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 2005
(In Ringgit Malaysia)

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

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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' Haji Ghazali b. Mat Ariff Dato' Law Sah Lim Datuk Ismail bin Haji Ahmad Mah Siew Seng Eu Hock Seng Ng Choo Tim
SECRETARY	Goon Kok Keong (MAICSA 0698849)
AUDITORS	PKF AF 0911 Chartered Accountants
AUDIT COMMITTEE	Dato' Haji Ghazali b. Mat Ariff (Chairman) - Independent Non-Executive Director Datuk Ismail bin Haji Ahmad - Non-Independent Non-Executive Director Mah Siew Seng - Independent Non-Executive Director
REGISTERED OFFICE	23B Jalan 52/1 46200 Petaling Jaya Selangor Darul Ehsan Tel: 03-7960 0648 Fax: 03-7957 0094
REGISTRAR & SHARE TRANSFER OFFICE	Symphony Share Registrars Sdn. Bhd. (Formerly known as Malaysian Share Registration Service Sdn. Bhd.) Level 26, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel: 03-2721 2222 Fax: 03-2721 2530
PRINCIPAL BANKER	Bumiputra-Commerce Bank Berhad
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad - Second Board

ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
(Incorporated in Malaysia)
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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 2005.

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	2,050,719	2,146,233

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 2.00% totaling RM820,170 in respect of the financial year ended 31 December 2004, on 15 July 2005.

The final dividend recommend by the Directors in respect of the year ended 31 December 2005 is 3% tax exempt dividend totaling RM1,230,255.

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 1.1.2005	**Bought**	**Sold**	**At 31.12.2005**
Shareholdings registered in the name of Directors:				
Dato' Law Sah Lim	51,829	-	(4,000)	47,829
Tjin Kiat @ Tan Cheng Keat	2,405,378	639,500	-	3,044,878
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 2005 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 2005 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.

Subsequent to balance sheet date

Subsequent to balance sheet date, the Company opened a Fixed Income Fund Account with Aminvestment Services Berhad, for an amount of RM5,000,000.

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 2006

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

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the accompanying financial statements are drawn up in accordance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2005 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 2006

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

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 2006)

TJIN KIAT @ TAN CHENG KEAT

YEO TEK LING

Before me,

COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS TO THE MEMBERS OF ADVANCED PACKAGING TECHNOLOGY (M) BHD
(Co. No. 82982-K)
(Incorporated in Malaysia)

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

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

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

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

    (i) the state of affairs of the Group and the Company as at 31 December 2005 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 was not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

PKF	ANTHONY JOSEPH SKELCHY
AF 0911	251/03/07 (J/PH)
CHARTERED ACCOUNTANTS	PARTNER

Kuala Lumpur

Dated: 25 April 2006

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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AND ITS SUBSIDIARY

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue		22,595,158	22,564,161	22,595,158	22,564,161
Other operating income		549,976	887,479	549,976	887,479
Changes in inventories of finished goods and work-in-progress		(52,752)	229,025	(52,752)	229,025
Raw materials used		(14,345,892)	(14,087,328)	(14,345,892)	(14,087,328)
Staff costs (inclusive of Directors' remuneration)	2	(2,671,081)	(2,952,108)	(2,671,081)	(2,899,608)
Depreciation		(1,501,279)	(1,368,434)	(1,501,279)	(1,368,434)
Other operating expenses		(2,344,628)	(2,615,426)	(2,249,176)	(2,583,532)
Operating profits	3	2,229,502	2,657,369	2,324,954	2,741,763
Interest income		711,244	743,501	711,244	743,501
Finance cost		(16,139)	(20,637)	(16,077)	(20,595)
Profit before tax		2,924,607	3,380,233	3,020,121	3,464,669
Income tax expense	4	(873,888)	(948,389)	(873,888)	(948,389)
Net profit for the year		2,050,719	2,431,844	2,146,233	2,516,280
Basic earnings per share (sen)	5	5.00	5.93		
Dividends per share (sen)	6	2.00	4.00	2.00	4.00

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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BALANCE SHEETS AS AT 31 DECEMBER 2005

	Note	Group 2005 RM	Group 2004 RM	Company 2005 RM	Company 2004 RM
Long term assets					
Property, plant and equipment	7	9,920,235	10,129,935	9,920,235	10,129,935
Investment in subsidiary	8	-	-	4,921	4,921
Investment in joint venture	9	10,944,192	10,810,566	-	-
Amount due from a subsidiary	10	-	-	11,243,346	11,147,887
		20,864,427	20,940,501	21,168,502	21,282,743
Current assets					
Inventories	11	4,521,146	6,261,945	4,521,146	6,261,945
Trade receivables	12	5,136,905	5,194,975	5,136,905	5,194,975
Other receivables, deposits and prepayments		624,452	776,109	624,452	776,109
Cash and cash equivalents	13	22,741,431	19,801,963	22,741,431	19,801,963
		33,023,934	32,034,992	33,023,934	32,034,992
Current liabilities					
Trade payables	14	1,165,158	1,530,101	1,165,158	1,530,101
Amount due to Directors	15	81,000	180,000	81,000	180,000
Other payables and accruals		820,719	861,924	815,222	856,483
Tax payable		83,089	91,383	83,089	91,383
		2,149,966	2,663,408	2,144,469	2,657,967
Net current assets		30,873,968	29,371,584	30,879,465	29,377,025
Long term and deferred liabilities					
Deferred taxation	16	1,238,312	1,230,906	1,238,312	1,230,906
Provision for staff gratuity	17	521,296	466,566	521,296	466,566
		(1,759,608)	(1,697,472)	(1,759,608)	(1,697,472)
		49,978,787	48,614,613	50,288,359	48,962,296
Financed by:					
Share capital	18	41,008,500	41,008,500	41,008,500	41,008,500
Reserves	19	8,970,287	7,606,113	9,279,859	7,953,796
Shareholders' funds		49,978,787	48,614,613	50,288,359	48,962,296

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Share capital RM	*Non-distributable* Translation reserve *RM*	*Distributable* Retained profits RM	Total RM
Group					
At 1 January 2004		41,008,500	15,631	6,816,502	47,840,633
Currency translation differences		-	(17,524)	-	(17,524)
Net profit for the year		-	-	2,431,844	2,431,844
Dividends	6	-	-	(1,640,340)	(1,640,340)
At 31 December 2004		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
Company					
At 1 January 2004		41,008,500	-	7,077,856	48,086,356
Net profit for the year		-	-	2,516,280	2,516,280
Dividends	6	-	-	(1,640,340)	(1,640,340)
At 31 December 2004		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

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
Cash flows generated from/ (used in) operating activities				
Profit before tax	2,924,607	3,380,233	3,020,121	3,464,669
Adjustments for:				
Depreciation	1,501,279	1,368,434	1,501,279	1,368,434
Gain on disposal of property, plant and equipment	(115,877)	(82,965)	(115,877)	(82,965)
Interest income	(711,244)	(743,501)	(711,244)	(743,501)
Property, plant and equipment written off	2,012	827	2,012	827
Provision for staff gratuity	54,730	49,274	54,730	49,274
Operating profit before working capital changes	3,655,507	3,972,302	3,751,021	4,056,738
Decrease/(Increase) in inventories	1,740,799	(2,495,309)	1,740,799	(2,495,309)
Decrease/(Increase) in trade and other receivables	209,727	(535,238)	209,727	(535,238)
Decrease in trade and other payables	(505,149)	(129,529)	(505,204)	(129,522)
Cash generated from operations	5,100,884	812,226	5,196,343	896,669
Tax refund	-	65,121	-	65,121
Income tax paid	(874,776)	(678,040)	(874,776)	(678,040)
Staff gratuity paid	-	(5,751)	-	(5,751)
Net cash from operating activities	4,226,108	193,556	4,321,567	277,999
Cash flows generated from/ (used in) investing activities				
Advances to subsidiary	-	-	(95,459)	(84,443)
Interest received	711,244	743,501	711,244	743,501
Proceeds from disposal of property, plant and equipment	115,880	87,000	115,880	87,000
Purchase of property, plant and equipment	(1,293,594)	(912,797)	(1,293,594)	(912,797)
Net cash used in investing activities	(466,470)	(82,296)	(561,929)	(166,739)

ADVANCED PACKAGING TECHNOLOGY (M) BHD
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CASH FLOW STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
	2005 RM	**2004 RM**	**2005 RM**	**2004 RM**
Cash flows used in financing activity				
Dividend paid	(820,170)	(1,640,340)	(820,170)	(1,640,340)
Net cash used in financing activity	(820,170)	(1,640,340)	(820,170)	(1,640,340)
Net increase/(decrease) in cash and cash equivalents	2,939,468	(1,529,080)	2,939,468	(1,529,080)
Cash and cash equivalents at beginning of year	19,801,963	21,331,043	19,801,963	21,331,043
Foreign exchange differences on opening balances	-	-	-	-
Cash and cash equivalents at end of year	22,741,431	19,801,963	22,741,431	19,801,963
Cash and cash equivalents comprise:				
Cash and bank balances	1,204,330	801,963	1,204,330	801,963
Deposits with licensed banks	21,537,101	19,000,000	21,537,101	19,000,000
	22,741,431	19,801,963	22,741,431	19,801,963

Notes to the financial statements at 31 December 2005

1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous year.

(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.

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 and less impairment losses, if any.

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.

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 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.

(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. 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.

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

(k) **Income tax** (continued)

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

(l) Employee benefits

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

(m) Impairment

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

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

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

(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.

1. Summary of significant accounting policies (continued)

(n) Foreign currency transactions

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

	2005 RM	2004 RM
1 US Dollar	3.75	3.80
1 Brunei Dollar	2.25	2.35
1 Singapore Dollar	2.25	2.35
100 Thai Baht	8.66	9.93
100 Hong Kong Dollar	49.96	49.35

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 99 and 98 (2004: 97 and 96) respectively.

3. Operating profits

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
Operating profit is arrived at after charging:				
Auditors' remuneration	30,546	30,739	25,000	25,000
Allowance for doubtful debts	64,368	97,513	64,368	97,513
Depreciation	1,501,279	1,368,434	1,501,279	1,368,434
Directors' emoluments				
- fees				
- executive	18,000	36,000	18,000	36,000
- non-executive	63,000	144,000	63,000	144,000
- remunerations				
- Directors of the Company	462,350	557,578	462,350	557,578
- Director of a subsidiary	-	52,500	-	-
Inventories written off	60,115	32,273	60,115	32,273
Loss on foreign exchange				
- realised	7,081	-	7,081	-
- unrealised	4,105	-	4,105	-
Property, plant and equipment written off	2,012	827	2,012	827
Provision for staff gratuity	54,730	49,274	54,730	49,274
and crediting:				
Gain on disposal of property, plant and equipment	(115,877)	(82,965)	(115,877)	(82,965)
Gain on foreign exchange				
- realised	-	(1,709)	-	(1,709)
- unrealised	-	(605)	-	(605)
Reversal of allowance for doubtful debts	(83,783)	(500,735)	(83,783)	(500,735)

Estimated cash value of benefits-in-kind for the executive Directors are RM32,750 and RM32,750 (2004: RM22,925 and RM22,925) for the Group and the Company respectively.

4. Income tax expense

	Group		Company	
	2005 RM	**2004 RM**	**2005 RM**	**2004 RM**
Current tax expense	862,252	912,215	862,252	912,215
Under/(Over) provision in prior years	4,230	(44,732)	4,230	(44,732)
Deferred tax expense - origination of temporary differences (Note 16)	7,406	80,906	7,406	80,906
	873,888	948,389	873,888	948,389

Reconciliation of effective tax rate

	Group		Company	
	2005 RM	**2004 RM**	**2005 RM**	**2004 RM**
Profit before tax	2,924,607	3,380,233	3,020,121	3,464,669
Income tax using Malaysian tax rate	818,890	946,465	845,634	970,107
Non deductible expenses	39,060	7,667	39,060	7,667
Tax losses not recognised	26,744	23,642	-	-
Deferred tax previously (over)/under recognised	(4,302)	25,069	(4,302)	25,069
Double deduction	(10,734)	(9,722)	(10,734)	(9,722)
	869,658	993,121	869,658	993,121
Under provision in prior years	4,230	(44,732)	4,230	(44,732)
	873,888	948,389	873,888	948,389

Tax losses not recognised relates to the losses before tax of the subsidiary, which is incorporated in Hong Kong for the year amounting to approximately RM95,514 (2004: RM84,436).

5. Earnings per ordinary share

Basic earnings per share of the Group is based on the net profit attributable to ordinary shareholders of RM2,050,719 (2004: RM2,431,844) respectively and the issued share capital of 41,008,500 (2004: 41,008,500) ordinary shares.

6. Dividends

	2005 RM	**2004 RM**
Final paid:		
2% per share tax exempt (2003 - 4.00% per share tax exempt)	820,170	1,640,340

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	4,266,579	18,205,876	520,195	1,191,787	24,923,437
Additions	-	-	1,057,616	29,740	206,238	1,293,594
Disposals	-	-	(1,692)	-	(264,809)	(266,501)
Write offs	-	-	(652)	(36,299)	-	(36,951)
Reclassification	-	4,550	(4,550)	-	-	-
At end of year	739,000	4,271,129	19,256,598	513,636	1,133,216	25,913,579
Accumulated depreciation						
At beginning of year	146,015	1,410,936	12,265,964	357,687	612,900	14,793,502
Charge for the year	7,390	94,568	1,180,993	48,642	169,686	1,501,279
Disposals	-	-	(1,692)	-	(264,806)	(266,498)
Write offs	-	-	(318)	(34,621)	-	(34,939)
At end of year	153,405	1,505,504	13,444,947	371,708	517,780	15,993,344
Net book value						
At 31 December 2005	585,595	2,765,625	5,811,651	141,928	615,436	9,920,235
At 31 December 2004	592,985	2,855,643	5,939,912	162,508	578,887	10,129,935
Depreciation charge for the year ended 31 December 2004	7,390	94,126	1,131,418	47,885	87,615	1,368,434

8. Investment in subsidiary

	Company 2005 RM	Company 2004 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 2005	Percentage of equity held 2004	*Principal* Activity
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 2005 RM	Group 2004 RM
At cost	10,944,192	10,810,566
Cost of investment in joint venture includes the following:		
Capital contribution	10,336,549	10,336,549
Professional fees	475,911	475,911
Others	131,732	(1,894)
	10,944,192	10,810,566
The Group's interest in the assets of the joint venture is as follows:-		
Long term assets	8,527,248	4,286,089
Net current assets	1,553,731	6,019,034
	10,080,979	10,305,123

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

9. Investment in joint venture (continued)

Details of jointly controlled entity are as follows:

Name	Principal activities	Proportion of ownership interest equity held 2005	2004
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.

10. Amount due from a subsidiary

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

11. Inventories

	Group and Company 2005 RM	2004 RM
At cost		
Raw materials	3,391,137	5,062,729
Work-in-progress	429,992	451,551
Finished goods	389,369	420,562
Consumables	310,648	327,103
	4,521,146	6,261,945

12. Trade receivables

	Group and Company	
	2005	**2004**
	RM	**RM**
Trade receivables	5,674,650	5,939,445
Allowance for doubtful debts		
- Specific	87,745	294,470
- General	450,000	450,000
	(537,745)	(744,470)
	5,136,905	5,194,975

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 RM187,310 of the Company and the Group were written off against allowance for doubtful debts during the year.

13. Cash and cash equivalents

	Group and Company	
	2005	**2004**
	RM	**RM**
Deposits placed with licensed banks	21,537,101	19,000,000
Cash and bank balances	1,204,330	801,963
	22,741,431	19,801,963

14. Trade payables

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

15. Amount due to Directors

This represents Directors' fees payable.

16. Deferred taxation

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
At beginning of year	1,230,906	1,150,000	1,230,906	1,150,000
Transferred from income statement (Note 4)				
- current year	7,406	80,906	7,406	80,906
	1,238,312	1,230,906	1,238,312	1,230,906

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
Deferred tax liabilities	1,510,331	1,487,713	1,510,331	1,487,713
Deferred tax assets	(272,019)	(256,807)	(272,019)	(256,807)
At end of year	1,238,312	1,230,906	1,238,312	1,230,906

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment				
- capital allowances	1,509,182	1,487,713	1,509,182	1,487,713
Unrealised foreign exchange loss/(gain)	1,149	(169)	1,149	(169)
Retirement benefits	(146,019)	(130,638)	(146,019)	(130,638)
Allowance for doubtful debts				
- general	(126,000)	(126,000)	(126,000)	(126,000)
At end of year	1,238,312	1,230,906	1,238,312	1,230,906

17. Provision for staff gratuity

	Group and Company	
	2005	**2004**
	RM	**RM**
At beginning of year	466,566	423,043
Current year's provision	54,730	49,274
	521,296	472,317
Amount paid during the year	-	(5,751)
At end of year	521,296	466,566

18. Share capital

	Group and Company 2005 RM	Group and Company 2004 RM
Authorised:		
100,000,000 ordinary shares of RM1 each	100,000,000	100,000,000
Issued and fully paid:		
At beginning of year/At end of year	41,008,500	41,008,500

19. Reserves

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Distributable:				
Retained profits	8,838,555	7,608,006	9,279,859	7,953,796
Non-distributable:				
Currency translation reserve	131,732	(1,893)	-	-
	8,970,287	7,606,113	9,279,859	7,953,796

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 RM5,949,000 (2004: RM6,769,000) 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.

20. Segmental information (continued)

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	
	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM
Segment assets by location of assets	42,944,169	42,164,927	10,944,192	10,810,566	53,888,361	52,975,493

21. Subsequent to balance sheet date

Subsequent to balance sheet date, the Company opened a Fixed Income Fund Account with Aminvestment Services Berhad, for an amount of RM5,000,000.

22. 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.

22. 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.

	2005		2004	
Company	**Carrying Amount RM**	**Fair value RM**	**Carrying amount RM**	**Fair value RM**
Amount due from a subsidiary	11,243,346	*	11,147,887	*

* 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.

23. Capital commitment

	Group and Company	
	2005 RM	**2004 RM**
Acquisition of property, plant and equipment not provided for in the financial statements are as follows:		
Approved and contracted for	-	553,112

24. General information

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2006.

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.