

**Advanced Packaging
Technology (M) Bhd**
(Co. No. 82982-K)
(Incorporated in Malaysia)
And Its Subsidiaries

**Reports And
Financial Statements
For The Year Ended
31 December 2006**
(In Ringgit Malaysia)

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

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ADVANCED PACKAGING TECHNOLOGY (M) BHD

(Co. No. 82982-K)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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 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

CIMB Bank Berhad
(Formerly known as 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 2006.

Principal activities

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

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

Results

	Group RM	Company RM
Net profit for the year	<u>2,345,122</u>	<u>3,226,394</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 3% totaling RM1,230,255 in respect of the financial year ended 31 December 2005, on 18 July 2006.

The final dividend recommend by the Directors in respect of the year ended 31 December 2006 is 3.5% tax exempt dividend totaling RM1,435,298.

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 Tim

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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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:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Shareholdings registered in the name of Directors:				
Dato' Law Sah Lim	47,829	-	(47,800)	29
Tjin Kiat @ Tan Cheng Keat	3,044,878	46,300	-	3,091,178
Yeo Tek Ling	24,338	-	-	24,338
Chee Sam Fatt	20,250	-	-	20,250
Eu Hock Seng	22,421	-	-	22,421
Ng Choo Tim	1,296,594	-	-	1,296,594

None of the other Directors holding office at 31 December 2006 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 2006 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,

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Kuala Lumpur

Dated: 25 April 2007

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 2006 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,

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Kuala Lumpur

Dated: 25 April 2007

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
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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 25 April 2007)

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.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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 2006 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 subsidiaries of which we have not acted as auditors, as indicated in Note 9 to the financial statements.

We are satisfied that the financial statements of the subsidiaries 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 subsidiaries 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
251/03/09 (J/PH)
PARTNER

Kuala Lumpur

Dated: 25 April 2007

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
			restated		restated
Revenue		24,592,614	22,595,158	24,592,614	22,595,158
Other operating income		539,650	549,976	539,468	549,976
Changes in inventories of finished goods and work-in-progress		23,250	(52,752)	23,250	(52,752)
Raw materials used		(15,291,778)	(14,345,892)	(15,291,778)	(14,345,892)
Staff costs (inclusive of Directors' remuneration)	2	(2,833,704)	(2,671,081)	(2,832,926)	(2,671,081)
Impairment of investment in joint venture		(651,000)	-	-	-
Amortisation of prepaid lease payment		(7,390)	(7,390)	(7,390)	(7,390)
Depreciation		(1,211,703)	(1,493,889)	(1,211,703)	(1,493,889)
Other operating expenses		(2,587,135)	(2,344,628)	(2,333,673)	(2,249,176)
Operating profits	3	<u>2,572,804</u>	<u>2,229,502</u>	<u>3,477,862</u>	<u>2,324,954</u>
Interest income		766,511	711,244	742,680	711,244
Finance cost		(15,487)	(16,139)	(15,442)	(16,077)
Profit before tax		<u>3,323,828</u>	<u>2,924,607</u>	<u>4,205,100</u>	<u>3,020,121</u>
Income tax expense	4	(978,706)	(873,888)	(978,706)	(873,888)
Net profit for the year		<u><u>2,345,122</u></u>	<u><u>2,050,719</u></u>	<u><u>3,226,394</u></u>	<u><u>2,146,233</u></u>
Basic earnings per share (sen)	5	<u><u>5.72</u></u>	<u><u>5.00</u></u>		
Dividends per share (sen)	6	<u><u>3.00</u></u>	<u><u>2.00</u></u>	<u><u>3.00</u></u>	<u><u>2.00</u></u>

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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BALANCE SHEETS AS AT 31 DECEMBER 2006

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Long term assets			restated		restated
Property, plant and equipment	7	8,762,577	9,334,640	8,762,577	9,334,640
Prepaid lease payment	8	578,205	585,595	578,205	585,595
Investment in subsidiaries	9	-	-	41,201	4,921
Investment in joint venture	10	5,814,190	10,944,192	-	-
Other investment	11	5,000,000	-	5,000,000	-
Amount due from subsidiaries	12	-	-	11,363,014	11,243,346
		<u>20,154,972</u>	<u>20,864,427</u>	<u>25,744,997</u>	<u>21,168,502</u>
Current assets					
Inventories	13	5,733,404	4,521,146	5,733,404	4,521,146
Trade receivables	14	6,033,564	5,136,905	6,033,564	5,136,905
Other receivables, deposits and prepayments		4,625,594	624,452	441,208	624,452
Cash and cash equivalents	15	19,751,916	22,741,431	19,524,635	22,741,431
		<u>36,144,478</u>	<u>33,023,934</u>	<u>31,732,811</u>	<u>33,023,934</u>
Current liabilities					
Trade payables	16	1,982,231	1,165,158	1,982,231	1,165,158
Amount due to Directors	17	81,000	81,000	81,000	81,000
Other payables and accruals		1,179,680	820,719	970,719	815,222
Tax payable		458,501	83,089	458,501	83,089
		<u>3,701,412</u>	<u>2,149,966</u>	<u>3,492,451</u>	<u>2,144,469</u>
Net current assets		<u>32,443,066</u>	<u>30,873,968</u>	<u>28,240,360</u>	<u>30,879,465</u>
Long term and deferred liabilities					
Deferred taxation	18	1,133,272	1,238,312	1,133,272	1,238,312
Provision for staff gratuity	19	567,587	521,296	567,587	521,296
		<u>(1,700,859)</u>	<u>(1,759,608)</u>	<u>(1,700,859)</u>	<u>(1,759,608)</u>
		<u>50,897,179</u>	<u>49,978,787</u>	<u>52,284,498</u>	<u>50,288,359</u>
Financed by:					
Share capital	20	41,008,500	41,008,500	41,008,500	41,008,500
Reserves	21	9,888,679	8,970,287	11,275,998	9,279,859
Total equity attributable to shareholders of the Company		<u>50,897,179</u>	<u>49,978,787</u>	<u>52,284,498</u>	<u>50,288,359</u>

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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**STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	Share Capital RM	<i>Non- distributable Translation reserve RM</i>	<i>Distributable Retained Profits RM</i>	Total RM
Group					
At 1 January 2005		41,008,500	(1,893)	7,608,006	48,614,613
Currency translation differences		-	133,625	-	133,625
Net profit for the year		-	-	2,050,719	2,050,719
Dividends	6	-	-	(820,170)	(820,170)
At 31 December 2005		41,008,500	131,732	8,838,555	49,978,787
Currency translation differences		-	(196,475)	-	(196,475)
Net profit for the year		-	-	2,345,122	2,345,122
Dividends	6	-	-	(1,230,255)	(1,230,255)
At 31 December 2006		<u>41,008,500</u>	<u>(64,743)</u>	<u>9,953,422</u>	<u>50,897,179</u>
Company					
At 1 January 2005		41,008,500	-	7,953,796	48,962,296
Net profit for the year		-	-	2,146,233	2,146,233
Dividends	6	-	-	(820,170)	(820,170)
At 31 December 2005		41,008,500	-	9,279,859	50,288,359
Net profit for the year		-	-	3,226,394	3,226,394
Dividends	6	-	-	(1,230,255)	(1,230,255)
At 31 December 2006		<u>41,008,500</u>	<u>-</u>	<u>11,275,998</u>	<u>52,284,498</u>

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM	2005 RM restated	2006 RM	2005 RM restated
Cash flows generated from/ (used in) operating activities				
Profit before tax	3,323,828	2,924,607	4,205,100	3,020,121
Adjustments for:				
Amortisation of prepaid lease payment	7,390	7,390	7,390	7,390
Depreciation	1,211,703	1,493,889	1,211,703	1,493,889
Impairment loss on investment in joint venture	651,000	-	-	-
Investment income	(124,647)	-	(124,647)	-
Gain on disposal of property, plant and equipment	(17,073)	(115,877)	(17,073)	(115,877)
Interest income	(766,511)	(711,244)	(742,680)	(711,244)
Property, plant and equipment written off	1	2,012	1	2,012
Provision for staff gratuity	51,848	54,730	51,848	54,730
Operating profit before working capital changes	4,337,539	3,655,507	4,591,642	3,751,021
(Increase)/Decrease in inventories	(1,212,258)	1,740,799	(1,212,258)	1,740,799
(Increase)/Decrease in trade and other receivables	(4,897,801)	209,727	(713,415)	209,727
Increase/(Decrease) in trade and other payables	1,176,034	(505,149)	972,570	(505,204)
Cash generated from operations	(596,486)	5,100,884	3,638,539	5,196,343
Income tax paid	(708,334)	(874,776)	(708,334)	(874,776)
Staff gratuity paid	(5,557)	-	(5,557)	-
Net cash from operating activities	(1,310,377)	4,226,108	2,924,648	4,321,567
Cash flows generated from/ (used in) investing activities				
Advances to subsidiaries	-	-	(119,668)	(95,459)
Acquisition of other investment	(5,000,000)	-	(5,000,000)	-
Acquisition of a subsidiary	-	-	(36,280)	-
Interest received	766,511	711,244	742,680	711,244
Investment income received	124,647	-	124,647	-
Proceeds from disposal of property, plant and equipment	17,900	115,880	17,900	115,880
Refund of capital investment from joint venture	4,282,527	-	-	-
Purchase of property, plant and equipment	(640,468)	(1,293,594)	(640,468)	(1,293,594)
Net cash used in investing activities	(448,883)	(466,470)	(4,911,189)	(561,929)

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CASH FLOW STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash flows used in financing activity				
Dividend paid	(1,230,255)	(820,170)	(1,230,255)	(820,170)
Net cash used in financing activity	<u>(1,230,255)</u>	<u>(820,170)</u>	<u>(1,230,255)</u>	<u>(820,170)</u>
Net increase/(decrease) in cash and cash equivalents	(2,989,515)	2,939,468	(3,216,796)	2,939,468
Cash and cash equivalents at beginning of year	<u>22,741,431</u>	<u>19,801,963</u>	<u>22,741,431</u>	<u>19,801,963</u>
Cash and cash equivalents at end of year	<u><u>19,751,916</u></u>	<u><u>22,741,431</u></u>	<u><u>19,524,635</u></u>	<u><u>22,741,431</u></u>
Cash and cash equivalents comprise:				
Cash and bank balances	1,251,916	1,204,330	1,024,635	1,204,330
Deposits with licensed banks	<u>18,500,000</u>	<u>21,537,101</u>	<u>18,500,000</u>	<u>21,537,101</u>
	<u><u>19,751,916</u></u>	<u><u>22,741,431</u></u>	<u><u>19,524,635</u></u>	<u><u>22,741,431</u></u>

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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Notes to the financial statements at 31 December 2006

1. Summary of significant accounting policies

The significant accounting policies adopted are consistent with those of the audited 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 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
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 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRS does not have significant financial impact on the Group.

The MASB has issued a number of new and revised FRSs that are effective for accounting periods beginning after 1 January 2006 or available for early adoption. In this set of financial statements, the Group has chosen to early adopt FRS 117, Leases which is effective for annual periods beginning on or after 1 October 2006.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost basis and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB) and accounting principles generally accepted 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.

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1. Summary of significant accounting policies (continued)

(b) Revenue and income recognition (continued)

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.

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

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and less impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(i) **Recognition and measurement (continued)**

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate item (major components) of property, plant and equipment.

(ii) **Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) **Depreciation**

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%

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) **Leased assets**

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On early adoption of FRS 117, Leases, the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117, 67A.

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1. Summary of significant accounting policies (continued)

(f) Investment in subsidiary

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

(g) Joint venture

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

(h) Receivables

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

(i) 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.

(j) 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.

(k) Liabilities

Trade and other payables are stated at cost.

(l) 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.

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1. Summary of significant accounting policies (continued)

(l) Income tax (continued)

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. Deferred tax asset and liabilities are not recognised for temporary differences arising from goodwill or negative goodwill or from 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.

(m) 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.

(n) 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.

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1. Summary of significant accounting policies (continued)

(o) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at rates of exchange ruling at the transactions dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated to functional currency at rates of exchange ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. All exchange differences are taken to the income statement. 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:

	2006	2005
	RM	RM
1 US Dollar	3.57	3.75
1 Brunei Dollar	2.32	2.25
1 Singapore Dollar	2.32	2.25
100 Thai Baht	10.61	8.66
100 Hong Kong Dollar	46.58	49.96

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 98 and 98 (2005: 99 and 98) respectively.

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3. Operating profits

	Group		Company	
	2006 RM	2005 RM restated	2006 RM	2005 RM restated
Operating profit is arrived at after charging:				
Auditors' remuneration	32,192	30,546	27,000	25,000
Allowance for doubtful debts	15,959	64,368	15,959	64,368
Amortisation of prepaid lease payment	7,390	7,390	7,390	7,390
Depreciation	1,211,703	1,493,889	1,211,703	1,493,889
Directors' emoluments				
- fees				
- executive	18,000	18,000	18,000	18,000
- non-executive	63,000	63,000	63,000	63,000
- remunerations				
- Directors of the Company	483,479	462,350	483,479	462,350
Inventories written off	56,022	60,115	56,022	60,115
Loss on foreign exchange				
- realised	5,596	7,081	5,596	7,081
- unrealised	16,722	4,105	16,722	4,105
Property, plant and equipment written off	1	2,012	1	2,012
Provision for staff gratuity	51,848	54,730	51,848	54,730
and crediting:				
Gain on disposal of property, plant and equipment	(17,073)	(115,877)	(17,073)	(115,877)
Reversal of allowance for doubtful debts	(17,047)	(83,783)	(17,047)	(83,783)

Estimated cash value of benefits-in-kind for the executive Directors are RM32,750 and RM32,750 (2005: RM32,750 and RM32,750) for the Group and the Company respectively.

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4. Income tax expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense	1,249,143	862,252	1,249,143	862,252
(Over)/Under provision in prior years	(165,397)	4,230	(165,397)	4,230
Deferred tax expense - (reversal)/origination of temporary differences (Note 18)	(105,040)	7,406	(105,040)	7,406
	<u>978,706</u>	<u>873,888</u>	<u>978,706</u>	<u>873,888</u>
<i>Reconciliation of effective tax rate</i>				
Profit before tax	<u>3,323,828</u>	<u>2,924,607</u>	<u>4,205,100</u>	<u>3,020,121</u>
Income tax using Malaysian tax rate	930,672	818,890	1,177,428	845,634
Non deductible expenses	206,608	39,060	24,328	39,060
Tax losses not recognised	64,476	26,744	-	-
Deferred tax previously over recognised	(46,428)	(4,302)	(46,428)	(4,302)
Double deduction	(11,225)	(10,734)	(11,225)	(10,734)
	<u>1,144,103</u>	<u>869,658</u>	<u>1,144,103</u>	<u>869,658</u>
(Over)/Under provision in prior years	(165,397)	4,230	(165,397)	4,230
	<u>978,706</u>	<u>873,888</u>	<u>978,706</u>	<u>873,888</u>

Tax losses not recognised relates to the losses before tax of the subsidiary, which is incorporated in Hong Kong amounting to approximately RM230,272 (2005: RM95,514).

5. Earnings per ordinary share

Basic earnings per share of the Group is based on the net profit attributable to ordinary shareholders of RM2,345,122 (2005: RM2,050,719) respectively and the issued share capital of 41,008,500 (2005: 41,008,500) ordinary shares.

6. Dividends

	2006 RM	2005 RM
Final paid: 3% per share tax exempt (2005 - 2% per share tax exempt)	<u>1,230,255</u>	<u>820,170</u>

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7. Property, plant and equipment

Group and Company	Building RM	Plant, machinery and tools RM	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
Cost					
At beginning of year	4,271,129	19,256,598	513,636	1,133,216	25,174,579
Additions	-	451,087	14,324	175,057	640,468
Disposals	-	(81,280)	(1,290)	(179,835)	(262,405)
Write offs	-	(55,427)	-	-	(55,427)
At end of year	<u>4,271,129</u>	<u>19,570,978</u>	<u>526,670</u>	<u>1,128,438</u>	<u>25,497,215</u>
Accumulated depreciation					
At beginning of year	1,505,504	13,444,947	371,708	517,780	15,839,939
Charge for the year	94,304	889,317	47,656	180,426	1,211,703
Disposals	-	(80,455)	(1,290)	(179,833)	(261,578)
Write offs	-	(55,426)	-	-	(55,426)
At end of year	<u>1,599,808</u>	<u>14,198,383</u>	<u>418,074</u>	<u>518,373</u>	<u>16,734,638</u>
Net book value					
At 31 December 2006	<u>2,671,321</u>	<u>5,372,595</u>	<u>108,596</u>	<u>610,065</u>	<u>8,762,577</u>
At 31 December 2005	<u>2,765,625</u>	<u>5,811,651</u>	<u>141,928</u>	<u>615,436</u>	<u>9,334,640</u>
Depreciation charge for the year ended 31 December 2005	<u>94,568</u>	<u>1,180,993</u>	<u>48,642</u>	<u>169,686</u>	<u>1,493,889</u>

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8. Prepaid lease payment

	Leasehold land Unexpired period more than 50 years RM
Cost	
At 1 January 2005	-
Effect of adopting FRS 117	739,000
At 1 January 2005, restated	<u>739,000</u>
At 31 December 2005/1 January 2006	<u>739,000</u>
At 31 December 2006	<u>739,000</u>
Amortisation	
At 1 January 2005	-
Effect of adopting FRS 117	146,015
At 1 January 2005, restated	146,015
Amortisation for the year	7,390
At 31 December 2005/1 January 2006	153,405
Amortisation for the year	7,390
At 31 December 2006	<u>160,795</u>
Carrying amounts	
At 1 January 2005, restated	<u>592,985</u>
At 31 December 2005/1 January 2006	<u>585,595</u>
At 31 December 2006	<u>578,205</u>

9. Investment in subsidiaries

	Company	
	2006 RM	2005 RM
Unquoted shares at cost	<u>41,201</u>	<u>4,921</u>

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9. Investment in subsidiaries (continued)

The details of the subsidiaries are as follows:

Name of company	Place of incorporation	Percentage of equity held		Principal activity
		2006	2005	
Advanced Packaging Investments (HK) Ltd	Hong Kong	100%	100%	Investment holding company.
Xiamen Jinjie Trading Co. Ltd	Xiamen	100%	-	The company has not commenced operation. The intended principal activity is that of trading of packaging materials.

On 5 June 2006, the Company has incorporated a wholly-owned subsidiary company, Xiamen Jinjie Trading Co. Ltd ("XJTCL"), in People's Republic Of China, with a registered capital of United States Dollars Sixty Five Thousand (USD 65,000-00). XJTCL has yet to fully pay up on its registered capital of USD 65,000 or approximately RM236,698 as at the balance sheet date.

The subsidiaries are not audited by PKF Malaysia.

10. Investment in joint venture

	Group	
	2006 RM	2005 RM
At cost	5,814,190	10,944,192
Cost of investment in joint venture includes the following:		
Capital contribution	6,054,022	10,336,549
Professional fees	475,911	475,911
Others	(64,743)	131,732
Less: Allowance for impairment loss	(651,000)	-
	5,814,190	10,944,192

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

	Group	
	2006 RM	2005 RM
Long term assets	5,878,771	8,527,248
Net current assets	1,035	1,553,731
	5,879,806	10,080,979

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

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10. Investment in joint venture (continued)

Details of jointly controlled entity are as follows:

Name	Principal activities	Proportion of ownership interest equity held	
		2006	2005
Dalian Advanced Cement Co. Ltd. #	The Company has not commenced operations. The intended principal activities are that of production and sales of clinker and cement	25%	25%

Held by Advanced Packaging Investments (HK) Ltd.

Advanced Packaging Investments (HK) Ltd. ("APIL") has on 06 December 2005 entered into a Shareholders' Agreement with Wafangdian Laohu Cement Company Ltd. ("WLCC") for Dalian Advanced Cement Co. Ltd. ("DACC"), a joint venture company of WLCC and APIL, to apply to the relevant authorities in the People's Republic of China ("PRC") to revise downward the registered capital of DACC from Renminbi Ninety Million (RMB90,000,000-00) to Renminbi Fifty Two Million (RMB52,000,000-00). The shareholding ratio between the shareholders shall remain unchanged as 75% (Renminbi Thirty Nine Million or RMB39,000,000-00) for WLCC and 25% (Renminbi Thirteen Million or RMB13,000,000-00) for APIL.

The Company announced on 4 January 2007 that it has received on the same day the new business license issued to DACC on 25 December 2006 by the Dalian Industrial and Commercial Administrative Bureau, PRC ("DICAB") with a revised registered capital of United States Dollars Six Million Two Hundred and Sixty Three Thousand (USD 6,263,000-00) or Renminbi Fifty Two Million (RMB52,000,000-00). The original registered capital of DACC was United States Dollars Ten Million Eight Hundred and Forty Thousand (USD 10,840,000-00) or Renminbi Ninety Million (RMB 90,000,000-00). DACC had since returned the excess capital contribution to APIL.

11. Other investment

Included under other investment is a Fixed Income Fund Account with Aminvestment Services Berhad.

12. Amount due from subsidiaries

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

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13. Inventories

	Group and Company	
	2006	2005
	RM	RM
At cost		
Raw materials	4,583,486	3,391,137
Work-in-progress	560,266	429,992
Finished goods	282,345	389,369
Consumables	307,307	310,648
	<u>5,733,404</u>	<u>4,521,146</u>
	<u>5,733,404</u>	<u>4,521,146</u>

14. Trade receivables

	Group and Company	
	2006	2005
	RM	RM
Trade receivables	6,568,140	5,674,650
Allowance for doubtful debts		
- Specific	84,576	87,745
- General	450,000	450,000
	<u>(534,576)</u>	<u>(537,745)</u>
	<u>6,033,564</u>	<u>5,136,905</u>
	<u>6,033,564</u>	<u>5,136,905</u>

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Bad debts amounting to RM2,081 of the Company and the Group were written off against allowance for doubtful debts during the year.

15. Cash and cash equivalents

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deposits placed with licensed banks	18,500,000	21,537,101	18,500,000	21,537,101
Cash and bank balances	<u>1,251,916</u>	<u>1,204,330</u>	<u>1,024,635</u>	<u>1,204,330</u>
	<u>19,751,916</u>	<u>22,741,431</u>	<u>19,524,635</u>	<u>22,741,431</u>
	<u>19,751,916</u>	<u>22,741,431</u>	<u>19,524,635</u>	<u>22,741,431</u>

16. Trade payables

The normal trade credit terms granted to the Group range from 30 to 90 days.

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17. Amount due to Directors

This represents Directors' fees payable.

18. Deferred taxation

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of year	1,238,312	1,230,906	1,238,312	1,230,906
Transferred (to)/ from income statement (Note 4)				
- current year	(105,040)	7,406	(105,040)	7,406
	<u>1,133,272</u>	<u>1,238,312</u>	<u>1,133,272</u>	<u>1,238,312</u>

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Property, plant and equipment				
- capital allowances	1,413,514	1,509,182	1,413,514	1,509,182
Unrealised foreign exchange loss	4,682	1,149	4,682	1,149
Retirement benefits	(158,924)	(146,019)	(158,924)	(146,019)
Allowance for doubtful debts				
- general	(126,000)	(126,000)	(126,000)	(126,000)
At end of year	<u>1,133,272</u>	<u>1,238,312</u>	<u>1,133,272</u>	<u>1,238,312</u>

19. Provision for staff gratuity

	Group and Company	
	2006 RM	2005 RM
At beginning of year	521,296	466,566
Current year's provision	51,848	54,730
	<u>573,144</u>	<u>521,296</u>
Amount paid during the year	(5,557)	-
At end of year	<u>567,587</u>	<u>521,296</u>

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20. Share capital

	Group and Company	
	2006	2005
	RM	RM
Authorised:		
100,000,000 ordinary shares of RM1 each	100,000,000	100,000,000
Issued and fully paid:		
At beginning of year/end of year	41,008,500	41,008,500

21. Reserves

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
<i>Distributable:</i>				
Retained profits	9,953,422	8,838,555	11,275,998	9,279,859
<i>Non-distributable:</i>				
Currency translation reserve	(64,743)	131,732	-	-
	<u>9,888,679</u>	<u>8,970,287</u>	<u>11,275,998</u>	<u>9,279,859</u>

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 RM5,310,000 (2005: RM6,540,000) available for distribution as tax exempt dividend.

22. 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.

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22. Segmental information (continued)

Geographical segments

The activities of the Group are mainly carried out in Malaysia. The Group operates in other countries as follows:

- (i) Hong Kong - investment holding
- (ii) The People's Republic of China - subsidiary which is dormant
 - investment in joint venture which has yet to commence operations.

Accordingly, the segmental information by geographical location is presented as below:

	Malaysia		Outside Malaysia		Consolidated	
	2006	2005	2006	2005	2006	2005
	RM	RM	RM	RM	RM	RM
Segment assets by location of assets	46,073,593	42,944,169	10,225,857	10,944,192	56,299,450	53,888,361

23. 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.

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. The exposure of foreign currency risk is monitored in on going basis.

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23. Financial instruments (continued)

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.

	2006		2005	
	Carrying Amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group and Company				
Other investment	5,000,000	5,000,000	-	-

Fair value of other investment is based on manager's price as at the balance sheet date.

	2006		2005	
	Carrying Amount RM	Fair value RM	Carrying amount RM	Fair value RM
Company				
Amount due from subsidiaries	11,363,014	*	11,243,346	*

* In the opinion of the Directors, it is not practicable to determine the fair values of amounts due from subsidiaries 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.

24. Comparative figures

Certain comparative figures have been reclassified as a result of changes in accounting policies as stated in Note 1.

	Group		Company	
	As restated	As previously stated	As restated	As previously stated
Income statement				
Amortisation of prepaid lease payment	(7,390)	-	(7,390)	-
Depreciation	(1,493,889)	(1,501,279)	(1,493,889)	(1,501,279)

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24. Comparative figures (continued)

	Group		Company	
	As restated	As previously stated	As restated	As previously stated
Balance sheets				
Property, plant and equipment	9,334,640	9,920,235	9,334,640	9,920,235
Prepaid lease payments	585,595	-	585,595	-
	<u>9,334,640</u>	<u>9,920,235</u>	<u>9,334,640</u>	<u>9,920,235</u>

Leasehold land amounting to RM585,595 in 2005 was reclassified from property, plant and equipment to prepaid lease payments to comply with the requirements of FRS 117, Leases.

25. General information

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2007.

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. The Company is domiciled in Malaysia.