



**MAGNI-TECH INDUSTRIES BERHAD**

(422585-V)

(Incorporated in Malaysia)

**ANNUAL REPORT 2005**

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## Corporate Information

### Board of Directors

Executive Chairman  
Managing Director  
Directors

Tan Sri Dato Tan Kok Ping  
Tan Poay Seng  
Tan Kok Aun  
Lee Koong Chen @ Lee Kong Chew  
Ahmad Fizri bin Abu Bakar  
Chang Chuen Hwa  
H ng Cheok Seng  
Datuk Noor Zahidi bin Omar  
Abdul Jalil bin Ismail

### Company Secretary

Lee Peng Loon (LS 00405)

### Auditors

Ernst & Young, Chartered Accountants  
22nd Floor, Plaza MWE, No. 8 Lebuhr Farquhar,  
10200 Penang.  
Tel: 04-2630033  
Fax: 04-2630099

### Registered Office

51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah,  
10050 Penang.  
Tel: 04-2276888  
Fax: 04-2298118

### Share Registrar

Plantation Agencies Sdn. Berhad  
3rd Floor, Standard Chartered Bank Chambers,  
Beach Street, 10300 Penang.  
Tel: 04-2625333  
Fax: 04-2622018

### Bankers

Bumiputra-Commerce Bank Berhad  
HSBC Bank Malaysia Bhd  
Malayan Banking Berhad  
Southern Bank Berhad

### Stock Exchange Listing

Main Board, Bursa Malaysia

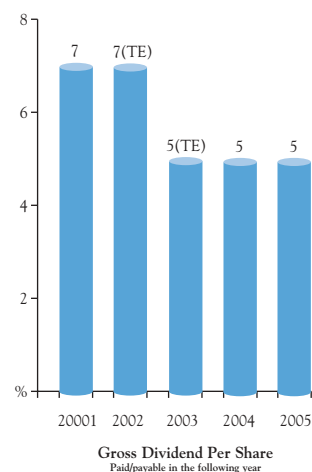
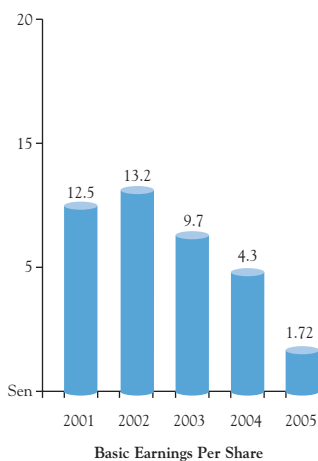
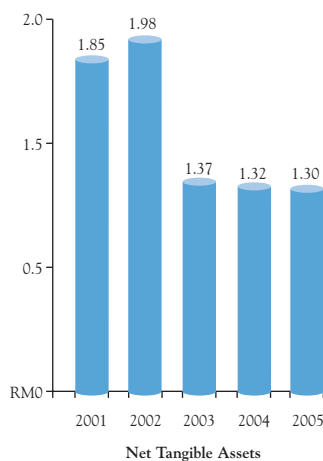
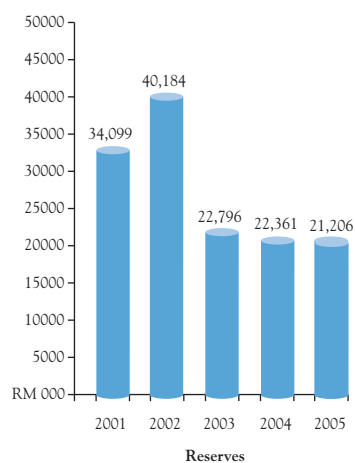
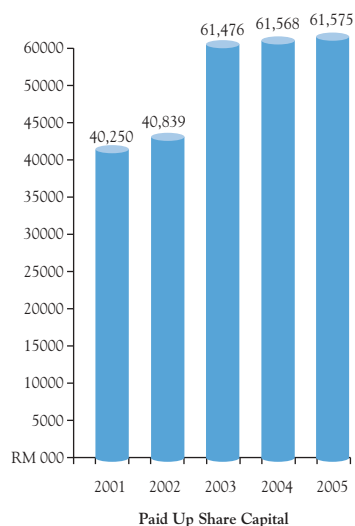
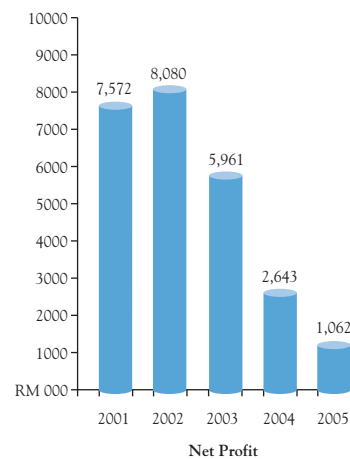
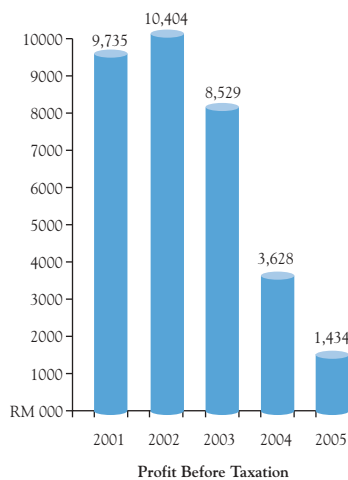
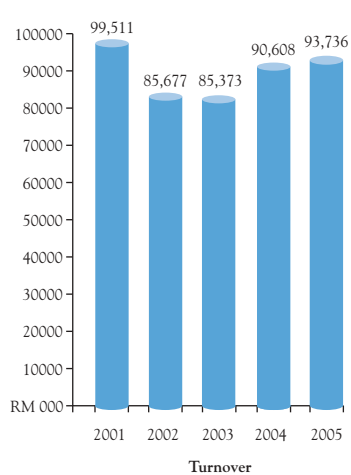
### Stock Number

7087



**MAGNI-TECH INDUSTRIES BERHAD**  
(422585-V)

## Financial Highlights



TE: Tax Exempt

## Profile of Directors

### Tan Sri Dato Tan Kok Ping

Executive Chairman; Appointed to the Board on 18-2-2000  
Aged 59, Malaysian  
Bachelor Degree in Commerce, Nanyang University Singapore  
Occupation: Company Director

Tan Sri has more than 36 years of experience in various business sectors which include property development, manufacturing of consumer electronics, garment, corrugated and plastic packaging products.

He also sits on the Board of several private limited companies.

He is the Executive Adviser of Penang Chinese Chamber of Commerce, of which he was also the past President. He has been appointed as a member of The Second National Economic Consultative Council (NECC II) in August 1999.

He was the former Managing Director and Deputy Chairman of Berjaya Sports Toto Berhad, former Deputy President of The Associated Chinese Chambers of Commerce and Industry of Malaysia, and a member of the Penang Trade Consultative Council for the term of 2000-2004.

### Tan Poay Seng

Managing Director; Appointed to the Board on 18-2-2000  
Aged 39, Malaysian  
Diploma in Hotel Management, Switzerland  
Occupation: Company Director

He was the Managing Director of South Island Garment Sdn Bhd, an export orientated garment manufacturer in Malaysia for about 4 years. He was also the Managing Director of Fila Sport Malaysia Sdn Bhd, which is involved in marketing and retailing of sportswear, for about 5 years. He also sits on the Board of several private limited companies.

### Tan Kok Aun

Executive Director; Appointed to the Board on 18-2-2000  
Aged 56, Malaysian  
Bachelor of Mechanical Engineering Degree, Trinity College, Ireland  
Occupation: Company Director

He was one of the pioneers responsible for the initial setup and operations of South Island Packaging (Penang) Sdn Bhd (SIPP), a 99.64% owned subsidiary of the Company. He has gathered over 29 years of experience and knowledge in the printing and packaging industry. He also sits on the Board of several private limited companies.

## Profile of Directors (cont d)

### Ahmad Fizri bin Abu Bakar

Independent Non-Executive Director and Member of Audit Committee  
Appointed to the Board on 18-2-2000  
Aged 56, Malaysian  
Bachelor of Arts Degree, UM and MBA, Northrop University, USA  
Occupation: Company Director

He has an aggregate of 16 years working exposure in the consumer electronics manufacturing sector. He was the Director of Corporate Affairs of Sony (M) Sdn Bhd for about 7 years. He also sits on the Board of several private limited companies.

### Lee Koong Chen @ Lee Kong Chew

Executive Director; Appointed to the Board on 18-2-2000  
Aged 65, Malaysian  
Mechanical Engineering Degree, National Taiwan University  
Occupation: Company Director

He is the Managing Director of Inter-Pacific Packaging Sdn Bhd (IPP), a wholly owned subsidiary of the Company. An Engineer by profession, he was one of the pioneers in the corrugated line having more than 29 years of experience in printing and packaging. He was the Works Manager in Federal Paper Products, Shah Alam for 18 years, General Manager in Pan Asian Paper Product Sdn Bhd, Penang for 4 years and Federal Printing & Packaging Sdn Bhd for one year. He set up IPP in early 1990 and steered it to become a leader in the industrial packaging industry. He is currently a member of the Board of Engineers Malaysia.

### Chang Chuen Hwa

Executive Director; Appointed to the Board on 18-2-2000  
Aged 48, Malaysian  
Bachelor of Business Studies Degree, Massey University, New Zealand  
Occupation: Company Director

He is the Managing Director of South Island Plastics Sdn Bhd (SIP), a wholly owned subsidiary of the Company and was attached to SIP since 1982. During his 22 years of service with SIP, he has gained extensive knowledge of the plastic film packaging industry.

### H ng Cheok Seng

Non-Independent Non-Executive Director and Member of Audit Committee  
Appointed to the Board on 18-2-2000  
Aged 47, Malaysian  
Fellow Member, Association of Chartered Certified Accountants, UK  
Occupation: Company Director

He has 15 years experience in financial, corporate and accounting related positions with investment holding, garment manufacturing, local and multi-national electronic manufacturing companies. Prior to his Pre-U studies, he had 6 years of audit and taxation working experience with a local public accounting firm.

## **Profile of Directors** (cont d)

### **Datuk Noor Zahidi bin Omar**

Independent Non-Executive Director and Chairman of Audit Committee

Appointed to the Board on 18-2-2000

Aged 48, Malaysian

Diploma in Business Studies, ITM and MBA, University of Hull, UK

Occupation: Company Director

For 3 years he served as Company Secretary and Executive Assistant to Group Managing Director of Kumpulan Adabi (Holdings) Sdn Bhd, an investment holding company. He was subsequently the General Manager of Keltra Sdn Bhd, principally involved in construction, for a period of 5 years. He is currently the Executive Chairman of Keltrade Sdn Bhd and Konsortium Kontraktor Melayu (Kelantan) Sdn Bhd.

### **Abdul Jalil bin Ismail**

Non-Executive Independent Director

Appointed to the Board on 24-4-2000

Aged 55, Malaysian

Member, Chartered Institute of Bankers, London

Occupation: Company Director

He joined Bank Bumiputra Malaysia Berhad in 1972 and later with Perwira Affin Bank Berhad, serving in various capacities including his last position as Head of Systems & Methods, Corporate Division. He has a total of 16 years of banking experience. He is currently the Executive Chairman of IQ Net Technologies Sdn Bhd. He also sits on the Board of several private limited companies.

## Notice of Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting of the Company will be held at Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang on Wednesday, 28 September 2005 at 10.30 a.m. for the following purposes:-

### AGENDA

1. To receive the Audited Financial Statements for the year ended 30 April 2005 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To re-elect the following Directors retiring pursuant to Article 94(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
  - i) Ahmad Fizri bin Abu Bakar **Ordinary Resolution 2**
  - ii) Lee Koong Chen @ Lee Kong Chew **Ordinary Resolution 3**
  - iii) Chang Chuen Hwa **Ordinary Resolution 4**
3. To approve the payment of a first and final dividend of 5% less income tax of 28% for the year ended 30 April 2005. **Ordinary Resolution 5**
4. To approve the payment of Directors' Fees for the year ended 30 April 2005. **Ordinary Resolution 6**
5. To re-appoint Messrs. Ernst & Young as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

#### ***As Special Business :***

To consider and if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions :

6. **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**

That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued.

**Ordinary Resolution 8**



## **Notice of Annual General Meeting** (cont d)

### **7. PROPOSED RENEWAL OF SHAREHOLDERS MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

That, subject always to the provisions of the Companies Act, 1965 ( the Act ), the Memorandum & Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ( Bursa Securities ) and the regulations, guidelines and practice notes issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business which are necessary for the day-to-day operations of the Company and its subsidiaries as specified in Section 2.1 of the Company's Circular to Shareholders dated 6 September 2005 ( Circular ) on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders and that authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the shareholders' mandate shall continue to be in force until:

- (a) the conclusion of the next annual general meeting ( AGM ) of the Company following the AGM at which the ordinary resolution for the Proposed Renewal of Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), or
- (c) revoked or varied by resolution passed by the shareholders at a general meeting,

whichever is the earlier;

And that, authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution.

And that, the estimates given on the recurrent related party transactions specified in Section 2.1 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.3 of the Circular.

**Ordinary Resolution 9**

## Notice of Annual General Meeting (cont d)

8. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

**LEE PENG LOON (LS 00405)**  
Company Secretary

Penang  
Date: 6 September 2005

### *Explanatory Notes on Special Business*

#### **Agenda 6**

The Ordinary Resolution 8 proposed under agenda 6, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

#### **Agenda 7**

The Ordinary Resolution 9 proposed under agenda 7, if passed, will enable the Company and its subsidiaries to enter into recurrent transactions involving the interests of related parties, which are of a revenue or trading nature and necessary for the Group's day to day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of minority shareholders of the Company, particular of which have been disclosed in the Circular to Shareholders dated 6 September 2005 which have been dispatched together with the Company's 2005 Annual Report.

#### **Notes:**

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the proxy form duly completed, must be deposited at the registered office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

Notice is also hereby given that, a depositor shall qualify for entitlement only in respect of:

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 10 October, 2005 in respect of ordinary transfers;
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

The dividend, if approved will be paid on 28 October 2005 to depositors who are registered in the Record of Depositors of the Company on 10 October, 2005.

## Statement Accompanying Notice of Eighth Annual General Meeting

### Names of Directors who are standing for re-election at the Company's Eighth Annual General Meeting:-

- |     |                                |                         |
|-----|--------------------------------|-------------------------|
| (a) | Ahmad Fizri bin Abu Bakar      | (Ordinary Resolution 2) |
| (b) | Lee Koong Chen @ Lee Kong Chew | (Ordinary Resolution 3) |
| (c) | Chang Chuen Hwa                | (Ordinary Resolution 4) |

### Details of attendance of Directors at Board Meetings:-

There were four (4) Board Meetings held during the financial year ended 30 April 2005 and all the Board Meetings were held at Level 18 Penas Tower, Jalan Burmah, 10350 Penang. The attendance for each Director is shown below:

	Name of Directors	Number of Board Meetings Attended
1.	Tan Sri Dato Tan Kok Ping	4
2.	Tan Poay Seng	3
3.	Tan Kok Aun	4
4.	Ahmad Fizri bin Abu Bakar	4
5.	Lee Koong Chen @ Lee Kong Chew	4
6.	Chang Chuen Hwa	3
7.	H ng Cheok Seng	4
8.	Datuk Noor Zahidi bin Omar	4
9.	Abdul Jalil bin Ismail	4

### Date, hour and place of the Company's Eighth Annual General Meeting

Date	Hour	Place
28 September 2005	10.30 a.m.	Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang

### Further details of Directors standing for re-election at the Company's Eighth Annual General Meeting ++:

Name, age & nationality	Position	No. of ordinary shares of RM1.00 each held in the Company	No. of ordinary shares of RM1.00 each held in the subsidiaries
Ahmad Fizri bin Abu Bakar 56, Malaysian	Independent Non-Executive Director	Direct Interest: 3,905	NIL
Lee Koong Chen @ Lee Kong Chew 65, Malaysian	Executive Director Non-Independent Director	Direct Interest: 120,000	NIL
Chang Chuen Hwa 48, Malaysian	Executive Director Non-Independent Director	Direct Interest: 165,561	NIL

++ Shareholders are requested to refer to Directors' Profile on pages 5, 6 and 17 of the Company's 2005 Annual Report for the following further details:-

working experience, qualification & occupation  
any other directorships of public companies  
family relationship with any director and/or major shareholder of the Company  
any conflict of interest that the above Directors have with the Company  
the list of convictions for offences within the past 10 years other than traffic offences, if any

## Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Magni-Tech Industries Berhad for the year ended 30 April 2005.

### Group's Performance

The group reported a Turnover and Profit before Tax (PBT) of RM93.736 mil and RM1.434mil respectively in the current financial year ended 30 April 2005 as opposed to RM90.608 mil and RM3.628 million mil in the previous financial year.

The decline in PBT was mainly due to erosion of profit margin due to higher raw material prices as well as unfavorable selling price as a result of intense competition in the packaging industry.

### Industry and Operations

The operating environment for the packaging industry remains competitive with prolonged excess industry capacity.

The prospects of the packaging industry are dependent on the growth of the manufacturing sector. The latter may experience a slowdown as market sentiment appears fairly weak. This may be generally spooked by threat of higher inflation rates due to hike in fuel oil price.

The high raw material prices have also continued to erode the profit margin of packaging industry. The continuous increase in fuel oil price coupled with high demand for raw materials from China have also pushed up the cost of raw materials in this industry.

The Group will continue to work on measures that will improve productivity, cost efficiency and if possible to increase selling price in tandem with higher material costs in order to improve profit contribution.

The Group's on-going strategic priority is to differentiate itself from its competitors by strengthening marketing efforts and to focus on prompt delivery, competitive pricing, excellent quality and design of its products which will enable it to be better positioned to compete.

### Dividends

The Board has recommended a first and final dividend of 5% less income tax of 28% for the year ended 30 April 2005 (2004: 5% less 28% taxation) for approval by the shareholders at the forthcoming Annual General Meeting.

### Prospects

In spite of the tough business environment envisaged ahead, the Directors anticipate that the Group's performance for the year ending 30 April 2006 will be satisfactory.

Besides focusing on existing activities, the Group is looking out for opportunity to diversify into other businesses in order to enhance the Group's future earnings.

### Appreciation

On behalf of the Board, I would like to extend our sincere appreciation to the Management and Staff for their dedication and loyalty and to extend our sincere thanks to our valued customers, shareholders, vendors, bankers and government agencies for their continued support and co-operation.

**Tan Sri Dato Tan Kok Ping**  
Chairman

## Corporate Governance Statement

The Board is pleased to disclose hereunder the manner in which the Company has applied the Principles of Corporate Governance and the extent of compliance with the Best Practice of the Code.

### Application of the Principles

#### (1) The Board of Directors

##### The Board and Board Balance

The Board has the overall responsibility for corporate governance, setting strategic direction, and overseeing all major investments of the Group. The Board has 9 members, 5 of whom are Executive Directors, 1 of whom is Non-Independent Non-Executive Director whilst the remaining 3 are Independent Non-Executive Directors.

The Board has delegated the specific responsibilities to 2 Board Committees, namely the Audit and Employee Share Option Scheme Committees, all of which have terms of reference to govern their responsibilities. The Board Committees will deliberate on and examine issues within their terms of reference and report to the Board.

The Board met 4 times during the financial year ended 30 April 2005 and the attendance of the Directors at the said meetings are set out in the Statement accompanying the Notice of 8th Annual General Meeting on Page 10 of the Annual Report.

There is a clear division of responsibility between the Executive Chairman and the Managing Director to ensure that there is a balance of power and authority.

##### Appointments to the Board

The appointment of any new director is decided collectively by the Board of Directors.

The Directors have access to the advice and services of the Company Secretary to ensure that all such appointments are properly made and all the statutory requirements are met.

A Nomination Committee has not been set up as the Board is of the opinion that the current composition and mix of background and expertise of the Board members are sufficient to deal with all relevant affairs of the Group effectively.

##### Re-election

The Articles of Association provides that all Directors shall retire from office once in every three years but shall be eligible for re-election.

The Board will ensure that full information is furnished through the notice of meeting regarding Directors standing for re-election to assist shareholders in their decision.

##### Supply of Information

The Board is supplied with, on a timely basis, information in a form and of quality appropriate to enable it to discharge its duties.

Every Director has also access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

## **Corporate Governance Statement** (cont d)

### **Directors Training**

The Directors will continue to attend the continuing education programmes as per Practice Note No. 15/2003 and other relevant training programmes to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

### **(2) Directors Remuneration**

The Board of Directors as a whole determines the remuneration of both the Executive and Non-Executive Directors. The Board has not established a Remuneration Committee.

The level of remuneration is structured in order to attract, retain and motivate the Executive Directors of the necessary skill, experience and competencies. The payment of fees to Directors are recommended by the Board for approval by the shareholders of the Company at the Annual General Meeting.

The aggregate and range of Directors remuneration for the financial year ended 30 April 2005 are disclosed in Note 6 to the Financial Statements on page 39 and 40.

### **(3) Shareholders / Investors**

The Board acknowledges the need for shareholders to be informed of all material matters affecting the Group. Modes of communication with shareholders as well as investors include corporate announcements to Bursa Malaysia and press releases.

The Company welcomes active participation and feedback from the shareholders at the Company's Annual General Meeting during which shareholders are encouraged to raise questions or offer constructive criticism pertaining to the operations and financial matters of the Group.

### **(4) Accountability and Audit**

#### **Financial Reporting**

The Board is responsible for presenting a balanced and understandable assessment of the performance and prospects when releasing its quarterly and annual financial statements to shareholders. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

#### **Internal Control**

Information pertaining to the Group's internal control is disclosed in the Statement on Internal Control on page 14.

#### **Relationship with the Auditors**

The Company has established a transparent and appropriate relationship with the Group auditors, both internal and external. The auditors highlight to the Audit Committee and the Board on the matters that require the Board's attention.

### **Compliance Statement**

The Company is committed to comply with the Best Practices, wherever practicable and reasonable. Apart from setting up of a Nomination Committee and a Remuneration Committee, the Board considers that it has complied with the Best Practices as set out in the Code.



## Statement on Internal Control

### Responsibility

The Board of Directors recognizes the importance of sound internal control and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control as well as reviewing its adequacy and integrity.

As there are limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement or loss.

### Key Processes

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The ongoing process has been in place and it is regularly reviewed by the Board and accords with the Guidance.

The key processes of the internal control functions include the following:

- 1) Budgets are reviewed and approved by the Executive Directors of the respective operating subsidiaries and subsequently by the Board. Reports on results and variance analysis are reviewed by the Management on a monthly basis and by the Board at least on a quarterly basis.
- 2) Review of operational related risk associated with the manufacturing processes of the operating subsidiaries, such as the system on preventive maintenance to minimise loss on production due to machinery breakdown.
- 3) Credit control review within each of the operating subsidiaries.
- 4) Quality control section within the respective operating subsidiaries, the functions of which include minimizing wastage and improving productivity and quality of the products and customers' service.

All the 3 operating subsidiaries had been accredited and revised to the latest version of ISO9001 : 2000.

This statement was made in accordance with a resolution of the Board of Directors dated 8 August 2005.

## Audit Committee's Report

Chairman	:	Datuk Noor Zahidi bin Omar	- Independent Non-Executive Director (Appointed Chairman on 15 June 2005)
Members	:	Ahmad Fizri bin Abu Bakar	- Independent Non-Executive Director (Appointed on 15 June 2005)
		H ng Cheok Seng	- Non-Independent Non-Executive Director (Redesignated on 15 June 2005)
		Tan Poay Seng	- Managing Director (Ceased as a member on 15 June 2005)

### TERMS OF REFERENCE

#### Authority

Wherever necessary and reasonable for the performance of its duties, the Audit Committee shall:-

- have authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information pertaining to the Company;
- have direct communication channels with the external auditors;
- be able to obtain independent professional or other advice; and
- be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Audit Committee, whenever deemed necessary.

#### Functions

The functions of the Audit Committee are as follows:-

- Review the following and report the same to the Board of Directors:-
  - with the external auditor, the audit plan;
  - with the external auditor, his evaluation of the system of internal controls;
  - with the external auditor, his audit report;
  - the assistance given by the employees of the Company to the external auditor;
  - the quarterly results and year end financial statements, focusing particularly on:
    - changes in or implementation of major accounting policy changes;
    - significant and unusual events; and
    - compliance with accounting standards and other legal requirements;
  - any related party transaction and conflict of interest situation that may arise with the Company, and the Group.
- To recommend the nomination of a person or persons as external auditors.
- To review and verify the allocation of shares to employees under the Employee Share Options Scheme (ESOS).

#### Procedure

The Audit Committee shall regulate its own procedure, in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings of such meetings, the keeping of minutes, and the custody, production and inspection of such minutes.

#### Number of Audit Committee Meetings held during the financial year

There were 4 meetings held during the financial year. All the 3 members of the Audit Committee were present at the said 4 meetings.



## **Audit Committee s Report** (cont d)

### **Summary of Activities of the Audit Committee held during the Financial Year**

The Audit Committee met 4 times during the year for the following purposes:

- 1) Review the unaudited quarterly results before presenting to the Board for approval and announcement to Bursa Malaysia;
- 2) Review the draft audited financial statements before presenting to the Board for approval;
- 3) Review related party transactions.
- 4) Review the internal audit reports presented.
- 5) Review the ESOS allocation.

### **Allocation of Share Options to Employees**

During the financial year, the Company did not grant any share options to eligible employees pursuant to its ESOS. Nevertheless the Audit Committee has reviewed the allocation of share options granted during the financial year ended 30 April 2002 and noted that they were made in accordance with the criteria as set out in the by-laws of the ESOS.

The Company has todate not granted any such share options to its Non-Executive Directors.

### **Internal Audit Function**

The internal audit function assists the Board in obtaining the assurance it requires regarding the maintenance of a sound system of internal control. The role of the internal audit function is to provide independent assurance to the Board that such a system is adequate and functioning as intended.

The activities carried out by the internal audit function during the financial year include reviewing the subsidiaries compliance with internal control procedures and ascertaining that the assets are safeguarded and properly accounted for.

## **Directors Responsibility Statement** as at 30 April 2005

The directors consider that, in preparing the financial statements of Magni-Tech Industries Berhad for the year ended 30 April 2005 on pages 25 to 63 of this Annual Report, the Company had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also consider that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## Other Corporate Disclosure

### Convictions for Offences

None of the directors have been convicted for offences within the past 10 years other than traffic offences, if any.

### Share Buybacks, Options, Warrants or Convertible Securities

During the financial year ended 30 April 2005, 7,000 new ordinary shares were issued arising from the exercise of 7,000 options at an exercise price of RM1.06 per share pursuant to the Company's Employee Share Option Scheme.

Other than the above, there were no share buybacks and exercise of warrants or convertible securities by the Company during the financial year.

### American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

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

### Sanctions and / or Penalties

There were no sanctions and /or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies.

### Non-Audit Fees

The external auditors were paid non-audit fee of RM6,000 by the Company during the financial year.

### Profit Guarantee and Profit Estimate, Forecast or Projection or Unaudited Results

During the financial year, there were no profit guarantee, profit estimate, forecast or prospectus given by the Company.

There was no significant variance between the audited results for the financial year and the unaudited results previously announced.

### Material Contracts or Contract Relating to Loans

During the financial year, there were no material contracts or contract relating to loans with the Company and its subsidiaries involving Directors and major shareholders' interest.

### Revaluation Policy on Landed Properties

The Company does not have a policy of regular revaluation on landed properties.

### Family Relationship

None of the directors has any family relationship with the other directors except for Tan Sri Dato' Tan Kok Ping (TKP) and Tan Kok Aun, who are brothers; Tan Poay Seng is the son of TKP; and Chang Chuen Hwa is the brother-in-law of TKP and Tan Kok Aun.

### Recurrent Related Party Transactions of a Revenue or Trading Nature

Shareholders Mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature was obtained at the Annual General Meeting held on 8 October 2004. The said Mandate is subject to renewal at the forthcoming Annual General Meeting. Details of such transactions are disclosed in Note 28 to the financial statements on pages 58 to 59.

## Directors Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2005.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are the provision of management services and to act as an investment holding company.

The principal activities of the subsidiaries and associate are described in Notes 12 and 13 to the financial statements.

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

### RESULTS

	GROUP RM	COMPANY RM
Profit after taxation	1,061,817	2,114,799
Minority interests	211	-
Net profit for the year	<u>1,062,028</u>	<u>2,114,799</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

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

### DIVIDEND

The amount of dividend paid by the Company since 30 April 2004 was as follows:

	RM
In respect of the financial year ended 30 April 2004 as reported in the directors' report of that year:	
First and final dividend of 5% less 28% taxation paid on 10 November 2004	<u>2,216,592</u>

The additional dividend of RM144 paid during the financial year is in respect of new ordinary shares issued by virtue of the exercise of the Company's Employee Share Options Scheme ( ESOS ) subsequent to the previous financial year but before book closure for dividend entitlement.

## **Directors Report** (cont d)

### **DIVIDEND** (cont d)

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 April 2005, of 5% less 28% taxation on 61,575,000 ordinary shares, amounting to a dividend payable of RM2,216,700 (3.6 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 April 2006.

### **DIRECTORS**

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Tan Kok Ping  
Tan Poay Seng  
Tan Kok Aun  
Lee Koong Chen @ Lee Kong Chew  
Ahmad Fizri bin Abu Bakar  
Chang Chuen Hwa  
H'ng Cheok Seng  
Datuk Noor Zahidi bin Omar  
Abdul Jalil bin Ismail

### **DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme ( ESOS ).

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

## Directors Report (cont d)

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and share options in the Company during the financial year were as follows:

	← Number of Ordinary Shares of RM1 Each →			
	1 May 2004	Bought	Sold	30 April 2005
<b>The Company</b>				
<b>Direct Interest</b>				
Tan Sri Dato' Tan Kok Ping *	14,433,727	744,700	(1,573,000)	13,605,427
Tan Poay Seng	1,132,862	-	(20,100)	1,112,762
Tan Kok Aun #	917,181	1,414,800	-	2,331,981
Lee Koong Chen @ Lee Kong Chew	140,000	-	-	140,000
Ahmad Fizri bin Abu Bakar	1,440,705	-	(1,436,800)	3,905
Chang Chuen Hwa	165,561	-	-	165,561
H'ng Cheok Seng	15,000	-	-	15,000
Datuk Noor Zahidi bin Omar	10,500	-	-	10,500

	← Number of Options over Ordinary Shares of RM1 Each →			
	1 May 2004	Granted	Exercised	30 April 2005
<b>The Company</b>				
Tan Sri Dato' Tan Kok Ping	500	-	-	500
Tan Poay Seng	500	-	-	500
Tan Kok Aun	22,500	-	-	22,500
Lee Koong Chen @ Lee Kong Chew	16,500	-	-	16,500
Chang Chuen Hwa	16,500	-	-	16,500

\* Inclusive of shares registered in the name of JB Nominees (Tempatan) Sdn. Bhd., Southern Nominees (Tempatan) Sdn. Bhd., Malayan Nominees (Tempatan) Sdn. Bhd., Bumiputra-Commerce (Tempatan) Sdn. Bhd. and United Overseas Nominees (Tempatan) Sdn. Bhd.

# Inclusive of shares registered in the name of Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd.

Tan Sri Dato' Tan Kok Ping by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other director in office at the end of the financial year had any interest in shares or share options in the Company or in shares in its related corporations during the financial year.

### ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up share capital from RM61,568,000 to RM61,575,000 by way of the issuance of 7,000 fully paid up ordinary shares of RM1 each for cash pursuant to the Employee Share Options Scheme at the option price of RM1.00 per share.

## Directors Report (cont d)

### EMPLOYEE SHARE OPTIONS SCHEME

The Company's Employee Share Options Scheme ( ESOS ) is governed by the bye-laws approved by the shareholders at the Extraordinary General Meeting held on 12 April 2001.

The salient features and other terms of the ESOS are disclosed in Note 23 to the financial statements.

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts in the financial statements of the Group. The directors were also satisfied that there were no known bad debts and that no provision for doubtful debts was necessary in respect of the financial statements of the Company; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent nor are they aware of any circumstances which would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

## **Directors Report** (cont d)

### **OTHER STATUTORY INFORMATION** (cont d)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### **SIGNIFICANT EVENT**

The significant event during the financial year is as disclosed in Note 30 to the financial statements.

### **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

**TAN POAY SENG**

**LEE KOONG CHEN @ LEE KONG CHEW**

Penang, Malaysia  
Date: 8 August 2005



## **Statement by Directors**

Pursuant to Section 169(15) of the Companies Act, 1965

We, TAN POAY SENG and LEE KOONG CHEN @ LEE KONG CHEW, being two of the directors of MAGNI-TECH INDUSTRIES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 25 to 63 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

**TAN POAY SENG**

**LEE KOONG CHEN @ LEE KONG CHEW**

Penang, Malaysia  
Date: 8 August 2005

## **Statutory Declaration**

Pursuant to Section 169(16) of the Companies Act, 1965

I, POH SENG CHIT, being the officer primarily responsible for the financial management of MAGNI-TECH INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 25 to 63 are in my opinion correct, and I 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 POH SENG CHIT  
at Georgetown in the State of Penang  
on 8 August 2005.

**POH SENG CHIT**

Before me,

**Chai Choon Kiat, PJM**  
No: P.073  
Commissioner for Oaths



## **Report of the Auditors**

to the Members of Magni-Tech Industries Berhad  
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 25 to 63. 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 the 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 to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 30 April 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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 required by us for those purposes.

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

**ERNST & YOUNG**  
AF: 0039  
Chartered Accountants

**LIM FOO CHEW**  
No. 1748/01/06(J)  
Partner

Penang, Malaysia  
Date: 8 August 2005

## Income Statements

for the year ended 30 April 2005

		GROUP		COMPANY	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	93,735,590	90,607,838	3,726,202	3,793,503
Cost of sales		(78,759,986)	(72,964,951)	-	-
Gross profit		14,975,604	17,642,887	3,793,502	3,793,503
Other operating income		189,794	556,492	-	44,642
Administrative expenses		(7,721,621)	(9,468,629)	(742,313)	(1,114,282)
Selling and distribution expenses		(5,200,706)	(4,931,038)	-	-
Profit from operations	4	2,243,071	3,799,712	2,983,889	2,723,863
Finance (costs)/income, net	7	(121,632)	74,820	11,918	1,949
Share of results of associate		(687,742)	(246,212)	-	-
Profit before taxation		1,433,697	3,628,320	2,995,807	2,725,812
Taxation	8	(371,880)	(990,425)	(881,008)	(895,227)
Profit after taxation		1,061,817	2,637,895	2,114,799	1,830,585
Minority interests		211	4,684	-	-
Net profit for the year		1,062,028	2,642,579	2,114,799	1,830,585
Earnings per share (sen)					
Basic	9(a)	1.7	4.3		
Diluted	9(b)	1.7	4.3		
Net dividend per share (sen)	10	3.6	5.0	3.6	5.0

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

## Balance Sheets

as at 30 April 2005

	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	11	48,538,912	51,063,194	445,257	593,057
Investments in subsidiaries	12	-	-	31,649,998	31,649,998
Investment in an associate	13	3,826,226	3,702,275	4,900,000	4,000,000
Other investments	14	1,164,738	1,930,000	-	-
Other receivables	17	-	-	1,000,000	1,000,000
		<u>53,529,876</u>	<u>56,695,469</u>	<u>37,995,255</u>	<u>37,243,055</u>
<b>CURRENT ASSETS</b>					
Inventories	15	17,712,751	17,003,772	-	-
Trade receivables	16	25,100,197	24,372,700	-	-
Other receivables	17	1,731,066	6,722,098	29,351,736	29,835,054
Cash and bank balances	18	1,360,925	3,196,043	630,847	981,084
		<u>45,904,939</u>	<u>51,294,613</u>	<u>29,982,583</u>	<u>30,816,138</u>
<b>CURRENT LIABILITIES</b>					
Short term borrowings	19	1,624,306	8,164,679	-	-
Trade payables	21	5,221,460	5,375,219	-	-
Other payables	22	2,713,111	3,396,291	58,447	45,009
		<u>9,558,877</u>	<u>16,936,189</u>	<u>58,447</u>	<u>45,009</u>
<b>NET CURRENT ASSETS</b>					
		<u>36,346,062</u>	<u>34,358,424</u>	<u>29,924,136</u>	<u>30,771,129</u>
		<u>89,875,938</u>	<u>91,053,893</u>	<u>67,919,391</u>	<u>68,014,184</u>
<b>FINANCED BY:</b>					
Share capital	23	61,575,000	61,568,000	61,575,000	61,568,000
Share premium		3,048,336	3,048,336	3,048,336	3,048,336
Retained profits	24	18,157,766	19,312,330	3,296,055	3,397,848
		<u>82,781,102</u>	<u>83,928,666</u>	<u>67,919,391</u>	<u>68,014,184</u>
Shareholders' equity		38,171	38,382	-	-
Minority interests		<u>82,819,273</u>	<u>83,967,048</u>	<u>67,919,391</u>	<u>68,014,184</u>
Long term borrowings	19	671,578	1,088,550	-	-
Deferred taxation	25	6,385,087	5,998,295	-	-
<b>NON-CURRENT LIABILITIES</b>					
		<u>7,056,665</u>	<u>7,086,845</u>	<u>-</u>	<u>-</u>
		<u>89,875,938</u>	<u>91,053,893</u>	<u>67,919,391</u>	<u>68,014,184</u>

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

## Statements of Changes in Equity

for the year ended 30 April 2005

GROUP	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
<b>At 1 May 2003</b>				
As previously stated	61,476,000	3,048,336	19,890,199	84,414,535
Prior year adjustments	-	-	(142,298)	(142,298)
<b>At 1 May 2003 (restated)</b>	61,476,000	3,048,336	19,747,901	84,272,237
Issue of ordinary shares pursuant to ESOS (Note 23)	92,000	-	-	92,000
Net profit for the year	-	-	2,642,579	2,642,579
Dividend (Note 10)	-	-	(3,078,150)	(3,078,150)
<b>At 30 April 2004</b>	61,568,000	3,048,336	19,312,330	83,928,666
<b>At 1 May 2004</b>	61,568,000	3,048,336	19,312,330	83,928,666
Issue of ordinary shares pursuant to ESOS (Note 23)	7,000	-	-	7,000
Net profit for the year	-	-	1,062,028	1,062,028
Dividend (Note 10)	-	-	(2,216,592)	(2,216,592)
<b>At 30 April 2005</b>	61,575,000	3,048,336	18,157,766	82,781,102
<b>COMPANY</b>				
<b>At 1 May 2003</b>	61,476,000	3,048,336	4,645,413	69,169,749
Issues of ordinary shares pursuant to ESOS (Note 23)	92,000	-	-	92,000
Net profit for the year	-	-	1,830,585	1,830,585
Dividend (Note 10)	-	-	(3,078,150)	(3,078,150)
<b>At 30 April 2004</b>	61,568,000	3,048,336	3,397,848	68,014,184
Issue of ordinary shares pursuant to ESOS (Note 23)	7,000	-	-	7,000
Net profit for the year	-	-	2,114,799	2,114,799
Dividend (Note 10)	-	-	(2,216,592)	(2,216,592)
<b>At 30 April 2005</b>	61,575,000	3,048,336	3,296,055	67,919,391

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

## Cash Flow Statements

for the year ended 30 April 2005

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	1,433,697	3,628,320	2,995,807	2,725,812
Adjustments for:				
Amortisation of goodwill	88,307	51,513	-	-
Bad debts written off	-	227,784	-	-
Deposits written off	-	1,690	-	-
Depreciation	4,146,710	4,072,712	153,544	124,472
Loss/(gain) on disposal of other investments	167,022	(44,642)	-	(44,642)
(Gain)/loss on disposal of property, plant and equipment	(31,745)	(340,500)	-	13,537
Gross dividend income	(4,842)	-	(3,126,202)	(3,193,503)
Impairment loss on other investments	-	1,199,760	-	-
Interest expense	194,993	182,824	-	-
Interest income	(178,033)	(401,721)	(14,423)	(3,104)
Property, plant and equipment written off	295,882	206,112	3,161	-
Provision for doubtful debts	-	1,607	-	-
Reversal of provision for doubtful debts	(843,906)	-	-	-
Share of results in an associate	687,742	246,212	-	-
Operating profit/(loss) before working capital changes	5,955,827	9,031,671	11,887	(377,428)
Increase in inventories	(708,979)	(3,367,454)	-	-
Decrease/(increase) in receivables	5,099,281	(1,506,368)	645	5,562,103
Decrease/(increase) in payables	(821,359)	798,768	13,438	(59,484)
Net change in related company balances	-	-	476,527	-
Cash generated from operations	9,524,770	4,956,617	502,497	5,125,191
Interest paid	(194,993)	(182,824)	-	-
Taxes refunded/(paid)	24,428	(1,361,742)	475	(1,046)
Net cash generated from operating activities	9,354,205	3,412,051	502,972	5,124,145

## Cash Flow Statements

for the year ended 30 April 2005 (cont d)

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	178,033	401,721	14,423	3,104
Investment in an associate	(900,000)	(4,000,000)	(900,000)	(4,000,000)
Net dividends received	3,486	-	2,250,865	2,299,322
Proceeds from disposal of other investments	1,762,978	522,767	-	522,767
Proceeds from disposal of property, plant and equipment	62,300	910,999	-	97,000
Purchase of other investments	(1,164,738)	(3,129,760)	-	-
Purchase of property, plant and equipment (Note A)	(1,964,445)	(7,295,188)	(8,905)	(447,943)
Net cash (used in)/generated from investing activities	(2,022,386)	(12,589,461)	1,356,383	(1,525,750)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of term loan	-	1,000,000	-	-
Drawdown of other borrowings	-	6,329,623	-	-
Drawdown of hire purchase and finance lease payables	(226,668)	680,000	-	-
Proceeds from exercise of ESOS	7,000	92,000	7,000	92,000
Dividend paid	(2,216,592)	(3,078,150)	(2,216,592)	(3,078,150)
Repayment of term loan	(179,736)	(38,600)	-	-
Repayment of other borrowings	(5,117,623)	(1,014,000)	-	-
Repayment of hire purchase and finance lease payables	-	(151,112)	-	-
Net cash (used in)/generated from financing activities	(7,733,619)	3,819,761	(2,209,592)	(2,986,150)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(401,800)	(5,357,649)	(350,237)	612,245
<b>CASH AND CASH EQUIVALENTS AS AT 1 MAY</b>	1,762,725	7,120,374	981,084	368,839
<b>CASH AND CASH EQUIVALENTS AS AT 30 APRIL (Note B)</b>	1,360,925	1,762,725	630,847	981,084

## Cash Flow Statements

for the year ended 30 April 2005 (cont d)

### A. Purchase of Property, Plant and Equipment

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM1,948,865 (2004: RM2,590,747) and RM8,905 (2004: RM447,943) respectively by way of the following:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash payment	1,964,445	7,295,188	8,905	447,943
Changes in amounts due to suppliers of plant and equipment	(15,580)	(4,704,441)	-	-
	<u>1,948,865</u>	<u>2,590,747</u>	<u>8,905</u>	<u>447,943</u>

### B. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash and bank balances (Note 18)	1,360,925	3,196,043	630,847	981,084
Bank overdrafts (Note 19)	-	(1,433,318)	-	-
	<u>1,360,925</u>	<u>1,762,725</u>	<u>630,847</u>	<u>981,084</u>

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



## Notes to the Financial Statements

30 April 2005

### 1. CORPORATE INFORMATION

The principal activities of the Company are the provision of management services and to act as an investment holding company. The principal activities of the subsidiaries and associate are described in Notes 12 and 13. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Level 18, Penas Tower, Midlands Park Centre, 488-A, Jalan Burmah, 10350 Penang, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 August 2005.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

#### (b) Basis of Consolidation

##### i. Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Acquisition of subsidiaries that meets the conditions of a merger are accounted for using the merger method. Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the nominal values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.



## Notes to the Financial Statements

30 April 2005 (cont d)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont d)

#### (b) Basis of Consolidation (cont d)

##### ii. Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless costs cannot be recovered.

#### (c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill arising on the acquisition of an associates is included within the carrying amount of investments in associates.

Goodwill arising on acquisition of an associate is amortised on a straight-line basis over its estimated useful life of 20 years.

#### (d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

#### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Freehold land is not depreciated. Leasehold land and buildings are depreciated over the period of the respective leases which range from 58 years to 83 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost or valuation of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings on freehold land	2% - 4%
Plant and machinery, electrical and piping installations	5% - 8%
Office furniture, fittings, equipment and renovation	10% - 33%
Motor vehicles	20%

## Notes to the Financial Statements

30 April 2005 (cont d)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont d)

#### (e) Property, Plant and Equipment and Depreciation (cont d)

Certain property, plant and equipment of the Group have not been revalued since they were first revalued in 1979 and 1989 respectively. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1979 and 1989 valuation less accumulated depreciation.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

#### (f) Inventories

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

Cost of raw materials used in producing corrugated fibre board cartons and boxes is determined on the weighted average basis. Cost of raw materials used in producing flexible plastic packaging materials and inner packaging boxes is determined on the first in, first out method. The cost of raw materials comprises cost of purchase. The cost of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### (h) Leases and Hire Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

##### i. Finance Leases or Hire Purchase

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

## Notes to the Financial Statements

30 April 2005 (cont d)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont d)

#### (h) Leases (cont d)

##### ii. Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

#### (i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present 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 obligation, 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.

#### (j) Income Tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

#### (k) Employee Benefits

##### i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont d)

#### (k) Employee Benefits (cont d)

##### ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

##### iii. Equity Compensation Benefits

The Company's Employee Share Options Scheme ( ESOS ) allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, shareholders' equity is increased by the amount of the proceeds received.

#### (l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

##### i. Sale of goods

Revenue relating to sale of goods is recognised net of discounts and returns upon the transfer of risks and rewards.

##### ii. Dividend income

Dividend income is recognised when the right to receive payment is established.

##### iii. Revenue from management services

Revenue from management services rendered is recognised on an accrual basis.

#### (m) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

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

	2005 RM	2004 RM
United States Dollar	3.8000	3.8000
Singapore Dollar	2.3055	2.2187

## Notes to the Financial Statements

30 April 2005 (cont d)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont d)

#### (n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

#### (o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### i. Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

##### ii. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### iii. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont d)

#### (o) Financial Instruments (cont d)

##### iv. Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of the proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of funds drawdown from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement in the year in which they are incurred.

##### v. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

### 3. REVENUE

Revenue of the Group and of the Company comprise of the following:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sale of goods	93,735,590	90,607,838	-	-
Gross dividends from subsidiaries	-	-	3,126,202	3,193,503
Management fees from subsidiaries	-	-	600,000	600,000
	<u>93,735,590</u>	<u>90,607,838</u>	<u>3,726,202</u>	<u>3,793,503</u>



## Notes to the Financial Statements

30 April 2005 (cont d)

### 4. PROFIT FROM OPERATIONS

Profit from operations is stated:-

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
after charging:				
Amortisation of goodwill	88,307	51,513	-	-
Auditors' remuneration				
- current year	49,400	49,400	8,400	8,400
- over provision in respect of prior year	400	(4,000)	400	-
Bad debts written off	-	227,784	-	-
Deposits written off	-	1,690	-	-
Depreciation (Note 11)	4,146,710	4,072,712	153,544	124,472
Impairment loss on other investments	-	1,199,760	-	-
Loss on disposal of property, plant and equipment	-	-	-	13,537
Loss on disposal of other investment	167,022	-	-	-
Non-executive directors' remuneration (Note 6)	132,000	150,000	132,000	150,000
Property, plant and equipment written off	295,882	206,112	3,161	-
Provision for doubtful debts	-	1,607	-	-
Realised foreign exchange loss	3,079	-	-	-
Rental expenses	502,433	550,050	141,300	141,300
Staff costs (Note 5)	15,767,223	15,066,710	87,272	76,385
and crediting:				
Dividend income	(4,842)	-	-	-
Gain on disposal of other investments	-	(44,642)	-	(44,642)
Gain on disposal of property, plant and equipment	(31,745)	(340,500)	-	-
Realised gains on foreign exchange	-	(20,945)	-	-
Rental income	(60,000)	(60,000)	-	-
Reversal of provision for doubtful debts	(843,906)	-	-	-

## Notes to the Financial Statements

30 April 2005 (cont d)

### 5. STAFF COSTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Wages and salaries	13,685,764	13,216,043	66,900	59,200
Social security costs	115,438	115,529	820	809
Short term accumulating compensated absences	-	58,879	-	-
Pension costs - defined contribution plans	1,150,356	1,110,003	8,032	7,124
Other staff related expenses	815,665	566,256	11,520	9,252
	<u>15,767,223</u>	<u>15,066,710</u>	<u>87,272</u>	<u>76,385</u>

Included in staff costs of the Group are executive directors' remuneration amounting to RM2,016,970 (2004: RM2,053,135) as further disclosed in Note 6.

The number of employees in the Group and in the Company at the end of the financial year was 626 (2004: 608) and 6 (2004: 6) respectively.

### 6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	1,466,410	1,428,527	-	-
Bonus	297,000	370,400	-	-
Fees	60,000	60,000	-	-
Pension costs - defined contribution plans	193,560	194,208	-	-
Benefits-in-kind	7,800	7,800	-	-
	<u>2,024,770</u>	<u>2,060,935</u>	<u>-</u>	<u>-</u>
Non-executive:				
Fees	108,000	108,000	108,000	108,000
Other emoluments	24,000	42,000	24,000	42,000
	<u>132,000</u>	<u>150,000</u>	<u>132,000</u>	<u>150,000</u>
Total	<u>2,156,770</u>	<u>2,210,935</u>	<u>132,000</u>	<u>150,000</u>



## Notes to the Financial Statements

30 April 2005 (cont d)

### 6. DIRECTORS' REMUNERATION (cont d)

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Analysis excluding benefits-in-kind:</b>				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	2,016,970	2,053,135	-	-
Total non-executive directors' remuneration (Note 4)	132,000	150,000	132,000	150,000
Total directors' remuneration excluding benefits-in-kind	<u>2,148,970</u>	<u>2,203,135</u>	<u>132,000</u>	<u>150,000</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2005	2004
<b>Executive directors:</b>		
RM200,001 - RM250,000	1	1
RM250,001 - RM300,000	1	2
RM300,001 - RM350,000	1	-
RM500,001 - RM550,000	1	-
RM550,001 - RM600,000	-	1
RM650,001 - RM700,000	1	1
<b>Non-executive directors:</b>		
Below RM50,000	4	3
RM50,001 - RM100,000	-	1

Executive directors of the Company have been granted the following number of options under the ESOS:

	GROUP AND COMPANY	
	2005	2004
At 1 May	56,500	100,500
Exercised	-	(44,000)
At 30 April	<u>56,500</u>	<u>56,500</u>

## Notes to the Financial Statements

30 April 2005 (cont d)

### 7. FINANCE (COSTS)/INCOME, NET

Included in net finance (costs)/income are:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest expense	194,993	182,824	-	-
Interest income	(178,033)	(401,721)	(14,423)	(3,104)
	<u>194,993</u>	<u>182,824</u>	<u>(14,423)</u>	<u>(3,104)</u>

### 8. TAXATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Income tax	116,600	728,839	880,437	895,227
Deferred tax relating to origination and reversal of temporary differences (Note 25)	249,949	213,823	-	-
	<u>366,549</u>	<u>942,662</u>	<u>880,437</u>	<u>895,227</u>
(Over)/underprovided in prior year:				
Income tax	(131,512)	1,763	571	-
Deferred taxation (Note 25)	136,843	46,000	-	-
	<u>5,331</u>	<u>47,763</u>	<u>571</u>	<u>-</u>
	<u>371,880</u>	<u>990,425</u>	<u>881,008</u>	<u>895,227</u>

Income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 8. TAXATION (cont d)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before taxation	1,433,697	3,628,320	2,995,807	2,725,812
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	401,435	1,015,930	838,826	763,227
Effect of income subject to tax rate of 20%	(129,000)	(157,194)	-	-
Effects of expenses not deductible for tax purposes	494,373	839,569	41,611	132,000
Effect on opening deferred tax due to decrease in tax rate	-	(378,000)	-	-
Reinvestment allowance claimed during the year	(400,259)	(377,643)	-	-
Underprovision of deferred tax in prior year	136,843	46,000	-	-
(Over)/underprovision of income tax in prior year	(131,512)	1,763	571	-
Tax expense for the year	371,880	990,425	881,008	895,227

### 9. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2005	2004
Net profit for the year (RM)	1,062,028	2,642,579
Weighted average number of ordinary shares in issue	61,572,708	61,527,083
Basic earnings per share (sen)	1.7	4.3

## Notes to the Financial Statements

30 April 2005 (cont d)

### 9. EARNINGS PER SHARE (cont d)

#### (b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares. The Group has only one category of dilutive potential ordinary shares i.e. share options granted to employees ("ESOS").

	GROUP	
	2005	2004
Net profit for the year (RM)	1,062,028	2,642,579
Weighted average number of ordinary shares in issue	61,572,708	61,527,083
Effect of dilution:		
Share options	71,381	138,210
Adjusted weighted average number of ordinary shares in issue and issuable	61,644,089	61,665,293
Diluted earnings per share (sen)	1.7	4.3

### 10. DIVIDEND

GROUP AND COMPANY	Amount		Net Dividend per Share	
	2005 RM	2004 RM	2005 Sen	2004 Sen
In respect of financial year ended 30 April 2003:				
First and final tax exempt dividend of 5%, paid on 18 November 2003	-	3,078,150	-	5.0
In respect of financial year ended 30 April 2004:				
First and final dividend of 5% less 28 % taxation, paid on 10 November 2004	2,216,592	-	3.6	-
	<u>2,216,592</u>	<u>3,078,150</u>	<u>3.6</u>	<u>5.0</u>

The additional dividend of RM144 paid during the financial year is in respect of new ordinary shares issued by virtue of the exercise of the Company's ESOS subsequent to the previous financial year but before book closure for dividend entitlement.

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 April 2005, of 5% less 28% taxation on 61,575,000 ordinary shares, amounting to a total dividend payable of RM2,216,700 (3.6 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 April 2006.

## Notes to the Financial Statements

30 April 2005 (cont'd)

### 11. PROPERTY, PLANT AND EQUIPMENT

GROUP	*Leasehold land and buildings RM	Freehold land and buildings RM	Plant and machinery, electrical and piping installations RM	Office furniture, fittings, equipment and renovation RM	Motor vehicles RM	Total RM
<b>Cost/Valuation</b>						
At 1 May 2004	8,255,954	12,964,920	57,102,648	3,531,096	4,661,738	86,516,356
Additions	-	246,400	941,678	89,331	671,456	1,948,865
Disposals	-	-	(108,944)	(6,500)	(150,012)	(265,456)
Write Off	-	-	(161,435)	(22,569)	(421,420)	(605,424)
At 30 April 2005	8,255,954	13,211,320	57,773,947	3,591,358	4,761,762	87,594,341
Representing:						
At cost	6,115,954	13,211,320	54,745,702	3,585,648	4,753,762	82,412,386
At valuation	2,140,000	-	3,028,245	5,710	8,000	5,181,955
	8,225,954	13,211,320	57,773,947	3,591,358	4,761,762	87,594,341
<b>Accumulated Depreciation</b>						
At 1 May 2004	1,838,736	2,349,016	26,324,321	2,205,368	2,735,721	35,453,162
Depreciation charge for the year (Note 4)	164,693	179,480	2,814,583	283,590	704,364	4,146,710
Disposals	-	-	(87,897)	(3,846)	(143,158)	(234,901)
Write Off	-	-	(1,515)	(17,838)	(290,189)	(309,542)
At 30 April 2005	2,003,429	2,528,496	29,049,492	2,467,274	3,006,738	39,055,429
<b>Net Book Value</b>						
At 30 April 2005						
At cost	4,745,833	10,682,824	28,253,993	1,124,084	1,755,024	46,561,758
At valuation	1,506,692	-	470,462	-	-	1,977,154
	6,252,525	10,682,824	28,724,455	1,124,084	1,755,024	48,538,912
At 30 April 2004						
At cost	4,871,554	10,615,904	30,164,940	1,325,727	1,926,016	48,904,141
At valuation	1,545,664	-	613,387	1	1	2,159,053
	6,417,218	10,615,904	30,778,327	1,325,728	1,926,017	51,063,194
<b>Details at 1 May 2003</b>						
Cost	6,137,960	12,964,920	54,668,541	3,331,424	4,333,785	81,436,630
Valuation	2,140,000	-	3,028,245	5,710	8,000	5,181,955
Accumulated depreciation	1,686,957	2,172,201	25,072,034	2,123,188	2,242,435	33,296,815
<b>Depreciation charge for 2004 (Note 4)</b>	164,694	176,815	2,762,024	292,634	676,545	4,072,712

## Notes to the Financial Statements

30 April 2005 (cont d)

### 11. PROPERTY, PLANT AND EQUIPMENT (cont d)

#### \* LEASEHOLD LAND AND BUILDINGS

GROUP	Long term leasehold land RM	Short term leasehold land RM	Buildings RM	Total RM
<b>Cost/Valuation</b>				
At 1 May 2004 and 30 April 2005	630,000	317,252	7,308,702	8,255,954
Representing:				
At cost	130,000	317,252	5,668,702	6,115,954
At valuation	500,000	-	1,640,000	2,140,000
	630,000	317,252	7,308,702	8,225,954
<b>Accumulated Depreciation</b>				
At 1 May 2004	118,933	79,238	1,640,565	1,838,736
Depreciation charge for the year	7,738	5,381	151,574	164,693
At 30 April 2005	126,671	84,619	1,792,139	2,003,429
<b>Net Book Value</b>				
At 30 April 2005				
At cost	103,637	232,633	4,409,563	4,745,833
At valuation	399,692	-	1,107,000	1,506,692
	503,329	232,633	5,516,563	6,252,525
At 30 April 2004				
At cost	105,203	238,014	4,528,337	4,871,554
At valuation	405,864	-	1,139,800	1,545,664
	511,067	238,014	5,668,137	6,417,218
<b>Details at 1 May 2003</b>				
Cost	130,000	317,252	5,690,708	6,137,960
Valuation	500,000	-	1,640,000	2,140,000
Accumulated depreciation	111,194	73,857	1,501,906	1,686,957
<b>Depreciation charge for 2004</b>	7,739	5,381	151,574	164,694

## Notes to the Financial Statements

30 April 2005 (cont d)

### 11. PROPERTY, PLANT AND EQUIPMENT (cont d)

COMPANY	Office equipment and renovation RM	Motor vehicles RM	Total RM
<b>Cost</b>			
At 1 May 2004	249,863	523,099	772,962
Additions	8,905	-	8,905
Write Off	(10,189)	-	(10,189)
At 30 April 2005	248,579	523,099	771,678
<b>Accumulated Depreciation</b>			
At 1 May 2004	69,115	110,790	179,905
Depreciation charge for the year (Note 4)	48,928	104,616	153,544
Write Off	(7,028)	-	(7,028)
At 30 April 2005	111,015	215,406	326,421
<b>Net Book Value</b>			
At 30 April 2005	137,564	307,693	445,257
At 30 April 2004	180,748	412,309	593,057
<b>Details at 1 May 2003</b>			
Cost	224,208	266,608	490,816
Accumulated depreciation	22,097	88,596	110,693
<b>Depreciation charge for 2004 (Note 4)</b>	47,018	77,454	124,472

- (a) Certain property, plant and equipment of the Group were revalued in 1979 and 1989 by an independent firm of professional valuers based on fair market value. Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation, the net book values would be as follows:

	2005 RM	2004 RM
Long term leasehold land and buildings	898,646	932,405
Plant and machinery, electrical and piping installations	1	1
Office furniture, fittings, equipment and renovation	1	1
Motor vehicles	1	1
	<u>898,649</u>	<u>932,408</u>

- (b) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM3,747,174 (2004: RM3,484,222).



## Notes to the Financial Statements

30 April 2005 (cont d)

### 11. PROPERTY, PLANT AND EQUIPMENT (cont d)

- (c) Included in property, plant and equipment of the Group is a motor vehicle with net book value of RM505,437 (2004: RM678,730) held under hire purchase and finance lease arrangements.
- (d) As at 30 April 2005, a long term leasehold land and factory building with a total carrying value of RM2,031,665 (2004: RM2,084,627) of a subsidiary are pledged for bank credit facilities which have yet to be utilised.
- (e) As at 30 April 2005, a parcel of freehold land of a subsidiary with net book value of RM100,000 (2004: RM100,000) is in the process of being transferred to the name of the subsidiary.

### 12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2005 RM	2004 RM
Unquoted shares at cost	31,649,998	31,649,998

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2005	2004	
South Island Packaging (Penang) Sdn. Bhd. *	99.64	99.64	Manufacturing and distribution of inner packaging boxes for industrial and commercial uses.
South Island Plastics Sdn. Bhd. *	100	100	Manufacturing and distribution of flexible plastic packaging materials for industrial and commercial uses.
Inter-Pacific Packaging Sdn. Bhd.	100	100	Manufacturing and distribution of corrugated fibre board cartons and boxes for industrial and commercial uses.

\* Audited by a firm of auditors other than Ernst & Young

## Notes to the Financial Statements

30 April 2005 (cont d)

### 13. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Unquoted shares, in Malaysia at cost	4,900,000	4,000,000	4,900,000	4,000,000
Share of post-acquisition reserves	(1,073,774)	(297,725)	-	-
	<u>3,826,226</u>	<u>3,702,275</u>	<u>4,900,000</u>	<u>4,000,000</u>

The Group's interest in the associate is analysed as follows:

	2005 RM	2004 RM
Share of net assets	2,199,900	1,987,642
Goodwill on acquisition	1,766,146	1,766,146
	<u>3,966,046</u>	<u>3,753,788</u>
Less: Accumulated amortisation	(139,820)	(51,513)
	<u>3,826,226</u>	<u>3,702,275</u>
Share of commitments (Note 26):		
- Operating lease commitments	15,088	34,294
- Capital commitments	-	42,000
	<u>15,088</u>	<u>76,294</u>

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
OTC Security Solutions Sdn. Bhd.	Malaysia	30	30	Designing, developing and marketing of global positioning system products.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 14. OTHER INVESTMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Quoted shares in Malaysia, at cost	1,164,738	3,129,760	-	-
Less: Accumulated impairment losses	-	(1,199,760)	-	-
	<u>1,164,738</u>	<u>1,930,000</u>	<u>-</u>	<u>-</u>
Market value of quoted shares	<u>381,568</u>	<u>1,930,000</u>	<u>-</u>	<u>-</u>

The carrying amount of investment in quoted shares is not reduced to its market value as the directors are of the opinion that the decline in value is temporary.

### 15. INVENTORIES

	GROUP	
	2005 RM	2004 RM
<b>Cost:</b>		
Raw materials	13,508,707	12,847,295
Work-in-progress	878,817	1,028,499
Finished goods	2,537,947	2,379,318
Consumables, tools and spare parts	787,280	748,660
	<u>17,712,751</u>	<u>17,003,772</u>

### 16. TRADE RECEIVABLES

	GROUP	
	2005 RM	2004 RM
Trade receivables	26,132,208	26,248,617
Less: Provision for doubtful debts	(1,032,011)	(1,875,917)
	<u>25,100,197</u>	<u>24,372,700</u>

## Notes to the Financial Statements

30 April 2005 (cont d)

### 16. TRADE RECEIVABLES (cont d)

Included in trade receivables of the Group are amounts due from companies in which certain directors of the Company, i.e. Tan Sri Dato' Tan Kok Ping, Tan Poay Seng and Tan Kok Aun have interests or are deemed interested by virtue of their family relationship as follows:

	GROUP	
	2005 RM	2004 RM
Pen'ads (M) Sendirian Berhad	3,749	15,538
South Island Garment Sdn. Bhd.	390,383	406,388
Yong Guan Heng & Co. Sdn. Bhd.	190,541	338,267
Industrial Adhesives Nitta Inc. Sdn.Bhd.	1,811	-
	<u>586,484</u>	<u>760,193</u>

The amounts due from are all unsecured, interest free and repayable in accordance with normal terms of trade.

The Group's normal trade credit term ranges from 30 days to 150 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

### 17. OTHER RECEIVABLES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Due from subsidiaries:				
South Island Plastics Sdn. Bhd.	-	-	8,112,843	8,416,336
South Island Packaging (Penang) Sdn. Bhd.	-	-	7,201,435	7,200,825
Inter-Pacific Packaging Sdn. Bhd.	-	-	14,990,030	15,163,674
Loan to a third party	-	5,000,000	-	-
Tax recoverable	950,992	959,152	41,708	47,854
Deposits	103,428	235,639	5,075	5,075
Prepayments	279,365	351,381	645	1,290
Sundry receivables	397,281	175,926	-	-
	<u>1,731,066</u>	<u>6,722,098</u>	<u>30,351,736</u>	<u>30,835,054</u>
Non-current portion, classified as non-current assets	-	-	(1,000,000)	(1,000,000)
Current portion, classified as current assets	<u>1,731,066</u>	<u>6,722,098</u>	<u>29,351,736</u>	<u>29,835,054</u>

## Notes to the Financial Statements

30 April 2005 (cont d)

### 17. OTHER RECEIVABLES (cont d)

Non-current portion refers to the amount due from a subsidiary i.e. Inter-Pacific Packaging Sdn. Bhd. The amount relates to unsecured advances which are interest free. It is not the intention of the Company to recall the amount within the next 12 months.

The amounts due from subsidiaries relate to unsecured advances which are interest free and have no fixed terms of repayment.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

As at 30 April 2005, the Company has significant exposure to three (3) debtors, which constitutes approximately 99% of the other receivables as at year end. This refers to the amounts due from its subsidiaries.

### 18. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	928,541	1,893,288	198,463	678,329
Fixed deposits with licensed banks	432,384	1,302,755	432,384	302,755
	<u>1,360,925</u>	<u>3,196,043</u>	<u>630,847</u>	<u>981,084</u>

The range of interest rates during the financial year and the maturities of deposits as at the end of the financial year of the Group and of the Company were as follows:

	Range of interest rates per annum		Maturities	
	2005 %	2004 %	2005	2004
<b>GROUP</b>				
Fixed deposits with licenced banks	<u>3.00</u>	<u>2.20-3.26</u>	<u>30 days</u>	<u>30 to 60 days</u>
<b>COMPANY</b>				
Fixed deposits with licenced banks	<u>3.00</u>	<u>3.00</u>	<u>30 days</u>	<u>30 days</u>

## Notes to the Financial Statements

30 April 2005 (cont d)

### 19. BORROWINGS

	GROUP	
	2005 RM	2004 RM
<b>Short Term Borrowings</b>		
Secured:		
Hire purchase and finance lease payables (Note 20)	226,668	226,668
Unsecured:		
Bank overdrafts	-	1,433,318
Revolving credits	500,000	500,000
Bankers' acceptances	712,000	5,829,623
Term loan	185,638	175,070
	<u>1,397,638</u>	<u>7,938,011</u>
	<u>1,624,306</u>	<u>8,164,679</u>
<b>Long Term Borrowings</b>		
Secured:		
Hire purchase and finance lease payables (Note 20)	75,552	302,220
Unsecured:		
Term loan	596,026	786,330
	<u>671,578</u>	<u>1,088,550</u>
<b>Total Borrowings</b>		
Bank overdrafts	-	1,433,318
Revolving credits	500,000	500,000
Bankers' acceptances	712,000	5,829,623
Term loan	781,664	961,400
Hire purchase and finance lease payables (Note 20)	302,220	528,888
	<u>2,295,884</u>	<u>9,253,229</u>
<b>Maturity of Borrowings</b> (excluding hire purchase and finance lease):		
Within one year	1,397,638	7,938,011
More than 1 year and less than 2 years	196,554	363,757
More than 2 years and less than 5 years	399,472	422,573
	<u>1,993,664</u>	<u>8,724,341</u>

## Notes to the Financial Statements

30 April 2005 (cont d)

### 19. BORROWINGS (cont d)

The borrowings bore the following range of interest rates per annum during the financial year:

	GROUP	
	2005	2004
	%	%
Bank overdrafts	-	7.80
Revolving credits	4.15	4.25
Bankers' acceptances	3.85 3.95	3.10
Term loan	6.23	5.88

The revolving credits, bankers' acceptances and term loan of the Group are secured by a corporate guarantee by the Company and a negative pledge over the entire fixed and floating assets of the subsidiaries.

### 20. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	GROUP	
	2005	2004
	RM	RM
<b>Minimum lease payments:</b>		
Not later than 1 year	249,108	249,108
Later than 1 year and not later than 2 years	83,034	332,140
	332,142	581,248
Less: Future finance charges	(29,922)	(52,360)
Present value of finance lease liabilities	302,220	528,888
<b>Present value of finance lease liabilities:</b>		
Not later than 1 year	226,668	226,668
Later than 1 year and not later than 2 years	75,552	302,220
	302,220	528,888
<b>Analysed as:</b>		
Due within 12 months (Note 19)	226,668	226,668
Due after 12 months (Note 19)	75,552	302,220
	302,220	528,888

The hire purchase and finance lease liabilities bore interest rate of 6.23% (2004: 6.23%) per annum.



## Notes to the Financial Statements

30 April 2005 (cont d)

### 21. TRADE PAYABLES

Included in trade payables of the Group are amounts due to companies in which certain directors of the Company, i.e. Tan Sri Dato' Tan Kok Ping, Tan Poay Seng and Tan Kok Aun have interests or are deemed interested by virtue of their family relationship as follows:

	2005 RM	2004 RM
<b>GROUP</b>		
Induscor Supplies (M) Sdn. Bhd.	10,925	11,567
Industrial Adhesives Nitta Inc. Sdn. Bhd.	48,314	49,436
	<u>59,239</u>	<u>61,003</u>

The amounts due to are unsecured, interest free and repayable in accordance with normal terms of trade.

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

### 22. OTHER PAYABLES

	<b>GROUP</b>		<b>COMPANY</b>	
	2005 RM	2004 RM	2005 RM	2004 RM
Due to suppliers of plant and equipment	-	15,580	-	-
Accruals	1,483,993	1,470,936	8,400	8,400
Sundry payables	1,229,118	1,909,775	50,047	36,609
	<u>2,713,111</u>	<u>3,396,291</u>	<u>58,447</u>	<u>45,009</u>

Included in sundry payables of the Group are amounts due to companies in which certain directors of the Company, i.e. Tan Sri Dato' Tan Kok Ping, Tan Poay Seng and Tan Kok Aun have interests or are deemed interested by virtue of their family relationship as follows:

	2005 RM	2004 RM
<b>GROUP</b>		
Induscor Supplies (M) Sdn. Bhd.	-	2,294
Pen'ads (M) Sendirian Berhad	1,708	1,588
South Island Garment Sdn. Bhd.	178,070	86,898
	<u>179,778</u>	<u>90,780</u>

The amounts due to relate to unsecured advances which are interest free and have no fixed terms of repayment.

## Notes to the Financial Statements

30 April 2005 (cont'd)

### 23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Authorised</b>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued and fully paid</b>				
At 1 May	61,568,000	61,476,000	61,568,000	61,476,000
Issued during the year:				
Pursuant to ESOS	<u>7,000</u>	<u>92,000</u>	<u>7,000</u>	<u>92,000</u>
At 30 April	<u>61,575,000</u>	<u>61,568,000</u>	<u>61,575,000</u>	<u>61,568,000</u>

#### Employee Share Options Scheme ( ESOS )

The Company's ESOS is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 12 April 2001. The ESOS was implemented on 18 July 2001 and is to be in force for a period of 5 years from the date of implementation.

The main features of the ESOS are as follows:

- (a) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- (b) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS, which shall be in force for a period of five years from the effective date.
- (c) The option price for each share shall be the higher of the following:
  - (i) at a discount of not more than 10% from the weighted average market quotation of the shares of the Company as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five trading days preceding the date of the offer; or
  - (ii) the par value of the shares.
- (d) No offer shall be granted for less than 1,000 shares nor more than 500,000 shares to any eligible employee.
- (e) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company before the expiry of five years from the date of the offer or such shorter period as may be specified in such offer.
- (f) The number of shares under option or the option price or both, so far as the options remain unexercised, may be adjusted following any variation in the issued share capital of the Company by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of the Company's shares made by the Company.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 23. SHARE CAPITAL (cont d)

#### Employees' Share Option Scheme ("ESOS") (cont d)

(g) The shares under option shall remain unissued until the options are exercised and shall, on allotment, rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the options.

The terms of share options outstanding as at the end of the financial year are as follows:

Grant Date	Expiry Date	Option Price RM	Number of Share Options		
			At 1 May	Exercised	At 30 April
<b>2005</b>					
18 July 2001	17 July 2006	1.00	392,500	7,000	385,500
<b>2004</b>					
18 July 2001	17 July 2006	1.00	484,500	92,000	392,500

Details of share options exercised during the financial year and the fair value, at exercise date, of ordinary shares issued are as follows:

Exercise Date	Exercise price RM	Number of Share Options	Consideration Received RM
<b>2005</b>			
May 2004 - January 2005	1.00	7,000	7,000
<b>2004</b>			
August 2003 - April 2004	1.00	92,000	92,000

### 24. RETAINED PROFITS

As at 30 April 2005, the Company has tax exempt profits available for distribution of approximately RM3,500,000 (2004: RM3,500,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profits as at 30 April 2005.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 25. DEFERRED TAXATION

	GROUP	
	2005 RM	2004 RM
At 1 May	5,998,295	6,116,472
Recognised in income statement (Note 8)	249,949	213,823
Effect on opening deferred tax due to decrease in tax rate	-	(378,000)
Underprovision in prior year (Note 8)	136,843	46,000
At 30 April	<u>6,385,087</u>	<u>5,998,295</u>

The components and movements of deferred tax liabilities and assets of the Group during the financial year prior to offsetting are as follows:

#### Deferred Tax Liabilities/(Assets) of the Group:

	Plant and Equipment RM	Receivables RM	Reinvestment Allowances RM	Others RM	Total RM
At 1 May 2004	6,550,002	(512,807)	-	(38,900)	5,998,295
Recognised in income statement	113,222	286,438	(154,261)	4,550	249,949
Under provision in prior year	122,474	14,369	-	-	136,843
At 30 April 2005	<u>6,785,698</u>	<u>(212,000)</u>	<u>(154,261)</u>	<u>(34,350)</u>	<u>6,385,087</u>
At 1 May 2003	6,768,979	(524,807)	(103,000)	(24,700)	6,116,472
Recognised in income statement	113,023	12,000	103,000	(14,200)	213,823
Effect on opening deferred tax due to decrease in tax rate	(378,000)	-	-	-	(378,000)
Underprovision in prior year	46,000	-	-	-	46,000
At 30 April 2004	<u>6,550,002</u>	<u>(512,807)</u>	<u>-</u>	<u>(38,900)</u>	<u>5,998,295</u>

## Notes to the Financial Statements

30 April 2005 (cont d)

### 26. COMMITMENTS

#### (i) Operating lease commitments

	GROUP	
	2005 RM	2004 RM
Future minimum rentals payable:		
Payable within one year	17,665	220,185
Share of operating lease commitments of associate (Note 13):		
Payable within one year	14,728	19,207
Later than 1 year and not later than 5 years	360	15,087
	<u>15,088</u>	<u>34,294</u>

The operating lease payments represent non-cancellable rentals payable by the Group for use of buildings and equipment, all of which are classified as operating leases.

#### (ii) Capital commitments

	GROUP	
	2005 RM	2004 RM
Capital expenditure:		
Share of capital commitments of associate (Note 13):		
Acquisition of unquoted shares	-	42,000
	<u>-</u>	<u>42,000</u>

### 27. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2005 RM	2004 RM
Corporate guarantees given for banking facilities granted to subsidiaries	<u>1,993,664</u>	<u>10,974,343</u>

## Notes to the Financial Statements

30 April 2005 (cont d)

### 28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sale of finished goods and services to:				
Induscor Supplies (M) Sdn. Bhd.	1,498	1,576	-	-
Industrial Adhesives Nitta Inc. Sdn. Bhd.	5,027	4,604	-	-
Pen'ads Sendirian Berhad	-	25,368	-	-
South Island Building Sdn. Bhd.	9,475	1,045	-	-
South Island Garment Sdn. Bhd.	790,758	633,691	-	-
Yong Guan Heng & Co. Sdn. Bhd.	1,004,952	806,656	-	-
Purchase of goods and services from:				
Induscor Supplies (M) Sdn. Bhd.	126,478	125,957	-	-
Industrial Adhesives Nitta Inc. Sdn. Bhd.	200,970	180,268	-	-
Pen'ads (M) Sendirian Berhad	20,678	26,585	4,585	3,180
Rental of premises paid and payable to:				
Distra Sdn. Bhd.	-	8,000	-	-
KP Holding Sdn. Bhd.	136,800	136,800	136,800	136,800
South Island Garment Sdn. Bhd.	240,000	240,000	-	-
Rental of machinery received and receivable from Yong Guan Heng & Co. Sdn. Bhd.	60,000	60,000	-	-
Purchase of plant and equipment from Induscor Supplies (M) Sdn. Bhd.	-	2,200	-	-
Gross dividends from subsidiaries	-	-	3,126,202	3,193,503
Management fees from subsidiaries	-	-	600,000	600,000

All the companies stated above are companies in which certain directors of the Company, i.e. Tan Sri Dato' Tan Kok Ping, Tan Poay Seng and Tan Kok Aun have interests or are deemed interested by virtue of their family relationship.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

### 29. SEGMENTAL INFORMATION

No segmental information has been prepared as the Group is principally involved in one business segment being the manufacturing and sale of packaging materials in Malaysia.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 30. SIGNIFICANT EVENT

During the financial year, the associate, i.e. OTC Security Solutions Sdn. Bhd., of which the Company has a 30% equity interest, increased its issued and paid up share capital from RM9,000,000 to RM12,000,000 by the issuance of 3,000,000 new ordinary shares of RM1.00 each amounting to RM3,000,000. Following this, the Company has further subscribed for an additional 900,000 ordinary shares of RM1.00 each in the associate for a total cash consideration of RM900,000 and as a result has maintained its equity interest of 30% in OTC Security Solutions Sdn. Bhd.

### 31. FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

#### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt; the Group had no substantial long term interest-bearing assets as at 30 April 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits as disclosed in Note 18.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in Notes 18, 19 and 20.

#### (c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.



## Notes to the Financial Statements

30 April 2005 (cont d)

### 31. FINANCIAL INSTRUMENTS (cont d)

#### (c) Foreign Exchange Risk (contd)

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Financial Assets/Liabilities Held in Non-Functional Currency		
	United States Dollar RM	Singapore Dollar RM	Total RM
At 30 April 2005:			
Ringgit Malaysia			
Trade Receivables	351,811	26,629	378,440
At 30 April 2004:			
Ringgit Malaysia			
Trade Receivables	413,417	42,795	456,212
Other Payables	176,209	-	176,209

#### (d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

#### (e) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Receivables are monitored on an ongoing basis via the Group management reporting procedures.

As at 30 April 2005, the Group and the Company do not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors, other than as disclosed in Note 17.

## Notes to the Financial Statements

30 April 2005 (cont d)

### 31. FINANCIAL INSTRUMENTS (cont d)

#### (f) Fair Values (cont d)

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

		GROUP		COMPANY	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
At 30 April 2005:					
Quoted shares	14	1,164,738	381,568	-	-
Due from subsidiaries	17	-	-	30,304,308	#
At 30 April 2004:					
Quoted shares	14	1,930,000	1,930,000	-	-
Due from subsidiaries	17	-	-	30,780,835	#
Financial Liabilities					
At 30 April 2005:					
Hire purchase and lease payables	20	302,220	353,983	-	-
At 30 April 2004:					
Hire purchase and lease payables	20	528,888	629,955	-	-

# It is not practical to estimate the fair values of the amounts due from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amounts recorded at balance sheet date to be significantly different from the values that would eventually be received.

The nominal/notional amounts and the fair value of financial instruments not recognised in the balance sheet of the Company as at the end of the financial year are:

	Note	COMPANY		Fair Value RM
		Nominal Amount 2005 RM	2004 RM	
Contingent liabilities	27	1,993,664	10,974,343	❖

❖ It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

## **Notes to the Financial Statements**

30 April 2005 (cont d)

### **31. FINANCIAL INSTRUMENTS (cont d)**

#### **(f) Fair Values (cont d)**

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

#### **i. Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings**

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

#### **ii. Long Term Borrowings**

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

### **32. CURRENCY**

All amounts are stated in Ringgit Malaysia (RM), unless otherwise stated.

### List of Properties owned by the Group

Company	Location	Land Area/ Built-up Area	Existing Use	Tenure	Approx. Age of Building (Year)	Net Book Value @30-4-2005 RM000
Inter-Pacific Packaging Sdn Bhd	Lot 897, 984 & 985, Batu 13, Jalan Kelang, 47100 Puchong, Selangor Darul Ehsan (^1)	27,797 sq.m./15,362 sq.m.	Factory and Office Premises	Freehold	15	9,483
South Island Plastics Sdn Bhd	H.S.(D) No. 40 Plot No. 21 Mk. 1, SPT (*), 983 Kawasan MIEL Prai, PIP (~) (^2)	1,995 sq.m./1,528 sq.m.	Warehouse	99 years Leasehold expiring on 28-9-2071	22	192
	H.S.(D) No. 4694 P.T. No. 3406 Mk. 1 SPT (*), Plot 541 Lorong Perusahaan Baru 2, PIP (~) (^3)	7,050 sq.m./4,464 sq.m.	Factory and Office Premises	60 years Leasehold expiring on 23-7-2051	15	2,311
	Lot 187 Mk. 1, SPT (*), No. GM 59, 2930 Lorong Perusahaan Baru 6, 13600 Prai, Penang. (^4)	3,979 sq.m./1,674 sq.m.	Factory and Warehouse	Freehold	9	2,639
	20 Jalan Tambur 33/19, Shah Alam Technology Park, Section 33, 40400 Shah Alam, Selangor. (^5)	186 sq.m./279 sq.m.	Office Premises	Freehold	5	279
South Island Packaging (Penang) Sdn Bhd	H.S.(D) No. 34 & 61 Mk. 1, SPT (*), Lot 689 & 652 Phase 1, PIP (~) (^6)	8,027 sq.m./6,334 sq.m.	Factory and Office Premises	90 years Leasehold expiring on 10-7-2071 and 26-11-2071 respectively	25	2,032

(^1) Purchased on 16 September 1989

(^2) Purchased on 27 May 1988

(^3) Purchased on 30 June 1990

(^4) Purchased on 18 April 2002

(^5) Purchased on 14 May 2002

(^6) Purchased in November 1972 and revalued in 1989

(\*) Seberang Perai Tengah

(~) Prai Industrial Park, 13600 Prai, Penang

## Thirty Largest Securities Account Holders

as at 22 August 2005

Shareholders	No. of Shares	% Shareholding
1. Dato Kamarudin bin Jaffar	7,209,007	11.71
2. Mayban Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Tan Sri Dato Tan Kok Ping)	5,600,000	9.09
3. Southern Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Tan Sri Dato Tan Kok Ping)	3,185,137	5.17
4. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for A.A Anthony Securities Sdn Bhd)	2,973,000	4.83
5. Berjaya General Insurance Berhad	2,097,500	3.41
6. Dato Tengku Adnan bin Tengku Mansor	1,890,000	3.07
7. Bumiputra-Commerce Nomineed (Tempatan) Sdn Bhd (Pledged securities account for Tan Kok Aun)	1,414,800	2.30
8. Lee Yuit Eow	1,286,400	2.09
9. Tan Poay Seng	1,112,762	1.81
10. Tiah Thee Seng	1,000,600	1.63
11. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Ewe Swee Kheng	1,000,000	1.62
12. Heah Theare Haw	1,000,000	1.62
13. Tan Kok Aun	917,181	1.49
14. Lee Yuit Chun	893,600	1.45
15. Tan Kim Chai	870,000	1.41
16. Lee Yuit Eow	805,800	1.31
17. South Island Holdings Sdn. Bhd.	699,940	1.14
18. South Island Development Company Sdn. Berhad	682,300	1.11
19. Tan Kok Pooh	593,642	0.96
20. Lembaga Tabung Angkatan Tentera	535,500	0.87
21. Leading Builders Sdn Bhd	500,000	0.81
22. South Island Building Sdn Bhd	500,000	0.81
23. PM Nominees (Tempatan) Sdn Bhd (Pledged securities account for Khor Teng Tong Holdings Sdn Bhd)	500,000	0.81
24. Roger Chan Wan Chung	500,000	0.81
25. Hiap Tatt Credit Sendirian Berhad	450,000	0.73
26. HLB Nominees (Tempatan) Sdn Bhd (Pledged securities account for Yeoh Cheng Hooi)	450,000	0.73
27. Lim Hooi Leng	441,040	0.72
28. Seow Siew Chin	396,500	0.64
29. Tan Su Chin	366,223	0.59
30. AMBank (M) Berhad (Pledged securities account for Ta Kin Yan)	335,000	0.54
<b>Total</b>	<b>40,205,932</b>	<b>65.28</b>

## Substantial Shareholders as at 22 August 2005 excluding Bare Trustee

	Direct		Deemed	
	No. of Shares	% Shareholding	No. of Shares	% Shareholding
Tan Sri Dato Tan Kok Ping	12,055,427	19.58	-	-
Dato Kamarudin bin Jaffar	7,209,007	11.71	-	-

## Directors Shareholdings

as at 22 August 2005

Name	Direct		Deemed		No of Unexercised ESOS Option
	No. of Shares	% Shareholding	No. of Shares	% Shareholding	
Tan Sri Dato Tan Kok Ping	12,055,427	19.58	-	-	500
Tan Poay Seng	1,112,762	1.81	-	-	500
Tan Kok Aun	2,331,981	3.79	-	-	22,500
Ahmad Fizri bin Abu Bakar	3,905	0.01	-	-	-
Lee Koong Chen @ Lee Kong Chew	120,000	0.19	-	-	16,500
Chang Chuen Hwa	165,561	0.27	-	-	16,500
H ng Cheok Seng	15,000	0.02	-	-	-
Datuk Noor Zahidi bin Omar	10,500	0.02	-	-	-

## Analysis of Shareholdings as at 22 August 2005

Authorised share capital	:	RM100,000,000
Issued and fully paid-up	:	RM61,575,000
Class of Share	:	Ordinary shares of RM1 each fully paid
Voting Rights	:	On a show of hands one vote for every shareholder On a poll one vote for every ordinary share held.

Size of Shareholdings	No. of Shareholders	% Shareholders	No. of Shares	% Shareholding
1 - 99	7	0.23	241	0.00
100 - 1,000	349	11.48	319,149	0.52
1,001 - 10,000	2,297	75.56	7,031,698	11.42
10,001 - 100,000	330	10.86	9,262,589	15.04
100,001 - 3,078,749	54	1.77	28,967,179	47.04
3,078,750 and above	3	0.10	15,994,144	25.98

Total	3,040	100.00	61,575,000	100.00
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### Location of Shareholders

Malaysia	3,005	98.85	60,211,700	97.80
Denmark	1	0.03	1,000	0.00
Germany	1	0.03	1,500	0.00
Indonesia	1	0.03	4,500	0.01
India	1	0.03	1,000	0.00
Permanent Resident of Malaysia	13	0.43	923,500	1.50
Singapore	7	0.23	26,900	0.04
Taiwan	1	0.03	20,000	0.03
Virgin Islands	1	0.04	15,000	0.02
Others	9	0.30	369,900	0.60

Total	3,040	100.00	61,575,000	100.00
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### Category of Shareholders

Individual	2,746	90.33	35,319,538	57.36
Banks/Finance Companies	3	0.10	403,000	0.65
Investment Trust/Foundation/Charities	6	0.20	77,000	0.13
Industrial and Commercial Companies	32	1.05	6,285,035	10.21
Government Agencies/Institutions	1	0.03	535,500	0.87
Nominees	252	8.29	18,954,927	30.78

Total	3,040	100.00	61,575,000	100.00
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## Proxy Form

\*I/We \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_  
(Address)

being a \*member/members of the abovenamed Company, hereby appoint \_\_\_\_\_

\_\_\_\_\_

(Full Name in Block Letters)

of \_\_\_\_\_  
(Address)

or failing him, \_\_\_\_\_  
(Full Name in Block Letters)

of \_\_\_\_\_  
(Address)

as \* my / our proxy to vote for \* me / us on \* my / our behalf at the Eighth Annual General Meeting of the Company to be held at Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang on Wednesday, 28 September 2005 at 10.30 a.m. and at any adjournment thereof.

ORDINARY RESOLUTION	1	2	3	4	5	6	7	8	9
FOR									
AGAINST									

Please indicate with an x in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2005.

No. of shares held

\_\_\_\_\_  
Signature of Member (s)

### Notes :

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(a) and (b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid this form duly completed, must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

\* Strike out whichever is not desired.





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Stamp

To,

THE COMPANY SECRETARY  
**MAGNI-TECH INDUSTRIES BERHAD** (422585-V)  
51-21-A MENARA BHL BANK  
JALAN SULTAN AHMAD SHAH  
10050 PENANG

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