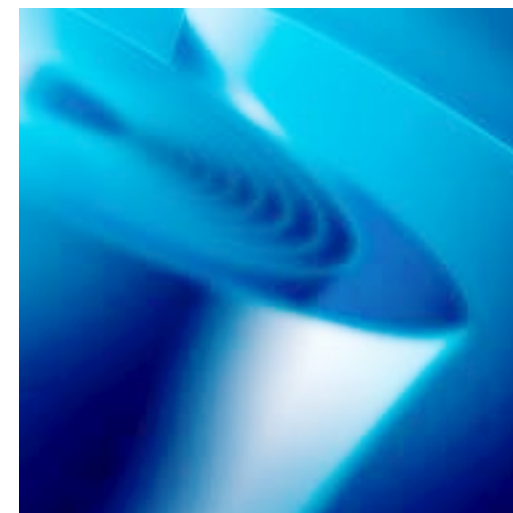


# Annual Report Laporan Tahunan 2003



## The Company and Its Business

An ISO 9001 certified company, Advanced Packaging Technology (M) Bhd was incorporated in Malaysia under the Companies Act, 1965 on 31 March 1982 as a private limited company under the name of Goyo Corporation (M) Sdn Bhd. The Company subsequently changed its name to Advanced Packaging Technology (M) Sdn Bhd on 09 June 1982 and was converted to a public company on 27 May 1993. It was listed on the Second Board of the Bursa Malaysia Securities Berhad on 27 May 1994.

The Company commenced operations in April 1985 at its present location at the Bangi Industrial Estate, Selangor Darul Ehsan. Its office, factory and warehouse is sited on a 8,903 square meter ("sq m") 99-year leasehold land.

Advanced Packaging Technology (M) Bhd produces high-quality flexible packaging materials catering to a wide cross-section of industries in both the local and overseas markets such as snack foods, instant noodles, sweets and confectionery, liquid condiments, frozen foods, spices, beverages, medical/ surgical products and pharmaceuticals, among others. Our range of flexible packaging material comprises both single and multi-layers that carry appealing designs. Through close consultation with clients, we tailor-make our products according to their precise specification and design in both roll and pouch form.

Flexible packaging materials are generally made of a composite of various base films, papers or foil which are laminated so that the resultant laminates have more enhanced properties than its original substrates. The basic materials used include oriented polypropylene (OPP) film, cellulosic film, polyester film, nylon film, aluminium foil, metallised films, specialty films, linear low density polyethylene (LLDPE) film, poster paper, polyethylene and polypropylene resin.

Efficient packaging is a must for any product in this modern era. Without it, the brand image and integrity, as well as the quality built into the product during manufacturing and marketing, will be lost when it reaches the consumer. Correct packaging is the principal way of ensuring safe delivery of the product to the end-user in good condition at an economic cost. At Advanced Packaging Technology (M) Bhd, we use our specialised knowledge and skills, as well as specific machinery and facilities to deliver excellence in quality and service to each client.

To demonstrate our commitment in quality, the Company's Quality Management System has been assessed by Zurich Certification Limited, United Kingdom and found to comply with BS EN ISO 9002:1994 and the certificate of registration was issued on 8 December 2000. The Quality Management System was subsequently upgraded and recertified to BS EN ISO 9001:2000 by Independent European Certification Limited, United Kingdom on 21 December 2003. The certification scope covers "Design, Manufacturing and Supply of Flexible Packaging Materials and Blown Film".

Advanced Packaging Technology (M) Bhd currently also produces linear low density polyethylene (LLDPE) film mainly for its internal consumption as well as for external sales.

The Company has on 23 August 2002 incorporated a wholly-owned subsidiary company in Hong Kong by the name of Advanced Packaging Investments (H.K.) Limited as an investment holding company.

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# Notice of Annual General Meeting

**N**OTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of Advanced Packaging Technology (M) Bhd ("Company") will be held at Prescott Metro Inn, Wisma Metro Kajang, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan on Monday, 28 June 2004 at 10.30 a.m. for the following purposes:-

---

## A G E N D A

- 1) To receive the Audited Financial Statements for the year ended 31 December 2003 and the Directors' and Auditors' Reports thereon.  
**(Resolution 1)**
- 2) To approve the payment of a tax exempt final dividend of 4.0% for the year ended 31 December 2003.  
**(Resolution 2)**
- 3) To approve the payment of Directors' Fees of RM180,000.00 for the year ended 31 December 2003. (2002: RM180,000.00)  
**(Resolution 3)**
- 4) To re-elect the following Directors who retire in accordance with Article 80 of the Company's Articles of Association:
  - (a) Mr Yeo Tek Ling **(Resolution 4)**
  - (b) Mr Eu Hock Seng **(Resolution 5)**
  - (c) Mr Ng Choo Tim **(Resolution 6)**
- 5) To re-appoint the following persons as Directors pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next annual general meeting of the Company:
  - (a) Mr Ng Choo Phuan @ Kuan Choo Phuan **(Resolution 7)**
  - (b) Dato' Law Sah Lim **(Resolution 8)**
- 6) To re-appoint Messrs PKF as Auditors of the Company and to authorise the Directors to fix their remuneration.  
**(Resolution 9)**
- 7) To transact any other ordinary business for which due notice shall have been given.

**NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT**

**NOTICE IS HEREBY GIVEN** that, subject to the approval of the shareholders, a tax exempt final dividend of 4.0% in respect of the financial year ended 31 December 2003 will be paid on 23 July 2004 to shareholders whose names appear in the Company's Record of Depositors on 12 July 2004.

A Depositor shall qualify for the entitlement only in respect of:-

- a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 12 July 2004 in respect of ordinary transfers; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**GOON KOK KEONG**  
(MAICSA 0698849)  
Company Secretary

Petaling Jaya  
Selangor Darul Ehsan  
3 June 2004

**NOTES:**

A member of the Company entitled to attend and vote at this meeting may appoint a proxy or proxies to vote in his stead. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy must be deposited at the Company's Registered Office at 23B Jalan 52/1, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight hours before the time appointed for holding the meeting or any adjournment thereof.

# Statement Accompanying the Notice of Annual General Meeting

## 1. NAMES OF DIRECTORS STANDING FOR RE-ELECTION

The names of the Directors standing for re-election at the forthcoming Twenty-second Annual General Meeting are as follows:-

Under Article 80 of the Company's Articles of Association

- a) Yeo Tek Ling
- b) Eu Hock Seng
- c) Ng Choo Tim

Under Section 129(6) of the Companies Act, 1965

- a) Ng Choo Phuan @ Kuan Choo Phuan
- b) Dato' Law Sah Lim

## 2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

The number of Board of Directors' Meetings held and attendance by directors during the financial year ended 31 December 2003 are as follows:-

Name of Directors	Number of Meetings Held	Number of Meetings Attended
Chee Sam Fatt	4	4
Tjin Kiat @ Tan Cheng Keat	4	4
Yeo Tek Ling	4	4
Dato' Law Sah Lim	4	4
Eu Hock Seng	4	4
Ng Choo Phuan @ Kuan Choo Phuan	4	4
Ng Choo Tim	4	4
Dato' Haji Ghazali b. Mat Ariff	4	3
Datuk Ismail bin Haji Ahmad	4	4
Mah Siew Seng	4	4

## 3. PLACE, DATE AND HOUR OF THE TWENTY-SECOND ANNUAL GENERAL MEETING

The Twenty-second Annual General Meeting of the Company will be held at Prescott Metro Inn, Wisma Metro Kajang, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan on Monday, 28 June 2004 at 10.30a.m.

## 4. DETAILS OF DIRECTORS STANDING FOR RE-ELECTIONS

The details of the directors standing for re-election at the forthcoming Twenty-second Annual General Meeting are set out on pages 6 to 9 of the Annual Report.

## BOARD OF DIRECTORS

Chee Sam Fatt  
*(Chairman)*

Tjin Kiat @ Tan Cheng Keat  
*(Managing Director)*

Yeo Tek Ling  
*(Finance Director)*

Dato' Law Sah Lim

Eu Hock Seng

Ng Choo Phuan @ Kuan Choo Phuan

Ng Choo Tim

Dato' Haji Ghazali b. Mat Ariff

Mah Siew Seng

Datuk Ismail bin Haji Ahmad

## SECRETARY

Goon Kok Keong  
*(MAICSA 0698849)*

## AUDITORS

PKF  
*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*

## NOMINATION COMMITTEE

Datuk Ismail bin Haji Ahmad (Chairman)  
*- Non-Independent Non-Executive Director*

Eu Hock Seng  
*- Independent Non-Executive Director*

Ng Choo Phuan @ Kuan Choo Phuan  
*- Independent Non-Executive Director*

## REMUNERATION COMMITTEE

Chee Sam Fatt (Chairman)  
*- Non-Independent Non-Executive Director*

Dato' Haji Ghazali b. Mat Ariff  
*- 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

Malaysian Share Registration Services  
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  
(formerly known as Malaysia Securities  
Exchange Berhad) - Second Board

# Directors' Profile

## **CHEE SAM FATT**

Singaporean  
Chairman  
(Non-Independent Non-Executive Director)

One of the founder director of the Company, Mr Chee Sam Fatt, aged 67 years, became a director on 31 March 1982. He was appointed as the Chairman of the Board on 28 February 2003. He is also the Chairman of the Remuneration Committee. He held directorships in several private limited companies which were involved in construction and building materials, property development, importation and installation of marble, machine joinery works and assembly and retailing of electrical goods.

Mr Chee does not have any family relationship with any director. He is the husband of Madam Lee Ng Mah @ Lee Wai Chan who is a major shareholder of the Company. He does not have any conflict of interest with the Company and has no record of conviction for any offence within the past ten years. He is a registered holder of 20,250 ordinary shares in the Company.

## **TJIN KIAT @ TAN CHENG KEAT**

Malaysian  
Managing Director  
(Non-Independent Executive Director)

Mr Tan Cheng Keat, aged 64 years, one of the founder director of the Company was appointed to the Board on 31 March 1982. He was appointed a full time Executive Director on 1 May 1986 and served as Managing Director of the Company since his appointment on 29 June 1989. His previous marketing experience included serving as Sales Manager of Advanced Electronics (M) Sdn Bhd ("AE") for thirteen years. He was appointed as a director of AE in 1980. He is in charge of the overall management of the Company's business and is responsible for spearheading its direction.

Mr Tan does not hold any other directorships in public companies and does not have any family relationship with any director and/or major shareholder of the Company.

He has not been convicted of any offence in the past ten years and has no conflict of interest with the Company. Mr. Tan presently holds 2,405,378 ordinary shares in the Company.



**YEO TEK LING \***

Malaysian  
Finance Director  
(Non-Independent Executive Director)

Mr Yeo, aged 45 years joined the Company in October 1985 as an Accountant and subsequently assumed the positions of Finance & Administration Manager and Corporate Planner. He was appointed to the Board on 6 January 1994 and became Finance Director in January 1996. Prior to joining the Company, he worked as Assistant Accountant at Associate Pan Malaysia Cement Sdn Bhd for three years.

He is a member of the Chartered Institute of Management Accountants (CIMA), U.K. and the Malaysian Institute of Accountants (MIA). He takes charge over the accounting, financial, taxation, corporate and administrative matters of the Company. He was instrumental in assisting the Company obtain the ISO 9002 certification in year 2000 and the subsequent upgrading to ISO 9001:2000 in 2003. He further assists the Managing Director in management and other operational matters.

He is currently a council member of MIA, Committee Chairman of the Financial & Management Accounting Committee of MIA and a council member of CIMA, Malaysia Division. He is also a member of the Professional Accountants in Business Committee of the International Federation of Accountants.

Mr Yeo does not have any family relationship with any director and/or major shareholder of the Company. He is not a director of any other public companies.

There is no conflict of interest between him and the Company. He has not been convicted of any offence within the past ten years. He currently holds 24,338 ordinary shares in the Company.

**DATO' LAW SAH LIM \***

Malaysian  
Director  
(Non-Independent Non-Executive Director)

Dato' Law Sah Lim, aged 73 years, is one of the founder directors of the Company and was appointed to the Board on 31 March 1982. He served as Chairman of the Company since his appointment to the Board and resigned on 1 January 2003. He has over 46 years of experience in various businesses such as the motor vehicle trade, food manufacturing, sales and assembly of electrical products, leasing, credit and financing.

He sits on the Board of several private limited companies and is not a director of any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company.

Dato' Law does not have any conflict of interest with the Company and has not been convicted of any offence within the past ten years. He holds 839 ordinary shares of RM1.00 each in the Company.

**EU HOCK SENG \***

Singaporean  
Director  
(Independent Non-Executive Director)

Mr Eu Hock Seng, aged 64 years and a founder director of the Company, was appointed a Board member on 31 March 1982. He graduated from Waseda University of Japan with a Bachelor of Science (Electronic Engineering) degree. He was Head of Manufacturing Department of Setron (S) Ltd, factory manager of East Coast Electronics Sdn Bhd in Malaysia. He also taught the Japanese language at the Singapore National Trade Union Co-operative.

Mr Eu also serves as a member of the Nomination Committee. He does not have any family relationship with any director and/or major shareholder of the Company and is not a director of any other public companies.

He has not been convicted of any offence within the past ten years and has no conflict of interest with the Company. He holds 22,421 ordinary shares in the Company.

**NG CHOO PHUAN**  
**@ KUAN CHOO PHUAN \***  
Malaysian  
Director  
(Independent Non-Executive Director)

Mr Ng Choo Phuan, aged 76 years, joined the Board on 1 July 1982. He also serves as a member of the Nomination Committee. He has more than 48 years of experience in motorcycle trading, retailing and repairing business, parts manufacturing and property development and sits on the Board of several private limited companies.

He is the cousin of Mr Ng Choo Tim and does not have any family relationship with any major shareholder. He is not a director of any other public companies.

He does not have any conflict of interest with the Company and has not been convicted of any offences in the past ten years. He currently holds 523,991 ordinary shares in the Company.

**NG CHOO TIM \***  
Malaysian  
Director  
(Independent Non-Executive Director)

Mr Ng Choo Tim is 51 years old and was appointed to the Board on 29 June 1989. He has been a partner of Syarikat Guan Seng for many years, a company trading in electrical products and furniture.

He is the cousin of Mr Ng Choo Phuan @ Kuan Choo Phuan and does not have any family relationship with any major shareholder. He does not hold any other directorships in any other public companies.

There is no conflict of interest between him and the Company. He has not been convicted of any offences within the past ten years. He holds 1,296,594 ordinary shares in the Company.

**DATO' HAJI GHAZALI B. MAT ARIFF**  
Malaysian  
Director  
(Independent Non-Executive Director)

Dato' Haji Ghazali, aged 63 years and an Advocate & Solicitor by profession, was appointed to the Board on 23 March 1994. He qualified as a Barrister-at-Law from Lincoln's Inn, London and was called to the English Bar on 21 November 1978. He was admitted as an Advocate & Solicitor of the High Court Malaya on 27 September 1979. He set up a legal firm now known as Messrs Ghazali Ariff & Partners in March 1980 and is currently the Senior Partner of the firm.

From 1979 to 1980 he worked as a legal assistant at Messrs Nik Hussain, Ibrahim & Abdullah, Kuala Lumpur. Prior to that he was a college trained teacher from 1962 to 1968 and a lecturer from 1968 to 1974.

He is the Chairman of the Audit Committee and also serves as a member of the Remuneration Committee. He does not have any family relationship with any director and/or major shareholder of the Company. He is a director of Eden Enterprises (M) Bhd., and a director of Amalgamated Industrial Steel Berhad, both companies are listed on the Bursa Malaysia Securities Berhad (formerly known as Malaysian Securities Exchange Berhad). He also sits on the Board of several private limited companies.

He is the Vice President of Majlis Dato'-Dato' Perlis. He has not been convicted of any offence within the past ten years and has no conflict of interest with the Company. He does not hold any shares in the Company.

## Directors' Profile (Continued)

### **DATUK ISMAIL BIN HAJI AHMAD**

Malaysian  
Director  
(Non-Independent Non-Executive Director)

Datuk Ismail bin Haji Ahmad, aged 67 years, a Permodalan Nasional Berhad nominee director, was appointed to the Board on 31 December 1998. He is also the Chairman of the Nomination Committee and a member of the Audit Committee.

Datuk Ismail bin Haji Ahmad holds a Bachelor of Arts (Hons) degree from the University of Malaya, and a Master in Public Policy and Administration from the University of Wisconsin, U.S.A He joined the Administrative and Diplomatic Service in 1964 and has served in the Prime Minister's Department, Ministry of Home Affairs and Ministry of Primary Industries. He was the Chief Executive Officer of the Commodities Trading Commission from 1981 to 1995.

He sits as a non-executive director of John Hancock Life Insurance (M) Berhad and was Chairman of Bank Muamalat Malaysia Berhad and director of Choo Bee Metal Industries Berhad. Datuk Ismail became a member of the Board of Amalgamated Industrial Steel Berhad and was appointed as its non-executive Chairman in December 2003.

He does not have any family relationship with any director and/or major shareholder of the Company.

He has not been convicted of any offence within the past ten years, has no conflict of interest with the Company and does not hold any shares in the Company.

### **MAH SIEW SENG**

Malaysian  
Director  
(Independent Non-Executive Director)

An Accountant by profession, Mr Mah Siew Seng, aged 51 years, was appointed to the Board on 23 March 1994. He qualified as a Certified Accountant in 1977. Prior to setting up his own practice under the name of Messrs Mah Siew Seng & Co. in Teluk Intan in late 1982, he worked in two public accounting firms for about five years. He became a partner of Messrs Lean, Oh & Associates, Petaling Jaya in early 1994. He is a member of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Malaysian Institute of Taxation.

Mr Mah is a member of both the Audit Committee and the Remuneration Committee. He does not have any family relationship with any director and/or major shareholder of the Company. He does not hold directorships in any other public companies but sits on the Board of several private limited companies.

He has not been convicted of any offence within the past ten years, has no conflict of interest with the Company and does not hold any shares in the Company.

\*Directors standing for re-election.

# Statement on Corporate Governance

The Board of Directors ("Board") of Advanced Packaging Technology (M) Bhd acknowledges that the practice of good corporate governance in conducting the business and affairs of the Company is essential for the continued growth and success of the Company. It subscribes totally to and supports the principles of and best practices in corporate governance as recommended in the Malaysian Code on Corporate Governance ("Code") and the relevant provisions in the Bursa Malaysia Securities Berhad Listing Requirements.

The following statement explains the manner in which the Company has applied the principles of Part I of the Code.

## 1.0 DIRECTORS

### 1.1 The Board

The Board is fully aware of the dual role of leadership and control for it to be effective. It is also conscious of the need to commit itself to practising the highest standards of corporate governance in the discharge of its stewardship responsibilities, to protect the investors' interest as a whole and the Company's assets and to enhance the Company's performance and thereby increase shareholders' value.

The Board is led and managed by experienced Directors who are responsible for the performance of the Company. The Board provides strategic direction and advice to the Company and guides the Company on its short and long term goal.

All the directors of the Company have attended the Mandatory Accreditation Programme conducted by the Bursa Malaysia Securities Berhad which is a training programme for directors of public listed companies.

Position descriptions and a formal schedule of matters are being established to clearly define and segregate the duties and responsibilities of the Board and management.

There are no restrictions on directors in obtaining access, where necessary, to independent professional advice at the Company's expense and access to the advice and service of the Company Secretary.

Management and the Company Secretary assist the Chairman in undertaking its responsibility of organizing and ensuring that notices of meetings, agenda papers and other relevant information are supplied on a timely basis and tabled for the Board to function effectively.

### 1.2 Board Balance

The Board comprises two Executive Directors and eight Non-Executive Directors, of whom five are Independent. Thus, the Board has a balance of executive and non-executive directors with no individual director dominating decision making at Board meetings. The Board's composition is in compliance with paragraph 15.02 of the Bursa Malaysia Securities Berhad Listing Requirements which requires at least one third of the Board to comprise of independent directors.

The Board has a mix of directors with diverse backgrounds, skills and experience. The executive directors' knowledge of the business is complemented by the independent non-executive directors' objective and unbiased judgment at board deliberations taking into account at all times the best interest of the Company's investors as a whole.

The position and roles of the Non-Executive Chairman and that of the Managing Director have been separated to ensure a balance of power and authority.

The Board does not have any significant shareholder and is of the opinion there is an appropriate number of directors which fairly reflects the investment in the Company.

Dato' Haji Ghazali bin Mat Ariff was appointed on 28 May 2002 as the senior independent non-executive director to whom all concerns regarding the Company may be conveyed.

### **1.3 Board and Committee Meetings**

At the beginning of each financial year, management prepares in advance a schedule of board and committee meetings for the entire financial year.

Relevant agenda papers for each meeting are circulated at the time when notice of meetings are sent. When requested by the Board or Board Committees, additional information are promptly supplied to enable them to effectively discharge their responsibilities.

The Board and Audit Committee ordinarily meet at least four times a year at a quarterly interval. Additional meetings are convened and held as and when deemed necessary. Attendance at meetings are detailed in the Statement Accompanying the Notice of Annual General Meeting and the Audit Committee Report.

During the financial year in question, relevant members of the staff had been requested to attend the Audit Committee meetings when clarification was sought. Decisions and recommendations of the Committee are reported to the Board at the Board's next meeting by the Audit Committee Chairman.

### **1.4 Supply of Information**

Management is aware of the need and endeavours to supply the Board with timely and quality information to enable it to discharge its duties effectively and efficiently. All Directors are provided with an agenda and Board Papers necessary for their review before Board meetings. This ensures that Directors have sufficient time to understand and appreciate issues to be deliberated at the Board meetings.

The Board is given full access to both financial and other performance information pertaining to the Company and no restrictions have been placed upon the directors, individually or as a board, to take independent professional advice at the Company's expense.

Every Director has also unhindered access to the advice and services of the Company Secretary. The Chairman has always received the positive support of the Company Secretary in ensuring the effective functioning of the Board.

### **1.5 Appointments to the Board and Re-election of Directors**

A Nomination Committee comprising of three non-executive directors, two of whom are independent directors, had been established. The Nomination Committee is given the responsibility of proposing new nominees to the Board and board committees, reviewing annually the required mix of skills, experience and competencies of the non-executive directors and assessing individual director's contribution and the effectiveness of the Board as a whole.

Article 80 of the Company's Articles of Association provides that all Directors shall retire by rotation and submit themselves for re-election at least once in every three years. Information on Directors seeking re-election at the forth coming Annual General Meeting is set out in the Statement Accompanying the Notice of Annual General Meeting.

The Board takes cognizance of the need to monitor and review its size to ensure that its number does not undermine its effectiveness.

## **2.0 DIRECTORS' REMUNERATION**

Directors' Fees paid are approved by shareholders at the Company's annual general meeting based on the recommendation of the Board. Any changes in Directors' Fees are highlighted in the notice calling for the annual general meeting.

## Statement on Corporate Governance (Continued)

The remuneration of the executive directors, namely, the Managing Director and the Finance Director are decided by the Board without the executive directors' participation in determining their own remuneration. The Board has appointed a Remuneration Committee charged with the responsibility of recommending to the Board the remuneration package of the executive directors. There is awareness that the remuneration of executive directors should be structured to link rewards to corporate and individual performance and that of the non-executive directors be reflective of their expertise and responsibilities.

A summary of the director's remuneration received, receivable and inclusive of the recommended directors' fees in respect of the financial year ended 31 December 2003 are set out below:-

Category of Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Salary	332,400.00	-
Fees	36,000.00	144,000.00
Bonus	100,779.00	-
Benefits-in-kind	31,900.00	-
EPF & Socso	77,308.00	-
Others	21,577.00	-
Total	599,964.00	144,000.00

Band of Remuneration (RM)	Executive	Non-Executive
Below 50,000	-	8
50,001 to 100,000	-	-
100,001 to 150,000	-	-
150,001 to 200,000	1	-
200,001 to 250,000	-	-
250,001 to 300,000	-	-
300,001 to 350,000	-	-
350,001 to 400,000	-	-
400,001 to 450,000	1	-
450,001 to 500,000	-	-

Details of individual director's remuneration are not disclosed for reasons of confidentiality.

### 3.0 BOARD COMMITTEES

Three committees have been established by the Board, namely, the Audit, Nomination and Remuneration Committees with specific duties and responsibilities which are contained in their respective terms of reference. These committees assist the Board in the discharge of its duties by examining issues within their terms of reference and reporting back to the Board with recommendations, recognizing at all times that the Board is the ultimate platform for decision making.

#### 3.1 Audit Committee

The Audit Committee was set up on 23 March 1994 and its terms of reference established and subsequently revised to be in line with the revamped Bursa Malaysia Securities Berhad listing requirements and the Malaysian Code on Corporate Governance. Particulars of its terms of reference, composition and other relevant information and activities are detailed in the Audit Committee Report.

### 3.2 Nomination Committee

In line with the Code, as good practice, the Nomination Committee was established on 27 February 2002. Two independent non-executive directors and one non-independent non-executive director were appointed by the Board to the Nomination Committee. The members of the Nomination Committee are:-

- (i) Datuk Ismail bin Haji Ahmad (Chairman) (non-independent non-executive director);
- (ii) Mr Eu Hock Seng (independent non-executive director); and
- (iii) Mr Ng Choo Phuan @ Kuan Choo Phuan (independent non-executive director).

The terms of reference of the Nomination Committee are:-

- (a) to propose new nominees for the board;
- (b) to recommend to the board, candidates for all directorships to be filled by the shareholders or directors;
- (c) to consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within bounds of practicability, by any other senior executive or any director or shareholder;
- (d) to recommend to the board, directors to fill the seats on board committees;
- (e) to assess directors on an ongoing basis.
- (f) to review annually the required mix of skills, experience and other qualities, including core competencies which non-executive directors should bring to the board and submit its recommendations to the board;
- (g) to carry out a process implemented by the board on an annual basis for assessing the effectiveness of the board as a whole, the committees of the board and for assessing the contribution of each individual director.

The Nomination Committee met one time during the financial year under review.

### 3.3 Remuneration Committee

The Remuneration Committee was set up on 27 February 2002 comprising two independent non-executive directors and one non-independent non-executive director. It is responsible for recommending to the board the remuneration of the executive directors in all its forms, and where necessary, draw advice from outside. The following are members of the Remuneration Committee:-

- (i) Mr Chee Sam Fatt (Chairman) (non-independent non-executive director);
- (ii) Dato' Haji Ghazali b. Mat Ariff (independent non-executive director); and
- (iii) Mr Mah Siew Seng (independent non-executive director).

The Remuneration Committee met once during the period under review.

## 4.0 ACCOUNTABILITY AND AUDIT

### 4.1 Financial Reporting

The Board aims to provide and present a balanced and understandable assessment of the Company's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcement of results and the Chairman's statement in the Annual Report. The Board is assisted by the Audit Committee in reviewing the quality of its financial reporting.

Towards this end, the Board is aware of its responsibility in ensuring that the Company's accounting records are properly kept in compliance with the Companies Act, 1965 and approved accounting standards and that the financial statements for the financial year are prepared to reflect a true and fair view of the state of affairs of the Company.

#### **4.2 Internal Control**

The Board recognised its responsibility in maintaining a sound system of internal controls including financial, operational and compliance controls and risk management to protect shareholders' investment and safeguard the Company's assets. It is aware of the importance of ongoing monitoring processes and control activities to identify and rectify operational deficiencies and to detect and prevent actual or suspected fraud, and other irregularities and improprieties.

PKF Management Consulting Sdn Bhd has been appointed by the Company to undertake internal audit function to ensure best practices are adopted in internal control. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business operations. This assists the Board/Audit Committee in obtaining assurance of a regular review and appraisal adequacy, integrity and effectiveness of the system of internal controls.

The Statement on Internal Control in this Annual Report provides an overview on the state of internal controls within the Group.

#### **4.3 Relationship with External Auditors**

The maintenance of an appropriate and transparent relationship by the Company with its external auditors is effected through the device of the Audit Committee. Notice of each Audit Committee meeting is extended to the external auditors and the latter has to date responded by attending all of the Audit Committee meetings.

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee Report.

### **5.0 RELATIONSHIP WITH SHAREHOLDERS**

The Board recognises the importance of maintaining effective communication with its shareholders and the public in general. All shareholders of the Company are served with annual reports/circulars and notice of meeting accordingly. At the Annual General Meeting, shareholders are given the opportunity to ask relevant questions pertaining to the Company.

Quarterly results and all relevant and important information are announced for dissemination through the Bursa Malaysia Securities Berhad. Members of the public can obtain the full Annual Report, financial statements and announcements from the Bursa Malaysia Securities Berhad's website.

The Company endeavours to provide appropriate information upon requests by institutional investors, fund managers and analysts and the press.

This statement was made in accordance with a Board resolution passed on 27 May 2004.



### **Status of Utilisation of Proceeds**

The Company did not implement any corporate proposal for the raising of funds during the financial year.

### **Share Buy-Back**

The Company did not make any share buy-back during the financial year.

### **Options, Warrants and Convertible Securities**

No options, warrants and convertible securities were exercised during the financial year.

### **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**

The Company did not sponsor any ADR or GDR programme during the financial year.

### **Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any relevant regulatory bodies during the financial year.

### **Non-Audit Fees**

The amount of no non-audit fees paid or payable to the Auditors, Messrs. PKF, for the financial year including taxation and other services was RM10,000.00

### **Variance in Results**

There was no material variance between the Company's audited results for the financial year ended 31 December 2003 and the unaudited results previously released for the financial quarter ended 31 December 2003.

### **Profit Guarantee**

The Company did not provide any profit guarantee and as such there is no issue of shortfall in the profit guaranteed.

### **Material Contracts**

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders either subsisting at the end of the financial year or entered into since the end of the previous financial year.

### **Revaluation Policy on Landed Properties**

The Company has not revalued its landed property and as such does not have a revaluation policy on its landed property.

It is the general policy of the Company to revalue its landed properties once every five years or at such shorter period as may be considered appropriate taking into account prevailing economic conditions, industry outlook and the advice of professional valuers.

### **Recurrent Related Party Transaction of a Revenue or Trading Nature**

There were no recurrent related party transactions of a revenue or trading nature which require shareholders' mandate during the financial year.

This statement was made in accordance with a Board resolution passed on 27 May 2004

# Statement on Internal Control

## INTRODUCTION

Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements requires the directors of public listed companies to include a statement in the annual report on the state of internal controls.

The Board of Directors ("Board") of Advanced Packaging Technology (M) Bhd. ("APT or the Group") is committed to its responsibility of maintaining a sound system of internal controls in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal controls of the Group during the year.

## RESPONSIBILITY

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board acknowledges its overall responsibility for the Group's system of internal controls and for reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal controls, the system as such is designed to manage risks within an acceptable risk profile rather than eliminate the risk of failure to achieve business objectives. It is imperative to note that any control system can only provide reasonable, and not absolute assurance against material misstatement, fraud or loss.

## RISK MANAGEMENT

The Board is aware and recognises various risks inherent in the business processes and thus risk management is regarded by the Board as an integral part of the business operations. Management is responsible for creating a risk-aware culture within the organisation. They have also the responsibility of identifying and evaluating risks faced by the Group for the Board's consideration, implementing appropriate internal controls system and ensuring compliance with the applicable laws, regulations, standards and guidelines and implementing policies adopted by the Board.

## INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit function to PKF Management Consulting Sdn. Bhd. This provides the Board with the independent assurance and assistance it requires in indentifying principal risks, reviewing the adequacy and integrity of the internal controls and the implementation of appropriate systems to manage these risks. The internal audit function also assists the Audit Committee in discharging its duties and responsibilities.

Internal audits are being undertaken by PKF Management Consulting Sdn. Bhd. with effect from the financial year ended 31 December 2002 under a 3-year internal audit plan to provide independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system, in anticipating potential risk exposures over key business processes. The internal audit function reviews regularly the internal controls of the key functional areas of the business operations, which has been approved by the Audit Committee. The internal audit function adopts a risk-based methodology approach and prepares its audit strategy and plan based on the risk profiles of the business operations.

The internal audit findings are reported directly to the Audit Committee on a quarterly basis, and by extension to the Board of Directors. The management is responsible for ensuring that corrective actions on reported weaknesses are carried out as recommended by the internal audit function within the agreed time frame.

## QUALITY ASSURANCE

Control on quality of the Group's core business of manufacturing of flexible packaging materials and blown film is implemented with a certified Quality Management System complying with the BS EN ISO 9001:2000 requirements. The Board views compliance to ISO 9001:2000 standards as an on-going commitment and regular upgrading and monitoring are carried out by management.

#### **OTHER KEY ELEMENTS OF INTERNAL CONTROL**

Apart from risk management and internal audit, the Board has put in place the following key elements of internal controls:

- Independence of the Audit Committee.
- Defined delegation of responsibilities and authorities to the Board Committees.
- Proper procedures in line with ISO 9001:2000 standards.
- Proper organisational structure and job specification for employees.
- Communication of quality policy and objectives to employees.
- Proper process of the annual profit forecast approved by the Board.
- Regular reviews of management's financial and progress reports by the Board.
- Holding of ad-hoc meetings regularly at management and operational levels to identify, discuss and resolve business and operational issues.
- Continuous training and development for staff to enhance and improve employees' competencies and proficiencies through a combination of on-the-job training and internal and external training courses.

#### **CONCLUSION**

The Board is of the view that there was no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board continues to monitor and ensure that appropriate measures are undertaken to strengthen the control environment.

This statement was approved by the Board on 27 May 2004

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## **Directors' Responsibility Statement**

The Board of Directors is required under paragraph 15.27 (a) of the Listing Requirements of the Bursa Malaysia Securities Berhad to issue a statement explaining its responsibility for preparing the annual audited financial statement.

The Directors of the Company are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the financial and cash flow positions and state of affairs of the Company and, where applicable, the Group as at the financial year end.

The directors have, through the Statement by Directors on page 26 of the Annual Report given their opinion that the financial statements have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Company for the financial year ended 31 December 2003.

In preparing the financial statements, the Directors are responsible for ensuring that appropriate accounting policies are adopted and applied consistently and where judgements and estimates were made, they were based on prudence and reasonableness.

The directors are further responsible for causing to be kept such accounting and other records that will explain sufficiently the transactions and financial position of the Company and enable true and fair financial statements to be prepared.

This statement was approved by the Board on 27 May 2004.

# Audit Committee Report

The Board is pleased to submit its report on the Audit Committee and its activities during the financial year ended 31 December 2003 in compliance with paragraph 15.16 of the Bursa Malaysia Securities Berhad Listing Requirements.

## COMPOSITION, MEETINGS AND ATTENDANCE

The composition of the Audit Committee, the number of meetings held during the financial year and particulars of attendance are as follows:-

Name	Designation	Number of Applicable Meetings	Attendance
a) Dato' Haji Ghazali b. Mat Ariff	Chairman - Independent Non-Executive	4	4
b) Mah Siew Seng	Member - Independent Non-Executive	4	4
c) Datuk Ismail bin Haji Ahmad	Member - Non-Independent Non-Executive	4	4

## TERMS OF REFERENCE

### A. Composition

1. The Audit Committee shall be appointed from amongst the Directors of the Company and shall consist of not less than three members.
2. A majority of the Audit Committee shall be independent directors.
3. At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants (MIA); or if he is not a member of MIA, he must have at least three years 'working experience and have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967 or be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967 or fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.
4. An alternate director shall not be appointed as a member of the Audit Committee.

### B. Chairman

1. The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent director.

### C. Meetings

1. Audit Committee meetings shall be held not less than four times a year.
2. A quorum for the meeting shall be a majority of independent directors.
3. Besides the Finance Director and representatives of the internal and external auditors who shall normally attend the Audit Committee meetings, other directors and employees may attend the meeting only at the invitation of the Audit Committee.

4. At least once a year the Audit Committee shall meet with the external auditors without the presence of any executive board members.
5. The Chairman shall convene a committee meeting upon receipt of a request from the external auditor to consider any matter which the external auditor believes should be brought to the attention of the directors and shareholders.
6. The Company Secretary shall be the Secretary of the Audit Committee.
7. The minutes of each meeting shall be distributed to the members of the Board.

**D. Retirement and Resignation**

1. Any vacancy in the Audit Committee resulting in the non-compliance of paragraph 15.10(1) of the Listing Requirements shall be filled within three months.

**E. Duties of the Audit Committee**

1. To review the following and report the same to the Board of Directors:-
  - (a) with the external auditor, the nature and scope of the audit plan;
  - (b) with the external auditor, his evaluation of the system of internal controls;
  - (c) with the external auditor, his audit report;
  - (d) the assistance given by the employees of the company to the external auditor;
  - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (f) the internal audit program, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - any changes in accounting policies and practices;
    - significant adjustments and unusual events arising from the audit;
    - the going concern assumption;
    - compliance with accounting standards and other legal requirements.
  - (h) any related party transactions and conflict of interest situation that may arise within the company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
2. To consider the appointment of an external auditor, the audit fee and any questions of resignation or dismissal.
3. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).
4. To review the external auditor's management letter and management's response.

5. To do the following where an in-house internal audit function exists:-
  - (a) review any appraisal or assessment of the performance of members of the internal audit function;
  - (b) approve any appointment or termination of senior staff members of the internal audit function;
  - (c) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
6. To consider the major findings of internal investigations and management's response.
7. To consider any other topics as defined by the board.

#### **F. Rights and Authority of the Audit Committee**

The Audit Committee shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the company.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

#### **G. Review of the Audit Committee**

1. The Board of Directors shall review the term of office and performance of the Audit Committee and each of its members at least once in every three years.

#### **H. Reporting of Breaches to the Exchange**

1. Where the Audit Committee finds that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad Listing Requirements, the Audit Committee shall promptly report the matter to the Exchange.

#### **SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES**

During the financial year ended 31 December 2003, the Audit Committee carried out the following activities:-

- (a) reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, external auditors presented their strategy and plan.
- (b) reviewed the preceding year end financial statements, the external auditors' report and discussed the audit fees.

- (c) reviewed the external auditor's management letter and management's response.
- (d) reviewed the quarterly unaudited financial results and announcements for presentation to the Board for approval and release to the Bursa Malaysia Securities Berhad.
- (e) reviewed the quarterly internal audit report prepared by PKF Management Consulting Sdn Bhd and management's response.

#### **SUMMARY OF INTERNAL AUDIT FUNCTION'S ACTIVITIES**

The Company has outsourced its internal audit function to PKF Management Consulting Sdn. Bhd. (PMCSB) to ensure best practices are adopted in internal control. It has drawn up a 3-year internal audit plan by adopting a risk-based approach to provide independent assessment on the adequacy, efficiency and effectiveness of the Company's internal control system in anticipating potential risk exposures over key business processes. The internal audit function reports directly to the Audit Committee.

PMCSB carried out and completed audits of certain key processes and principal risk areas on a quarterly basis during the year. Internal audit reports were issued to the Company incorporating findings and recommendations with regards to weaknesses noted. Management is responsible for ensuring that corrective actions are carried out within the agreed time frame.

This statement was made in accordance with a Board resolution passed on 27 May 2004.

# Chairman's Statement

On behalf of the Board of Directors of Advanced Packaging Technology (M) Bhd, it is my great pleasure to present to you the Annual Report and the Audited Financial Statements of the Group for the financial year ended 31 December 2003.

## OVERVIEW

The trading conditions in the flexible packaging materials industry during the year under review continued to be competitive. However, with the continued growth of the Malaysian economy, improvement in the standards of living and higher disposable income of the consumers, the future of the flexible packaging materials industry is still very encouraging.

## FINANCIAL PERFORMANCE

The Company and the Group recorded a turnover of RM22.53 million for the year ended 31 December 2003 which was slightly better when compared to the preceding year figures of RM22.38 million. Net profit before tax for the year under review for the Group and the Company was RM3.90 million and RM4.05 million respectively against RM3.90 million and RM4.00 million respectively achieved in the preceding year.

## PROSPECTS

With the Malaysian economy showing signs of healthy growth, the Board of Directors is of the view that trading conditions in the flexible packaging materials industry will improve as well. Barring unforeseen circumstances, the Board expects the Company to achieve satisfactory results for the current financial year.

## DIVIDEND

Your Board of Directors has recommended a tax exempt final dividend of 4.00 sen per share on the enlarged share capital of 41,008,500 ordinary shares of RM1.00 each (2002: 4.95 sen per share tax exempt) for the financial year ended 31 December 2003. The proposed dividend is subject to the approval of the shareholders at the Annual General Meeting to be held on 28 June 2004. No interim dividend was paid during the year (2002: nil).

## CORPORATE DEVELOPMENT

During the financial year, the Company had issued and allotted 22,782,500 new ordinary shares of RM1.00 each by way of a bonus issue by capitalising the retained profit on the basis of five (5) new ordinary shares of RM1.00 each for every four (4) existing ordinary shares of RM1.00 each. The new ordinary shares had been granted listing and quotation by the Bursa Malaysia Securities Berhad on 16 December 2003.

The Company's Quality Management System was upgraded during the year. It had been assessed by Independent European Certification Limited, United Kingdom and found to comply with BS EN ISO 9001:2000 on 21 December 2003.

The Company through its wholly owned subsidiary, Advanced Packaging Investments (H.K.) Limited (APIL) had on 02 December, 2002, entered into a joint venture contract with Wafangdian Laohu Cement Company Ltd., a company incorporated in the People's Republic of China (PRC), to build a new clinker plant in the PRC. APIL holds a 25% equity interest in the joint venture company. The plant is currently under construction.

## APPRECIATION

On behalf of my fellow Directors, I would like to take this opportunity to extend our sincere thanks and appreciation to all our valuable customers, bankers, government authorities, business associates and shareholders for their continued support. I would also like to thank the management and staff for their hard work, dedication and commitment.

**CHEE SAM FATT**

Chairman

27 May, 2004



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 2003.

## 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

	Group RM	Company RM
Net profit for the year	3,143,312	3,298,735

## DIVIDENDS

Since the end of the previous financial year, the Company paid a tax exempt final dividend of 4.95% totaling RM902,187 in respect of the financial year ended 31 December 2002, on 30 July 2003.

The final dividend recommended by the Directors in respect of the year ended 31 December 2003 is 4.00% tax exempt dividend totalling RM1,640,340.

## 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.

## ISSUE OF SHARES

During the financial year, the Company 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. The bonus issue of 22,782,500 new ordinary share of RM1 each 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.

As at the date of this report, the additional 22,782,500 new ordinary shares of RM1 each has been granted listing and quotation on the Second Board of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## DIRECTORS

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

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

## 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 each			At 31.12.2003
	At 1.1.2003	Bonus issue/ bought	Sold	
Shareholdings registered in the name of Directors:				
Dato' Law Sah Lim	373	466	-	839
Tjin Kiat @ Tan Cheng Keat	1,180,057	1,336,321	(111,000)	2,405,378
Yeo Tek Ling	10,817	13,521	-	24,338
Chee Sam Fatt	9,000	11,250	-	20,250
Eu Hock Seng	9,965	12,456	-	22,421
Ng Choo Phuan @ Kuan Choo Phuan	232,885	291,106	-	523,991
Ng Choo Tim	576,264	720,330	-	1,296,594

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by a Director 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.

#### 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 that adequate provision had been 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) which 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 of the Company inadequate to any substantial extent; or
- (ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company 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 that financial year.

No contingent or other liability of 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 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 2003 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.

#### 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  
23 April 2004

# 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 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 2003 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  
23 April 2004

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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 23 April 2004.

**TJIN KIAT @ TAN CHENG KEAT**

**YEO TEK LING**

Before me,

**V. RAMAKRISHNAN AMN**  
COMMISSIONER FOR OATHS  
(W-336)

# Report of the Auditors

To The Members of Advanced Packaging Technology (M) Bhd  
(Co. No. 82982-K)  
(Incorporated in Malaysia)

**W**e 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 2003 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 were 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**  
251/03/05 (J/PH)  
Partner

Kuala Lumpur  
23 April 2004

# Income Statements

For The Year Ended 31 December 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue		22,528,028	22,381,699	22,528,028	22,381,699
Other operating income		337,675	295,094	337,675	295,094
Changes in inventories of finished goods and work-in-progress		(54,200)	233,263	(54,200)	233,263
Raw materials used		(12,440,119)	(13,175,063)	(12,440,119)	(13,175,063)
Staff costs (inclusive of Directors' remuneration)	2	(3,142,876)	(3,051,900)	(3,052,876)	(3,021,900)
Depreciation		(1,189,691)	(1,232,374)	(1,189,691)	(1,232,374)
Other operating expenses		(3,089,755)	(2,698,573)	(3,024,459)	(2,622,642)
<b>Operating profits</b>	3	2,949,062	2,752,146	3,104,358	2,858,077
Interest income		967,173	1,164,072	967,173	1,164,072
Finance cost		(20,514)	(19,526)	(20,387)	(19,526)
<b>Profit before tax</b>		3,895,721	3,896,692	4,051,144	4,002,623
Income tax expense	4	(752,409)	(1,183,201)	(752,409)	(1,183,201)
<b>Net profit for the year</b>		3,143,312	2,713,491	3,298,735	2,819,422
Basic earnings per share (sen)	5	7.67	6.62		
Dividends per share (sen)	6	4.95	4.95	4.95	4.95

The accompanying notes form an integral part of the financial statements.

# Balance Sheets

As At 31 December 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>Long term assets</b>					
Property, plant and equipment	7	10,590,433	10,122,223	10,590,433	10,122,223
Investment in subsidiary	8	-	-	4,921	4,921
Investment in joint venture	9	10,828,091	-	-	-
Amount due from a subsidiary	10	-	-	11,063,444	467,194
		21,418,524	10,122,223	21,658,798	10,594,338
<b>Current assets</b>					
Inventories	11	3,766,636	4,623,089	3,766,636	4,623,089
Trade receivables	12	5,069,388	5,253,879	5,069,388	5,253,879
Other receivables, deposits and prepayments	13	529,640	891,439	529,640	528,221
Cash and cash equivalents	14	21,331,043	29,950,868	21,331,043	29,950,868
		30,696,707	40,719,275	30,696,707	40,356,057
<b>Current liabilities</b>					
Trade payables		1,497,494	2,234,960	1,497,494	2,234,960
Amount due to Directors	15	180,000	180,000	180,000	180,000
Other payables and accruals		1,024,061	957,524	1,018,612	952,095
Tax payable		-	194,688	-	194,688
		2,701,555	3,567,172	2,696,106	3,561,743
<b>Net current assets</b>		27,995,152	37,152,103	28,000,601	36,794,314
<b>Long term and deferred Liabilities</b>					
Deferred taxation	16	1,150,000	1,310,000	1,150,000	1,310,000
Provision for staff gratuity	17	423,043	388,844	423,043	388,844
		(1,573,043)	(1,698,844)	(1,573,043)	(1,698,844)
		47,840,633	45,575,482	48,086,356	45,689,808
<b>Represented by:</b>					
Share capital	18	41,008,500	18,226,000	41,008,500	18,226,000
Reserves	19	6,832,133	27,349,482	7,077,856	27,463,808
<b>Shareholders' fund</b>		47,840,633	45,575,482	48,086,356	45,689,808

The accompanying notes form an integral part of the financial statements.

# Statements of Changes in Equity

For The Year Ended 31 December 2003

Group	Note	Share capital RM	NON-DISTRIBUTABLE Translation reserve RM	DISTRIBUTABLE Retained profits RM	Total RM
At 1 January 2002		18,226,000	-	25,546,573	43,772,573
Currency translation differences		-	(8,395)	-	(8,395)
Net profit for the year		-	-	2,713,491	2,713,491
Dividends	6	-	-	(902,187)	(902,187)
At 31 December 2002		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)
At 31 December 2003		41,008,500	15,631	6,816,502	47,840,633
<b>Company</b>					
At 1 January 2002		18,226,000	-	25,546,573	43,772,573
Net profit for the year		-	-	2,819,422	2,819,422
Dividends	6	-	-	(902,187)	(902,187)
At 31 December 2002		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)
At 31 December 2003		41,008,500	-	7,077,856	48,086,356

The accompanying notes form an integral part of the financial statements.



# Cash Flow Statements

For The Year Ended 31 December 2003

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Cash flows generated from/ (used in) operating activities</b>				
Profit before tax	3,895,721	3,896,692	4,051,144	4,002,623
Adjustments for:				
Depreciation	1,189,691	1,232,374	1,189,691	1,232,374
Gain on disposal of plant and equipment	(6,000)	(1,644)	(6,000)	(1,644)
Interest income	(967,173)	(1,164,072)	(967,173)	(1,164,072)
Plant and equipment written off	4,465	674	4,465	674
Provision for staff gratuity	47,174	53,220	47,174	53,220
<b>Operating profit before working capital changes</b>	4,163,878	4,017,244	4,319,301	4,123,175
Decrease/(increase) in inventories	856,453	(1,017,502)	856,453	(1,017,502)
Decrease/(increase) in trade and other receivables	709,472	(150,982)	346,254	211,141
(Decrease)/increase in trade and other payables	(670,929)	1,128,075	(670,949)	1,123,741
<b>Cash generated from operations</b>	5,058,874	3,976,835	4,851,059	4,440,555
Income tax paid	(1,270,279)	(26,573)	(1,270,279)	(26,573)
Staff gratuity paid	(12,975)	(8,697)	(12,975)	(8,697)
<b>Net cash from operating activities</b>	3,775,620	3,941,565	3,567,805	4,405,285
<b>Cash flows generated from/ (used in) investing activities</b>				
Acquisition of subsidiary, net of cash acquired	-	-	-	(4,921)
Advances to subsidiary	-	-	(10,596,250)	(467,194)
Investment in joint venture	(10,828,091)	-	-	-
Interest received	967,173	1,164,072	967,173	1,164,072
Proceeds from disposal of plant and equipment	6,000	1,650	6,000	1,650
Purchase of property, plant and equipment	(1,662,366)	(280,911)	(1,662,366)	(280,911)
<b>Net cash (used in)/generated from investing activities</b>	(11,517,284)	884,811	(11,285,443)	412,696

The accompanying notes form an integral part of the financial statements.

**cash** flow statements  
For The Year Ended 31 December 2003 (Continued)

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
<b>Cash flows generated from /(used in) financing activity</b>				
Dividend paid	(902,187)	(902,187)	(902,187)	(902,187)
<b>Net cash used in financing activity</b>	(902,187)	(902,187)	(902,187)	(902,187)
<b>Net increase in cash and cash equivalents</b>	(8,643,851)	3,924,189	(8,619,825)	3,915,794
<b>Cash and cash equivalents at beginning of year</b>	29,950,868	26,035,074	29,950,868	26,035,074
<b>Foreign exchange differences on opening balances</b>	24,026	(8,395)	-	-
<b>Cash and cash equivalents at end of year</b>	21,331,043	29,950,868	21,331,043	29,950,868
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances	1,831,043	450,868	1,831,043	450,868
Deposits with licensed banks	19,500,000	29,500,000	19,500,000	29,500,000
	21,331,043	29,950,868	21,331,043	29,950,868

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

At 31 December 2003

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 25, Income Taxes; and
- (ii) MASB 29, Employee Benefits.

Apart from the new policies and extended disclosures where required by these new standards, there is no effect on these financial statements.

### (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.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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	7 1/2% - 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.

**(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 are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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.

**(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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
1 US Dollar	3.80	3.80
1 Brunei Dollar	2.21	2.17
1 Singapore Dollar	2.21	2.17
100 Thai Baht	9.40	8.57
100 Hong Kong Dollar	49.43	49.21

**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 113 and 112 (2002: 128 and 127) respectively.

### 3. OPERATING PROFITS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Operating profit is arrived at after charging:</b>				
Auditors' remuneration				
- current year	30,448	31,679	25,000	26,250
- under provision in prior year	-	900	-	900
Allowance for doubtful debts	209,901	109,146	209,901	109,146
Bad debts written off	23,909	60,243	23,909	60,243
Depreciation	1,189,691	1,232,374	1,189,691	1,232,374
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	532,064	537,307	532,064	537,307
- Director of a subsidiary	90,000	30,000	-	-
Inventories written off	97,848	187,258	97,848	187,258
Loss on foreign exchange				
- realised	2,949	-	2,949	-
Plant and equipment written off	4,464	674	4,464	674
Provision for staff gratuity	47,174	53,220	47,174	53,220
<b>and crediting:</b>				
Bad debts recovered	(11,315)	-	(11,315)	-
Gain on disposal of plant and equipment	(6,000)	(1,644)	(6,000)	(1,644)
Gain on foreign exchange				
- realised	-	(7,760)	-	(7,760)
- unrealised	(9,180)	(5,774)	(9,180)	(5,774)
Reversal of allowance for doubtful debts	(32,744)	(171,211)	(32,744)	(171,211)

Estimated cash value of benefits-in-kind for the executive Directors are RM31,900 and RM31,900 (2002: RM31,900 and RM31,900) for the Group and the Company respectively.

Gain on disposal of plant and equipment during the year is in relation to disposal of plant and equipment, which has been written off in the previous financial year.

#### 4. INCOME TAX EXPENSE

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Current tax expense				
- current year	910,265	1,234,000	910,265	1,234,000
- under provision in prior years	2,144	201	2,144	201
Deferred tax expense				
- (reversal)/origination of temporary differences	(160,000)	(51,000)	(160,000)	(51,000)
	<u>752,409</u>	<u>1,183,201</u>	<u>752,409</u>	<u>1,183,201</u>

#### Reconciliation of effective tax rate

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Profit before tax	3,895,721	3,896,692	4,051,144	4,002,623
Income tax using				
Malaysian tax rate	1,090,802	1,091,074	1,134,320	1,120,734
Non deductible expenses	42,740	30,450	42,740	30,450
Tax losses not recognised	43,518	29,660	-	-
Deferred tax benefits previously not recognised	(210,000)	-	(210,000)	-
Deferred tax liabilities previously over provided	-	43,328	-	43,328
Double deduction	(8,975)	(11,512)	(8,975)	(11,512)
Reinvestment allowances	(207,820)	-	(207,820)	-
	<u>750,265</u>	<u>1,183,000</u>	<u>750,265</u>	<u>1,183,000</u>
Under provision in prior years	2,144	201	2,144	201
	<u>752,409</u>	<u>1,183,201</u>	<u>752,409</u>	<u>1,183,201</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 RM155,424 (2002: RM105,928).

#### 5. EARNINGS PER ORDINARY SHARE

Basic earnings per share of the Group is based on the net profit attributable to ordinary shareholders of RM3,143,312 (2002: RM2,713,491) respectively and the issued share capital of 41,008,500 (2002: 41,008,500) ordinary shares.

Basic earnings per share of the Group for the financial year ended 2002 has been restated as a result of bonus issue by way of capitalisation of retained profits during the year.



## 6. DIVIDENDS

	2003 RM	2002 RM
Final paid:		
2002 - 4.95% per share tax exempt (2001: 4.95% per share tax exempt)	902,187	902,187

The final dividend paid for the financial year ended 31 December 2002 was based on the issued and paid-up capital of RM18,226,000.

The proposed final tax exempt dividend of 4.00% amounting to RM1,640,340 has not been accounted for in the financial statements.

## 7. PROPERTY, PLANT AND EQUIPMENT

Group and Company	Long term leasehold land RM	Building RM	Plant, machinery and tools RM	Furniture, fittings and equipment RM	Motor vehicles RM	Total RM
<b>Cost</b>						
At beginning of year	739,000	4,149,879	16,473,764	482,562	810,569	22,655,774
Additions	-	105,350	1,493,920	24,096	39,000	1,662,366
Written off	-	-	(19,053)	(2,950)	-	(22,003)
At end of year	739,000	4,255,229	17,948,631	503,708	849,569	24,296,137
<b>Accumulated depreciation</b>						
At beginning of year	131,235	1,226,836	10,126,700	287,756	761,024	12,533,551
Charge for the year	7,390	89,974	1,023,069	47,114	22,144	1,189,691
Written off	-	-	(15,223)	(2,315)	-	(17,538)
At end of year	138,625	1,316,810	11,134,546	332,555	783,168	13,705,704
<b>Net book value</b>						
At 31 December 2003	600,375	2,938,419	6,814,085	171,153	66,401	10,590,433
At 31 December 2002	607,765	2,923,043	6,347,064	194,806	49,545	10,122,223
Depreciation charge for the year ended 31 December 2002	7,390	84,682	1,071,083	33,296	35,923	1,232,374

**8. INVESTMENT IN SUBSIDIARY**

	Company	
	2003 RM	2002 RM
Unquoted shares at cost	4,921	4,921

The details of the subsidiary are as follows:

Name of company	Place of incorporation	Percentage of equity held		Principal Activity
		2003	2002	
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**

	Group	
	2003 RM	2002 RM
At cost	10,828,091	-
Cost of investment in joint venture includes the following:		
Capital contribution	10,336,549	-
Professional fees	475,911	-
Others	15,631	-
	10,828,091	-

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

Long term assets	1,914,820	-
Current assets	8,390,303	-
	10,305,123	-

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

#### 9. INVESTMENT IN JOINT VENTURE (CONTINUED)

Details of jointly controlled entity are as follows:

Name	Principal activities	Proportion of ownership interest equity held	
		2003	2002
Dalian Advanced Cement Company Ltd #	The Company has not commenced operations. The intended principal activities are that of production and sales of clinker and cement	25%	-

# 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	
	2003 RM	2002 RM
<b>At cost</b>		
Raw materials	2,825,660	3,671,717
Work-in-progress	207,812	302,700
Finished goods	435,276	394,588
Consumables	297,888	254,084
	3,766,636	4,623,089

#### 12. TRADE RECEIVABLES

	Group and Company	
	2003 RM	2002 RM
Trade receivables	6,253,114	6,260,448
Allowance for doubtful debts		
- Specific	433,726	256,569
- General	750,000	750,000
	(1,183,726)	(1,006,569)
	5,069,388	5,253,879

**13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Included in other receivables, deposits and prepayments of the Company are excess taxes paid amounting to RM163,182 (2002: Nil). Subject to the agreement by the Inland Revenue Board, the excess taxes paid is refundable.

**14. CASH AND CASH EQUIVALENTS**

	Group and Company	
	2003	2002
	RM	RM
Deposits placed with licensed banks	19,500,000	29,500,000
Cash and bank balances	1,831,043	450,868
	<u>21,331,043</u>	<u>29,950,868</u>

**15. AMOUNT DUE TO DIRECTORS**

This represents Directors' fees payable.

**16. DEFERRED TAXATION**

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

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Deferred tax liabilities	1,478,000	1,419,000	1,478,000	1,419,000
Deferred tax assets	(328,000)	(109,000)	(328,000)	(109,000)
At end of year	<u>1,150,000</u>	<u>1,310,000</u>	<u>1,150,000</u>	<u>1,310,000</u>

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

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Plant and equipment				
- capital allowances	1,475,000	1,417,000	1,475,000	1,417,000
Unrealised foreign exchange gain	3,000	2,000	3,000	2,000
Retirement benefits	(118,000)	(109,000)	(118,000)	(109,000)
Allowance for doubtful debts				
- general	(210,000)	-	(210,000)	-
At end of year	<u>1,150,000</u>	<u>1,310,000</u>	<u>1,150,000</u>	<u>1,310,000</u>

**17. PROVISION FOR STAFF GRATUITY**

	Group and Company	
	2003	2002
	RM	RM
At beginning of year	388,844	344,321
Current year's provision	47,174	53,220
	<hr/>	<hr/>
Amount paid during the year	436,018 (12,975)	397,541 (8,697)
	<hr/>	<hr/>
At end of year	423,043	388,844
	<hr/>	<hr/>

**18. SHARE CAPITAL**

	Group and Company	
	2003	2002
	RM	RM
Ordinary shares of RM1 each Authorised :		
At beginning of year	100,000,000	25,000,000
Created during the year	-	75,000,000
	<hr/>	<hr/>
At end of year	100,000,000	100,000,000
	<hr/>	<hr/>
Issued and fully paid:		
At beginning of year	18,226,000	18,226,000
Issued during the year	22,782,500	-
	<hr/>	<hr/>
At end of year	41,008,500	18,226,000
	<hr/>	<hr/>

During the financial year, the Company has 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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Distributable:</b>				
Retained profits	6,816,502	27,357,877	7,077,856	27,463,808
<b>Non-distributable:</b>				
Currency translation reserve	15,631	(8,395)	-	-
	<u>6,832,133</u>	<u>27,349,482</u>	<u>7,077,856</u>	<u>27,463,808</u>

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

Based on the estimated tax credits and exempt income 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 RM8,364,000 (2002: RM8,523,700) available for distribution as tax exempt dividend.

## 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 i.e. 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	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
Segment assets by location of assets	41,287,140	50,478,280	10,828,091	363,218	52,115,231	50,841,498

## 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.

#### 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.

	2003		2002	
	Carrying Amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Company</b>				
Amount due from subsidiary	11,063,444	*	467,194	*

\* 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.

## 22. COMPARATIVES FIGURES

The following comparatives figures have been restated to conform with current year's presentation:

	Group		Company	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
<b>Income statement</b>				
Other operating income	295,094	1,459,166	295,094	1,459,166
Operating profits	2,752,146	3,916,218	2,858,077	4,022,149
Interest income	1,164,072	-	1,164,072	-
	-----	-----	-----	-----
Basic earnings per share	6.62	14.89		
	-----	-----		
<b>Balance sheet</b>				
<b>Long term assets</b>				
Amount due from subsidiary	-	-	467,194	-
<b>Current assets</b>				
Amount due from subsidiary	-	-	-	467,194
Total current assets	-	-	40,356,057	40,823,251
	-----	-----	-----	-----
<b>Cash flow statement</b>				
<b>Cash flows generated from/ (used in) operating activities</b>				
Adjustments for:				
Bad debts written off	-	60,243	-	60,243
Exchange fluctuation adjustments	-	(8,395)	-	-
Inventories written off	-	187,258	-	187,258
Provision for doubtful debts	-	(62,065)	-	(62,065)
Unrealised loss/(gain) on foreign exchange	-	(5,774)	-	(5,774)
Operating profit before working capital changes	4,017,244	4,188,511	4,123,175	4,302,836
Inventories	(1,017,502)	(1,204,760)	(1,017,502)	(1,204,760)
Trade and other receivables	(150,982)	(143,386)	211,141	(247,362)
Net cash from operating activities	3,941,565	3,933,170	4,405,285	3,938,091
	-----	-----	-----	-----



**22. COMPARATIVES FIGURES (CONTINUED)**

	Group		Company	
	As restated	As previously stated	As restated	As previously stated
	RM	RM	RM	RM
<b>Cash flows generated from/ (used in) investing activities</b>				
Advances to subsidiary	-	-	(467,194)	-
Net cash (used in)/ generated from investing activities	-	-	412,696	879,890
	-----	-----	-----	-----
Foreign exchange differences on opening balances	(8,395)	-	-	-
	-----	-----	-----	-----

**23. CAPITAL COMMITMENT**

	Group and Company	
	2003	2002
	RM	RM
Acquisition of motor vehicle approved but not contracted for	600,000	-
	-----	-----

**24. GENERAL INFORMATION**

The financial statements were approved and authorised for issue by the Board of Directors on 23 April 2004.

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.

# List of Properties

As At 31 December 2003

Location/Address	Description/ Existing Use	Land/ (Built-up) Area Sq. m	Tenure	Age of Building	Net Book Value RM
<b>Location:</b> Lot HS(M) 9617 PT11447 Mukim of Kajang Daerah Ulu Langat Selangor Darul Ehsan	Industrial Land erected with office, factory and warehouse premises / Own use	8,903 / 5,666	99 years leasehold Expiring on 29 September 2086	20 years old	3,538,794
<b>Address:</b> Lot 2 Jalan P/2A Kawasan MIEL Bangi Industrial Estate 43650 Bandar Baru Bangi Selangor Darul Ehsan					

# Analysis of Shareholdings

As At 30 April 2004

## SHAREHOLDERS

The company had 1,474 shareholders as at 30 April 2004. There is only one class of share, namely ordinary share of RM1.00 each. Each share entitles the holder to one vote.

## ANALYSIS BY SIZE OF SHAREHOLDINGS

As at 30 April 2004

Size of Shareholdings	No of Shareholders	Total Shareholdings	%
Less than 100	18	865	0.00
100 - 1,000	95	73,373	0.18
1,001 - 10,000	1,100	4,199,611	10.24
10,001 - 100,000	217	5,133,069	12.52
100,001 to less than 5% of issued shares	42	26,813,114	65.38
5% and above of issued shares	2	4,788,468	11.68
Total	1,474	41,008,500	100.00

## SUBSTANTIAL SHAREHOLDERS

As at 30 April 2004

No.	Name of Shareholders	No. of Shares	%
1.	Tjin Kiat @ Tan Cheng Keat	2,405,378	5.87
3.	Lee Ng Mah @ Lee Wai Chan	2,383,090	5.81

## DIRECTORS' SHAREHOLDINGS

As at 30 April 2004

No.	Name of Directors	No. of Shares	%
1.	Chee Sam Fatt	20,250	0.05
2.	Tjin Kiat @ Tan Cheng Keat	2,405,378	5.87
3.	Yeo Tek Ling	24,338	0.06
4.	Dato' Law Sah Lim	839	0.00
5.	Eu Hock Seng	22,421	0.05
6.	Ng Choo Phuan @ Kuan Choo Phuan	523,991	1.28
7.	Ng Choo Tim	1,296,594	3.16
8.	Dato' Haji Ghazali B. Mat Ariff	-	0.00
9.	Mah Siew Seng	-	0.00
10.	Datuk Ismail Bin Haji Ahmad	-	0.00

**THIRTY (30) LARGEST SHAREHOLDERS**  
As at 30 April 2004

No.	Name of Shareholders	No. of Shares	%
1.	Tjin Kiat @ Tan Cheng Keat	2,405,378	5.87
2.	Lee Ng Mah @ Lee Wai Chan	2,383,090	5.81
3.	Chee Chin Tsai	2,039,434	4.97
4.	Siow Chung Peng	2,018,250	4.92
5.	Chee Chin Hung	1,932,986	4.71
6.	Gim Bee Holdings Sdn Bhd (in Members' Voluntary Liquidation)	1,734,247	4.24
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera)	1,448,775	3.53
8.	Ng Choo Tim	1,296,594	3.16
9.	Lee Kim Mua @ Lim Kim Moi	1,081,309	2.64
10.	Cartaban Nominees (Asing) Sdn Bhd (Bank of Tokyo Mitsubishi Luxembourg S. A. for Osterreichische Volksbanken AG)	1,017,000	2.48
11.	Wong Chee Weng	900,000	2.19
12.	Liew Say Fah	900,000	2.19
13.	Eu Chin Fen	870,449	2.12
14.	Jenny Siew	861,850	2.10
15.	Tan Wooi Bee @ Nur Huda Tan	768,256	1.87
16.	Ng Chow Yok	764,294	1.86
17.	Ng Soh Hin	711,000	1.73
18.	Law Mong Yong	681,093	1.66
19.	Citicorp Nominees (Tempatan) Sdn Bhd (Account for Wong Chee Weng)	671,400	1.64
20.	Teoh Ee Yeong @ Teoh Keat Siang	655,250	1.60
21.	Citicorp Nominees (Tempatan) Sdn Bhd (Account for Law Geok King)	630,300	1.54
22.	Tan Tjen Wan @ Tan Cheng Guan	588,231	1.43
23.	Law Geok King	571,507	1.39
24.	Law Geok Beng	560,256	1.37
25.	Law Ling Ling	542,675	1.32
26.	Law Geok Eng	526,507	1.28
27.	Ng Choo Phuan @ Kuan Choo Phuan	523,991	1.28
28.	Tan Kok Chiew	509,141	1.24
29.	Tan Wooi Hong	454,500	1.11
30.	Derrick Edwin David	425,000	1.04



## ADVANCED PACKAGING TECHNOLOGY (M) BHD

(COMPANY NO. 82982-K)  
(Incorporated in Malaysia)

I/We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a member/members of ADVANCED PACKAGING TECHNOLOGY (M) BHD hereby appoint \* "the Chairman of the meeting"

or \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

or failing him/her \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

as my/our proxy to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Prescott Metro Inn, Wisma Metro Kajang, Jalan Semenyih, 43000 Kajang, Selangor Darul Ehsan on Monday, 28 June 2004 at 10.30 a.m. and at any adjournment thereof on the following resolutions in the manner indicated below:-

		FOR	AGAINST
<b>RESOLUTION 1</b>	To receive the Audited Financial Statements for the year ended 31 December 2003 and the Directors' and Auditors' Reports thereon.		
<b>RESOLUTION 2</b>	To approve the payment of a tax exempt final dividend of 4.0%.		
<b>RESOLUTION 3</b>	To approve the payment of Directors' Fees.		
<b>RESOLUTION 4</b>	To re-elect Mr Yeo Tek Ling as Director.		
<b>RESOLUTION 5</b>	To re-elect Mr Eu Hock Seng as Director.		
<b>RESOLUTION 6</b>	To re-elect Mr Ng Choo Tim as Director.		
<b>RESOLUTION 7</b>	To re-appoint Mr Ng Choo Phuan @ Kuan Choo Phuan as Director.		
<b>RESOLUTION 8</b>	To re-appoint Dato' Law Sah Lim as Director		
<b>RESOLUTION 9</b>	To re-appoint Messrs PKF as Auditors and to authorise the Directors to fix their remuneration.		

(Please indicate with an 'X' in the appropriate spaces provided above how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

\* Delete the words 'the Chairman of the meeting' if you wish to appoint some other person(s) to be your proxy.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

**NO. OF SHARES HELD**

\_\_\_\_\_  
Signature

### NOTES:

- 1) A member of the Company entitled to attend and vote at this meeting may appoint a proxy or proxies to vote in his stead. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- 2) The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney duly authorised.
- 3) The instrument appointing a proxy must be deposited at the Company's Registered Office at 23B Jalan 52/1, 46200 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight hours before the time appointed for holding the meeting or any adjournment thereof.

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**The Company Secretary**  
**ADVANCED PACKAGING TECHNOLOGY (M) BHD** (82982-K)  
23B Jalan 52/1  
46200 Petaling Jaya  
Selangor Darul Ehsan

STAMP