

ANNUAL REPORT

2006

LAPORAN TAHUNAN



The Company and Its Business

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.

An ISO 9001 certified company, Advanced Packaging Technology (M) Bhd is principally engaged in the manufacturing and distribution of flexible packaging materials. 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.

The Company 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.

In the pursuit of our commitment in quality, the Company's Quality Management System was first assessed by Zurich Certification Limited, United Kingdom and found to comply with BS EN ISO 9002:1994 standard and the certificate of registration was issued on 8 December 2000. The Quality Management System was subsequently upgraded and certified to BS EN ISO 9001:2000 by Independent European Certification Limited, United Kingdom on 21 December 2003 and it was revised on 30 January 2007. 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.

The Company has two wholly-owned subsidiaries namely Advanced Packaging Investments (H.K.) Limited, an investment holding company incorporated in Hong Kong and Xiamen Jinjie Trading Co. Ltd., a company incorporated in The People's Republic of China, which has not commenced operation.

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NOTICE IS HEREBY GIVEN that the Twenty-Fifth Annual General Meeting of Advanced Packaging Technology (M) Bhd ("Company") will be held at Hotel Equatorial Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Thursday, 28 June 2007 at 11.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the year ended 31 December 2006 and the Directors' and Auditors' Reports thereon. **Resolution 1**
2. To approve the payment of a tax exempt final dividend of 3.5% for the year ended 31 December 2006. **Resolution 2**
3. To approve the payment of Directors' Fees of RM81,000.00 for the year ended 31 December 2006. (2005: RM81,000.00) **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; and **Resolution 4**
 - (b) Mr Ng Choo Tim. **Resolution 5**
5. To re-appoint the following 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 Chee Sam Fatt; **Resolution 6**
 - (b) Dato' Law Sah Lim; and **Resolution 7**
 - (c) Datuk Ismail bin Haji Ahmad. **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 3.5% in respect of the financial year ended 31 December 2006 will be paid on 20 July 2007 to shareholders whose names appear in the Company's Record of Depositors on 10 July 2007.

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 10 July 2007 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
5 June 2007

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.

1) NAMES OF DIRECTORS STANDING FOR RE-ELECTION

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

Under Article 80 of the Company's Articles of Association

- a) Yeo Tek Ling
- b) Ng Choo Tim

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

- a) Chee Sam Fatt
- b) Dato' Law Sah Lim
- c) Datuk Ismail bin Haji Ahmad

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 2006 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 Tim	4	4
Dato' Haji Ghazali b. Mat Ariff	4	4
Datuk Ismail bin Haji Ahmad	4	4
Mah Siew Seng	4	4

3) PLACE, DATE AND HOUR OF THE TWENTY-FIFTH ANNUAL GENERAL MEETING

The Twenty-fifth Annual General Meeting of the Company will be held at Hotel Equatorial Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Thursday, 28 June 2007 at 11.30a.m.

4) DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

The details of the directors standing for re-election at the forthcoming Twenty-fifth 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' Haji Ghazali b. Mat Ariff
Dato' Law Sah Lim
Datuk Ismail bin Haji Ahmad
Mah Siew Seng
Eu Hock Seng
Ng Choo Tim

SECRETARY

Goon Kok Keong
(MAICSA 0698849)

AUDITORS

PKF
AF 0911
Chartered Accountants

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Datuk Ismail bin Haji Ahmad (Chairman)
- Non-Independent Non-Executive Director
Eu Hock Seng
- Independent Non-Executive Director
Ng Choo Tim
- 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

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

PRINCIPAL BANKER

CIMB Bank Berhad
(Formerly known as Bumiputra-Commerce Bank Berhad)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad - Second Board

CHEE SAM FATT*

Singaporean

Chairman (Non-Independent Non-Executive Director)

Mr Chee Sam Fatt, aged 71 years was appointed to the Board on 31 March 1982. He is one of the founder director of the Company. He is currently the Chairman of the Board and 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)

Appointed to the Board on 31 March 1982, Mr Tan Cheng Keat, aged 68 years, is one of the founder directors of the Company. 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. He is the principal officer of the Company and is responsible for the overall management of the Company's business as well as spearheading its future direction.

Mr. Tan had many years of marketing experience prior to joining the Company which 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 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 is the registered holder of 3,100,178 ordinary shares in the Company. He has not been convicted of any offence in the past ten years and has no conflict of interest with the Company.

YEO TEK LING*

Malaysian

Finance Director (Non-Independent Executive Director)

A Chartered Management Accountant, Mr. Yeo, aged 48 years, was appointed to the Board on 6 January 1994. He assumed the position of Finance Director in January 1996. He first joined the Company in October 1985 as an Accountant and subsequently became the Finance & Administration Manager and Corporate Planner. Prior to joining the Company, he was attached to Associate Pan Malaysia Cement Sdn Bhd as an Assistant Accountant for three years.

He is in charge of the accounting, financial, taxation, corporate and administrative matters of the Company. Mr. Yeo was instrumental in assisting the Company obtain public listing in 1994 and the ISO9002 certification in year 2000 as well as the subsequent upgrading to ISO 9001:2000 in 2003. He further assists the Managing Director in management and other operational matters.

Mr. Yeo is a member of the Malaysian Institute of Accountants (MIA) and the Chartered Institute of Management Accountants (CIMA), U.K. He is currently a council member of MIA and CIMA, Malaysia Division and a member of the Professional Accountants in Business Committee of the International Federation of Accountants, New York.

He does not have any family relationship with any director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past ten years. He is not a director of any other public companies. 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 77 years, is one of the founder directors of the Company and was appointed a Board member on 31 March 1982. He served as Chairman of the Company since his appointment to the Board and resigned on 1 January 2003.

With over four decades 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. He is not a director of any other public company.

He does not have any family relationship with any director of the Company. He is the father of Madam Law Geok King and father-in-law of Mr Wong Chee Weng who are major shareholders of the Company. 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 holds 29 ordinary shares of RM1.00 each in the Company.

EU HOCK SENG

Singaporean

Director (Independent Non-Executive Director)

Mr. Eu, a founder director of the Company, aged 67 years, was appointed to the Board on 31 March 1982. He currently serves as a member of the Nomination Committee.

He holds a Bachelor of Science (Electronic Engineering) degree from Waseda University of Japan. He was the 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.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He is not a director of any other public companies. He holds 22,421 ordinary shares in the Company.

He has not been convicted of any offence within the past ten years.

NG CHOO TIM*

Malaysian

Director (Independent Non-Executive Director)

Mr Ng, aged 55 years, was appointed to the Board on 29 June 1989. He is a member of the Nomination Committee.

He has been a partner of Syarikat Guan Seng for many years, a company trading in electrical products and furniture. He does not have any family relationship with any director and / or major shareholder. There is no conflict of interest between him and the Company.

He does not hold directorships in any other public companies. 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 B. Ariff, aged 66 years, is an Advocate & Solicitor by profession. He was appointed to the Board on 23 March 1994 and is the Chairman of the Audit Committee and a member of the Remuneration Committee.

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 in Sultan Hassanah Bolkiah Teachers' Training College, Bandar Seri Begawan, Brunei Darussalam from 1968 to 1974.

Dato' Haji Ghazali 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 Jemaah Dato'-Dato' Perlis.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He does not hold any shares in the Company.

He has not been convicted of any offence within the past ten years.

DATUK ISMAIL BIN HAJI AHMAD*

Malaysian

Director (Non-Independent Non-Executive Director)

Datuk Ismail bin Haji Ahmad, aged 70 years, a Permodalan Nasional Berhad nominee director, was appointed to the Board on 30 December 1998. He is the Chairman of the Nomination Committee and a member of the Audit Committee.

He holds a Bachelor of Arts (Hons) degree from the University of Malaya, and a Master degree in Public Policy and Administration from the University of Wisconsin, United States of America. He has attended the Senior Management Programme conducted by the Harvard Business School.

He joined the Administrative and Diplomatic Service in 1964 and had served in the Prime Minister's Department, Ministry of Home Affairs and Ministry of Primary Industries. He served as the Chief Executive Officer of the Commodities Trading Commission from 1981 to 1995. Datuk Ismail became a Director of the Board of Amalgamated Industrial Steel Berhad on 09 December 2003. He is also a non-executive director of Manulife Insurance (M) Berhad and Tracoma Berhad and Group Chairman of Maser (M) Sdn Bhd.

He does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and does not hold any shares in the Company. Datuk Ismail has not been convicted of any offence within the past ten years.

MAH SIEW SENG

Malaysian

Director (Independent Non-Executive Director)

A Chartered Certified Accountant by profession, Mr. Mah Siew Seng, aged 54, was appointed to the Board on 23 March 1994. He is a member of both the Audit Committee and the Remuneration Committee.

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. He practices as a Chartered Accountant in Teluk Intan under the name of Mrssrs. Mah Siew Seng & Co since 1982.

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

** Directors standing for re-election.*

The Board of Directors (“Board”) of the Company recognises the importance of the role of good corporate governance in conducting the business and affairs of the Company to enhance shareholders’ value and the financial performance of the Company. The Board is therefore committed to the establishment and implementation of a proper and practical framework for governance and controls that are in line with 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 sets out and explains the manner in which the Company has applied the principles of Part I of the Code for the financial year ended 31 December 2006.

1.0 DIRECTORS

1.1 The Board of Directors (“Board”)

The Board has the overall responsibility for corporate governance, strategic direction and overseeing the investments and operations of the Group. The Board is also fully aware of the dual role of leadership and control for it to be effective. It is also conscious of the need to practising good corporate governance in the discharge of its stewardship responsibilities to protect the investors’ interest and the Company’s assets and to enhance the Company’s performance and thereby increase shareholders’ value.

The Company is led by an experienced Board, comprising members with diversified background and experience. The Board is ultimately responsible for the performance of the Company. It provides leadership, strategic direction and advice to the Company and guides the Company in achieving its objectives.

Position descriptions and a formal schedule of matters are 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 Composition of the Board

The Board comprises of nine members, made up of two Executive Directors and seven Non-Executive Directors, of whom four are Independent. 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.

1.3 Board Balance

The Board with the above composition has a balance of executive and non-executive directors with no individual director dominating decision making at Board meetings. The Board members possess a wide range of skills and experience and this is vital to the success of the Company.

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 presence of Independent Non-Executive Directors fulfills a pivotal role in corporate governance accountability. The roles and responsibilities 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 that 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.

1.4 Board and Committee Meetings

The Chairman is responsible for ensuring Board effectiveness. The Board and Audit Committee meet at least four times a year at a quarterly interval with additional meetings 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.

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 and reports for each meeting are circulated at the time when notices 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. Senior management staff had been requested to attend the Board meetings when clarification was sought.

Decisions and recommendations of the Audit Committee are reported to the Board at the Board's next meeting by its Chairman.

1.5 Supply of Information

All members of the Board and Board Committee are provided in advance with the requisite notice, agenda and Board Papers and reports necessary for their review prior to the convening of each meeting. All information and documents are provided in a timely manner to ensure that Directors and committee members have sufficient time to understand and appreciate issues to be deliberated at the Board or Board Committee meetings.

Full and unrestricted access to all information pertaining to the Company's business and affairs are given to the Board. No restrictions have been placed upon the directors, individually or as a board, to take independent professional advice at the Company's expense in the furtherance of their duties. All members of the Board have ready and direct 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.

1.6 Appointment and Re-election of Directors

The Nomination Committee is responsible for making recommendation for new nominees to the Board and Board committees. It is also responsible for 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.

The Board takes cognizance of the need to monitor and review its size to ensure that the Board's effectiveness is not undermined.

In accordance with Article 80 of the Company's Articles of Association, all Directors shall retire by rotation and submit themselves for re-election at least once in every three years. Directors over seventy (70) years old of age are required to submit themselves for re-election annually in accordance with Section 129 (6) of the Companies Act 1965.

Details of Directors seeking re-election at the forthcoming Annual General Meeting is set out in the Statement Accompanying the Notice of Annual General Meeting.

1.7 Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme as required by the Bursa Malaysia Securities Berhad. The Directors have also attended various accredited programmes under the Continuous Education Programme (CEP) conducted by various course/training providers and met the prescribed CEP requirements.

The Board recognizes that appropriate training programmes for the Directors will increase their knowledge and understanding of recent developments in laws, regulations and business practices. During the financial year 2006, all Directors attended a training programme, titled "Integrating Risk and Performance Management Programme" conducted by Asian Academy for Corporate Administration Sdn. Bhd.

Other training programmes, seminars, workshops attended by some of the Directors individually are as follows:-

- i) Strategic Corporate Planning by Bursatra Sdn. Bhd;
- ii) MIT Seminar on Recent Tax Developments by Malaysian Institute of Taxation (MIT);
- iii) National Tax Conference 2006 by Inland Revenue Board and MIT;
- iv) Strategic Enterprise Governance by The Chartered Institute of Management Accountants (CIMA), Malaysia Division;
- v) Goods and Services Tax and its implementation in Malaysia by CIMA Malaysia Division;
- vi) CIMA Management Accounting Conference 2006 by CIMA Malaysia Division;
- vii) National Accountants Conference 2006 by Malaysian Institute of Accountants;
- viii) FMM Financial Management Conference by Federation of Malaysian Manufacturers;
- ix) 17th World Congress of Accountants jointly organised by International Federation of Accountants, Union of Chambers of Certified Public Accountants of Turkey and Expert Accountants' Association of Turkey;
- x) Leadership Excellence – Managing Change for Success by Global Leaders.

2.0 Directors' Remuneration

The Remuneration Committee reviews and recommends to the Board the remuneration package of the executive directors. It is then decided by the Board without the executive directors' participation in determining their own remuneration.

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 level of responsibilities. 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.

Set out below are the details of Directors' remuneration received, receivable and inclusive of the recommended directors' fees in respect of the financial year ended 31 December 2006, distinguishing between Executive and Non-Executive Directors:-

CATEGORY OF REMUNERATION	EXECUTIVE DIRECTORS (RM)	NON-EXECUTIVE DIRECTORS (RM)
Salary	312,000.00	-
Fees	18,000.00	63,000.00
Bonus	101,230.00	-
Benefits-in-kind	32,750.00	-
EPF & Socso	70,249.00	-
Others	-	-
Total	534,229.00	63,000.00

BAND OF REMUNERATION (RM)	EXECUTIVE	NON-EXECUTIVE
Below 50,000	-	7
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	1	-
400,001 to 450,000	-	-
450,001 to 500,000	-	-

Details of individual director's remuneration are not disclosed for reasons of confidentiality and sensitivity of such disclosures.

3.0 Board Committees

Three committees namely, the Audit, Nomination and Remuneration Committees had been established by the Board. Duties and responsibilities of these committees 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 is currently comprising of two independent non-executive directors and one non-Independent non-executive director. It 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. Details of its terms of reference, composition and other relevant information and activities are set out in the Audit Committee Report.

3.2 Nomination Committee

The Nomination Committee was established on 27 February 2002 by the Board. It has two independent non-executive directors and one non-independent non-executive director. 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 Tim (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 once during the year under review and was attended by all members.

3.3 Remuneration Committee

Established on 27 February 2002, the Remuneration Committee comprises of 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, draws advice from outside.

Below are the 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 with full attendance during the year under review.

4.0 Relationship With Shareholders

The Company recognises the important of maintaining an effective communication channel between the Board, shareholders and the general public. All shareholders of the Company are served with annual reports/circulars and notices of meetings accordingly. At the Annual General Meeting, the Board presents the progress and performance of the Company and shareholders are given the opportunity to ask relevant questions pertaining to the Company and its business. This will enable shareholders to gain better insights of the Company's operations.

For timely dissemination of information to the shareholders and public, quarterly results and all relevant and important information are announced 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 also endeavours to provide appropriate information upon requests by institutional investors, fund managers and analysts and the press.

5.0 Accountability and Audit

5.1 Financial Reporting

The Board aims to provide and present a true, fair, balanced and understandable assessment of the Company's position in its annual financial statements and quarterly announcement of results as well as the Chairman's statement in the Annual Report. The Board is assisted by the Audit Committee in reviewing the quality of its financial reporting.

It's the Board's 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.

A Statement of Directors' Responsibility for the annual audited financial statements is included in this Annual Report.

5.2 Internal Control

The Board recognises the important of maintaining a sound system of internal control including financial, operational and compliance controls and risk management to safeguard shareholders' investment and 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.

Internal Audit function was outsourced to Pannell Kerr Foster Consultants Sdn Bhd during the year to ensure best practices are adopted in internal control by the Company. 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 of the adequacy, integrity and effectiveness of the system of internal control. It must take cognizance that the internal control system, by nature can only provide reasonable but not absolute assurance against loss.

The Statement on Internal Control as set out in this Annual Report provides an overview on the state of internal control of the Company.

5.3 Relationship with External Auditors

The Company has through the Audit Committee established an appropriate and transparent relationship with its external auditors. Notice of each Audit Committee meeting is extended to the external auditors and the latter has to date attended all of the Audit Committee meetings. From time to time, the external auditors highlight to the Audit Committee and the Board on important matters that need their attention.

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

This statement was made in accordance with a Board resolution passed on 25 April 2007.

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 and its affiliated company for the financial year including taxation and other services was RM16,000.00

Variance in Results

There was no material variance between the Company's audited results for the financial year ended 31 December 2006 and the unaudited results previously released for the financial quarter ended 31 December 2006.

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.

Employee's Share Option Scheme (ESOS)

The Company has not implemented any share option scheme for its employees.

Accounts

Statutory declaration in relation to the Accounts has been signed by a person who fulfils the requirements of paragraph 9.27.

This statement was made in accordance with a Board resolution passed on 25 April 2007

Introduction

The Malaysian Code on Corporate Governance requires public listed companies to maintain a sound system of internal control to safeguard shareholders' investment and company's assets. 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 control.

The Directors therefore set out below a Statement On Internal Control, which outlines the nature and scope of internal control of the Group during the year.

Directors' Responsibility

The Board of Directors ("Board") of Advanced Packaging Technology (M) Bhd. ("APT or the Group") recognises the need for good corporate governance and is committed to its responsibility of maintaining a sound system of internal control in the Group. The Board is ultimately responsible for the Group's system of internal control and risk management which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity through the process of constant monitoring. Management is to assist the Board on this implementation to mitigate and manage the risks.

However, the Board also recognises that the system is designed to manage risks within an acceptable risk profile and to mitigate the effects rather than eliminate the risk of non-achievement of business objectives. It is imperative to note that any control system can only provide reasonable, and not absolute assurance against material misstatement, fraud, loss or breaches of laws or regulations.

Risk Management

The Directors affirms its responsibility over the risk management of the Group and acknowledges various risks inherent in the business processes. Risk management is regarded by the Board as an integral part of the business operations. The Board is therefore committed to maintaining a strong control structure and environment for the proper conduct of the business.

Management is responsible for creating a risk-aware culture within the organisation. The management has also been vested with the responsibility of identifying and evaluating risks faced by the Group for the Board's consideration, implementing appropriate internal control system and ensuring compliance with the applicable laws, regulations, standards and guidelines and implementing policies adopted by the Board.

Internal Audit Function

Internal audit function is independent of the management and thus it provides the Board with the independent assurance and assistance it requires in identifying 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 audit function of the Group was outsourced to external consultants.

With effect from financial year ended 31 December 2002, internal audits were undertaken by PKF Management Consulting Sdn Bhd and Pannell Kerr Forster Consultants Sdn. Bhd. under an 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 adopts a risk-based methodology approach and prepares its audit strategy and plan based on the risk profiles of the business operations.

Regular reviews of the internal controls on the key functional areas of the business operations, which has been approved by the Audit Committee were carried out by the internal audit function. The internal audit findings were then reported directly to the Audit Committee on a periodic basis, and by extension to the Board of Directors. The management is responsible for carrying out corrective actions on reported weaknesses as recommended by the internal audit function within the agreed time frame.

QUALITY ASSURANCE

The Group has implemented, as an integral part of the overall system of controls, a Quality Management System complying with the BS EN ISO 9001:2000 requirements in carrying out control on quality of the Group's core business of manufacturing of flexible packaging materials and blown film. The Board views compliance to ISO 9001:2000 standards as an on-going commitment. Regular upgrading and monitoring are carried out by management on a continuous basis.

Other Key Elements of Internal Control

Apart from risk management and internal audit, other key elements of internal control include:

- Defined delegation of responsibilities and authorities to the Board Committees.
- Independence of the Audit Committee in discharging its duties and responsibilities.
- Proper implementation of 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 operational and financial reporting to the management and the Board.
- Regular reviews of management's financial and progress reports by the Audit Committee and the Board.
- Holding of ad-hoc meetings regularly at management and operational levels to identify, discuss and resolve business and operational issues.
- Enhancement and improvement of employees' competencies and proficiencies by continuous training and development. This is implemented through a combination of on-the-job training and internal and external training courses.

Conclusion

The Board of Directors is of the view that the current system of internal control is satisfactory and there was no material loss 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 25 April 2007

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

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 29 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 2006.

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 also responsible for ensuring that proper accounting and other records are kept to sufficiently explain the transactions and financial position of the Company and to enable true and fair financial statements to be prepared.

This statement was approved by the Board on 25 April 2007.

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2006 in compliance with paragraph 15.16 of the Bursa Malaysia Securities Berhad Listing Requirements.

Composition, Membership, Meetings and Attendance

The Audit Committee comprises of three members, a majority of whom are Independent Non-Executive Directors. The composition, name, designation and attendance of each member at Committee meetings are detailed below:-

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 to determine whether the Audit Committee and its members have carried out their duties in accordance with their term of reference.

H. Reporting of Breaches to the Exchange

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

Summary of Audit Committee's Activities

The following activities were being carried out by the Audit Committee during the financial year ended 31 December 2006

- (a) reviewed the internal audit reports prepared by Pannell Kerr Forster Consultants Sdn. Bhd and management's response.
- (b) reviewed the quarterly unaudited financial results and announcements and annual financial statements for recommendation and submission to the Board for approval and release to the Bursa Malaysia Securities Berhad.
- (c) reviewed the scope of work, audit plan and audit fees of external auditors in relation to the audit of the preceding year end financial statements and accounts.
- (d) reviewed the external auditor's report, recommendations, management letter and management's response.
- (e) Discussed with representatives of Pannell Kerr Forster Consultants Sdn. Bhd on their proposals to provide internal audit services for 2006. It also discussed and recommended the internal audit plan for 2006 for approval of the Board.

Summary of Internal Audit Function's Activities

The Company's internal audit function was outsourced to Pannell Kerr Forster Consultants Sdn. Bhd (PKFCSB) during the year. This is to ensure best practices are adopted in the system of internal control. It has drawn up an internal audit plan by adopting a risk-based approach. It will 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. PKFCSB carried out and completed audit of certain key processes and principal risk areas during the year. It also performed follow-up reviews of previous audit reports. Internal audit reports were issued to the Company incorporating findings and recommendations. The Audit Committee reviewed and discussed the internal audit report and management's response. 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 25 April 2007.

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and the Audited Financial Statements of Advanced Packaging Technology (M) Bhd Group for the financial year ended 31 December 2006.

OVERVIEW

The world economy continued to expand in 2006 despite high crude oil prices and monetary tightening in major economies. The Malaysian economy was also resilient and stronger in 2006 with Central Bank reporting the real Gross Domestic Product (GDP) had improved to 5.90% from 5.20% in 2005. The economic activity was also given a boost following the release of the Ninth Malaysia Plan (9MP) in March 2006.

FINANCIAL PERFORMANCE

A higher group turnover of RM24.59 million was achieved for the year ended 31 December 2006 and it was 8.81% better compared to the preceding year figures of RM22.60 million. Net profit before tax for the year under review also improved by RM0.40 million or 13.70% to RM3.32 million from RM2.92 million in year 2005. Higher sales turnover and lower operating expenses had contributed mainly to the increase in the net profit for the year.

PROSPECTS

Improvement in the standards of living and higher disposable income of consumers could result in higher demand for better packaging requirements. Thus, the future of the flexible packaging materials industry is still promising. With the continued growth of the Malaysian economy and barring unforeseen circumstances, the Board expects the Group to achieve satisfactory results for the current financial year.

DIVIDEND

Your Board of Directors has recommended a tax exempt final dividend of 3.50 sen per share (2005: 3.00 sen per share tax exempt) for the financial year ended 31 December 2006. The proposed dividend is subject to the approval of the shareholders at the Annual General Meeting to be held on 28 June 2007. No interim dividend was paid during the year (2005 : nil).

CORPORATE DEVELOPMENT

As reported, 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.(WLCC), a company incorporated in the People's Republic of China (PRC), to build a new clinker plant in the PRC.

However, the project is currently still not yet completed due to the financial problems faced by WLCC. As a move to resolve the failure of WLCC to contribute fully its portion of the registered capital, APIL had on 06 December 2005 entered into a Shareholders' Agreement with WLCC for the joint venture company, Dalian Advanced Cement Co. Ltd (DACC) to apply to the relevant authorities in PRC to revise downward the registered capital to Renminbi fifty two million (RMB52 million) from Renminbi ninety million (RMB90 million).

The Company announced on 04 January 2007 that it has received on the same day the new business licence issued to DACC on 25 December 2006 by the Dalian Industrial and Commercial Administrative Bureau, PRC with a revised registered capital of United State Dollars six million two hundred and sixty three thousand (US\$6,263,000.00) or Renminbi fifty two million (RMB52,000,000.00). The Original registered capital was United State Dollars ten million eight hundred and forty thousand (US\$10,840,000.00) or Renminbi ninety million (RMB90,000,000.00). DACC had since returned the excess capital contribution to APIL. The Company is currently still looking for alternatives with a view to speed up the project.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our sincere thanks and deep appreciation to the management and staff for their dedication and commitment. I also wish to thank all our valuable customers, bankers, government authorities, business associates and shareholders for their continued support.

Chee Sam Fatt
Chairman
25 April, 2007

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2006.

Principal activities

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

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

Results

	Group RM	Company RM
Net profit for the year	<u>2,345,122</u>	<u>3,226,394</u>

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a tax exempt final dividend of 3% totaling RM1,230,255 in respect of the financial year ended 31 December 2005, on 18 July 2006.

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

Directors

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

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

Directors' interest in shares

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

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

None of the other Directors holding office at 31 December 2006 had any interest in the ordinary shares of the Company during the financial year.

Directors' benefits

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

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

Issue of shares

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

Options granted over unissued shares

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

Other statutory information

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and the Company for the financial year ended 31 December 2006 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Auditors

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

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

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Kuala Lumpur

Dated: 25 April 2007

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the results of their operations and the cash flows for the year ended on that date.

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

TJIN KIAT @ TAN CHENG KEAT

NG CHOO TIM

Kuala Lumpur

Dated: 25 April 2007

STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

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

Subscribed and solemnly declared by the abovenamed
TJIN KIAT @ TAN CHENG KEAT and YEO TEK LING at
Kuala Lumpur in Wilayah Persekutuan on 25 April
2007

TJIN KIAT @ TAN CHENG KEAT

YEO TEK LING

Before me,

COMMISSIONER FOR OATHS
TAN BOON CHUA
(W325)

We have audited the accompanying financial statements of ADVANCED PACKAGING TECHNOLOGY (M) BHD. These financial statements are the responsibility of the Company's Directors.

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

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and the Company;
- and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditor's report thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 9 to the financial statements.

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

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

PKF
AF 0911
CHARTERED ACCOUNTANTS

ANTHONY JOSEPH SKELCHY
251/03/09 (J/PH)
PARTNER

Kuala Lumpur

Dated: 25 April 2007

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

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

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

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

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

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (cont'd)

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

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

1. Summary of significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

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

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

(a) Basis of accounting

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

(b) Revenue and income recognition

i) Sales of goods

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

1. Summary of significant accounting policies (continued)**(b) Revenue and income recognition (continued)****ii) Interest income**

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

(c) Basis of consolidation

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

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

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

(d) Property, plant and equipment**i) Recognition and measurement**

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

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

1. Summary of significant accounting policies (continued)**(d) Property, plant and equipment (continued)****(i) Recognition and measurement (continued)**

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

The depreciable amount is determined after deducting the residual value.

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

(e) Leased assets

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

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

1. Summary of significant accounting policies (continued)**(f) Investment in subsidiary**

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

(g) Joint venture

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

(h) Receivables

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

(i) Inventories

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

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

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

(j) Cash and cash equivalents

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

(k) Liabilities

Trade and other payables are stated at cost.

(l) Income tax

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

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

1. Summary of significant accounting policies (continued)**(l) Income tax (continued)**

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

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

(m) Employee benefits

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

(n) Impairment

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

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

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

1. Summary of significant accounting policies (continued)

(o) Foreign currency transactions

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

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

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

2. Staff costs

Staff costs include Directors' remunerations, salaries, wages, bonus and allowances, statutory contributions for employees and other employee related expenses. The total number of employees, inclusive of executive Directors, of the Group and the Company as at the end of the financial year are 98 and 98 (2005: 99 and 98) respectively.

3. Operating profits

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

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

4. Income tax expense

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

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

5. Earnings per ordinary share

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

6. Dividends

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

7. Property, plant and equipment

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

8. Prepaid lease payment**Leasehold land
Unexpired
period more
than
50 years
RM****Cost**

At 1 January 2005	-
Effect of adopting FRS 117	739,000
	<hr/>
At 1 January 2005, restated	739,000
	<hr/>
At 31 December 2005/1 January 2006	739,000
	<hr/>
At 31 December 2006	739,000
	<hr/>

Amortisation

At 1 January 2005	-
Effect of adopting FRS 117	146,015
	<hr/>
At 1 January 2005, restated	146,015
Amortisation for the year	7,390
	<hr/>
At 31 December 2005/1 January 2006	153,405
Amortisation for the year	7,390
	<hr/>
At 31 December 2006	160,795
	<hr/>

Carrying amounts

At 1 January 2005, restated	592,985
	<hr/>
At 31 December 2005/1 January 2006	585,595
	<hr/>
At 31 December 2006	578,205
	<hr/>

9. Investment in subsidiaries**Company**

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

9. Investment in subsidiaries (continued)

The details of the subsidiaries are as follows:

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

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

The subsidiaries are not audited by PKF Malaysia.

10. Investment in joint venture

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

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

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

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

10. Investment in joint venture (continued)

Details of jointly controlled entity are as follows:

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

Held by Advanced Packaging Investments (HK) Ltd.

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

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

11. Other investment

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

12. Amount due from subsidiaries

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

13. Inventories

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

14. Trade receivables

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

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

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

15. Cash and cash equivalents

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

16. Trade payables

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

17. Amount due to Directors

This represents Directors' fees payable.

18. Deferred taxation

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

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

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

19. Provision for staff gratuity

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

20. Share capital

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

21. Reserves

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

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

Subject to the agreement by the tax authorities, the Company has tax exempt income account of approximately RM5,310,000 (2005: RM6,540,000) available for distribution as tax exempt dividend.

22. Segmental information**Business segments**

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

22. Segmental information (continued)

Geographical segments

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

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

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

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

23. Financial instruments

Financial risk management objectives and policies

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

Credit risk

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

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

Interest rate risk

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

Foreign currency risk

The Group and the Company incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US dollars. The exposure of foreign currency risk is monitored in on going basis.

23. Financial instruments (continued)**Fair values****Recognised financial instruments**

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

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

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

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

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

24. Comparative figures

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

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

24. Comparative figures (continued)

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

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

25. General information

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

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

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

Location/Address	Description/ Existing Use	Land/ (Built-up) Area Sq. m	Tenure	Age of Building	Net Book Value RM	Date of Acquisition
Location: 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	23 years old	3,249,526	3-5-1984
Address: Lot 2 Jalan P/2A Kawasan MIEL Bangi Industrial Estate 43650 Bandar Baru Bangi Selangor Darul Ehsan						

SHAREHOLDERS

The company had 1,321 shareholders as at 30 April 2007. 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 2007

Size of Shareholdings	No of Shareholders	Total Shareholdings	%
Less than 100	64	3,219	0.01
100 - 1,000	98	66,460	0.16
1,001 - 10,000	934	3,486,838	8.50
10,001 - 100,000	177	4,307,772	10.51
100,001 to less than 5% of issued shares	44	21,812,755	53.19
5% and above of issued shares	4	11,331,456	27.63
Total	1,321	41,008,500	100.00

SUBSTANTIAL SHAREHOLDERS

As at 30 April 2007

No.	Name of Shareholders	No. of Shares	%
1.	Wong Chee Weng	3,500,000	8.53
2.	Tjin Kiat @ Tan Cheng Keat	3,100,178	7.56
3.	Lee Ng Mah @ Lee Wai Chan	2,383,090	5.81
4.	Law Geok King	2,348,188	5.73

DIRECTORS' SHAREHOLDINGS

As at 30 April 2007

No.	Name of Directors	No. of Shares	%
1.	Chee Sam Fatt	20,250	0.05
2.	Tjin Kiat @ Tan Cheng Keat	3,100,178	7.56
3.	Yeo Tek Ling	24,338	0.06
4.	Dato' Law Sah Lim	29	0.00
5.	Eu Hock Seng	22,421	0.05
6.	Ng Choo Tim	1,296,594	3.16
7.	Dato' Haji Ghazali B. Mat Ariff	-	0.00
8.	Mah Siew Seng	-	0.00
9.	Datuk Ismail Bin Haji Ahmad	-	0.00

THIRTY (30) LARGEST SHAREHOLDERS
As at 30 April 2007

No.	Name of Shareholders	No. of Shares	%
1.	Tjin Kiat @ Tan Cheng Keat	3,100,178	7.56
2.	Wong Chee Weng	3,000,000	7.32
3.	Lee Ng Mah @ Lee Wai Chan	2,383,090	5.81
4.	Chee Chin Tsai	2,039,434	4.97
5.	Chee Chin Hung	1,932,986	4.71
6.	Lee Kim Mua @ Lim Kim Moi	1,833,252	4.47
7.	Citicorp Nominees (Tempatan) Sdn Bhd (Account for Law Geok King)	1,748,000	4.26
8.	TA Nominees (Tempatan) Sdn Bhd (Account for Siow Chung Peng)	1,445,500	3.52
9.	Ng Choo Tim	1,296,594	3.16
10.	Amanah Raya Nominees (Tempatan) Sdn Bhd (Skim Amanah Saham Bumiputera)	1,281,775	3.13
11.	Liew Say Fah	900,000	2.19
12.	Eu Chin Fen	870,449	2.12
13.	Tan Kok Chiew	849,991	2.07
14.	Tan Wooi Bee @ Nur Huda Tan	768,256	1.87
15.	Law Geok Beng	676,937	1.65

THIRTY (30) LARGEST SHAREHOLDERS

As at 30 April 2007 (cont'd)

No.	Name of Shareholders	No. of Shares	%
16.	Law Ling Ling	661,948	1.61
17.	Law Geok Eng	627,988	1.53
18.	Law Geok King	600,188	1.46
19.	Law Mong Yong	584,091	1.42
20.	TA Nominees (Tempatan) Sdn Bhd (Account for Ng Soh Hin)	569,000	1.39
21.	Tan Tjen Wan @ Tan Cheng Guan	553,931	1.35
22.	Citicorp Nominees (Tempatan) Sdn Bhd (Account for Wong Chee Weng)	500,000	1.22
23.	Tan Wooi Hong	488,800	1.19
24.	Tasek Maju Realty Sdn Bhd	450,000	1.10
25.	Tan Foei Kia @ Tan Hooi Chia	337,431	0.82
26.	Yap Ah Cheng	300,000	0.73
27.	A.A. Anthony Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Derrick Edwin David)	265,600	0.65
28.	Chok Koon Lan	233,100	0.57
29.	Law Mong Hock	230,267	0.56
30.	Wong Hok Yim	230,000	0.56

FORM OF PROXY



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 Hotel Equatorial Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Thursday, 28 June 2007 at 11.30 a.m. and at any adjournment thereof on the following resolutions in the manner indicated below:-

		FOR	AGAINST
RESOLUTION 1	To receive the Audited Financial Statements for the year ended 31 December 2006 and the Directors' and Auditors' Reports thereon.		
RESOLUTION 2	To approve the payment of a tax exempt final dividend of 3.5%.		
RESOLUTION 3	To approve the payment of Directors' Fees.		
RESOLUTION 4	To re-elect Mr Yeo Tek Ling as Director.		
RESOLUTION 5	To re-elect Mr Ng Choo Tim as Director.		
RESOLUTION 6	To re-elect Mr Chee Sam Fatt as Director.		
RESOLUTION 7	To re-appoint Dato' Law Sah Lim as Director		
RESOLUTION 8	To re-appoint Datuk Ismail bin Haji Ahmad as Director		
RESOLUTION 9	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.....2007

Signature

No. of Shares held

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.

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Affix
Stamp

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

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