

Co. No. 82982-K

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**REPORTS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2002**  
(In Ringgit Malaysia)

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

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**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

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

**SECRETARY**

Goon Kok Keong  
(MAICSA 0698849)

**AUDITORS**

PKF  
Chartered Accountants

**AUDIT COMMITTEE**

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

**REGISTERED OFFICE**

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

**REGISTRAR & SHARE TRANSFER OFFICE**

Malaysian Share Registration Services Sdn Bhd  
7th Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur  
Tel: 03-2026 8099  
Fax: 03-2026 3736

**PRINCIPAL BANKER**

Bumiputra-Commerce Bank Berhad

**STOCK EXCHANGE LISTING**

Kuala Lumpur Stock Exchange Second Board

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2002.

**Principal activities**

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials.

There have been no significant changes in the nature of these activities of the Company during the financial year except that during the financial year the Group is now also involved in investment holding as a result of the acquisition of Advanced Packaging Investments (HK) Ltd.

**Financial results**

	<b>Group RM</b>	<b>Company RM</b>
Profit after tax	2,713,491	2,819,422

In the opinion of the directors, the results of the operations of the Group and the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**Dividend**

Since the end of the previous financial year, the Company has made full payment of the tax exempt dividend proposed in the previous financial year of RM902,187.

For the financial year ended 31 December 2002, the directors recommend a tax exempt dividend of 4.95 sen amounting to RM902,187 subject to the approval of members at the forthcoming Annual General Meeting.

**Reserves and provisions**

There were no material transfers to and from reserves or provisions during the financial year other than those disclosed in the financial statements.

**Issue of shares and debentures**

The Company has not issued any shares and debentures during the financial year.

**Share options**

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**Directors**

The directors of the Company in office since the date of the last report are:

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

**Directors' interest in shares**

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

	Number of ordinary shares of RM1 each			Balance as at 31.12.2002
	Balance as at 1.1.2002	Bought	Sold	
Shareholdings registered in the name of directors:				
Dato' Law Sah Lim	29,373	-	(29,000)	373
Tjin Kiat @ Tan Cheng Keat	1,180,057	-	-	1,180,057
Yeo Tek Ling	10,817	-	-	10,817
Chee Sam Fatt	9,000	-	-	9,000
Eu Hock Seng	59,965	-	(50,000)	9,965
Ng Choo Phuan @ Kuan Choo Phuan	232,885	-	-	232,885
Ng Choo Tim	576,264	-	-	576,264

**Directors' benefits**

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by a director as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**Other statutory information**

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; and
- (c) 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.

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made other than the prior year adjustment as disclosed in Note 21 to the financial statements; and
- (b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

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

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**Auditors**

The auditors, Messrs PKF (formerly known as Pannell Kerr Forster), have indicated their willingness to continue in office.

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

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TJIN KIAT @ TAN CHENG KEAT

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NG CHOO TIM

Kuala Lumpur

Dated: 28 April 2003

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

The directors of ADVANCED PACKAGING TECHNOLOGY (M) BHD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2002 and of the results and the cash flows of the Group and the Company for the year ended on that date.

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

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TJIN KIAT @ TAN CHENG KEAT

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NG CHOO TIM

Kuala Lumpur

Dated: 28 April 2003

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**STATUTORY DECLARATION**

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 28 April 2003 )

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TJIN KIAT @ TAN CHENG KEAT

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YEO TEK LING

Before me,

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COMMISSIONER FOR OATHS

**REPORT OF THE AUDITORS TO THE MEMBERS OF**

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**

(Incorporated in Malaysia)

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

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and the Company as at 31 December 2002 and of the results and the cash flows of the Group and the Company 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 auditors' reports thereon of the subsidiary of which we have not acted as auditors, as indicated in Note 11 to the financial statements.

(Forward)

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

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

PKF  
AF 0911  
CHARTERED ACCOUNTANTS

ANTHONY JOSEPH SKELCHY  
251/03/05 (J/PH)  
PARTNER

Kuala Lumpur

Dated: 28 April 2003

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**INCOME STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	Group 2002 RM	Company 2002 RM	2001 RM
Revenue	4	22,381,699	22,381,699	20,098,138
Other operating income		1,459,166	1,459,166	1,413,262
Changes in inventories of finished goods and work-in-progress		233,263	233,263	(327,367)
Raw materials used		(13,175,063)	(13,175,063)	(11,741,080)
Staff costs	5	(3,051,900)	(3,021,900)	(2,927,217)
Depreciation		(1,232,374)	(1,232,374)	(1,277,788)
Other operating expenses		(2,698,573)	(2,622,642)	(2,240,276)
<b>Profit from operations</b>		<b>3,916,218</b>	<b>4,022,149</b>	<b>2,997,672</b>
Finance cost		(19,526)	(19,526)	(22,654)
<b>Profit before tax</b>	6	<b>3,896,692</b>	<b>4,002,623</b>	<b>2,975,018</b>
Income tax expense	7	(1,183,201)	(1,183,201)	(494,671)
<b>Net profit for the year</b>		<b>2,713,491</b>	<b>2,819,422</b>	<b>2,480,347</b>
Basic earnings per share (sen)	8	14.89	15.47	13.61
Dividends per share (sen)	9	4.95	4.95	4.95

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**BALANCE SHEETS**  
**AS AT 31 DECEMBER 2002**

	Note	Group 2002 RM	Company 2002 RM	2001 RM
<b>Assets</b>				
Property, plant and equipment	10	10,122,223	10,122,223	11,074,366
Investment in subsidiary	11	-	4,921	-
<b>Current assets</b>				
Inventories	12	4,623,089	4,623,089	3,605,587
Trade receivables	13	5,253,879	5,253,879	5,589,528
Amount due from a subsidiary	14	-	467,194	-
Other receivables, deposits and prepayments	15	891,439	528,221	1,416,653
Fixed deposits with licensed banks		29,500,000	29,500,000	24,500,000
Cash and bank balances		450,868	450,868	1,535,074
		40,719,275	40,823,251	36,646,842
<b>Current liabilities</b>				
Trade payables		2,234,960	2,234,960	1,117,851
Amount due to directors	16	180,000	180,000	198,000
Other payables and accruals		957,524	952,095	927,463
Tax payable		194,688	194,688	-
		3,567,172	3,561,743	2,243,314
<b>Net current assets</b>		37,152,103	37,261,508	34,403,528
<b>Long term and deferred liabilities</b>				
Deferred taxation	17	1,310,000	1,310,000	1,361,000
Provision for staff gratuity	18	388,844	388,844	344,321
		(1,698,844)	(1,698,844)	(1,705,321)
		45,575,482	45,689,808	43,772,573
<b>Represented by:</b>				
Share capital	19	18,226,000	18,226,000	18,226,000
Reserves	20	27,349,482	27,463,808	25,546,573
<b>Shareholders' fund</b>		45,575,482	45,689,808	43,772,573

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	<b>Share capital RM</b>	<b>Translation reserve RM</b>	<b>Retained profits RM</b>	<b>Total RM</b>
<b>Group</b>				
At 1 January 2001				
- as previously reported	18,226,000	-	23,066,226	41,292,226
- prior year adjustment (Note 21)	-	-	902,187	902,187
- as restated	18,226,000	-	23,968,413	42,194,413
Net profit for the year	-	-	2,480,347	2,480,347
Dividends (Note 9)	-	-	(902,187)	(902,187)
At 31 December 2001	18,226,000	-	25,546,573	43,772,573
Currency translation differences	-	(8,395)	-	(8,395)
Net profit for the period	-	-	2,713,491	2,713,491
Dividends (Note 9)	-	-	(902,187)	(902,187)
At 31 December 2002	<u>18,226,000</u>	<u>(8,395)</u>	<u>27,357,877</u>	<u>45,575,482</u>
		<b>Share capital RM</b>	<b>Retained profits RM</b>	<b>Total RM</b>
<b>Company</b>				
At 1 January 2001				
- as previously reported		18,226,000	23,066,226	41,292,226
- prior year adjustment (Note 21)		-	902,187	902,187
- as restated		18,226,000	23,968,413	42,194,413
Net profit for the year		-	2,480,347	2,480,347
Dividends (Note 9)		-	(902,187)	(902,187)
At 31 December 2001		18,226,000	25,546,573	43,772,573
Net profit for the year		-	2,819,422	2,819,422
Dividends (Note 9)		-	(902,187)	(902,187)
At 31 December 2002		<u>18,226,000</u>	<u>27,463,808</u>	<u>45,689,808</u>

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
(Incorporated in Malaysia)

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	<b>Group 2002</b>	<b>Company 2002</b>	<b>2001</b>
<b>Cash flows from/(used in) operating activities</b>			
Profit before tax	3,896,692	4,002,623	2,975,018
Adjustments for:			
Bad debts written off	60,243	60,243	15,916
Depreciation	1,232,374	1,232,374	1,277,788
Exchange fluctuation adjustment	(8,395)	-	-
Gain on disposal of plant and equipment	(1,644)	(1,644)	(43,866)
Interest income	(1,164,072)	(1,164,072)	(1,066,236)
Inventories written off	187,258	187,258	89,812
Plant and equipment written off	674	674	31,572
Provision for doubtful debts - net	(62,065)	(62,065)	(185,556)
Provision for staff gratuity	53,220	53,220	48,429
Unrealised loss/(gain) on foreign exchange - net	(5,774)	(5,774)	6,692
<b>Operating profit before working capital changes</b>	<b>4,188,511</b>	<b>4,302,837</b>	<b>3,149,569</b>
(Increase)/Decrease in inventories	(1,204,760)	(1,204,760)	1,913,692
Increase in trade and other receivables	(143,386)	(247,362)	(509,336)
Increase/(Decrease) in trade and other payables	1,128,075	1,122,646	(1,176,220)
<b>Cash generated from operations</b>	<b>3,968,440</b>	<b>3,973,361</b>	<b>3,377,705</b>
Income tax paid	(26,573)	(26,573)	(899,184)
Staff gratuity paid	(8,697)	(8,697)	(7,488)
<b>Net cash from operating activities</b>	<b>3,933,170</b>	<b>3,938,091</b>	<b>2,471,033</b>
<b>Cash flows from/(used in) investing activities</b>			
Interest received	1,164,072	1,164,072	1,066,236
Acquisition of subsidiary, net of cash acquired	-	(4,921)	-
Proceeds from disposal of plant and equipment	1,650	1,650	47,000
Purchase of property, plant and equipment	(280,911)	(280,911)	(179,357)
<b>Net cash from investing activities</b>	<b>884,811</b>	<b>879,890</b>	<b>933,879</b>

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**CASH FLOW STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	<b>Group 2002 RM</b>	<b>Company 2002 RM</b>	<b>2001 RM</b>
<b>Cash flows from/(used in) financing activities</b>			
Dividend paid	(902,187)	(902,187)	(902,187)
Repayment of short-term borrowings	-	-	(448,535)
<b>Net cash used in financing activities</b>	<u>(902,187)</u>	<u>(902,187)</u>	<u>(1,350,722)</u>
<b>Net increase in cash and cash equivalents</b>	3,915,794	3,915,794	2,054,190
<b>Cash and cash equivalents at beginning of year</b>	26,035,074	26,035,074	23,980,884
<b>Cash and cash equivalents at end of year</b>	<u><u>29,950,868</u></u>	<u><u>29,950,868</u></u>	<u><u>26,035,074</u></u>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	450,868	450,868	1,535,074
Fixed deposits with licensed banks	29,500,000	29,500,000	24,500,000
	<u>29,950,868</u>	<u>29,950,868</u>	<u>26,035,074</u>
	<u><u>29,950,868</u></u>	<u><u>29,950,868</u></u>	<u><u>26,035,074</u></u>

Analysis of acquisition of subsidiary:

During the financial period, the Group acquired Advanced Packaging Investments (HK) Ltd, a company newly incorporated by the Group. Hence, there are no assets acquired and liabilities assumed at the date of acquisition.

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2002**

1. **Principal activities**

The Company is principally engaged in the manufacturing and distribution of flexible packaging materials.

There have been no significant changes in the nature of these activities during the financial year except that during the financial period the Group is now also involved in investment holding as a result of the acquisition of Advanced Packaging Investments (HK) Ltd.

2. **Basis of preparation of the financial statements**

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

3. **Significant accounting policies**

**Basis of accounting**

The financial statements of the Group and the Company have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary listed under Note 11 made up to the end of the financial year. The financial statements of subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary is consolidated using the acquisition method of accounting.

All significant inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiary has been changed to ensure consistency with the policies adopted by the Group.

**Revenue and income recognition**

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement upon delivery of goods and customer's acceptance.

Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

3. **Significant accounting policies (continued)**

**Foreign currencies**

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of

**ADVANCED PACKAGING TECHNOLOGY (M) BHD**  
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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 foreign exchange differences are taken up in the income statement.

Financial statements of foreign consolidated subsidiary are translated at year end exchange rates with respect to the balance sheet and at exchange rates at the dates of the transactions with respect to income statement. All resulting translation differences are taken to reserve.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>
US Dollar	3.7750	3.7750
Brunei Dollar	2.1700	2.0330
Singapore Dollar	2.1700	2.0330
Thai Baht	0.0857	-

**Property, plant and equipment and depreciation**

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

Leasehold land is amortised over the initial leased period of 99 years expiring in 2086.

Depreciation on all other property, plant and equipment is calculated on a straight line basis at the following annual rates based on their estimated useful lives:

Building	2% - 10%
Plant, machinery and tools	7 1/2% - 10%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	20%

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

3. **Significant accounting policies** (continued)

**Investment in subsidiary**

Subsidiary is a company controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to derive benefits from its activities.

The Company's investment in subsidiary is stated at cost less provision for any permanent diminution in value, if any. A provision is made when the directors are of the opinion that a permanent diminution in value of an investment has occurred.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined

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on the first-in, first-out basis. Costs of raw materials and consumables comprise the cost of purchase plus the cost of bringing the inventories to their present location and condition. Costs of work-in-progress and finished goods comprise the cost of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

**Receivables**

Bad debts are written off while provision for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

**Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

**Provision for staff gratuity**

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.

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3. **Significant accounting policies** (continued)

**Deferred taxation**

Deferred taxation is provided using the liability method on all timing differences except where it is considered reasonably probable that the timing differences will continue in the foreseeable future.

Deferred tax benefits are recognised only when there is reasonable assurance of their realisation.

**Cash flow statements**

The Group and the Company adopt the indirect method for the preparation of cash flow statements.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

4. **Revenue**

Revenue represents invoiced value of goods supplied less discounts and returns.

5. **Staff costs**

Staff costs include salaries, wages, bonus and allowances, statutory contributions for employees and other employee related expenses.

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6. **Profit before tax**

	<b>Group</b>	<b>Company</b>	
	<b>2002</b>	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax is arrived at after charging/(crediting):			
Auditors' remuneration			
- current year	31,679	26,250	18,000
- under provision in prior year	900	900	-
Bad debts written off	60,243	60,243	15,916
Depreciation	1,232,374	1,232,374	1,277,788
Directors' remuneration			
- fees			
- executive	36,000	36,000	36,000
- non-executive	144,000	144,000	162,000
- others			
- directors of the Company	537,307	537,307	517,539
- director of a subsidiary	30,000	-	-
Estimated cash value of benefits-in-kind			
for executive directors	31,900	31,900	17,650
Inventories written off	187,258	187,258	89,812
Loss on foreign exchange			
- realised	-	-	13,864
- unrealised	-	-	6,692
Plant and equipment written off	674	674	31,572
Provision for doubtful debts			
- current year's provision	109,146	109,146	73,723
- provision no longer required	(171,211)	(171,211)	(259,279)
Provision for staff gratuity	53,220	53,220	48,429
Gain on disposal of plant and equipment	(1,644)	(1,644)	(43,866)
Gain on foreign exchange			
- realised	(7,760)	(7,760)	-
- unrealised	(5,774)	(5,774)	-
Interest income	(1,164,072)	(1,164,072)	(1,066,236)

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**7. Income tax expense**

	<b>Group 2002 RM</b>	<b>Company 2002 RM</b>	<b>2001 RM</b>
Estimated income tax payable			
- current year	1,234,000	1,234,000	711,000
- under/(over) provision in prior years	201	201	(28,329)
Deferred tax (Note 17)			
- over provision in prior year	(51,000)	(51,000)	(188,000)
	<u>1,183,201</u>	<u>1,183,201</u>	<u>494,671</u>

The effective rate of taxation for 2002 is higher than the statutory rate applicable to the Group's and the Company's profit as certain expenses have been disallowed for tax purposes.

The effective rate of taxation for 2001 is lower than the statutory rate applicable to the Company's profit due to reinvestment allowances claimed.

**8. Earnings per ordinary share**

Basic earnings per share of the Group and the Company is based on the net profit attributable to ordinary shareholders of RM2,713,491 and RM2,819,422 (2001: RM2,480,347) respectively and the issued share capital of 18,226,000 (2001: 18,226,000) ordinary shares.

**9. Dividends**

	<b>2002 RM</b>	<b>2001 RM</b>
Proposed final tax exempt dividend of 4.95%		
(2001: Final tax exempt dividend of 4.95%)	902,187	902,187
	<u>902,187</u>	<u>902,187</u>

For the financial year ended 31 December 2002, the directors recommend a final tax exempt dividend of 4.95 sen amounting to RM902,187. These dividends are not recognised as a liability at the balance sheet date and will be accounted for as an appropriation of retained profits in the financial year ending 31 December 2003 when approved by members at the forthcoming Annual General Meeting.

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10. **Property, plant and equipment**

<b>Group</b>	<b>Long-term leasehold land RM</b>	<b>Building RM</b>	<b>Plant, machinery and tools RM</b>	<b>Furniture, fittings and equipment RM</b>	<b>Motor vehicles RM</b>	<b>Total RM</b>
<b>Cost</b>						
At beginning of year	739,000	4,095,109	16,387,243	425,262	810,569	22,457,183
Additions	-	54,770	90,523	135,618	-	280,911
Disposals	-	-	(4,002)	(78,318)	-	(82,320)
At end of year	<u>739,000</u>	<u>4,149,879</u>	<u>16,473,764</u>	<u>482,562</u>	<u>810,569</u>	<u>22,655,774</u>
<b>Accumulated depreciation</b>						
At beginning of year	123,845	1,142,154	9,059,248	332,469	725,101	11,382,817
Charge for the year	7,390	84,682	1,071,083	33,296	35,923	1,232,374
Disposals	-	-	(3,631)	(78,009)	-	(81,640)
At end of year	<u>131,235</u>	<u>1,226,836</u>	<u>10,126,700</u>	<u>287,756</u>	<u>761,024</u>	<u>12,533,551</u>
<b>Net book value</b>						
At 31 December 2002	<u>607,765</u>	<u>2,923,043</u>	<u>6,347,064</u>	<u>194,806</u>	<u>49,545</u>	<u>10,122,223</u>

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10. **Property, plant and equipment**

<b>Company</b>	<b>Long-term leasehold land RM</b>	<b>Building RM</b>	<b>Plant, machinery and tools RM</b>	<b>Furniture, fittings and equipment RM</b>	<b>Motor vehicles RM</b>	<b>Total RM</b>
<b>Cost</b>						
At beginning of year	739,000	4,095,109	16,387,243	425,262	810,569	22,457,183
Additions	-	54,770	90,523	135,618	-	280,911
Disposals	-	-	(4,002)	(78,318)	-	(82,320)
At end of year	<u>739,000</u>	<u>4,149,879</u>	<u>16,473,764</u>	<u>482,562</u>	<u>810,569</u>	<u>22,655,774</u>
<b>Accumulated depreciation</b>						
At beginning of year	123,845	1,142,154	9,059,248	332,469	725,101	11,382,817
Charge for the year	7,390	84,682	1,071,083	33,296	35,923	1,232,374
Disposals	-	-	(3,631)	(78,009)	-	(81,640)
At end of year	<u>131,235</u>	<u>1,226,836</u>	<u>10,126,700</u>	<u>287,756</u>	<u>761,024</u>	<u>12,533,551</u>
<b>Net book value</b>						
At 31 December 2002	<u>607,765</u>	<u>2,923,043</u>	<u>6,347,064</u>	<u>194,806</u>	<u>49,545</u>	<u>10,122,223</u>
At 31 December 2001	<u>615,155</u>	<u>2,952,955</u>	<u>7,327,995</u>	<u>92,793</u>	<u>85,468</u>	<u>11,074,366</u>
Depreciation charge for the year ended 31 December 2001	<u>7,390</u>	<u>82,851</u>	<u>1,114,792</u>	<u>31,516</u>	<u>41,239</u>	<u>1,277,788</u>

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11. **Investment in subsidiary**

	<b>Company</b>	<b>2001</b>
	<b>2002</b>	<b>RM</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares at cost	4,921	-

The details of the subsidiary are as follows:

<b>Name of company</b>	<b>Place of incorporation</b>	<b>Percentage of equity held</b>		<b>Principal Activity</b>
		<b>2002</b>	<b>2001</b>	
Advanced Packaging Investments (HK) Ltd	Hong Kong	100%	-	Investment holding company

The subsidiary is not audited by PKF Malaysia.

12. **Inventories**

	<b>Group</b>	<b>Company</b>	
	<b>2002</b>	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Raw materials	3,671,717	3,671,717	2,822,102
Work-in-progress	302,700	302,700	167,896
Finished goods	394,588	394,588	296,129
Consumables	254,084	254,084	319,460
Inventories at cost	<u>4,623,089</u>	<u>4,623,089</u>	<u>3,605,587</u>
Inventories carried at net realisable value	<u>-</u>	<u>-</u>	<u>-</u>

13. **Trade receivables**

	<b>Group</b>	<b>Company</b>	
	<b>2002</b>	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Amount outstanding	6,260,448	6,260,448	6,658,163
Less: Provision for doubtful debts			
- Specific	256,569	256,569	318,635
- General	750,000	750,000	750,000
	<u>(1,006,569)</u>	<u>(1,006,569)</u>	<u>(1,068,635)</u>
	<u>5,253,879</u>	<u>5,253,879</u>	<u>5,589,528</u>

14. **Amount due from a subsidiary**

The amount represents unsecured interest free advances with no fixed terms of repayment.

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

Included under other receivables, deposits and prepayments of the Company is tax advance payment of RM Nil (2001: RM1,012,940).

16. **Amount due to directors**

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This represents directors' fees payable.

17. **Deferred taxation**

	<b>Group 2002 RM</b>	<b>Company 2002 RM</b>	<b>2001 RM</b>
At beginning of year	1,361,000	1,361,000	1,549,000
Transferred to income statement (Note 7)			
-over provision in prior years	(51,000)	(51,000)	(188,000)
At end of year	<u>1,310,000</u>	<u>1,310,000</u>	<u>1,361,000</u>

The deferred taxation represents the excess of tax capital allowance claimed over the related depreciation of property, plant and equipment.

18. **Provision for staff gratuity**

	<b>Group 2002 RM</b>	<b>Company 2002 RM</b>	<b>2001 RM</b>
At beginning of year	344,321	344,321	303,380
Current year's provision	53,220	53,220	48,429
	<u>397,541</u>	<u>397,541</u>	<u>351,809</u>
Less: Amount paid during the year	(8,697)	(8,697)	(7,488)
At end of year	<u>388,844</u>	<u>388,844</u>	<u>344,321</u>

19. **Share capital**

	<b>2002 RM</b>	<b>2001 RM</b>
Authorised:		
25,000,000 ordinary shares of RM1 each	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid:		
18,226,000 ordinary shares of RM1 each	<u>18,226,000</u>	<u>18,226,000</u>

20. **Reserves**

	<b>Group 2002 RM</b>	<b>Company 2002 RM</b>	<b>2001 RM</b>
Distributable:			
Retained profits	27,357,877	27,463,808	25,546,573
Non-distributable:			
Currency translation reserve	(8,395)	-	-
	<u>27,349,482</u>	<u>27,463,808</u>	<u>25,546,573</u>

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

Subject to the agreement by the tax authorities, the Company has tax exempt income account of approximately RM8,523,700 (2001: RM9,419,000) available for distribution as tax exempt dividend.

**21. Prior year adjustment**

During the year, the Company changed its accounting policy with respect to the recognition of liabilities in compliance with the new MASB Standards 19 “Events After the Balance Sheet Date” and MASB Standard 20 “Provisions, Contingent Liabilities and Contingent Assets”. This change in policy has effect on the accounting treatment for proposed dividend.

In previous year, final tax exempt dividends of 4.95% were accrued as liabilities when proposed by directors. The Company has now changed this accounting policy to recognise final tax exempt dividends in shareholders equity in the period in which the obligation to pay is established in accordance with MASB Standard 19.

This change in accounting policy has been accounted for retrospectively.

The effects of the change for the new accounting policy on the Company’s financial statements are as follows:

	<b>As previously reported RM</b>	<b>Effect of change in policy RM</b>	<b>As restated RM</b>
At January 2001			
- retained profits	23,066,226	902,187	23,968,413
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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22. **Segmental information**

No segmental information is presented as the Company is involved in a single line product.

23. **Capital commitment**

	<b>Group</b>	<b>Company</b>	
	<b>2002</b>	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Capital expenditure in respect of investment in joint venture not provided for in the financial statements is as follows:			
Authorised and contracted for	10,329,630	-	-

The Company's subsidiary has entered into a joint venture contract with Wafangdian Laohu Cement Company Ltd ("WLCC"), a company incorporated in the People's Republic of China ("PRC"), on 2 December 2002, to build a new cement clinker plant in PRC. This joint venture comprises the investment of approximately RM10.33 million via the Company's subsidiary, which represents 25% equity interest in the joint venture company, Dalian Advanced Cement Company Ltd ("DACCL"), whom will construct and own the proposed new plant located in Liaoning Province in the PRC.

DACCL was incorporated subsequent to the financial year end.

24. **Comparative figure**

No comparative figure is available for the Group as this is the first set of Group financial statements.

25. **General information**

The total number of employees, inclusive of executive directors, of the Group and the Company as at the end of the financial year are 128 and 127 (2001: 123) respectively.

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

The registered office of the subsidiary is located at 7<sup>th</sup> Floor Shum Tower, 268 Des Voeux Road, Central, Hong Kong.

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.