

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

**REPORTS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003**
(In Ringgit Malaysia)

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

Contents	<u>Pages</u>
Corporate information	1
Directors' report	2 - 6
Statement by directors	7
Statutory declaration	8
<u>Report of the auditors</u>	9 - 10
Income statements	11
Balance sheets	12
Statements of changes in equity	13
Cash flow statements	14 - 15
<u>Notes to the financial statements</u>	16 - 31

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
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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
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2721 2222
Fax: 03-2721 2530

PRINCIPAL BANKER

Bumiputra-Commerce Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) - Second Board

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2003.

Principal activities

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

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

Results

	Group RM	Company RM
Net profit for the year	<u>3,143,312</u>	<u>3,298,735</u>

Dividends

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

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

Reserves and provisions

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

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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Issue of shares

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

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

Options granted over unissued shares

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

Directors

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

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

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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Directors' interest in shares

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

	Number of ordinary shares of RM1 each			
	At 1.1.2003	Bonus issue/ bought	Sold	At 31.12.2003
Shareholdings registered in the name of Directors:				
Dato' Law Sah Lim	373	466	-	839
Tjin Kiat @ Tan Cheng Keat	1,180,057	1,336,321	(111,000)	2,405,378
Yeo Tek Ling	10,817	13,521	-	24,338
Chee Sam Fatt	9,000	11,250		20,250
Eu Hock Seng	9,965	12,456	-	22,421
Ng Choo Phuan @ Kuan Choo Phuan	232,885	291,106	-	523,991
Ng Choo Tim	576,264	720,330	-	1,296,594

Directors' benefits

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

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

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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Other statutory information

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

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

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

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

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

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

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


In the opinion of the Directors, the results of the operations of the Group and the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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Auditors

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

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



TJIN KIAT @ TAN CHENG KEAT



NG CHOO TIM

Kuala Lumpur

Dated: **23 APR 2004**

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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**STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE
COMPANIES ACT, 1965**

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2003 and of the results of their operations and the cash flows for the year ended on that date.

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



TIN KIAT @ TAN CHENG KEAT



NG CHOO TIM

Kuala Lumpur

Dated: 23 APR 2004

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
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STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

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

Subscribed and solemnly declared by the
abovenamed TJIN KIAT @ TAN CHENG
KEAT and YEO TEK LING at Kuala Lumpur
in Wilayah Persekutuan on **23 APR 2004**

)
)
)
)
_____)
TJIN KIAT @ TAN CHENG KEAT

_____)
YEO TEK LING

Before me,



_____)
COMMISSIONER FOR OATHS

No. 106, Jalan Tuanku Abdul Rahm...
Tingkat 3B, Wisma Harwant,
50100 Kuala Lumpur, Malaysia.
Tel: 03-26984011/017-3837443



(AF 0911)

Chartered Accountants

9th Floor, MCB Plaza No. 6, Changkat Raja Chulan, 50200 Kuala Lumpur.

Tel: 03-2032 3828 Fax: 03-2032 1868

E-mail: pkfkl@pkfmalaysia.com Website: <http://www.pkf.com>

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ADVANCED PACKAGING TECHNOLOGY (M) BHD**
(Co. No. 82982-K)
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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 2003 and of the results of their operations and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and the Company;
- and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

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



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

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

A handwritten version of the PKF logo, with the letters 'PKF' in a cursive, stylized font.

PKF
AF 0911
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read 'Anthony Joseph Skelchy'.

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

Kuala Lumpur

Dated: 23 APR 2004

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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AND ITS SUBSIDIARY

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

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

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

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

BALANCE SHEETS
AS AT 31 DECEMBER 2003

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

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

**STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Share capital RM	<i>Non- distributable</i> Translation reserve RM	<i>Distributable</i> Retained profits RM	Total RM
Group					
At 1 January 2002		18,226,000	-	25,546,573	43,772,573
Currency translation differences			(8,395)	-	(8,395)
Net profit for the year		-	-	2,713,491	2,713,491
Dividends	6		-	(902,187)	(902,187)
At 31 December 2002		18,226,000	(8,395)	27,357,877	45,575,482
Currency translation differences		-	24,026	-	24,026
Issue of shares	18	22,782,500	-	(22,782,500)	-
Net profit for the year		-	-	3,143,312	3,143,312
Dividends	6	-	-	(902,187)	(902,187)
At 31 December 2003		41,008,500	15,631	6,816,502	47,840,633
Company					
At 1 January 2002		18,226,000	-	25,546,573	43,772,573
Net profit for the year		-	-	2,819,422	2,819,422
Dividends	6	-	-	(902,187)	(902,187)
At 31 December 2002		18,226,000	-	27,463,808	45,689,808
Issue of shares	18	22,782,500	-	(22,782,500)	
Net profit for the year		-	-	3,298,735	3,298,735
Dividends	6	-	-	(902,187)	(902,187)
At 31 December 2003		41,008,500	-	7,077,856	48,086,356

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

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

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

CASH FLOW STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

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

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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AND ITS SUBSIDIARY

Notes to the financial statements at 31 December 2003

1. Summary of significant accounting policies

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

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

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

(a) Basis of accounting

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

(b) Revenue and income recognition

i) Sales of goods

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

ii) Interest income

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

(c) Basis of consolidation

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

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

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

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

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

(d) Property, plant and equipment

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

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

Depreciation

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

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

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

(e) Investment in subsidiary

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

(f) Joint venture

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

(g) Receivables

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

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

1. Summary of significant accounting policies (continued)

(h) Inventories

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

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

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

(i) Cash and cash equivalents

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

(j) Liabilities

Trade and other payables are stated at cost.

(k) Income tax

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(l) Employee benefits

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

(m) Impairment

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

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

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

(n) Foreign currency transactions

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

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

	2003	2002
	RM	RM
1 US Dollar	3.80	3.80
1 Brunei Dollar	2.21	2.17
1 Singapore Dollar	2.21	2.17
100 Thai Baht	9.40	8.57
100 Hong Kong Dollar	49.43	49.21

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

2. Staff costs

Staff costs include Directors' remunerations, salaries, wages, bonus and allowances, statutory contributions for employees and other employee related expenses. The total number of employees, inclusive of executive Directors, of the Group and the Company as at the end of the financial year are 113 and 112 (2002: 128 and 127) respectively.

3. Operating profits

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Operating profit is arrived at after charging:				
Auditors' remuneration				
- current year	30,448	31,679	25,000	26,250
- under provision in prior year	-	900	-	900
Allowance for doubtful debts	209,901	109,146	209,901	109,146
Bad debts written off	23,909	60,243	23,909	60,243
Depreciation	1,189,691	1,232,374	1,189,691	1,232,374
Directors' emoluments				
- fees				
- executive	36,000	36,000	36,000	36,000
- non-executive	144,000	144,000	144,000	144,000
- remunerations				
- Directors of the Company	532,064	537,307	532,064	537,307
- Director of a subsidiary	90,000	30,000	-	-
Inventories written off	97,848	187,258	97,848	187,258
Loss on foreign exchange				
- realised	2,949	-	2,949	-
Plant and equipment written off	4,464	674	4,464	674
Provision for staff gratuity	47,174	53,220	47,174	53,220
and crediting:				
Bad debts recovered	(11,315)	-	(11,315)	-
Gain on disposal of plant and equipment	(6,000)	(1,644)	(6,000)	(1,644)
Gain on foreign exchange				
- realised	-	(7,760)	-	(7,760)
- unrealised	(9,180)	(5,774)	(9,180)	(5,774)
Reversal of allowance for doubtful debts	(32,744)	(171,211)	(32,744)	(171,211)

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

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

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

4. Income tax expense

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

Reconciliation of effective tax rate

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

Tax losses not recognised relates to the losses before tax of the subsidiary, which is incorporated in Hong Kong for the year amounting to RM155,424 (2002: RM105,928).

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

5. Earnings per ordinary share

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

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

6. Dividends

	2003	2002
	RM	RM
Final paid:		
2002 – 4.95% per share tax exempt (2001: 4.95% per share tax exempt)	<u>902,187</u>	<u>902,187</u>

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

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

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

7. Property, plant and equipment

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

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

8. Investment in subsidiary

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

The details of the subsidiary are as follows:

Name of company	Place of incorporation	Percentage of equity held		Principal Activity
		2003	2002	
Advanced Packaging Investments (HK) Ltd	Hong Kong	100%	100%	Investment holding company

The subsidiary is not audited by PKF Malaysia.

9. Investment in joint venture

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

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

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

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

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

9. Investment in joint venture (continued)

Details of jointly controlled entity are as follows:

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

Held by Advanced Packaging Investments (HK) Ltd.

10. Amount due from subsidiary

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

11. Inventories

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

12. Trade receivables

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

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

13. Other receivables, deposits and prepayments

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

14. Cash and cash equivalents

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

15. Amount due to Directors

This represents Directors' fees payable.

16. Deferred taxation

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

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

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

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

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

17. Provision for staff gratuity

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

18. Share capital

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

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

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

19. Reserves

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

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

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

Subject to the agreement by the tax authorities, the Company has tax exempt income account of approximately RM8,364,000 (2002: RM8,523,700) available for distribution as tax exempt dividend.

20. Segmental information

Business segments

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

Geographical segments

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

	Malaysia		Outside Malaysia		Consolidated	
	2003	2002	2003	2002	2003	2002
	RM	RM	RM	RM	RM	RM
Segment assets by location						
of assets	<u>41,287,140</u>	<u>50,478,280</u>	<u>10,828,091</u>	<u>363,218</u>	<u>52,115,231</u>	<u>50,841,498</u>

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

21. Financial instruments

Financial risk management objectives and policies

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

Credit risk

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

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

Interest rate risk

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

Foreign currency risk

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

Fair values

Recognised financial instruments

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

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

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

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

22. Comparatives figures

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

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

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

22. Comparatives figures (continued)

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

23. Capital commitment

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

24. General information

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

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

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