



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

(Incorporated in Malaysia)

ANNUAL REPORT 2006

	PAGE
CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	3
PROFILE OF DIRECTORS	4
NOTICE OF ANNUAL GENERAL MEETING (AGM)	7
STATEMENT ACCOMPANYING NOTICE OF AGM	12
CHAIRMAN'S STATEMENT	13
CORPORATE GOVERNANCE STATEMENT	15
STATEMENT OF INTERNAL CONTROL	18
AUDIT COMMITTEE'S REPORT	19
DIRECTORS' RESPONSIBILITY STATEMENT	20
OTHER CORPORATE DISCLOSURE	21
FINANCIAL STATEMENTS	
Directors' Report	22
Statement by Directors	27
Statutory Declaration	27
Report of the Auditors	28
Income Statements	29
Balance Sheets	30
Statements of Changes in Equity	31
Cash Flow Statements	32
Notes to the Financial Statements	35
LIST OF PROPERTIES OWNED BY THE GROUP	68
THIRTY LARGEST SECURITIES ACCOUNT HOLDERS	69
DIRECTORS' SHAREHOLDINGS	70
PROXY FORM	

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 (MACS 01258)

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
Malayan Banking Berhad
Southern Bank Berhad
HSBC Bank Malaysia Bhd

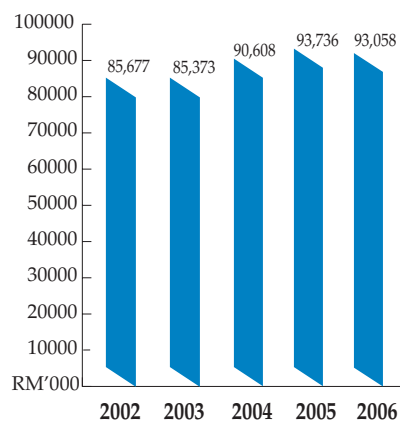
Stock Exchange Listing

Main Board, Bursa Malaysia

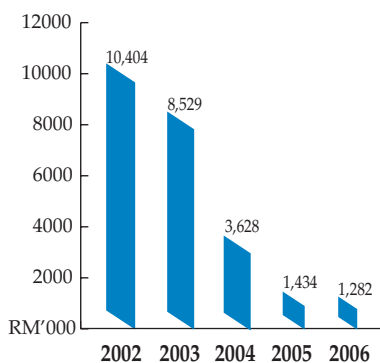
Stock Number

7087

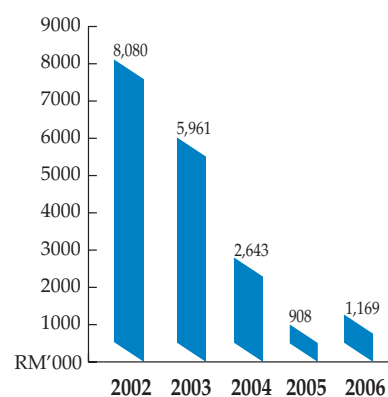
Turnover



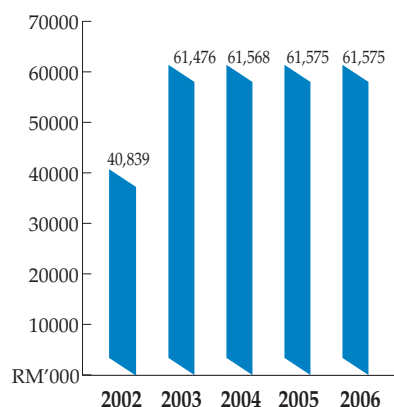
Profit Before Tax



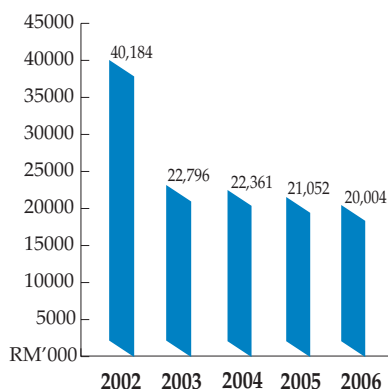
Net Profit for the year



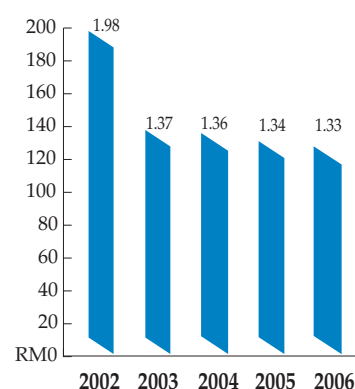
Paid Up Share Capital



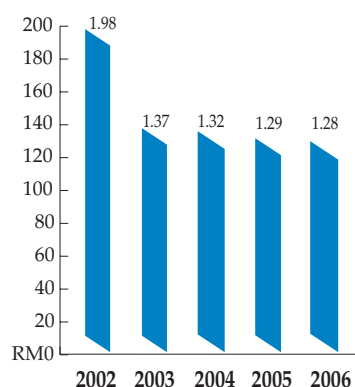
Reserves



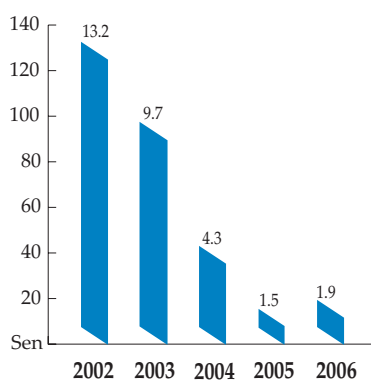
Net Assets Per Share



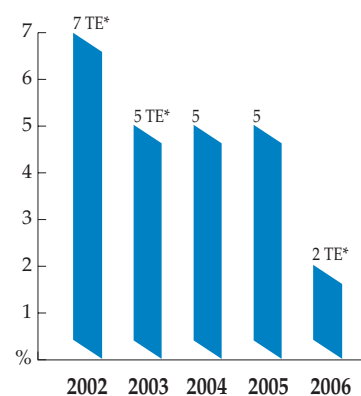
Net Tangible Assets Per Share



Basic Earnings Per Share



Gross Dividend Per Share ~ Paid / payable in the following year



Profile of Directors

Tan Sri Dato' Tan Kok Ping

Executive Chairman

Appointed to the Board on 18-2-2000

Aged 60, Malaysian,

Bachelor Degree in Commerce, Nanyang University Singapore

Occupation: Company Director

Tan Sri has more than 37 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 40, 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 57, 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, a 99.64% owned subsidiary of the Company. He has gathered over 30 years of experience and knowledge in the printing and packaging industry. He also sits on the Board of several private limited companies.

Ahmad Fizri bin Abu Bakar

Independent Non-Executive Director and Member of Audit Committee

Appointed to the Board on 18-2-2000

Aged 57, Malaysian

Bachelor of Arts Degree, UM and MBA, Northrop University, USA

Occupation: Company Director

He has over 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 66, 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 30 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 49, 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 23 years of service with SIP, he has gained extensive knowledge of the plastic film packaging industry.

Profile of Directors (cont'd)

H'ng Cheok Seng

Non-Independent Non-Executive Director and Member of Audit Committee
Appointed to the Board on 18-2-2000

Aged 48, Malaysian

Fellow Member, Association of Chartered Certified Accountants, UK

Occupation: Company Director

He has 16 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.

Datuk Noor Zahidi bin Omar

Independent Non-Executive Director and Chairman of Audit Committee

Appointed to the Board on 18-2-2000

Aged 49, 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

Independent Non-Executive Director

Appointed to the Board on 24-4-2000

Aged 56, 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 is hereby given that the Ninth 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, 18 October 2006 at 10.30 a.m. for the following purposes:-

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 30 April 2006 together with the Reports of the Directors and Auditors thereon.
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) H'ng Cheok Seng **Ordinary Resolution 1**
 - ii) Datuk Noor Zahidi bin Omar **Ordinary Resolution 2**
 - iii) Abdul Jalil bin Ismail **Ordinary Resolution 3**
3. To approve the payment of a tax exempt first and final dividend of 2% for the financial year ended 30 April 2006. **Ordinary Resolution 4**
4. To approve the payment of Directors' fees for the financial year ended 30 April 2006. **Ordinary Resolution 5**
5. To re-appoint Messrs. Ernst & Young as auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

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 ALLOT AND ISSUE SHARES**
"That, subject always to the provision of the Companies Act, 1965, ("the Act") 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 Act, 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 total 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 7

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 requirements of Bursa Malaysia Securities Berhad and/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 26 September 2006 ("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 8

8. **PROPOSED RENEWAL OF SHARE BUY-BACK OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY**

"That, subject always to the provisions of the Companies Act, 1965 ("the Act"), the Memorandum & Articles of Association of the Company and the requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and/or any other regulatory authorities, the Company be and is hereby authorised, to the extent permitted by the law, to purchase and/or hold such amount of ordinary shares of RM1.00 each in the Company, as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company subject further to the following:

- (i) the aggregate number of shares purchased and/or held by the Company shall not exceed 10% of the total issued and paid-up share capital of the Company, subject to a restriction that the issued and paid-up share capital of the Company does not fall below the minimum share capital requirements of the Listing Requirements of Bursa Securities ("Listing Requirements") and continues to maintain a shareholding spread that is in compliance with the Listing Requirements after the share purchase;
- (ii) the amount allocated for the purpose of purchasing the shares shall not exceed the share premium account and/or retained profits of the Company. The audited share premium and retained profits of the Company as at 30 April 2006 are RM3,048,336 and RM3,081,966 respectively;
- (iii) the shares purchased are to be treated in the following manner:
 - (a) to cancel all or part of the purchased ordinary shares; or
 - (b) to retain all or part of the purchased ordinary shares as Treasury Shares for distribution as dividend to the shareholders and/or resale on the market of the Bursa Securities and/or subsequent cancellation.
- (iv) the authority conferred by this resolution will commence immediately upon passing of this ordinary resolution and will continue to be in force until:
 - (a) the conclusion of the next annual general meeting ("AGM") following the general meeting at which such resolution was passed at which time the authority would lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or
 - (b) the passing of the date on which the next AGM is required by law to be held; or
 - (c) the authority is revoked or varied by ordinary resolution passed by the shareholders in a general meeting, whichever occurs first.

Notice of Annual General Meeting (cont'd)

And that, the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to effect the purchase of shares with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company to give effect to and to complete the purchase of the shares."

Ordinary Resolution 9

9. 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 (MACS 01258)
Company Secretary

Penang
Date: 26 September 2006

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.*
6. **Explanatory Notes on Special Business**

Agenda 6 (Resolution pursuant to Section 132D of the Companies Act, 1965)

The proposed Ordinary Resolution 7, 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 and paid-up share 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 (Resolution pursuant to Proposed Renewal of Shareholders' Mandate)

The proposed Ordinary Resolution 8, 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. Further information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholders

dated 26 September 2006 which has been dispatched together with the Company's 2006 Annual Report.

Agenda 8 (Resolution pursuant to Proposed Renewal of Share Buy-Back)

The proposed Ordinary Resolution 9, if passed, will give the Directors of the Company authority to purchase the Company's shares up to 10% of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the retained profits and share premium 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. Further information on the Proposed Renewal of Share Buy-Back is set out in the Circular to Shareholders dated 26 September 2006 which has been dispatched together with the Company's 2006 Annual Report.

Notice Of Dividend Entitlement

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 31 October 2006 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 16 November 2006 to depositors who are registered in the Record of Depositors of the Company on 31 October 2006.

By Order of the Board

LEE PENG LOON (MACS 01258)
Company Secretary

Penang
Date: 26 September 2006

Statement Accompanying Notice of Ninth Annual General Meeting

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

- | | | |
|----|----------------------------|-------------------------|
| 1. | H'ng Cheok Seng | (Ordinary Resolution 1) |
| 2. | Datuk Noor Zahidi bin Omar | (Ordinary Resolution 2) |
| 3. | Abdul Jalil bin Ismail | (Ordinary Resolution 3) |

Details of attendance of Directors at Board Meetings:

There were 6 Board Meetings held during the financial year ended 30 April 2006 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	5
2.	Tan Poay Seng	6
3.	Tan Kok Aun	5
4.	Ahmad Fizri bin Abu Bakar	5
5.	Lee Koong Chen @ Lee Kong Chew	5
6.	Chang Chuen Hwa	6
7.	H'ng Cheok Seng	6
8.	Datuk Noor Zahidi bin Omar	5
9.	Abdul Jalil bin Ismail	5

Date, hour and place of the Company's Ninth Annual General Meeting:

Date	Hour	Place
18 October 2006	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 Ninth Annual General Meeting:**

Name, Age & Nationality	Position	No. of Ordinary Shares of RM1.00 each held in the subsidiaries
H'ng Cheok Seng 48, Malaysian	Non-Independent Non-Executive Director	Nil
Datuk Noor Zahidi bin Omar 49, Malaysian	Independent Non-Executive Director	Nil
Abdul Jalil bin Ismail 56, Malaysian	Independent Non-Executive Director	Nil

** Shareholders are requested to refer to Profile of Directors, Other Corporate Disclosures and Directors' Shareholdings on pages 6, 21 and 70 of the Company's 2006 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
- directors' shareholdings
- the list of convictions for offences within the past 10 years other than traffic offences, if any

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 2006.

Corporate Developments

On 29 December 2005, the Company proposed to acquire 100% equity interest in South Island Garment Sdn Bhd (SIG) for a total purchase consideration of RM42 million via the issuance of 42 million new ordinary shares of RM1 each in the Company at an issue price of RM1 each. The proposed acquisition is expected to be completed before the end of the 2nd quarter of the current financial year.

The proposed acquisition will provide us the opportunity to diversify into garment business, reducing our reliance on the current packaging business which is facing difficult market conditions due to keen competition.

For the financial year ended 30 April 2006, SIG recorded a commendable audited PBT of RM9.345 million. SIG is expected to sustain its positive financial performance for the current financial year and enhance the future earnings of our Group.

Group's Performance

The Group reported a Turnover and Profit before Tax (PBT) of RM93.058 million and RM1.282million respectively in the financial year ended 30 April 2006 as opposed to RM93.736 million and RM1.434 million in the previous financial year.

The decline in PBT was mainly due to increase in share of losses from an associated company.

Operations

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 further expand its market share by strengthening marketing efforts and to focus on prompt delivery, competitive pricing and excellent quality as its order winners.

Dividends

The Board has recommended a tax exempt first and final dividend of 2% for the financial year ended 30 April 2006 (2005: 5% less 28% taxation) for approval by the shareholders at the forthcoming Annual General Meeting.

Prospects

Barring unforeseen circumstances and taking into consideration the expected completion of the acquisition of SIG, the Directors anticipate improvement in the performance of the Group for the year ending 30 April 2007.

Chairman's Statement (cont'd)

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

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 6 times during the financial year ended 30 April 2006 and the attendance of the Directors at the said meetings are set out in the Statement accompanying the Notice of 9th Annual General Meeting on Page 12 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 3 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.

Application of the Principles (cont'd)**(1) The Board of Directors (cont'd)****Directors' Training**

All directors had completed the various Continuing Education Programme (CEP) except Ahmad Fizri bin Abu Bakar who has been granted by Bursa Securities, an extension of time until 30 September 2006 to complete his CEP.

(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 2006 are disclosed in Note 6 to the Financial Statements on pages 43 to 44.

(3) Shareholders / Investors

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.

Other mode of communication with shareholders as well as investors include corporate announcements to Bursa Securities and press releases.

Shareholders and members of the public can obtain the Company's latest announcements via the Bursa Malaysia website at www.bursamalaysia.com.

(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 Audit Committee reviews the said information to ensure its accuracy and adequacy.

Internal Control

Information pertaining to the Group's internal control is disclosed in the Statement on Internal Control on page 18.

Application of the Principles (cont'd)

(4) Accountability and Audit (cont'd)

Relationship with the Auditors

The Company has established a transparent and appropriate relationship with the external auditors in seeking professional advice and ensuring compliance with the approved accounting standards.

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 of 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 18 July 2006.

Chairman	:	Datuk Noor Zahidi bin Omar	-	Independent Non-Executive Director
Members	:	Ahmad Fizri bin Abu Bakar	-	Independent Non-Executive Director
		H'ng Cheok Seng	-	Non-Independent Non-Executive Director

TERMS OF REFERENCE

Authority

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

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

Functions

The functions of the Audit Committee are as follows:-

- 1) Review the following and report the same to the Board of Directors:-
 - a) with the external auditor, the audit plan;
 - b) with the external auditor, his evaluation of the system of internal controls;
 - c) with the external auditor, his audit report;
 - d) the assistance given by the employees of the Company to the external auditor;
 - e) the quarterly results and year end financial statements, focusing particularly on:
 - i) changes in or implementation of major accounting policy changes;
 - ii) significant and unusual events; and
 - iii) compliance with accounting standards and other legal requirements;
 - f) any related party transaction and conflict of interest situation that may arise with the Company, and the Group.
- 2) To recommend the nomination of a person or persons as external auditors.
- 3) 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 5 meetings held during the financial year. All the 3 members of the Audit Committee were present at the said 5 meetings.

Audit Committee's Report (cont'd)

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

The Audit Committee met 5 times during the financial year for the following purposes:

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

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.

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 2006

The Directors consider that, in preparing the financial statements of Magni-Tech Industries Berhad for the financial year ended 30 April 2006 on pages 29 to 67 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.

Convictions for Offences

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

Share Buy-backs, Options, Warrants or Convertible Securities

There were no share buy-backs by the Company and exercise of options, warrants or convertible securities during the financial year.

On 8 August 2006, the shareholders of the Company had at the extraordinary general meeting approved the resolution pertaining to the share buy-back authority granted to the Company. This authority is subject to renewal at the forthcoming Annual General Meeting of the Company.

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 RM3,150 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 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 28 September 2005. The said Mandate is subject to renewal at the forthcoming Annual General Meeting. Details of such transactions are disclosed in Note 29 to the financial statements on page 63.

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 2006.

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	1,168,123	2,002,611
Minority interests	552	-
Net profit for the year	<u>1,168,675</u>	<u>2,002,611</u>

There were no material transfers to or from reserves or provisions during the financial year.

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 other than the effects arising from the change in accounting policy as disclosed in Note 25 to the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 30 April 2005 was as follows:

	RM
In respect of the financial year ended 30 April 2005 as reported in the directors' report of that year:	
First and final dividend of 5% less 28% taxation, paid on 10 October 2005	<u>2,216,700</u>

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the financial year ended 30 April 2006, of 2% on 61,575,000 ordinary shares, amounting to a dividend payable of RM1,231,500 (2 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 2007.

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 the 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 29 to the financial statements.

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 2005	Bought	Sold	30 April 2006
The Company				
Direct Interest				
Tan Sri Dato' Tan Kok Ping *	13,605,427	4,758,400	(3,600,000)	14,763,827
Tan Poay Seng	1,112,762	-	-	1,112,762
Tan Kok Aun #	2,331,981	-	(700,000)	1,631,981
Lee Koong Chen @ Lee Kong Chew	140,000	-	(30,000)	110,000
Ahmad Fizri bin Abu Bakar	3,905	-	-	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

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

	Number of Options over Ordinary Shares of RM1 Each			
	1 May 2005	Granted	Exercised	30 April 2006
The Company				
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 A.A. Anthony Nominees (Tempatan) Sdn. Bhd., Mayban Nominees (Tempatan) Sdn. Bhd. and Bumiputra-Commerce (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.

EMPLOYEE SHARE OPTIONS SCHEME

The Company's Employee Share Options Scheme ("ESOS") is governed by the bye-laws approved by the shareholders at an 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. During the financial year, the Company has announced its proposal to make amendments to certain provisions of the bye-laws of the ESOS as disclosed in Note 23 to the financial statements. The proposed amendments are subject to the approval of the shareholders at the forthcoming Extraordinary General Meeting to be held on 8 August 2006.

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.

OTHER STATUTORY INFORMATION (cont'd)

- (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.
- (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.

OTHER SIGNIFICANT EVENTS

The other significant events during the financial year are as disclosed in Note 31 to the financial statements.

Directors' Report (cont'd)

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

Penang, Malaysia
Date: 18 July 2006

LEE KOONG CHEN @ LEE KONG CHEW

Statement by Directors

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

MAGNI-TECH INDUSTRIES BERHAD
(022885-X)
Annual Report 06

27

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 29 to 67 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 2006 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: 18 July 2006

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 29 to 67 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 18 July 2006:

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 29 to 67. 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 2006 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. 1748/01/08(J)
Partner

Penang, Malaysia
Date: 18 July 2006

Income Statements

for the year ended 30 April 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM Restated	2006 RM	2005 RM
Revenue	3	93,058,037	93,735,590	2,729,503	3,726,202
Cost of sales		(78,925,210)	(78,759,986)	-	-
Gross profit		14,132,827	14,975,604	2,729,503	3,726,202
Other operating income		677,929	189,794	-	-
Administrative expenses		(7,300,343)	(7,721,621)	(711,657)	(742,313)
Selling and distribution expenses		(5,042,733)	(5,200,706)	-	-
Profit from operations	4	2,467,680	2,243,071	2,017,846	2,983,889
Finance income		11,171	178,033	11,171	14,423
Finance costs		(276,184)	(299,665)	(1,514)	(2,505)
Net finance (costs)/income	7	(265,013)	(121,632)	9,657	11,918
Share of results of an associate		(920,278)	(687,742)	-	-
Profit before taxation		1,282,389	1,433,697	2,027,503	2,995,807
Taxation	8	(114,266)	(526,141)	(24,892)	(881,008)
Profit after taxation		1,168,123	907,556	2,002,611	2,114,799
Minority interests		552	211	-	-
Net profit for the year		1,168,675	907,767	2,002,611	2,114,799
Earnings per share (sen)					
Basic	9(a)	1.9	1.5		
Diluted	9(b)	1.9	1.5		
Net dividend per share (sen)	10	3.6	3.6	3.6	3.6

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

Balance Sheets

as at 30 April 2006

		GROUP		COMPANY	
	Note	2006 RM	2005 RM Restated	2006 RM	2005 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	46,315,344	48,538,912	306,761	445,257
Investments in subsidiaries	12	-	-	31,649,998	31,649,998
Investment in an associate	13	2,817,641	3,826,226	4,900,000	4,900,000
Other investments	14	1,164,738	1,164,738	-	-
Other receivables	17	-	-	-	1,000,000
		50,297,723	53,529,876	36,856,759	37,995,255
CURRENT ASSETS					
Inventories	15	17,522,652	17,712,751	-	-
Trade receivables	16	25,320,747	25,100,197	-	-
Other receivables	17	3,744,933	1,731,066	30,579,857	29,351,736
Cash and bank balances	18	635,977	1,360,925	322,421	630,847
		47,224,309	45,904,939	30,902,278	29,982,583
CURRENT LIABILITIES					
Short term borrowings	19	2,920,777	1,624,306	-	-
Trade payables	21	3,471,279	5,221,460	-	-
Other payables	22	2,203,771	2,713,111	46,735	58,447
		8,595,827	9,558,877	46,735	58,447
NET CURRENT ASSETS					
		38,628,482	36,346,062	30,855,543	29,924,136
		88,926,205	89,875,938	67,712,302	67,919,391
FINANCED BY:					
Share capital	23	61,575,000	61,575,000	61,575,000	61,575,000
Share premium		3,048,336	3,048,336	3,048,336	3,048,336
Retained profits	24	16,955,480	18,003,505	3,081,966	3,296,055
Shareholders' equity		81,578,816	82,626,841	67,705,302	67,919,391
Minority interests		37,619	38,171	-	-
		81,616,435	82,665,012	67,705,302	67,919,391
Long term borrowings	19	807,821	671,578	-	-
Deferred tax liabilities	26	6,501,949	6,539,348	7,000	-
NON-CURRENT LIABILITIES					
		7,309,770	7,210,926	7,000	-
		88,926,205	89,875,938	67,712,302	67,919,391

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

Statements of Changes in Equity

for the year ended 30 April 2006

GROUP	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 May 2004	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 as restated (Note 25)	-	-	907,767	907,767
Dividend (Note 10)	-	-	(2,216,592)	(2,216,592)
At 30 April 2005	61,575,000	3,048,336	18,003,505	82,626,841
At 1 May 2005				
As previously stated	61,575,000	3,048,336	18,157,766	82,781,102
Prior year adjustment (Note 25)	-	-	(154,261)	(154,261)
At 1 May 2005 (as restated)	61,575,000	3,048,336	18,003,505	82,626,841
Net profit for the year	-	-	1,168,675	1,168,675
Dividend (Note 10)	-	-	(2,216,700)	(2,216,700)
At 30 April 2006	61,575,000	3,048,336	16,955,480	81,578,816

COMPANY	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits (Note 24) RM	Total RM
At 1 May 2004	61,568,000	3,048,336	3,397,848	68,014,184
Issues 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)
At 30 April 2005	61,575,000	3,048,336	3,296,055	67,919,391
Net profit for the year	-	-	2,002,611	2,002,611
Dividend (Note 10)	-	-	(2,216,700)	(2,216,700)
At 30 April 2006	61,575,000	3,048,336	3,081,966	67,705,302

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

Cash Flow Statements

for the year ended 30 April 2006

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	1,282,389	1,433,697	2,027,503	2,995,807
Adjustments for:				
Amortisation of goodwill	88,307	88,307	-	-
Depreciation	4,060,899	4,146,710	138,996	153,544
Gain on disposal of property, plant and equipment	(23,598)	(31,745)	-	-
Gross dividend income	-	(4,842)	(2,093,503)	(3,126,202)
Loss on disposal of other investments	-	167,022	-	-
Interest expense	161,815	194,993	-	-
Interest income	(11,171)	(178,033)	(11,171)	(14,423)
Property, plant and equipment written off	259,649	295,882	-	3,161
Reversal of provision for doubtful debts	(100,000)	(843,906)	-	-
Reversal of provision for inventories written down	(30,000)	-	-	-
Share of results in an associate	920,278	687,742	-	-
Operating profit before working capital changes	6,608,568	5,955,827	61,825	11,887
Decrease/(increase) in inventories	220,097	(708,979)	-	-
(Increase)/decrease in receivables	(1,765,468)	5,099,281	(1,328,869)	645
(Decrease)/increase in payables	(2,259,521)	(821,359)	(11,712)	13,438
Cash generated from/(used in) operations	2,803,676	9,524,770	(1,278,756)	25,970
Interest paid	(161,815)	(194,993)	-	-
Tax (paid)/refunded	(520,612)	24,428	(10,992)	475
Net cash generated from/(used in) operating activities	2,121,249	9,354,205	(1,289,748)	26,445

Cash Flow Statements

for the year ended 30 April 2006 (cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	11,171	178,033	11,171	14,423
Investment in an associate	-	(900,000)	-	(900,000)
Net dividends received	-	3,486	2,093,503	2,250,865
Proceeds from disposal of other investments	-	1,762,978	-	-
Proceeds from disposal of property, plant and equipment	39,150	62,300	-	-
Purchase of other investments	-	(1,164,738)	-	-
Purchase of property, plant and equipment (Note A)	(2,012,532)	(1,964,445)	(500)	(8,905)
Net cash (used in)/generated from investing activities	(1,962,211)	(2,022,386)	2,104,174	1,356,383
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of bankers' acceptances	327,000	-	-	-
Drawdown of term loans	444,000	-	-	-
Drawdown of other borrowings	667,959	-	-	-
Proceeds from exercise of ESOS	-	7,000	-	7,000
Dividend paid	(2,216,700)	(2,216,592)	(2,216,700)	(2,216,592)
Changes in related companies' balances	-	-	1,093,848	476,527
Repayment of term loans	-	(179,736)	-	-
Repayment of other borrowings	(190,690)	(5,117,623)	-	-
Repayment of hire purchase payables	(251,624)	(226,668)	-	-
Net cash used in financing activities	(1,220,055)	(7,733,619)	(1,122,852)	(1,733,065)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,061,017)	(401,800)	(308,426)	(350,237)
CASH AND CASH EQUIVALENTS AS AT 1 MAY	1,360,925	1,762,725	630,847	981,084
CASH AND CASH EQUIVALENTS AS AT 30 APRIL (Note B)	299,908	1,360,925	322,421	630,847

Cash Flow Statements

for the year ended 30 April 2006 (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 RM2,112,532 (2005: RM1,948,865) and RM500 (2005: RM8,905) respectively by way of the following:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash payment	2,012,532	1,964,445	500	8,905
Changes in amounts due to suppliers of plant and equipment	-	(15,580)	-	-
Hire purchase	100,000	-	-	-
	<u>2,112,532</u>	<u>1,948,865</u>	<u>500</u>	<u>8,905</u>

B. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash and bank balances (Note 18)	635,977	1,360,925	322,421	630,847
Bank overdrafts (Note 19)	(336,069)	-	-	-
	<u>299,908</u>	<u>1,360,925</u>	<u>322,421</u>	<u>630,847</u>

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

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 18 July 2006.

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 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.

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 associate is included within the carrying amount of investment in the associate.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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%

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 using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(h) Leases and Hire Purchase (cont'd)****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).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Income Tax (cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(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:

	2006 RM	2005 RM
United States Dollar	3.6255	3.8000
Singapore Dollar	2.2905	2.3055

(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 the net disposal proceeds and its carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Financial Instruments (cont'd)

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.

iv. Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of 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.

Notes to the Financial Statements

30 April 2006 (cont'd)

3. REVENUE

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of goods	93,058,037	93,735,590	-	-
Gross dividends from subsidiaries	-	-	2,093,503	3,126,202
Management fees from subsidiaries	-	-	636,000	600,000
	<u>93,058,037</u>	<u>93,735,590</u>	<u>2,729,503</u>	<u>3,726,202</u>

4. PROFIT FROM OPERATIONS

Profit from operations is stated:-

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
after charging:				
Amortisation of goodwill	88,307	88,307	-	-
Auditors' remuneration				
- current year	49,400	49,400	8,400	8,400
- under/(over) provision in prior year	3,400	400	3,400	(400)
Depreciation (Note 11)	4,060,899	4,146,710	138,996	153,544
Loss on disposal of other investments	-	167,022	-	-
Non-executive directors' remuneration (Note 6)	138,000	132,000	138,000	132,000
Property, plant and equipment written off	259,649	295,882	-	3,161
Realised foreign exchange loss	14,908	3,079	-	-
Rental expenses	595,000	502,433	141,300	141,300
Staff costs (Note 5)	15,813,339	15,767,223	88,014	87,272
and crediting:				
Dividend income	-	(4,842)	-	-
Gain on disposal of property, plant and equipment	(23,598)	(31,745)	-	-
Rental income	(150,000)	(60,000)	-	-
Reversal of provision for doubtful debts	(100,000)	(843,906)	-	-
Reversal of provision for inventories written down *	(30,000)	-	-	-

* The reversal of provision for inventories written down was mainly due to subsequent sales.

Notes to the Financial Statements

30 April 2006 (cont'd)

5. STAFF COSTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Wages and salaries	14,507,506	13,685,764	72,000	66,900
Social security costs	106,957	115,438	947	820
Pension costs - defined contribution plans	1,096,990	1,150,356	8,660	8,032
Other staff related expenses	101,886	815,665	6,407	11,520
	<u>15,813,339</u>	<u>15,767,223</u>	<u>88,014</u>	<u>87,272</u>

Included in staff costs of the Group are executive directors' remuneration amounting to RM1,969,993 (2005: RM2,016,970) 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 612 (2005: 626) and 6 (2005: 6) respectively.

6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,476,443	1,466,410	-	-
Bonus	290,000	297,000	-	-
Fees	60,000	60,000	-	-
Pension costs - defined contribution plans	143,550	193,560	-	-
Benefits-in-kind	7,800	7,800	-	-
	<u>1,977,793</u>	<u>2,024,770</u>	<u>-</u>	<u>-</u>
Non-executive:				
Fees	108,000	108,000	108,000	108,000
Other emoluments	30,000	24,000	30,000	24,000
	<u>138,000</u>	<u>132,000</u>	<u>138,000</u>	<u>132,000</u>
Total	<u>2,115,793</u>	<u>2,156,770</u>	<u>138,000</u>	<u>132,000</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	1,969,993	2,016,970	-	-
Total non-executive directors' remuneration (Note 4)	138,000	132,000	138,000	132,000
Total directors' remuneration excluding benefits-in-kind	<u>2,107,993</u>	<u>2,148,970</u>	<u>138,000</u>	<u>132,000</u>

Notes to the Financial Statements

30 April 2006 (cont'd)

6. DIRECTORS' REMUNERATION (cont'd)

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	
	2006	2005
Executive directors:		
RM200,001 - RM250,000	1	1
RM250,001 - RM300,000	1	1
RM300,001 - RM350,000	1	1
RM500,001 - RM550,000	1	1
RM650,001 - RM700,000	1	1
Non-executive directors:		
Below RM50,000	4	4

7. NET FINANCE COSTS/(INCOME)

Included in net finance costs/(income) are:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest expense	161,815	194,993	-	-
Interest income	(11,171)	(178,033)	(11,171)	(14,423)

8. TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM Restated	2006 RM	2005 RM
Income tax:				
Tax expense for the year	271,378	116,600	20,000	880,437
(Over)/underprovided in prior year	(119,713)	(131,512)	(2,108)	571
	151,665	(14,912)	17,892	881,008
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	(13,048)	404,210	-	-
(Over)/underprovided in prior year	(24,351)	136,843	7,000	-
	(37,399)	541,053	7,000	-
	114,266	526,141	24,892	881,008

Income tax is calculated at the Malaysian statutory tax rate of 20% to 28% (2005: 20% to 28%) of the estimated assessable profit for the year.

Notes to the Financial Statements

30 April 2006 (cont'd)

MAGNI-TECH INDUSTRIES BERHAD
(522585-V)
Annual Report 06

45

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	
	2006 RM	2005 RM Restated	2006 RM	2005 RM
Profit before taxation	1,282,389	1,433,697	2,027,503	2,995,807
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	359,069	401,435	567,701	838,826
Tax savings of 8% for first RM500,000 (2005: RM500,000) of chargeable income	(132,571)	(120,057)	-	-
Income not subject to tax	(110,190)	-	(586,181)	-
Expenses not deductible for tax purposes	480,433	485,430	38,480	41,611
Utilisation of previously unrecognised unutilised reinvestment allowances	(338,411)	(245,998)	-	-
(Over)/underprovision of deferred tax in prior year	(24,351)	136,843	7,000	-
(Over)/under provision of income tax in prior year	(119,713)	(131,512)	(2,108)	571
Tax expense for the year	114,266	526,141	24,892	881,008

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	
	2006	2005 Restated
Net profit for the year (RM)	1,168,675	907,767
Weighted average number of ordinary shares in issue	61,575,000	61,572,708
Basic earnings per share (sen)	1.9	1.5

Notes to the Financial Statements

30 April 2006 (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	
	2006	2005 Restated
Net profit for the year (RM)	1,168,675	907,767
Weighted average number of ordinary shares in issue	61,575,000	61,572,708
Effect of dilution:		
Share options	28,520	71,381
Adjusted weighted average number of ordinary shares in issue and issuable	61,603,520	61,644,089
Diluted earnings per share (sen)	1.9	1.5

10. DIVIDEND

GROUP AND COMPANY	Amount		Net Dividend per Share	
	2006 RM	2005 RM	2006 Sen	2005 Sen
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
In respect of financial year ended 30 April 2005: First and final dividend of 5% less 28% taxation, paid on 10 October 2005	2,216,700	-	3.6	-
	<u>2,216,700</u>	<u>2,216,592</u>	<u>3.6</u>	<u>3.6</u>

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the financial year ended 30 April 2006, of 2% on 61,575,000 ordinary shares, amounting to a dividend payable of RM1,231,500 (2 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 2007.

Notes to the Financial Statements

30 April 2006 (cont'd)

MAGNI-TECH INDUSTRIES BERHAD
(522585-V)
Annual Report 06

47

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
Cost/Valuation						
At 1 May 2005	8,255,954	13,211,320	57,773,947	3,591,358	4,761,762	87,594,341
Additions	-	12,690	1,641,583	238,199	220,060	2,112,532
Disposals	-	-	(19,262)	(10,218)	(116,000)	(145,480)
Write off	-	-	(435,686)	(118,924)	-	(554,610)
At 30 April 2006	8,255,954	13,224,010	58,960,582	3,700,415	4,865,822	89,006,783
Representing:						
At cost	6,115,954	13,224,010	55,932,337	3,694,705	4,857,822	83,824,828
At valuation	2,140,000	-	3,028,245	5,710	8,000	5,181,955
	8,255,954	13,224,010	58,960,582	3,700,415	4,865,822	89,006,783
Accumulated Depreciation						
At 1 May 2005	2,003,429	2,528,496	29,049,492	2,467,274	3,006,738	39,055,429
Depreciation charge for the year (Note 4)	164,695	181,786	2,838,614	229,749	646,055	4,060,899
Disposals	-	-	(9,506)	(4,423)	(115,999)	(129,928)
Write off	-	-	(207,451)	(87,510)	-	(294,961)
At 30 April 2006	2,168,124	2,710,282	31,671,149	2,605,090	3,536,794	42,691,439
Net Book Value						
At 30 April 2006						
At cost	4,620,111	10,513,728	26,961,897	1,095,325	1,329,028	44,520,089
At valuation	1,467,719	-	327,536	-	-	1,795,255
	6,087,830	10,513,728	27,289,433	1,095,325	1,329,028	46,315,344
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
Details at 1 May 2004						
Cost	6,115,954	13,211,320	54,745,702	3,585,648	4,753,762	82,412,386
Valuation	2,140,000	-	3,028,245	5,710	8,000	5,181,955
Accumulated depreciation	1,838,736	2,349,016	26,324,321	2,205,368	2,735,721	35,453,162
Depreciation charge for 2005 (Note 4)	164,693	179,480	2,814,583	283,590	704,364	4,146,710

Notes to the Financial Statements

30 April 2006 (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
Cost/Valuation				
At 1 May 2005 and 30 April 2006	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	8,255,954
Accumulated Depreciation				
At 1 May 2005	126,671	84,619	1,792,139	2,003,429
Depreciation charge for the year	7,739	5,381	151,575	164,695
At 30 April 2006	134,410	90,000	1,943,714	2,168,124
Net Book Value				
At 30 April 2006				
At cost	102,071	227,252	4,290,788	4,620,111
At valuation	393,519	-	1,074,200	1,467,719
	495,590	227,252	5,364,988	6,087,830
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
Details at 1 May 2004				
Cost	130,000	317,252	5,668,702	6,115,954
Valuation	500,000	-	1,640,000	2,140,000
Accumulated depreciation	118,933	79,238	1,640,565	1,838,736
Depreciation charge for 2005	7,738	5,381	151,574	164,693

Notes to the Financial Statements

30 April 2006 (cont'd)

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

COMPANY	Office equipment and renovation RM	Motor vehicles RM	Total RM
Cost			
At 1 May 2005	248,579	523,099	771,678
Additions	500	-	500
At 30 April 2006	249,079	523,099	772,178
Accumulated Depreciation			
At 1 May 2005	111,015	215,406	326,421
Depreciation charge for the year (Note 4)	49,489	89,507	138,996
At 30 April 2006	160,504	304,913	465,417
Net Book Value			
At 30 April 2006	88,575	218,186	306,761
At 30 April 2005	137,564	307,693	445,257
Details at 1 May 2004			
Cost	249,863	523,099	772,962
Accumulated depreciation	69,115	110,790	179,905
Depreciation charge for 2005 (Note 4)	48,928	104,616	153,544

- (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:

	2006 RM	2005 RM
Long term leasehold land and buildings	864,886	898,646
Plant and machinery, electrical and piping installations	1	1
Office furniture, fittings, equipment and renovation	1	1
Motor vehicles	1	1
	864,889	898,649

- (b) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM3,601,600 (2005: RM3,747,174) and RM103,110 (2005: Nil) respectively.

Notes to the Financial Statements

30 April 2006 (cont'd)

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

- (c) Included in property, plant and equipment of the Group are motor vehicles with net book values of RM437,361 (2005: RM505,437) held under hire purchase and finance lease arrangements.
- (d) As at 30 April 2006, a long term leasehold land and factory building with a total carrying value of RM1,978,702 (2005: RM2,031,665) of a subsidiary are pledged for bank credit facilities granted as disclosed in Note 19.
- (e) As at 30 April 2006, a parcel of freehold land of a subsidiary with net book value of RM100,000 (2005: RM100,000) is in the process of being transferred to the name of the subsidiary.

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2006 RM	2005 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
	2006	2005	
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 2006 (cont'd)

MAGNI-TECH INDUSTRIES BERHAD
(INCORPORATED IN MALAYSIA)
Annual Report 06

51

13. INVESTMENT IN AN ASSOCIATE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, in Malaysia at cost	4,900,000	4,900,000	4,900,000	4,900,000
Share of post-acquisition reserves	(2,082,359)	(1,073,774)	-	-
	<u>2,817,641</u>	<u>3,826,226</u>	<u>4,900,000</u>	<u>4,900,000</u>

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

	GROUP	
	2006 RM	2005 RM
Share of net assets	1,279,622	2,199,900
Goodwill on acquisition	1,766,146	1,766,146
	<u>3,045,768</u>	<u>3,966,046</u>
Accumulated amortisation	(228,127)	(139,820)
	<u>2,817,641</u>	<u>3,826,226</u>
Share of commitments (Note 27):		
- Operating lease commitments	<u>32,483</u>	<u>15,088</u>

Details of the associate are as follows:

Name of Associate	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2006	2005	
GPS Tech Solutions Sdn. Bhd. (formerly known as OTC Security Solutions Sdn. Bhd.)	Malaysia	30	30	Designing, developing and marketing of global positioning system products.

Notes to the Financial Statements

30 April 2006 (cont'd)

14. OTHER INVESTMENTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Quoted shares in Malaysia, at cost	1,164,738	1,164,738	-	-
Market value of quoted shares	519,932	381,568	-	-

The carrying amount of the 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	
	2006 RM	2005 RM
Cost:		
Raw materials	12,786,391	13,508,707
Work-in-progress	1,058,771	878,817
Finished goods	3,019,796	2,537,947
Consumables, tools and spare parts	657,694	787,280
	<u>17,522,652</u>	<u>17,712,751</u>

16. TRADE RECEIVABLES

	GROUP	
	2006 RM	2005 RM
Trade receivables	26,252,758	26,132,208
Provision for doubtful debts	(932,011)	(1,032,011)
	<u>25,320,747</u>	<u>25,100,197</u>

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	
	2006 RM	2005 RM
Pen'ads (M) Sendirian Berhad	2,041	3,749
South Island Garment Sdn. Bhd.	78,192	390,383
Yong Guan Heng & Co. Sdn. Bhd.	593,437	190,541
Industrial Adhesives Nitta Inc. Sdn.Bhd.	-	1,811
	<u>673,670</u>	<u>586,484</u>

Notes to the Financial Statements

30 April 2006 (cont'd)

16. TRADE RECEIVABLES (cont'd)

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

The Group's normal trade credit terms range 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	
	2006 RM	2005 RM	2006 RM	2005 RM
Due from subsidiaries:				
- South Island Plastics Sdn. Bhd.	-	-	8,338,075	8,112,843
- South Island Packaging (Penang) Sdn. Bhd.	-	-	7,242,835	7,201,435
- Inter-Pacific Packaging Sdn. Bhd.	-	-	13,629,550	14,990,030
Tax recoverable	1,319,941	950,992	34,808	41,708
Deposits	102,298	103,428	5,675	5,075
Share application monies	970,000	-	970,000	-
Prepayments	868,665	279,365	358,914	645
Sundry receivables	484,029	397,281	-	-
	<u>3,744,933</u>	<u>1,731,066</u>	<u>30,579,857</u>	<u>30,351,736</u>
Non-current portion, classified as non-current assets	-	-	-	(1,000,000)
Current portion, classified as current assets	<u>3,744,933</u>	<u>1,731,066</u>	<u>30,579,857</u>	<u>29,351,736</u>

Non-current portion in the previous financial year 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.

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

The share application monies relate to the subscription of 970,000 new ordinary shares of RM1.00 in the associate GPS Tech Solutions Sdn. Bhd. (formerly known as OTC Security Solutions Sdn. Bhd.) for a total cash consideration of RM970,000 as disclosed in Note 31(b). The acquisition was completed subsequent to year end.

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 2006, the Company has significant exposure to three (3) debtors, which constitutes approximately 96% of the other receivables as at year end. This refers to the amounts due from its subsidiaries.

Notes to the Financial Statements

30 April 2006 (cont'd)

18. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Cash on hand and at banks	373,520	928,541	59,964	198,463
Fixed deposits with licensed banks	262,457	432,384	262,457	432,384
	<u>635,977</u>	<u>1,360,925</u>	<u>322,421</u>	<u>630,847</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	
	2006 %	2005 %	2006	2005
GROUP AND COMPANY				
Fixed deposits with licensed banks	2.50	3.00	30 days	30 days

19. BORROWINGS

	GROUP	
	2006 RM	2005 RM
Short Term Borrowings		
Secured:		
Bankers' acceptance	131,000	-
Hire purchase payables (Note 20)	106,858	226,668
	<u>237,858</u>	<u>226,668</u>
Unsecured:		
Bank overdrafts	336,069	-
Revolving credits	500,000	500,000
Bankers' acceptances	1,553,519	712,000
Term loan	293,331	185,638
	<u>2,682,919</u>	<u>1,397,638</u>
	<u>2,920,777</u>	<u>1,624,306</u>

Notes to the Financial Statements

30 April 2006 (cont'd)

19. BORROWINGS (cont'd)

Long Term Borrowings

	GROUP	
	2006 RM	2005 RM
Secured:		
Hire purchase payables (Note 20)	66,178	75,552
Unsecured:		
Term loans	741,643	596,026
	<u>807,821</u>	<u>671,578</u>
Total Borrowings		
Bank overdrafts	336,069	-
Revolving credits	500,000	500,000
Bankers' acceptances	1,684,519	712,000
Term loans	1,034,974	781,664
Hire purchase payables (Note 20)	173,036	302,220
	<u>3,728,598</u>	<u>2,295,884</u>
Maturity of borrowings (excluding hire purchase payables):		
Within one year	2,813,919	1,397,638
More than 1 year and less than 2 years	741,643	196,554
More than 2 years and less than 5 years	-	399,472
	<u>3,555,562</u>	<u>1,993,664</u>

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

	GROUP	
	2006 %	2005 %
Bank overdrafts	7.68	-
Revolving credits	5.04	4.15
Bankers' acceptances	3.45-4.88	3.85 - 3.95
Term loans	5.88	6.23

The bank borrowings of the Group are secured by ;

- (i) a corporate guarantee by the Company;
- (ii) a negative pledge over the entire fixed and floating assets of the subsidiaries;
- (iii) long term leasehold and buildings of a subsidiary as disclosed in Note 11; and
- (iv) personal guarantees by directors of a subsidiary.

Notes to the Financial Statements

30 April 2006 (cont'd)

20. HIRE PURCHASE PAYABLES

	GROUP	
	2006 RM	2005 RM
Minimum hire purchase payments:		
Not later than 1 year	114,338	249,108
Later than 1 year and not later than 2 years	76,270	83,034
	190,608	332,142
Less: Future finance charges	(17,572)	(29,922)
Present value of finance lease liabilities	173,036	302,220
Present value of hire purchase liabilities:		
Not later than 1 year	106,858	226,668
Later than 1 year and not later than 2 years	66,178	75,552
	173,036	302,220
Analysed as:		
Due within 12 months (Note 19)	106,858	226,668
Due after 12 months (Note 19)	66,178	75,552
	173,036	302,220

The hire purchase payables bore interest rates of between 6.23% to 6.70% (2005: 6.23%) per annum.

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:

GROUP	2006 RM	2005 RM
Induscor Supplies (M) Sdn. Bhd.	24,227	10,925
Industrial Adhesives Nitta Inc. Sdn. Bhd.	32,804	48,314
	57,031	59,239

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.

Notes to the Financial Statements

30 April 2006 (cont'd)

22. OTHER PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Accruals	1,031,880	1,483,993	8,400	8,400
Sundry payables	1,171,891	1,229,118	38,335	50,047
	<u>2,203,771</u>	<u>2,713,111</u>	<u>46,735</u>	<u>58,447</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:

GROUP	2006 RM	2005 RM
Pen'ads (M) Sendirian Berhad	300	1,708
South Island Garment Sdn. Bhd.	87,775	178,070
	<u>88,075</u>	<u>179,778</u>

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

23. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2006	2005	2006 RM	2005 RM
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid				
At 1 May	61,575,000	61,568,000	61,575,000	61,568,000
Issued during the year:				
Pursuant to ESOS	-	7,000	-	7,000
At 30 April	<u>61,575,000</u>	<u>61,575,000</u>	<u>61,575,000</u>	<u>61,575,000</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 10 years from the date of implementation.

23. SHARE CAPITAL (cont'd)**Employee Share Options Scheme ("ESOS") (cont'd)**

During the financial year, on 29 December 2005, the Company announced its proposal to make amendments to certain provisions of the bye-laws of the ESOS. The Company has now proposed to include the participation of the Non-Executive Directors of the Company and its subsidiaries (other than dormant subsidiaries) in its ESOS. Pursuant to this, the Company has also proposed to amend certain clauses in the Articles of Association ("AA") of the Company.

The above proposals are subject to the approval of the shareholders of the Company at the forthcoming extraordinary general meeting to be held on 8 August 2006.

The main features of the ESOS of the Company 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 ten 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 ten 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.
- (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.

Notes to the Financial Statements

30 April 2006 (cont'd)

23. SHARE CAPITAL (cont'd)

Employee Share Options Scheme ("ESOS") (cont'd)

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
2006					
18 July 2001	17 July 2011	1.00	385,500	-	385,500
2005					
18 July 2001	17 July 2011	1.00	392,500	7,000	385,500

Details of share options exercised in the previous financial year at the exercise date and the ordinary shares issued are as follows:

Exercise Date	Exercise price RM	Number of Share Options	Consideration Received RM
2005			
May 2004 - January 2005	1.00	7,000	7,000

There were no share options exercised during and subsequent to the end of the financial year.

24. RETAINED PROFITS

As at 30 April 2006, the Company has tax exempt profits available for distribution of approximately RM3,300,000 (2005: 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 2006.

25. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS

In prior years, the Group recognised deferred tax assets on unutilised reinvestment allowances as required by FRS112²⁰⁰⁴ Income Taxes. During the current year, the Group changed its accounting policy and accordingly, deferred tax assets on unutilised reinvestment allowances are no longer recognised.

Notes to the Financial Statements

30 April 2006 (cont'd)

25. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS (cont'd)

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of the change in accounting policy are as follows:

	GROUP 2005 RM
Effects on retained profits:	
At 1 May, as previously stated	18,157,766
Effect of change in accounting policy	(154,261)
	<hr/>
At 1 May, as restated	18,003,505
	<hr/>
Effects on net profit for the year:	
Net profit before change in accounting policy	1,062,028
Effect of change in accounting policy	(154,261)
	<hr/>
Net profit for the year	907,767
	<hr/>

Comparative amounts of the Group as at 30 April 2005 have been restated as follow:

	Previously stated RM	Adjustments RM	Restated RM
Income Statements			
Taxation	(371,880)	(154,261)	(526,141)
	<hr/>		<hr/>
Balance Sheets			
Deferred tax liabilities	6,385,087	154,261	6,539,348
	<hr/>		<hr/>

26. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2006 RM	2005 RM Restated	2006 RM	2005 RM
At 1 May	6,539,348	5,998,295	-	-
Recognised in income statement (Note 8)	(37,399)	541,053	7,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April	6,501,949	6,539,348	7,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

30 April 2006 (cont'd)

26. DEFERRED TAX LIABILITIES (cont'd)

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	Unabsorbed Capital Allowance RM	Others RM	Total RM
At 1 May 2005 (restated)	6,785,698	(212,000)	-	-	(34,350)	6,539,348
Recognised in income statement	41,262	22,000	-	(99,000)	(1,661)	(37,399)
At 30 April 2006	6,826,960	(190,000)	-	(99,000)	(36,011)	6,501,949
At 1 May 2004	6,550,002	(512,807)	-	-	(38,900)	5,998,295
Recognised in income statement	235,696	300,807	(154,261)	-	4,550	386,792
At 30 April 2005	6,785,698	(212,000)	(154,261)	-	(34,350)	6,385,087
Prior year adjustment	-	-	154,261	-	-	154,261
At 30 April 2005 (restated)	6,785,698	(212,000)	-	-	(34,350)	6,539,348

Tax losses are analysed as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward from previous years	-	-	16,327	-
Unutilised tax losses carried forward	-	-	-	16,327

As at 30 April 2006, the Group has unused reinvestment allowances carried forward amounting to approximately RM4,854,000 (2005: RM4,610,000) which can be used to offset against future taxable profits.

Notes to the Financial Statements

30 April 2006 (cont'd)

27. COMMITMENTS

(i) Operating Lease Commitments

	GROUP	
	2006 RM	2005 RM
Future minimum rentals payable: Payable within one year	216,740	17,665
Share of operating lease commitments of associate (Note 13): Payable within one year	19,986	14,728
Later than 1 year and not later than 5 years	12,497	360
	32,483	15,088

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	
	2006 RM	2005 RM
Capital expenditure:		
Approved and contracted for: Property, plant and equipment	121,785	-

28. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2006 RM	2005 RM
Corporate guarantees given for banking facilities granted to subsidiaries	5,024,833	3,998,106

Notes to the Financial Statements

30 April 2006 (cont'd)

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of finished goods and services to:				
Induscor Supplies (M) Sdn. Bhd.	1,576	1,498	-	-
Industrial Adhesives Nitta Inc. Sdn. Bhd.	2,240	5,027	-	-
South Island Building Sdn. Bhd.	16,349	9,475	-	-
South Island Garment Sdn. Bhd.	410,675	790,758	-	-
Yong Guan Heng & Co. Sdn. Bhd.	1,436,296	1,004,952	-	-
Purchase of goods and services from:				
Induscor Supplies (M) Sdn. Bhd.	178,195	126,478	-	-
Industrial Adhesives Nitta Inc. Sdn. Bhd.	176,309	200,970	-	-
Pen'ads (M) Sendirian Berhad	7,701	20,678	3,733	4,585
South Island Garment Sdn. Bhd.	26,216	-	-	-
Rental of premises paid and payable to:				
KP Holdings 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	-	-
Gross dividends from subsidiaries	-	-	2,093,503	3,126,202
Management fees from subsidiaries	-	-	636,000	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.

30. 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.

31. OTHER SIGNIFICANT EVENTS

During the financial year,

- (a) on 29 December 2005, the Company has entered into a Conditional Share Sale agreement ("SSA") with Dewangsa Holdings Sdn. Bhd. ("DHSB"), a company incorporated in Malaysia, for the acquisition of 20,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid up share capital of South Island Garment Sdn. Bhd. ("SIG"), a company incorporated in Malaysia, for a total purchase consideration of RM42,000,000. The purchase consideration is to be satisfied by the issuance of 42,000,000 new ordinary shares of the Company at an issue price of RM1.00 per share.

In accordance with the SSA, the 42,000,000 new shares of the Company which are to be allotted and issued pursuant to the Proposed Acquisition shall be issued directly in the following manner:

- (i) 4,441,652 new shares of the Company to be allotted to certain creditors of DHSB ("Creditors"), as full or part settlement of the amount owing by DHSB to the Creditors.
- (ii) 37,558,348 new shares of the Company to Berjaya Soutex Sdn Bhd ("BSoutex") and KP Holdings Sdn. Bhd. ("KP Holdings") based on their respective effective equity interest in DHSB. BSoutex and KP Holdings are both companies incorporated in Malaysia and are corporate shareholders of DHSB. BSoutex and KP Holdings will be allotted 22,535,009 and 15,023,339 new shares of the Company respectively.

KP Holdings is a company in which certain directors of the Company, i.e. Tan Sri Dato' Tan Kok Ping, Tan Poay Seng, Tan Kok Aun and Chang Chuen Hwa have interests or are deemed interested by virtue of their family relationship.

The proposed acquisition has been approved by the relevant authorities. However, it is subject to the approval of shareholders of the Company at the forthcoming extraordinary general meeting to be held on 8 August 2006.

- (b) on 24 August 2005, the associate of the Company, OTC Security Solutions Sdn. Bhd. changed its name to GPS Tech Solutions Sdn. Bhd. ("GPS Tech"). Subsequent to year end, GPS Tech has increased its issued and paid up share capital from RM12,000,000 to RM14,400,000 by the issuance of 2,400,000 new ordinary shares of RM1.00 each amounting to RM2,400,000. The Company has further subscribed for an additional 970,000 new ordinary shares of RM1.00 in the associate for a cash consideration of RM970,000 which was paid during the financial year as noted in Note 17. The new shares were allotted to the Company subsequent to year end on 2 May 2006. As a result of this acquisition, the Company's effective equity interest in GPS Tech has subsequently increased from 30% to 31.74%.

32. 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.

32. FINANCIAL INSTRUMENTS (cont'd)

(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 2006. 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.

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

Functional Currency of Group Companies:	Financial Assets Held in Non-Functional Currency		
	United States Dollar RM	Singapore Dollar RM	Total RM
At 30 April 2006:			
Ringgit Malaysia Trade Receivables	280,395	7,555	287,950
At 30 April 2005:			
Ringgit Malaysia Trade Receivables	351,811	26,629	378,440

(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.

32. FINANCIAL INSTRUMENTS (cont'd)

(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 2006, 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.

(f) Fair Values

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 2006:					
Quoted shares	14	1,164,738	519,932	-	-
Due from subsidiaries	17	-	-	29,210,460	#
At 30 April 2005:					
Quoted shares	14	1,164,738	381,568	-	-
Due from subsidiaries	17	-	-	30,304,308	#
Financial Liabilities					
At 30 April 2006:					
Hire purchase payables	20	173,036	148,178	-	-
At 30 April 2005:					
Hire purchase payables	20	302,220	353,983	-	-

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.

32. FINANCIAL INSTRUMENTS (cont'd)

(f) Fair Values (cont'd)

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			
		Nominal Amount		Fair Value	
		2006 RM	2005 RM	2006 RM	2005 RM
Contingent liabilities	28	5,024,833	3,998,106	5,024,833	3,998,106

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.

33. 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 @30-4-2006 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	16	9,314
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	23	179
	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	16	2,248
	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	10	2,607
	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	6	275
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	26	1,979

(^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 12 September 2006

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. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for A.A. Anthony Securities Sdn Bhd)	4,933,000	8.01
4. A.A. Anthony Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Tan Sri Dato' Tan Kok Ping)	4,230,827	6.87
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 Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Kok Aun)	1,414,800	2.30
8. Tan Kok Pooh	1,293,842	2.10
9. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB for Tekun Asas Sdn Bhd) (PB)	1,250,000	2.03
10. Tan Poay Seng	1,112,762	1.81
11. Tiah Thee Seng	1,000,600	1.63
12. Heah Theare Haw	1,000,000	1.62
13. South Island Holdings Sdn. Bhd.	699,940	1.14
14. South Island Development Company Sdn. Berhad	682,300	1.11
15. Tan Kim Chai	598,300	0.97
16. Lembaga Tabung Angkatan Tentera	535,500	0.87
17. Leading Builders Sdn Bhd	500,000	0.81
18. Roger Chan Wan Chung	500,000	0.81
19. South Island Building Sdn Bhd	500,000	0.81
20. PM Nominees (Tempatan) Sdn Bhd (Pledged securities account for Khor Teng Tong Holdings Sdn Bhd)	500,000	0.81
21. Hiap Tatt Credit Sendirian Berhad	450,000	0.73
22. HLB Nominees (Tempatan) Sdn Bhd (Pledged securities account for Yeoh Cheng Hooi)	450,000	0.73
23. AllianceGroup Nominees (Tempatan) Sdn Bhd (Alliance Capital Asset Management Sdn Bhd for Ooi Tong Sun)	416,000	0.68
24. Tan Chuen Yong	400,000	0.65
25. HLG Nominee (Tempatan) Sdn Bhd (Pledged securities account for Ta Kin Yan)	399,900	0.65
26. Seow Siew Chin	396,500	0.64
27. Tan Poh Heng	391,600	0.64
28. Tan Su Chin	366,223	0.59
29. Ambank (M) Berhad (Pledged securities account for Ta Kin Yan)	335,000	0.54
30. Lim Hooi Leng	307,500	0.50
Total	41,461,101	67.33

Substantial Shareholders as at 12 September 2006 excluding Bare Trustee

	Direct	%	Deemed	%
	No. of Shares	Shareholding	No. of Shares	Shareholding
Tan Sri Dato' Tan Kok Ping	14,763,827	23.98	-	-
Dato' Kamarudin bin Jaffar	7,209,007	11.71	-	-

Directors' Shareholdings

as at 12 September 2006

Name	Direct		Deemed		No of Unexercised ESOS Option
	No. of Shares	% Shareholding	No. of Shares	% Shareholding	
Tan Sri Dato' Tan Kok Ping	14,763,827	23.98	-	-	500
Tan Poay Seng	1,112,762	1.81	-	-	500
Tan Kok Aun	1,631,981	2.65	-	-	22,500
Ahmad Fizri bin Abu Bakar	3,905	0.01	-	-	25,000
Lee Koong Chen @ Lee Kong Chew	99,900	0.16	-	-	16,500
Chang Chuen Hwa	165,561	0.27	-	-	16,500
H'ng Cheok Seng	15,000	0.02	-	-	25,000
Datuk Noor Zahidi bin Omar	10,500	0.02	-	-	25,000
Abdul Jalil bin Ismail	-	-	-	-	25,000

ANALYSIS OF SHAREHOLDINGS as at 12 September 2006

Authorised share capital	:	RM500,000,000
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	% Shareholding	No. of Shares	% Shareholding
1 - 99	6	0.21	202	0.00
100 – 1,000	332	11.60	304,288	0.50
1,001 – 10,000	2,159	75.44	6,602,898	10.72
10,001 – 100,000	312	10.90	9,127,929	14.82
100,001 – 3,078,749	49	1.71	23,566,849	38.27
3,078,750 – and above	4	0.14	21,972,834	35.69
Total	2,862	100.00	61,575,000	100.00

Location of Shareholders

Malaysia	2,827	98.78	60,190,200	97.75
Denmark	1	0.03	1,000	0.00
Indonesia	1	0.03	4,500	0.01
India	1	0.03	1,000	0.00
Permanent Resident of Malaysia	13	0.45	923,500	1.50
Singapore	7	0.24	26,900	0.04
Taiwan	1	0.04	20,000	0.03
United States of America	1	0.04	12,000	0.02
Virgin Islands	1	0.04	15,000	0.03
Others	9	0.32	380,900	0.62
Total	2,862	100.00	61,575,000	100.00

Category of Shareholders

Individual	2,590	90.50	32,023,638	52.01
Banks/Finance Companies	5	0.17	410,000	0.66
Investment Trust/Foundation/Charities	2	0.07	64,000	0.10
Industrial and Commercial Companies	32	1.12	6,291,035	10.22
Government Agencies/Institutions	1	0.03	535,500	0.87
Nominees	232	8.11	22,250,827	36.14
Total	2,862	100.00	61,575,000	100.00

PROXY FORM

MAGNI-TECH INDUSTRIES BERHAD

(122585-V)

Annual Report 06

*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 Ninth 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, 18 October 2006 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 _____, 2006.

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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