2,516,280	2,516,280
Dividends	6	-	-	(1,640,340)	(1,640,340)
<b>At 31 December 2004</b>		<b>41,008,500</b>	<b>-</b>	<b>7,953,796</b>	<b>48,962,296</b>

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>Cash flows generated from/ (used in) operating activities</b>				
Profit before tax	3,380,233	3,895,721	3,464,669	4,051,144
Adjustments for:				
Depreciation	1,368,434	1,189,691	1,368,434	1,189,691
Gain on disposal of property, plant and equipment	(82,965)	(6,000)	(82,965)	(6,000)
Interest income	(743,501)	(967,173)	(743,501)	(967,173)
Property, plant and equipment written off	827	4,465	827	4,465
Provision for staff gratuity	49,274	47,174	49,274	47,174
<b>Operating profit before working capital changes</b>	3,972,302	4,163,878	4,056,738	4,319,301
(Increase)/Decrease in inventories	(2,495,309)	856,453	(2,495,309)	856,453
(Increase)/Decrease in trade and other receivables	(535,238)	709,472	(535,238)	346,254
Decrease in trade and other payables	(129,529)	(670,929)	(129,522)	(670,949)
<b>Cash generated from operations</b>	812,226	5,058,874	896,669	4,851,059
Tax refund	65,121	-	65,121	-
Income tax paid	(678,040)	(1,270,279)	(678,040)	(1,270,279)
Staff gratuity paid	(5,751)	(12,975)	(5,751)	(12,975)
<b>Net cash from operating activities</b>	193,556	3,775,620	277,999	3,567,805
<b>Cash flows generated from/ (used in) investing activities</b>				
Advances to subsidiary	-	-	(84,443)	(10,596,250)
Investment in joint venture	-	(10,828,091)	-	-
Interest received	743,501	967,173	743,501	967,173
Proceeds from disposal of property, plant and equipment	87,000	6,000	87,000	6,000
Purchase of property, plant and equipment	(912,797)	(1,662,366)	(912,797)	(1,662,366)
<b>Net cash used in investing activities</b>	(82,296)	(11,517,284)	(166,739)	(11,285,443)

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**CASH FLOW STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	<b>2004 RM</b>	<b>2003 RM</b>
<b>Cash flows used in</b>				
<b>financing activity</b>				
Dividend paid	(1,640,340)	(902,187)	(1,640,340)	(902,187)
<b>Net cash used in financing activity</b>	<u>(1,640,340)</u>	<u>(902,187)</u>	<u>(1,640,340)</u>	<u>(902,187)</u>
<b>Net decrease in cash and cash equivalents</b>	(1,529,080)	(8,643,851)	(1,529,080)	(8,619,825)
<b>Cash and cash equivalents at beginning of year</b>	21,331,043	29,950,868	21,331,043	29,950,868
<b>Foreign exchange differences on opening balances</b>	-	24,026	-	-
<b>Cash and cash equivalents at end of year</b>	<u>19,801,963</u>	<u>21,331,043</u>	<u>19,801,963</u>	<u>21,331,043</u>
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances	801,963	1,831,043	801,963	1,831,043
Deposits with licensed banks	19,000,000	19,500,000	19,000,000	19,500,000
	<u>19,801,963</u>	<u>21,331,043</u>	<u>19,801,963</u>	<u>21,331,043</u>



## **Notes to the financial statements at 31 December 2004**

### **1. Summary of significant accounting policies**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous year.

#### **(a) Basis of accounting**

The financial statements of the Group and of the Company are prepared on the historical cost basis and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

#### **(b) Revenue and income recognition**

##### *i) Sales of goods*

Revenue represents invoiced value of goods supplied less returns and discounts and is recognised in the income statement upon delivery of goods and customer's acceptance.

##### *ii) Interest income*

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

#### **(c) Basis of consolidation**

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The subsidiary is consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. The subsidiary excluded on these grounds is accounted for as investment.

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**1. Summary of significant accounting policies (continued)**

**(c) Basis of consolidation (continued)**

Under the acquisition method of accounting, the results of subsidiary acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiary's net assets is reflected as goodwill or negative goodwill as appropriate.

**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

***Depreciation***

Leasehold land is amortised over the initial lease period of ninety nine (99) years expiring in 2086.

Other property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:

Building	2% - 10%
Plant, machinery and tools	7½% - 10%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	20%

**(e) Investment in subsidiary**

Investment in subsidiary is stated at cost in the Company, less impairment loss where applicable.

**(f) Joint venture**

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

**(g) Receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts. Amount due from subsidiary is stated at cost.

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**1. Summary of significant accounting policies (continued)**

**(h) Inventories**

Raw materials, work in progress, finished goods and consumables are stated at the lower of cost and net realisable value. In arriving at net realisable value, allowance is made for all obsolete inventories.

Cost of raw materials and consumables, which is determined on first in first out basis, includes all cost incurred in bringing them to their present location and condition.

Cost of work in progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of the fixed and variable production overheads.

**(i) Cash and cash equivalents**

Cash and cash equivalents consist of balances and deposits with banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(j) Liabilities**

Trade and other payables are stated at cost.

**(k) Income tax**

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of the previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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**1. Summary of significant accounting policies (continued)**

**(l) Employee benefits**

The Company has a staff gratuity scheme for employees who are eligible under their employment contracts. Gratuity for employees is provided for in the financial statements taking into consideration the length of service and basic salary earnings of eligible employees.

**(m) Impairment**

The carrying amounts of the Group's asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised.

**(n) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date or forward rates, where applicable. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation for foreign currency monetary assets and liabilities are as follows:

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
1 US Dollar	3.80	3.80
1 Brunei Dollar	2.35	2.21
1 Singapore Dollar	2.35	2.21
100 Thai Baht	9.93	9.40
100 Hong Kong Dollar	49.35	49.43

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**2. Staff costs**

Staff costs include Directors' remunerations, salaries, wages, bonus and allowances, statutory contributions for employees and other employee related expenses. The total number of employees, inclusive of executive Directors, of the Group and the Company as at the end of the financial year are 97 and 96 (2003: 113 and 112) respectively.

**3. Operating profits**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Operating profit is arrived at after charging:				
Auditors' remuneration	30,739	30,448	25,000	25,000
Allowance for doubtful debts	97,513	209,901	97,513	209,901
Bad debts written off	-	23,909	-	23,909
Depreciation	1,368,434	1,189,691	1,368,434	1,189,691
Directors' emoluments				
- fees				
- executive	36,000	36,000	36,000	36,000
- non-executive	144,000	144,000	144,000	144,000
- remunerations				
- Directors of the Company	557,578	532,064	557,578	532,064
- Director of a subsidiary	52,500	90,000	-	-
Inventories written off	32,273	97,848	32,273	97,848
Loss on foreign exchange				
- realised	-	2,949	-	2,949
Property, plant and equipment written off	827	4,465	827	4,465
Provision for staff gratuity	49,274	47,174	49,274	47,174
and crediting:				
Bad debts recovered	-	(11,315)	-	(11,315)
Gain on disposal of property, plant and equipment	(82,965)	(6,000)	(82,965)	(6,000)
Gain on foreign exchange				
- realised	(1,709)	-	(1,709)	-
- unrealised	(605)	(9,180)	(605)	(9,180)
Reversal of allowance for doubtful debts	(500,735)	(32,744)	(500,735)	(32,744)
	<u>(500,735)</u>	<u>(32,744)</u>	<u>(500,735)</u>	<u>(32,744)</u>

Estimated cash value of benefits-in-kind for the executive Directors are RM22,925 and RM22,925 (2003: RM31,900 and RM31,900) for the Group and the Company respectively.

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**4. Income tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	<b>2004 RM</b>	<b>2003 RM</b>
Current tax expense	912,215	910,265	912,215	910,265
(Over)/under provision in prior years	(44,732)	2,144	(44,732)	2,144
Deferred tax expense - origination/(reversal) of temporary differences (Note 16)	80,906	(160,000)	80,906	(160,000)
	<u>948,389</u>	<u>752,409</u>	<u>948,389</u>	<u>752,409</u>

*Reconciliation of effective tax rate*

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM</b>	<b>2003 RM</b>	<b>2004 RM</b>	<b>2003 RM</b>
Profit before tax	<u>3,380,233</u>	<u>3,895,721</u>	<u>3,464,669</u>	<u>4,051,144</u>
Income tax using				
Malaysian tax rate	946,465	1,090,802	970,107	1,134,320
Non deductible expenses	7,667	42,740	7,667	42,740
Tax losses not recognised	23,642	43,518	-	-
Deferred tax				
previously not recognised	25,069	(210,000)	25,069	(210,000)
Double deduction	(9,722)	(8,975)	(9,722)	(8,975)
Reinvestment allowances	-	(207,820)	-	(207,820)
	<u>993,121</u>	<u>750,265</u>	<u>993,121</u>	<u>750,265</u>
Under provision in prior years	<u>(44,732)</u>	<u>2,144</u>	<u>(44,732)</u>	<u>2,144</u>
	<u>948,389</u>	<u>752,409</u>	<u>948,389</u>	<u>752,409</u>

Tax losses not recognised relates to the losses before tax of the subsidiary, which is incorporated in Hong Kong for the year amounting to approximately RM84,436 (2003: RM155,424).

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**5. Earnings per ordinary share**

Basic earnings per share of the Group is based on the net profit attributable to ordinary shareholders of RM2,431,844 (2003: RM3,143,312) respectively and the issued share capital of 41,008,500 (2003: 41,008,500) ordinary shares.

**6. Dividends**

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Final paid:		
2003 – 4.00% per share tax exempt (2002: 4.95% per share tax exempt)	1,640,340	902,187
	<u>1,640,340</u>	<u>902,187</u>

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**7. Property, plant and equipment**

<b>Group and Company</b>	<b>Long term leasehold land RM</b>	<b>Building RM</b>	<b>Plant, machinery and tools RM</b>	<b>Furniture, fittings and equipment RM</b>	<b>Motor vehicles RM</b>	<b>Total RM</b>
<b>Cost</b>						
At beginning of year	739,000	4,255,229	17,948,631	503,708	849,569	24,296,137
Additions	-	11,350	257,245	44,100	600,102	912,797
Disposals	-	-	-	(22,000)	(257,884)	(279,884)
Writte offs	-	-	-	(5,613)	-	(5,613)
At end of year	<u>739,000</u>	<u>4,266,579</u>	<u>18,205,876</u>	<u>520,195</u>	<u>1,191,787</u>	<u>24,923,437</u>
<b>Accumulated depreciation</b>						
At beginning of year	138,625	1,316,810	11,134,546	332,555	783,168	13,705,704
Charge for the year	7,390	94,126	1,131,418	47,885	87,615	1,368,434
Disposals	-	-	-	(17,967)	(257,883)	(275,850)
Writte offs	-	-	-	(4,786)	-	(4,786)
At end of year	<u>146,015</u>	<u>1,410,936</u>	<u>12,265,964</u>	<u>357,687</u>	<u>612,900</u>	<u>14,793,502</u>
<b>Net book value</b>						
At 31 December 2004	<u>592,985</u>	<u>2,855,643</u>	<u>5,939,912</u>	<u>162,508</u>	<u>578,887</u>	<u>10,129,935</u>
At 31 December 2003	<u>600,375</u>	<u>2,938,419</u>	<u>6,814,085</u>	<u>171,153</u>	<u>66,401</u>	<u>10,590,433</u>
Depreciation charge for the year ended 31 December 2003	<u>7,390</u>	<u>89,974</u>	<u>1,023,069</u>	<u>47,114</u>	<u>22,144</u>	<u>1,189,691</u>



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**8. Investment in subsidiary**

	<b>Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	4,921	4,921

The details of the subsidiary are as follows:

<b>Name of company</b>	<b>Place of incorporation</b>	<b>Percentage of equity held</b>		<b>Principal Activity</b>
		<b>2004</b>	<b>2003</b>	
Advanced Packaging Investments (HK) Ltd	Hong Kong	100%	100%	Investment holding company

The subsidiary is not audited by PKF Malaysia.

**9. Investment in joint venture**

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
At cost	10,810,566	10,828,091
Cost of investment in joint venture includes the following:		
Capital contribution	10,336,549	10,336,549
Professional fees	475,911	475,911
Others	(1,894)	15,631
	<u>10,810,566</u>	<u>10,828,091</u>

The Group's interest in the assets of the joint venture is as follows:-

Long term assets	4,286,089	1,914,820
Net current assets	6,019,034	8,390,303
	<u>10,305,123</u>	<u>10,305,123</u>

There is no Group's interest in revenue and expenses as the joint venture company has not commenced operations.

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**9. Investment in joint venture (continued)**

Details of jointly controlled entity are as follows:

Name	Principal activities	Proportion of ownership interest equity held	
		2004	2003
Dalian Advanced Cement Company Ltd <sup>#</sup>	The Company has not commenced operations. The intended principal activities are that of production and sales of clinker and cement	25%	25%

<sup>#</sup> Held by Advanced Packaging Investments (HK) Ltd.

**10. Amount due from subsidiary**

Amount due from subsidiary represents interest free advances, which is not repayable within the next twelve (12) months.

**11. Inventories**

	Group and Company	
	2004	2003
At cost	RM	RM
Raw materials	5,062,729	2,825,660
Work-in-progress	451,551	207,812
Finished goods	420,562	435,276
Consumables	327,103	297,888
	<u>6,261,945</u>	<u>3,766,636</u>

**12. Trade receivables**

	Group and Company	
	2004	2003
	RM	RM
Trade receivables	5,939,445	6,253,114
Allowance for doubtful debts		
- Specific	294,470	433,726
- General	450,000	750,000
	(744,470)	(1,183,726)
	<u>5,194,975</u>	<u>5,069,388</u>

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**13. Other receivables, deposits and prepayments**

Included in other receivables, deposits and prepayments of the Company are excess taxes paid amounting to nil (2003: RM163,182). Subject to the agreement by the Inland Revenue Board, the excess taxes paid is refundable.

**14. Cash and cash equivalents**

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Deposits placed with licensed banks	19,000,000	19,500,000
Cash and bank balances	801,963	1,831,043
	<u>19,801,963</u>	<u>21,331,043</u>

**15. Amount due to Directors**

This represents Directors' fees payable.

**16. Deferred taxation**

The amount, determined after appropriate offsetting, are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Deferred tax liabilities	1,487,713	1,478,000	1,487,713	1,478,000
Deferred tax assets	(256,807)	(328,000)	(256,807)	(328,000)
At end of year	<u>1,230,906</u>	<u>1,150,000</u>	<u>1,230,906</u>	<u>1,150,000</u>

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Property, plant and equipment - capital allowances	1,487,713	1,475,000	1,487,713	1,475,000
Unrealised foreign exchange gain	(169)	3,000	(169)	3,000
Retirement benefits	(130,638)	(118,000)	(130,638)	(118,000)
Allowance for doubtful debts - general	(126,000)	(210,000)	(126,000)	(210,000)
At end of year	<u>1,230,906</u>	<u>1,150,000</u>	<u>1,230,906</u>	<u>1,150,000</u>

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**17. Provision for staff gratuity**

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
At beginning of year	423,043	388,844
Current year's provision	49,274	47,174
	<u>472,317</u>	<u>436,018</u>
Amount paid during the year	(5,751)	(12,975)
At end of year	<u><u>466,566</u></u>	<u><u>423,043</u></u>

**18. Share capital**

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Authorised:		
100,000,000 ordinary shares of RM1 each	<u><u>100,000,000</u></u>	<u><u>100,000,000</u></u>
Issued and fully paid:		
At beginning of year	41,008,500	18,226,000
Issued during the year	-	22,782,500
At end of year	<u><u>41,008,500</u></u>	<u><u>41,008,500</u></u>

In the previous year, the Company had issued and allotted 22,782,500 new ordinary shares of RM1 each by way of a bonus issue by capitalising the retained profits amounting to RM22,782,500 (Note 19). The bonus issue was issued to the existing shareholders of the Company on the basis of five (5) new ordinary shares of RM1 each for every four (4) existing ordinary shares of RM1 each.

**19. Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b><i>Distributable:</i></b>				
Retained profits	7,608,006	6,816,502	7,953,796	7,077,856
<b><i>Non-distributable:</i></b>				
Currency translation reserve	(1,893)	15,631	-	-
	<u><u>7,606,113</u></u>	<u><u>6,832,133</u></u>	<u><u>7,953,796</u></u>	<u><u>7,077,856</u></u>

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**19. Reserves (continued)**

Based on the estimated tax credits available, and the prevailing tax rates applicable to dividend, all of the retained profits of the Company are available for distribution by way of dividend without incurring additional tax liability.

Subject to the agreement by the tax authorities, the Company has tax exempt income account of approximately RM6,769,000 (2003: RM8,364,000) available for distribution as tax exempt dividend.

In the previous financial year, the Company has capitalised RM22,782,500 of its retained profits as bonus issue of five (5) new ordinary shares of RM1 each for every four (4) existing ordinary shares for RM1 each (Note 18).

**20. Segmental information**

*Business segments*

Business segmental information has not been prepared as the Group's revenue, operating profit, assets and liabilities, depreciation, capital and non-cash expenditure are mainly confined to one (1) industry segment carried out in Malaysia namely the manufacturing and distribution of flexible packaging materials.

*Geographical segments*

The activities of the Group are mainly carried out in Malaysia except for the investment in joint venture in China, which has yet to commence operations. Accordingly, the segmental information by geographical location is presented as below:

	Malaysia		Outside Malaysia		Consolidated	
	2004	2003	2004	2003	2004	2003
	RM	RM	RM	RM	RM	RM
Segment assets						
by location						
of assets	42,164,927	41,287,140	10,810,566	10,828,091	52,975,493	52,115,231

**21. Financial instruments**

**Financial risk management objectives and policies**

Exposure to credit, interest rate and currency risk arises in the normal course of the Group and the Company's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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**21. Financial instruments (continued)**

**Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

**Interest rate risk**

At the balance sheet date, the Group and the Company has no borrowings. As such, the Company is not exposed to any interest rate risk.

**Foreign currency risk**

The Group and the Company incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US dollars. In view of the present pegging of Ringgit Malaysia to US dollars, the Group and the Company does not hedge this exposure.

**Fair values**

***Recognised financial instruments***

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

	2004		2003	
	Carrying Amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Company</b>				
Amount due from subsidiary	11,147,887	*	11,063,444	*

\* In the opinion of the Directors, it is not practicable to determine the fair values of amounts due from subsidiary as the repayment terms are not fixed. However, the Directors do not anticipate that the carrying amounts recorded at balance sheet date to be significantly different from the values that would eventually be received or settled.

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**22. Capital commitment**

	<b>Group and Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Acquisition of property, plant and equipment not provided for in the financial statements are as follows:		
Approved but not contracted for	-	600,000
Approved and contracted for	553,112	-
	<u>553,112</u>	<u>600,000</u>

**23. General information**

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2005.

The registered office of the Company is located at 23B Jalan 52/1, 46200 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 2, Jalan P/2A, Kawasan MIEL, Bangi Industrial Estate, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.