



**ADVANCED PACKAGING
TECHNOLOGY (M) BHD.**

(82982-K)

先進包裝工業(馬)有限公司



CERT. NO. 601178

Laporan Tahunan **2008** Annual Report



The Company and Its Business

Advanced Packaging Technology (M) Bhd was incorporated in Malaysia under the Companies Act, 1965 on 31 March 1982 as a private limited company under the name of Goyo Corporation (M) Sdn Bhd. The Company subsequently changed its name to Advanced Packaging Technology (M) Sdn Bhd on 09 June 1982 and was converted to a public company on 27 May 1993. It was listed on the Second Board of the Bursa Malaysia Securities Berhad on 27 May 1994.

An ISO 9001 certified company, Advanced Packaging Technology (M) Bhd is principally engaged in the manufacturing and distribution of flexible packaging materials. The Company commenced operations in April 1985 at its present location at the Bangi Industrial Estate, Selangor Darul Ehsan. Its office, factory and warehouse is sited on a 8,903 square meter ("sq m") 99-year leasehold land.

The Company produces high-quality flexible packaging materials catering to a wide cross-section of industries in both the local and overseas markets such as snack foods, instant noodles, sweets and confectionery, liquid condiments, frozen foods, spices, beverages, medical/ surgical products and pharmaceuticals, among others. Our range of flexible packaging material comprises both single and multi-layers that carry appealing designs. Through close consultation with clients, we tailor-make our products according to their precise specification and design in both roll and pouch form.

Flexible packaging materials are generally made of a composite of various base films, papers or foil which are laminated so that the resultant laminates have more enhanced properties than its original substrates. The basic materials used include oriented polypropylene (OPP) film, cellulosic film, polyester film, nylon film, aluminium foil, metallised films, specialty films, linear low density polyethylene (LLDPE) film, poster paper, polyethylene and polypropylene resin.

Efficient packaging is a must for any product in this modern era. Without it, the brand image and integrity, as well as the quality built into the product during manufacturing and marketing, will be lost when it reaches the consumer. Correct packaging is the principal way of ensuring safe delivery of the product to the end-user in good condition at an economic cost. At Advanced Packaging Technology (M) Bhd, we use our specialised knowledge and skills, as well as specific machinery and facilities to deliver excellence in quality and service to each client.

In the pursuit of our commitment in quality, the Company's Quality Management System was first assessed by Zurich Certification Limited, United Kingdom and found to comply with BS EN ISO 9002:1994 standard and the certificate of registration was issued on 8 December 2000. The Quality Management System was subsequently upgraded and certified to BS EN ISO 9001:2000 by Independent European Certification Limited, United Kingdom on 21 December 2003 and it was revised on 30 January 2007. The certification scope covers "Design, Manufacturing and Supply of Flexible Packaging Materials and Blown Film".

Advanced Packaging Technology (M) Bhd currently also produces linear low density polyethylene (LLDPE) film mainly for its internal consumption.

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of Advanced Packaging Technology (M) Bhd (“the Company”) will be convened and held at Hotel Equatorial Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Thursday, 25 June 2009 at 10.30 a.m. to transact the following items of business :-

AGENDA

As Ordinary Business

1. To receive the Statutory Financial Statements for the year ended 31 December 2008 together with the Directors’ and Auditors’ Reports thereon. **Resolution 1**
2. To approve the payment of a tax exempt final dividend of 4.5% for the year ended 31 December 2008. **Resolution 2**
3. To approve the payment of Directors’ Fees of RM108,000.00 for the year ended 31 December 2008. **Resolution 3**
4. To re-elect the following Directors who retire in accordance with Article 80 of the Company’s Articles of Association:-
 - (a) Mr Eu Hock Seng; and **Resolution 4**
 - (b) Dato’ Haji Ghazali b. Mat Ariff. **Resolution 5**
5. To re-appoint the following Directors pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the next Annual General Meeting of the Company:-
 - (a) Mr Chee Sam Fatt; **Resolution 6**
 - (b) Dato’ Law Sah Lim; and **Resolution 7**
 - (c) Datuk Ismail bin Haji Ahmad. **Resolution 8**
6. To re-appoint Messrs PKF as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 9**

As Special Business

7. To consider and if though fit, to pass the following ordinary resolution:- **Resolution 10**

Proposed Renewal Of Authority For Share Buy-Back

“THAT subject to the Companies Act, 1965 (“the Act”), the Memorandum and Articles of Association of the Company, Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to renew the approval granted by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 26 June 2008, authorising the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company (“Proposed Share Buy-Back”) 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 of the Company may deem fit and expedient in the interest of the Company and an amount not exceeding the retained profits of the Company, be allocated by the Company for the Proposed Share Buy Back. The audited retained profits of the Company stood at RM14,299,476 for the financial year ended 31 December 2008.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors be and are hereby authorised to cancel such shares or retain such shares as the treasury shares or a combination of both. The Directors are further authorised to resell the treasury shares on Bursa Securities or distribute the treasury shares as dividends to the shareholders of the Company or subsequently cancel the treasury shares or any combination of the three (3) and in any other manner as prescribed by

Notice of Annual General Meeting (cont'd)

the Act, rules and regulations and orders made pursuant to the Act and requirements of Bursa Securities and any other relevant authority for the time being in force.

AND FURTHER THAT the Directors be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors may deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

8. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that, subject to the approval of the shareholders, a tax exempt final dividend of 4.5% in respect of the financial year ended 31 December 2008 will be paid on 15 July 2009 to shareholders whose names appear in the Company's Record of Depositors on 3 July 2009.

A Depositor shall qualify for the entitlement only in respect of :-

- a) Shares transferred into the Depositor's securities account before 4.00 p.m. on 3 July 2009 in respect of ordinary transfers; and
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

SEE SIEW CHENG
LEONG SHIAK WAN
Joint Company Secretaries

Kuala Lumpur
2 June 2009

NOTES:

1. A member of the Company entitled to attend and vote at this meeting may appoint a maximum of two proxies to vote in his stead. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (but not more than two) in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office not less than forty-eight hours before the time appointed for holding the meeting or any adjournment thereof.
5. The Resolution 10, if approved, will empower the Directors of the Company to purchase and/or hold up to a maximum of ten percent (10%) of the issued and paid-up share capital of the Company at any point of time, by utilising the funds allocated which shall not exceed the total retained profits of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier. Further information on this proposed Ordinary Resolution is set out in the Circular to Shareholders dated 2 June 2009.

Statement Accompanying The Notice of Annual General Meeting

1) NAMES OF DIRECTORS STANDING FOR RE-ELECTION

The names of the Directors standing for re-election at the forthcoming Twenty-Seventh Annual General Meeting are as follows:-

Under Article 80 of the Company's Articles of Association

- a) Eu Hock Seng
- b) Dato' Haji Ghazali b. Mat Ariff

Under Section 129(6) of the Companies Act, 1965

- a) Chee Sam Fatt
- b) Dato' Law Sah Lim
- c) Datuk Ismail bin Haji Ahmad

2) DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

The number of Board of Directors' Meetings held and attendance by directors during the financial year ended 31 December 2008 are as follows:-

| NAME OF DIRECTORS | NUMBER OF MEETINGS HELD | NUMBER OF MEETINGS ATTENDED |
|---------------------------------|-------------------------|-----------------------------|
| Chee Sam Fatt | 4 | 4 |
| Tjin Kiat @ Tan Cheng Keat | 4 | 4 |
| Yeo Tek Ling | 4 | 4 |
| Dato' Law Sah Lim | 4 | 4 |
| Eu Hock Seng | 4 | 3 |
| Ng Choo Tim | 4 | 4 |
| Dato' Haji Ghazali b. Mat Ariff | 4 | 3 |
| Datuk Ismail bin Haji Ahmad | 4 | 4 |
| Mah Siew Seng | 4 | 4 |

3) PLACE, DATE AND HOUR OF THE TWENTY-SEVENTH ANNUAL GENERAL MEETING

The Twenty-Seventh Annual General Meeting of the Company will be held at Hotel Equatorial Bangi-Putrajaya, Off Persiaran Bandar, 43650 Bandar Baru Bangi, Selangor Darul Ehsan on Thursday, 25 June 2009 at 10.30a.m.

4) DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

The details of the directors standing for re-election at the forthcoming Twenty-Seventh Annual General Meeting are set out on pages 6 to 9 of the Annual Report.

Corporate Information

BOARD OF DIRECTORS

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

SECRETARY

Leong Shiak Wan
(Appointed on 1 September 2008)
(MAICSA 7012855)
See Siew Cheng
(Appointed on 1 September 2008)
(MAICSA 7011225)
Goon Kok Keong
(Resigned on 27 February 2009)
(MAICSA 0698849)

AUDITORS

PKF
AF 0911
Chartered Accountants

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Chee Sam Fatt (Chairman)
- Non-Independent Non-Executive Director
Dato' Haji Ghazali b. Mat Ariff (Chairman)
- Independent Non-Executive Director
Mah Siew Seng
- Independent Non-Executive Director

NOMINATION COMMITTEE

Datuk Ismail bin Haji Ahmad (Chairman)
- Non-Independent Non-Executive Director
Eu Hock Seng
- Independent Non-Executive Director
Ng Choo Tim
- Independent Non-Executive Director

REGISTERED OFFICE

10th Floor, Wisma Havela Thakardas
No. 1, Jalan Tiong Nam
Off Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-9195 1688
Fax: 03-9195 1799

REGISTRAR & SHARE TRANSFER OFFICE

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2721 2222
Fax: 03-2721 2530

PRINCIPAL BANKER

CIMB Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Second Board

Directors' Profile

CHEE SAM FATT*

Singaporean

Chairman (Non-Independent Non-Executive Director)

Mr Chee Sam Fatt, aged 73 years, is one of the founder director of the Company. He was appointed to the Board on 31 March 1982. He is currently the Chairman of the Board and the Remuneration Committee.

Mr Chee held directorships in several private limited companies which were involved in construction and building materials, property development, importation and installation of marble, machine joinery works and assembly and retailing of electrical goods.

He does not have any family relationship with any director. He is the husband of Madam Lee Ng Mah @ Lee Wai Chan and father of Mr Chee Chin Tsai who are the substantial shareholders of the Company. He does not have any conflict of interest with the Company and has no record of conviction for any offence within the past ten years. He holds 20,250 ordinary shares in the Company.

TJIN KIAT @ TAN CHENG KEAT

Malaysian

Managing Director (Non-Independent Executive Director)

Aged 70 years, Mr Tan Cheng Keat is one of the founder directors of the Company. He was appointed to the Board on 31 March 1982. On 1 May 1986, he was appointed a full time Executive Director and subsequently served as Managing Director of the Company since his appointment on 29 June 1989.

He is the principal officer of the Company and is responsible for the overall management of the Company's business as well as spearheading its future direction.

He had many years of marketing experience prior to joining the Company. He held various marketing and sales positions which included serving as Sales Manager of Advanced Electronics (M) Sdn Bhd ("AE") for thirteen years. He was appointed as a director of AE in 1980.

Mr Tan does not hold any other directorships in public companies and does not have any family relationship with any director and/or major shareholder of the Company. He is the registered holder of 3,100,178 ordinary shares in the Company. He has not been convicted of any offence in the past ten years and has no conflict of interest with the Company.

YEO TEK LING

Malaysian

Finance Director (Non-Independent Executive Director)

Mr. Yeo Tek Ling, aged 50 years, is a Chartered Management Accountant by profession. He was appointed to the Board on 6 January 1994 and assumed the position of Finance Director in January 1996. He first joined the Company in October 1985 as an Accountant and subsequently became the Finance & Administration Manager and Corporate Planner.

He is primarily overseeing the accounting, financial, taxation, corporate, supply chain and administrative matters of the Company. He also assists the Managing Director in management and other operational matters. Mr. Yeo was instrumental in assisting the Company obtain public listing in 1994 and the ISO9002 certification in year 2000 as well as the subsequent upgrading to ISO 9001:2000 in 2003.

Directors' Profile (cont'd)

Prior to joining the Company, he was attached to Associate Pan Malaysia Cement Sdn Bhd as an Assistant Accountant for three years.

Mr. Yeo is a member of the Malaysian Institute of Accountants (MIA) and the Chartered Institute of Management Accountants (CIMA), U.K. He is currently a council member of MIA and CIMA, Malaysia Division and was a member of the Professional Accountants in Business Committee of the International Federation of Accountants, New York.

He is not a director of any other public companies. He does not have any family relationship with any director and/or major shareholder of the Company. There is no conflict of interest between him and Company and he has not been convicted of any offence within the past ten years. He holds 24,338 ordinary shares in the Company.

DATO' LAW SAH LIM*

Malaysian

Director (Non-Independent Non-Executive Director)

Aged 79 years, Dato' Law Sah Lim is one of the founder directors of the Company and was appointed a Board member on 31 March 1982. He served as Chairman of the Company since his appointment to the Board and resigned on 1 January 2003.

With over four decades of experience in various businesses such as the motor vehicle trade, food manufacturing, sales and assembly of electrical products, leasing, credit and financing, he sits on the Board of several private limited companies. He is not a director of any other public company.

Dato' Law does not have any family relationship with any director of the Company. He is the father-in-law of Mr. Wong Chee Weng who is a substantial shareholder of the Company. He does not have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years. He holds 10,029 ordinary shares of RM1.00 each in the Company.

EU HOCK SENG*

Singaporean

Director (Independent Non-Executive Director)

Mr. Eu Hock Seng, aged 69 years, is a founder director of the Company. He was appointed to the Board on 31 March 1982. He currently serves as a member of the Nomination Committee.

He holds a Bachelor of Science (Electronic Engineering) degree from Waseda University of Japan. He was the Head of Manufacturing Department of Setron (S) Ltd, factory manager of East Coast Electronics Sdn Bhd in Malaysia. He also taught the Japanese language at the Singapore National Trade Union Co-operative.

Mr Eu does not have any family relationship with any director and/or major shareholder of the Company. There is no conflict of interest between him and the Company and he has not been convicted of any offence within the past ten years. He is not a director of any other public companies. He holds 22,421 ordinary shares in the Company.

Directors' Profile (cont'd)

NG CHOO TIM

Malaysian

Director (Independent Non-Executive Director)

Mr Ng Choo Tim, aged 57 years, was appointed to the Board on 29 June 1989. He is a member of the Nomination Committee.

He has been a partner of Syarikat Guan Seng for many years, a company trading in electrical products and furniture.

He does not have any family relationship with any director and / or major shareholder. There is no conflict of interest between him and the Company. He has not been convicted of any offences within the past ten years. He does not hold directorships in any other public companies. He holds 1,296,594 ordinary shares in the Company.

DATUK ISMAIL BIN HAJI AHMAD*

Malaysian

Director (Non-Independent Non-Executive Director)

A Permodalan Nasional Berhad nominee director, Datuk Ismail bin Haji Ahmad, aged 72 years, was appointed to the Board on 30 December 1998. He is the Chairman of the Nomination Committee and a member of the Audit Committee.

He holds a Bachelor of Arts (Hons) degree from the University of Malaya, and a Master degree in Public Policy and Administration from the University of Wisconsin, United States of America. He has attended the Senior Management Programme conducted by the Harvard Business School.

Datuk Ismail joined the Administrative and Diplomatic Service in 1964 and had served in the Prime Minister's Department, Ministry of Home Affairs and Ministry of Primary Industries. He served as the Chief Executive Officer of the Commodities Trading Commission from 1981 to 1995. Datuk Ismail was the Chairman of Bank Muamalat Malaysia Berhad from 1999 to 2004. Currently, he is a non-executive director of Manulife Insurance (M) Berhad and Tracoma Berhad and Group Chairman of Maser (M) Sdn Bhd.

There is no conflict of interest between him and the Company. He has not been convicted of any offence within the past ten years. He does not have any family relationship with any director and/or major shareholder of the Company. He does not hold any shares in the Company.

MAH SIEW SENG

Malaysian

Director (Independent Non-Executive Director)

Mr. Mah Siew Seng, aged 56, is a Chartered Certified Accountant by profession. He was appointed to the Board on 23 March 1994. He is a member of both the Audit Committee and the Remuneration Committee.

He is a member of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Malaysian Institute of Taxation. He practices as a Chartered Accountant in Teluk Intan under the name of Messrs. Mah Siew Seng & Co since 1982.

Mr. Mah does not have any family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company and does not hold any shares in the Company. He has not been convicted of any offence within the past ten years. He does not hold directorships in any other public companies but sits on the Board of several private limited companies.

Directors' Profile (cont'd)

DATO' HAJI GHAZALI BIN MAT ARIFF*

Malaysian

Director (Independent Non-Executive Director)

Dato' Haji Ghazali Bin Mat Ariff, a Malaysian aged 68, is an Independent Non-Executive Director of Advanced Packaging Technology (M) Berhad. He was appointed to the Board on 23 March 1994 and is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Dato' Ghazali is an Advocate and Solicitor. He qualified as a Barrister-at-Law from Lincoln's Inn, London and was called to the English Bar on 21 November 1978. He was admitted as an Advocate & Solicitor of the High Court of Malaya on 27 September 1979. He set up a legal firm under the name of Messrs. Ghazali Ariff & Partners in March 1989 and is currently the Senior Partner of the firm.

From 1979 to 1980 he worked as a legal assistant at Messrs. Nik Hussain, Ibrahim & Abdullah, Kuala Lumpur. Prior to that, he was a college trained teacher at Chung Hwa Confucian High School Penang from 1962 to 1968 and a lecturer at Sultan Hassanah Bolkiah Teachers' Training College Brunei Darussalam from 1968 to 1974.

Apart from Advanced Packaging Technology (M) Bhd, Dato' Ghazali sits on the Board of two public listed companies, namely, Amalgamated Industrial Steel Berhad and Eden Inc Berhad. In September 2007, Dato' Ghazali assumed the position as Chairman of Amalgamated Industrial Steel Berhad. He also sits on the Board of several private limited companies.

Dato' Ghazali is the vice president of Jemaah Dato'- Dato' Perlis and a member of the Board of Trustees of Yayasan Pahlawan Perlis. He was appointed as a Commissioner for Oaths from 1995 till 2005. From September 1995 to December 1999, he was the Honorary Vice Consul of the Republic of Finland in Kuala Lumpur. Dato' Ghazali was also the Honorary Legal Advisor of Malaysia Thai Association from 1999 to 2002.

He has no conflict of interest with the Company and has not been convicted of any offence within the past ten years. He does not have any family relationship with any director and/or major shareholder of the Company. He does not hold any shares in the Company.

Dato' Ghazali attended all four Board meetings held during the financial year ended 31 December 2008.

*Directors standing for re-election

Corporate Social Responsibility Statement

The Directors of Advanced Packaging Technology (M) Bhd acknowledges the importance of playing its role in Corporate Social Responsibility (CSR) and wish to be a socially responsible company. The Company has taken certain steps in playing its role in its CSR towards the community, environment, employees, shareholders and other stakeholders.

The Company's initiatives in fostering CSR is an ongoing commitment and the emphasis is in four areas namely the Workplace, the Community, the Environment and the Marketplace. Some of the activities undertaken in this regard are:

1) The Workplace

Human capital is one of the most valuable asset of any company. The Company has been pro-active in the development of its human capital. Both external and in-house training programmes were provided or conducted on a regular basis to enhance the skill and knowledge of its employees. It believes continuous learning and training will improve competencies and job performance of the employees. The better trained employees will ultimately contribute better results to the Company.

Providing a safe and healthy working condition for employees is always the emphasis of the Company. A Safety and Health Committee was in place to oversee the safety and occupational health issues in the workplace. Protective gears were given to its factory and production staff/workers.

Preventive actions and mitigation measures such as safety briefing and fire drills were conducted on site to enable the employees to better understand certain safety issues and to react in time of emergency.

2) The Community

It has always been the policy of the Company to give priority to provide employment and job opportunities for local people particularly the fresh graduates/school leavers and unskilled workers. This will help the government in the development of human capital. It will also help to overcome the unemployment and reduce social ills of the youth as well as improve the standard of living of the people.

The Company provides certain flexibility for some of its employees in volunteering their time and efforts in serving certain relevant trade and professional organizations.

3) The Environment

The Company acknowledges the importance of preserving the environment on the site in which it operates. Measures were taken to ensure compliance with existing laws and regulations on environment.

The following are some of the initiatives taken by the Company:-

- a) Using licenced contractor for scheduled waste disposal.
- b) Replacing diesel usage with natural gas as fuel for boilers to reduce air pollution.
- c) Recycling of certain discarded raw and processed materials.
- d) Reusing and recycling of pallets, cardboards, paper and stationery.
- e) Setting appropriate temperature for air-conditioners in the office.
- f) Switching off lighting and air-conditioners whenever possible.

4) The Marketplace

The Company operates in the competitive market with good governance and effective management in order to enhance stakeholders' value. It works closely with major customers and suppliers for better partnership which is beneficial to both organizations in the long run for better value creation.

With the ISO 9001 Quality Management System certification, the Company has a competitive edge over those without it to market its products both locally and oversea.

This statement was approved by the Board on 28 April 2009

Statement on Corporate Governance

The Board of Directors ("Board") recognises the importance of good corporate governance in conducting the business and affairs of the Company in order to enhance shareholders' value and the financial performance of the Company whilst taking into account the interest of other stakeholders. Therefore, the Board is committed to the establishment and implementation of a proper and practical framework for governance and controls that are in line with the principles of and best practices in corporate governance as recommended in the Malaysian Code on Corporate Governance ("Code") and the relevant provisions in the Bursa Malaysia Securities Berhad Listing Requirements.

Set out below is the manner in which the Company has applied the principles and the extent of its compliance of Part I of the Code for the financial year ended 31 December 2008.

1.0 BOARD OF DIRECTORS ("BOARD")

1.1 Role and Responsibilities

The Board comprises members with diversified background has the overall responsibility for corporate governance, establishing goals, setting strategic direction, overseeing investments, conduct, operation and execution of the Company's business. It therefore provides leadership, strategic direction and advice to the Company and guides the Company in achieving its objectives. The Board is ultimately responsible for the performance of the Company.

The Directors are also fully aware of the dual role of leadership and control for it to be effective. It is also conscious of the need to practising good corporate governance in the discharge of its stewardship responsibilities to protect the various stakeholders' interest and the Company's assets and to enhance the Company's performance and thereby increase shareholders' value.

Position descriptions and a formal schedule of matters are established to clearly define and segregate the duties and responsibilities of the Board and management. There are no restrictions on directors in obtaining access, where necessary, to independent professional advice at the Company's expense and access to the advice and service of the Company Secretary. Management and the Company Secretary assist the Chairman of the Board and Board Committees in undertaking their responsibility of organizing and ensuring that notices of meetings, agenda papers and other relevant information are supplied on a timely basis and tabled for the Board and Board Committees to function effectively.

1.2 Composition of the Board and Board Balance

The Board does not have any significant shareholder and is of the opinion that there is an appropriate number of directors which fairly reflects the investment in the Company.

It is currently comprising of nine members with two Executive Directors and seven Non-Executive Directors, of whom four are Independent. The Board's composition is in compliance with paragraph 15.02 of the Bursa Malaysia Securities Berhad Listing Requirements which requires at least one third of the Board to comprise of independent directors. There is a balance of executive and non-executive directors in the Board with no individual director dominating decision making at Board meetings. The Board members possess a wide range of skills and varied experience in either business or professional practices and this is crucial to the proper running and success of the Company.

There is a separation of roles and responsibilities of the non-Executive Chairman and the Managing Director to ensure a balance of power and authority. The Chairman provides leadership to the Board and monitors its effectiveness while the Managing Director manages the overall business operation. The executive directors' knowledge of the business operation is complemented by the independent

Statement on Corporate Governance (cont'd)

non-executive directors' objective and unbiased judgment at board deliberations taking into account at all times the best interest of the Company's investors as a whole. The presence of Independent Non-Executive Directors fulfills a pivotal role in corporate governance accountability.

Dato' Haji Ghazali bin Mat Ariff was appointed on 28 May 2002 as the senior independent non-executive director to whom all concerns regarding the Company may be conveyed.

1.3 Board and Committee Meetings

The Chairman is responsible for ensuring that the Board is running effectively. The Board and Audit Committee meet at least four times a year at a quarterly interval with additional meetings convened and held as and when deemed necessary. The Nomination and Remuneration Committee usually meet once a year. Attendance at meetings are detailed in the Statement Accompanying the Notice of Annual General Meeting and the Audit Committee Report.

A schedule of board and committee meetings for the following financial year was prepared in advance by Management at the end of the financial year.

Relevant agenda papers and reports for each meeting are circulated to Directors in advance of the meeting. When requested by the Board or Board Committees, additional information are promptly supplied to enable them to effectively discharge their responsibilities. Certain Senior management staff had been requested to attend the Board or Board Committee meetings when clarification was sought.

Decisions and recommendations of the Audit Committee and other Committees are reported to the Board at the Board's next meeting by its respective Chairman.

1.4 Supply of Information

All members of the Board and Board Committee are provided in advance with the requisite notice, agenda and Board Papers and reports necessary for their review prior to the convening of each meeting. All information and documents are provided in a timely manner to ensure that Directors and Committee members have sufficient time to understand and appreciate issues to be deliberated at the Board or Board Committee meetings.

The Directors have full and unrestricted access to all information pertaining to the Company's business and affairs. No restrictions have been placed upon the directors, individually or as a board, to take independent professional advice at the Company's expense in the furtherance of their duties. All members of the Board have ready and direct access to the advice and services of the Company Secretary. And the Chairman has always received the positive support of the Company Secretary in ensuring the effective functioning of the Board.

Statement on Corporate Governance (cont'd)

1.5 Appointment and Re-election of Directors

The Nomination Committee is responsible for making recommendation for new nominees to the Board and Board committees. It is also responsible for reviewing annually the required mix of skills, experience and competencies of the non-executive directors and assessing individual director's contribution and the effectiveness of the Board as a whole. The Board takes cognizance of the need to monitor and review its size to ensure that the Board's effectiveness is not undermined.

All Directors shall retire by rotation and submit themselves for re-election at least once in every three years in accordance with Article 80 of the Company's Articles of Association. Directors over seventy (70) years old of age are required to submit themselves for re-election annually in accordance with Section 129 (6) of the Companies Act 1965. Details of Directors seeking re-election at the forthcoming Annual General Meeting is set out in the Statement Accompanying the Notice of Annual General Meeting.

1.6 Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme as required by the Bursa Malaysia Securities Berhad. The Directors have also attended various accredited programmes under the Continuous Education Programme (CEP) conducted by various course/training providers and met the prescribed CEP requirements.

The Board recognizes that appropriate training programmes for the Directors will keep them abreast with developments in market place as well as increase their knowledge and understanding of recent developments in laws, regulations and business practices. During the financial year 2008, Directors attended briefing by Company Secretary on areas related to Dealing in Securities and Disclosure of Interest and General Duty to make Disclosure.

Apart from the above, other training programmes, seminars, workshops attended by some of the Directors individually are as follows:-

Mr. Yeo Tek Ling

- i) Applying the Law of Attraction to your life and business: Getting more of what you want and less of what you don't by Michael J. Losier, organized by The Chartered Institute of Management Accountants (CIMA), Malaysia Division;
- ii) ISO 22000 FSMS & GMP workshop by Accelerated Learning System 2000;
- iii) National Accountants Conference 2008 by Malaysian Institute of Accountants

Mr Mah Siew Seng

- i) National Seminar on Taxation 2008 by Inland Revenue Board and Inland Revenue Officers' Union.

2.0 Directors' Remuneration

It is generally agreed that the remuneration of executive directors should be structured to link rewards to corporate and individual performance and that of the non-executive directors be reflective of their expertise and level of responsibilities. Directors' Fees were only paid upon approved by shareholders at the Company's annual general meeting based on the recommendation of the Board. Any changes in Directors' Fees are highlighted in the notice calling for the annual general meeting.

Statement on Corporate Governance (cont'd)

Remuneration package of the executive directors was reviewed by the Remuneration Committee and recommends to the Board of the Directors for approval. It is then decided by the Board without the executive directors' participation in determining their own remuneration.

Set out below are the details of the Directors' remuneration received, receivable and inclusive of the recommended directors' fees in respect of the financial year ended 31 December 2008, distinguishing between Executive and Non-Executive Directors:-

| Category of Remuneration | Executive Directors (RM) | Non-Executive Directors (RM) |
|--------------------------|--------------------------|------------------------------|
| Salary | 324,000.00 | - |
| Fees | 24,000.00 | 84,000.00 |
| Bonus | 105,942.00 | - |
| Benefits-in-kind | 50,750.00 | - |
| EPF & Socso | 85,155.00 | - |
| Others | - | - |
| Total | 589,847.00 | 84,000.00 |

| Band of Remuneration (RM) | Executive | Non-Executive |
|---------------------------|-----------|---------------|
| Below 50,000 | - | 7 |
| 50,001 to 100,000 | - | - |
| 100,001 to 150,000 | - | - |
| 150,001 to 200,000 | 1 | - |
| 200,001 to 250,000 | - | - |
| 250,001 to 300,000 | - | - |
| 300,001 to 350,000 | - | - |
| 350,001 to 400,000 | 1 | - |
| 400,001 to 450,000 | - | - |
| 450,001 to 500,000 | - | - |

In view of the confidentiality and sensitivity of the disclosures, details of individual director's remuneration are not disclosed herewith.

Statement on Corporate Governance (cont'd)

3.0 Board Committees

Three committees namely, the Audit, Nomination and Remuneration Committees had been established by the Board. Duties and responsibilities of these committees are contained in their respective terms of reference. These committees assist the Board in the discharge of its duties by examining issues within their terms of reference and reporting back to the Board with recommendations, recognizing at all times that the Board is the ultimate platform for decision making.

3.1 Audit Committee

The Audit Committee was set up on 23 March 1994 and its terms of reference established and subsequently revised to be in line with the revamped Bursa Malaysia Securities Berhad listing requirements and the Malaysian Code on Corporate Governance. Currently, it comprises of two independent non-executive directors and one non-Independent non-executive director.

Details of its terms of reference, composition and other relevant information and activities are set out in the Audit Committee Report.

3.2 Nomination Committee

The Nomination Committee was established on 27 February 2002 by the Board. It comprises of two independent non-executive directors and one non-independent non-executive director and the members are:-

- (i) Datuk Ismail bin Haji Ahmad (Chairman) (non-independent non-executive director);
- (ii) Mr Eu Hock Seng (independent non-executive director); and
- (iii) Mr Ng Choo Tim (independent non-executive director).

The terms of reference of the Nomination Committee are:-

- (a) to propose new nominees for the board;
- (b) to recommend to the board, candidates for all directorships to be filled by the shareholders or directors;
- (c) to consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within bounds of practicability, by any other senior executive or any director or shareholder;
- (d) to recommend to the board, directors to fill the seats on board committees;
- (e) to assess directors on an ongoing basis.
- (f) to review annually the required mix of skills, experience and other qualities, including core competencies which non-executive directors should bring to the board and submit its recommendations to the board;
- (g) to carry out a process implemented by the board on an annual basis for assessing the effectiveness of the board as a whole, the committees of the board and for assessing the contribution of each individual director

The Nomination Committee met once and attended by all members except Mr. Eu Hock Seng during the year under review.

Statement on Corporate Governance (cont'd)

3.3 Remuneration Committee

The Remuneration Committee was set up on 27 February 2002 and it has two independent non-executive directors and one non-independent non-executive director. It is responsible for recommending to the Board the remuneration of the executive directors in all its forms, and where necessary, draws advice from outside.

Members of the Remuneration Committee are :-

- (i) Mr Chee Sam Fatt (Chairman) (non-independent non-executive director);
- (ii) Dato' Haji Ghazali b. Mat Ariff (independent non-executive director); and
- (iii) Mr Mah Siew Seng (independent non-executive director).

The Remuneration Committee met twice with full attendance during the year under review.

4.0 Relationship With Shareholders

The Company acknowledges the important of maintaining an effective communication channel between the Board, shareholders and the general public through timely dissemination of all material information. The timely release of announcement, quarterly and annual financial results, annual reports, circulars and notices of meetings provides shareholders with regular and updated information of the Company.

Members of the public can obtain the full Annual Report, financial statements and announcements from the Bursa Malaysia Securities Berhad's website. The Company also endeavours to provide appropriate information upon requests by institutional investors, fund managers and analysts and the press.

At the Annual General Meeting, the Board presents the progress and performance of the Company and shareholders are given the opportunity to ask relevant questions pertaining to the Company and its business. This will enable shareholders to gain better insights of the Company's business and operations.

5.0 Accountability and Audit

5.1 Financial Reporting

The Company presents its financial performance on a quarterly basis through public announcement and also provides the financial report on an annual basis for a true, fair, balanced and understandable assessment of the Company's position. The Board is assisted by the Audit Committee in reviewing the quality of its financial reporting.

It's the Board's responsibility in ensuring that the Company's accounting records are properly kept in compliance with the Companies Act, 1965 and approved accounting standards and that the financial statements for the financial year are prepared to reflect a true and fair view of the state of affairs of the Company. A Statement of Directors' Responsibility for the annual audited financial statements is included in this Annual Report.

Statement on Corporate Governance (cont'd)

5.2 Internal Control

The Board acknowledges the important of maintaining a sound system of internal control including financial, operational and compliance controls and risk management to safeguard shareholders' investment and the Company's assets. It is aware of the importance of ongoing monitoring processes and control activities to identify and rectify operational deficiencies and to detect and prevent actual or suspected fraud, and other irregularities and improprieties.

During the year, Internal Audit function was outsourced to Covenant Equity Consulting Sdn Bhd to ensure best practices are adopted in internal control by the Company. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the business operations. This assists the Board /Audit Committee in obtaining assurance of a regular review and appraisal of the adequacy, integrity and effectiveness of the system of internal control. It must take cognizance that the internal control system, by nature can only provide reasonable but not absolute assurance against loss.

The Statement on Internal Control as set out in this Annual Report provides an overview on the state of internal control of the Company.

5.3 Relationship with External Auditors

An appropriate and transparent relationship with its external auditors has been established by the Company through the Audit Committee. Notice of each Audit Committee meeting is extended to the external auditors and the latter has to date attended all of the Audit Committee meetings and they had participated actively in the meeting.

From time to time, auditors were also invited to attend Board meeting to brief the Directors on important issues that need their attention. Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee Report.

This statement was made in accordance with a Board resolution passed on 28 April 2009.

Other Information

Status of Utilisation of Proceeds

The Company did not implement any corporate proposal for the raising of funds during the financial year.

Share Buy-Back

At the Extraordinary General Meeting held on 26 June 2008, the Company obtained the approval of the shareholders in relation to the share buy-back authority, whereby the Company is authorized to purchase up to ten (10%) of its issued and paid-up capital.

During the financial year ended 31 December 2008, the Company purchased a total of 1,642,100 ordinary shares, all of which are retained as treasury shares. The share buy-back was financed by internally generated funds. None of the shares purchased has been sold or cancelled during the financial year. Set out below are the details of the shares purchased :-

| Month | No. of Ordinary Shares | Purchase Price Per Share (RM) | | | Total Consideration* (RM) |
|----------------|------------------------|-------------------------------|---------|---------|---------------------------|
| | | Lowest | Highest | Average | |
| September 2008 | 475,000 | 0.66 | 0.71 | 0.70 | 331,816.70 |
| October 2008 | 793,300 | 0.64 | 0.68 | 0.67 | 532,026.95 |
| November 2008 | 327,800 | 0.65 | 0.68 | 0.67 | 219,252.70 |
| December 2008 | 46,000 | 0.60 | 0.63 | 0.63 | 29,015.73 |
| Total | 1,642,100 | | | | 1,112,112.08 |

* Includes transaction cost

Options, Warrants and Convertible Securities

No options, warrants and convertible securities were exercised during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

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 and its subsidiaries, directors or management by any relevant regulatory bodies during the financial year.

Non-Audit Fees

The amount of non-audit fees paid or payable to the Auditors, Messrs. PKF and its affiliated company for the financial year including taxation and other services was RM11,500.00

Variance in Results

There was no material variance between the Company's audited results for the financial year ended 31 December 2008 and the unaudited results previously released for the financial quarter ended 31 December 2008.

Other Information (cont'd)

Profit Guarantee

The Company did not provide any profit guarantee and as such there is no issue of shortfall in the profit guaranteed

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders either subsisting at the end of the financial year or entered into since the end of the previous financial year.

Revaluation Policy on Landed Properties

The Company has not revalued its landed property and as such does not have a revaluation policy on its landed property.

It is the general policy of the Company to revalue its landed properties once every five years or at such shorter period as may be considered appropriate taking into account prevailing economic conditions, industry outlook and the advice of professional valuers.

Recurrent Related Party Transaction of a Revenue or Trading Nature

There were no recurrent related party transactions of a revenue or trading nature which require shareholders' mandate during the financial year.

Employee's Share Option Scheme (ESOS)

The Company has not implemented any share option scheme for its employees.

Accounts

Statutory declaration in relation to the Accounts has been signed by a person who fulfils the requirements of paragraph 9.27.

Statement On Internal Control

Introduction

The Malaysian Code on Corporate Governance requires public listed companies to maintain a sound system of internal control to safeguard shareholders' investment and company's assets. The Board of Directors ("Board") sets out below Statement On Internal Control, which outlines the nature and scope of internal control of the Group during the year in accordance to Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad Listing Requirements that requires the directors of public listed companies to include a statement in the annual report on the state of internal control.

Directors' Responsibility

The Board of Advanced Packaging Technology (M) Bhd. ("APT or the Group") places importance on good practice of corporate governance and is committed to maintaining a sound system of internal control in the Group. The Board is ultimately responsible for the Group's system of internal control and risk management which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity through the process of constant monitoring.

In view of the limitations inherent in any system of control, the control systems are designed to manage rather than eliminate the risks facing the business in pursuit of its business objectives. Such systems therefore can only provide reasonable, and not absolute assurance against material misstatement, fraud, loss or breaches of laws or regulations.

The Board is assisted by management in implementing the appropriate controls that will mitigate and manage risks at reasonable level.

Risk Management

The Board acknowledges risk management is an integral part of the business operations. As such, the Board is committed to uphold/support and enhance on continuous basis a strong control structure and environment for the proper conduct of the business.

Management is responsible for creating a risk-aware culture within the organisation. The management has also been tasked with the responsibility of identifying and evaluating significant risks faced by the Group for the Board's consideration, implementing appropriate internal control system and ensuring compliance with the applicable laws, regulations, standards and guidelines and implementing policies adopted by the Board.

Internal Audit Function

The Internal audit function of the Group was outsourced to external consultants during the year under review. It reports directly to the Audit Committee and is independent of the management. The internal audit function also assists the Audit Committee in discharging its duties and responsibilities.

It assists the Board in formulating an internal audit plan and to provide an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system, in anticipating potential risk exposures over key business processes. The internal audit function adopts a risk-based methodology approach and design the audit strategy and plan based on the risk profiles of the business.

Therefore, it provides the Board with the independent assurance and assistance it requires in indentifying principal risks, reviewing the adequacy and integrity of the internal controls and the implementation of appropriate systems to manage these risks.

Statement On Internal Control (cont'd)

The external consultants carried out periodical reviews of the internal controls on various key functional areas of the business operations, which has been approved by the Audit Committee. Report on findings and recommendations were then submitted directly to the Audit Committee, and by extension to the Board of Directors. The management will carrying out the necessary corrective actions on reported weaknesses as recommended by the internal audit function within the agreed time frame. The Audit Committee will in turn review with management the internal audit report and management response.

Quality Assurance System

As an integral part of the overall system of controls, the Group has implemented, a Quality Management System complying with the BS EN ISO 9001:2000 requirements in carrying out control on quality of the Group's core business of manufacturing of flexible packaging materials and blown film.

The Board recognises that compliance to ISO 9001:2000 standards is an on-going commitment in improving quality and internal control. Thus regular upgrading and monitoring of the Company's Quality Management System are carried out by the management on a continuous basis for further improvement of the control system.

Other Key Elements of Internal Control

Other key elements of internal control apart from risk management and internal audit are:

- Defined delegation of responsibilities and authorities to the Board Committees.
- Independence of the Audit Committee in discharging its duties and responsibilities.
- Implementation of relevant procedures which are in line with Quality Management System and are complying to ISO 9001:2000 standards.
- Proper organisational structure and job specification for employees.
- Communication of quality policy and objectives to employees.
- Proper process of the annual profit forecast approved by the Board.
- Regular operational and financial reporting to the management and the Board.
- Regular reviews of management's financial and progress reports by the Audit Committee and the Board of Directors.
- Holding of ad-hoc meetings regularly at management and operational levels to identify, discuss and resolve business and operational issues.
- Enhancement and improvement of employees' competencies and proficiencies by continuous training and development. This is implemented through a combination of on-the-job training and internal and external training courses.

Conclusion

The Board of Directors believes that the existing system of internal control is adequate for the current operations. There was no material loss incurred during the financial year under review as a result of major weaknesses in the system of internal control. The Board will however continue to monitor and ensure that appropriate measures are undertaken to improve and strengthen the control environment

This statement was approved by the Board on 28 April 2009

Directors' Responsibility Statement

In compliance to paragraph 15.27 (a) of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Board of Directors is required to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors of the Company are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the financial and cash flow positions and state of affairs of the Company and, where applicable, the Group as at the financial year end.

The directors have, through the Statement by Directors on page 33 of the Annual Report given their opinion that the financial statements have been drawn up in accordance with applicable approved financial reporting / accounting standards in Malaysia so as to give a true and fair view of the financial position of the Company for the financial year ended 31 December 2008.

In preparing the financial statements, the Directors are responsible for ensuring that appropriate accounting policies are adopted and applied consistently and where judgements and estimates were made, they were based on prudence and reasonableness.

The directors are also responsible for ensuring that proper accounting and other records are kept to sufficiently explain the transactions and financial position of the Company and to enable true and fair financial statements to be prepared.

This statement was approved by the Board on 28 April 2009.

Audit Committee Report

Pursuant to paragraph 15.16 of the Bursa Malaysia Securities Berhad Listing Requirements, the Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2008.

Composition, Membership, Meetings and Attendance

The Audit Committee comprises of three non-executive directors with a majority of whom are Independent Non-Executive. The composition, name, designation and attendance of each member at Committee meetings are detailed below:-

| Name | Designation | Number of Applicable Meetings | Attendance |
|------------------------------------|---|----------------------------------|------------|
| a) Dato' Haji Ghazali b. Mat Ariff | Chairman - Independent Non-Executive | 4 | 4 |
| b) Mah Siew Seng | Member - Independent Non-Executive | 4 | 4 |
| c) Datuk Ismail bin Haji Ahmad | Member - Non-Independent Non-Executive | 4 | 4 |

Terms of Reference

A. COMPOSITION

1. The Audit Committee shall be appointed from amongst the Directors of the Company and shall consist of at least three members, a majority of whom shall be independent directors.
2. All the members of the Audit Committee shall be non-executive directors
3. All the members of the Audit Committee shall be financially literate and at least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants (MIA); or if he is not a member of MIA, he must have at least three years' working experience and have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967 or be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967 or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
4. An alternate director shall not be appointed as a member of the Audit Committee.

B. CHAIRMAN

1. The members of the Audit Committee shall elect a Chairman from among their number who shall be an independent director.
2. The Chairman of the Audit Committee shall engage on a continuous basis with the Company's senior management and external auditors in order to be kept informed of matters affecting the Company.

Audit Committee Report (cont'd)

C. MEETINGS

1. The Audit Committee shall meet regularly and not less than four times a year with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities.
2. A quorum for the meeting shall be a majority of independent directors.
3. Besides the Finance Director and representatives of the internal and external auditors who shall normally attend the Audit Committee meetings, other board members and employees may attend the meeting only at the invitation of the Audit Committee.
4. At least twice a year the Audit Committee shall meet with the external auditors without the presence of any executive board members.
5. The Chairman shall convene a committee meeting upon receipt of a request from the external auditor to consider any matter which the external auditor believes should be brought to the attention of the directors and shareholders.
6. The Company Secretary shall be the Secretary of the Audit Committee.
7. The minutes of each meeting shall be distributed to the members of the Board.

D. RETIREMENT AND RESIGNATION

1. Any vacancy in the Audit Committee resulting in the non-compliance of paragraph 15.10(1) of the Listing Requirements shall be filled within three months.

E. DUTIES OF THE AUDIT COMMITTEE

1. To review the following and report the same to the Board of Directors:-
 - (a) with the external auditor, the nature and scope of 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 adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit program, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly and year end financial statements of the Company, focusing particularly on:

Audit Committee Report (cont'd)

- any changes in accounting policies and practices;
 - significant adjustments and unusual events arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements.
- (h) any related party transactions and conflict of interest situation that may arise within the company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
2. To consider the appointment of an external auditor, the audit fee and any questions of resignation or dismissal.
 3. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).
 4. To review the external auditor's management letter and management's response.
 5. To do the following matters in relation to internal audit function:-
 - (a) review any appraisal or assessment of the performance of members of the internal audit function;
 - (b) approve any appointment or termination of senior staff members of the internal audit function;
 - (c) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
 6. To consider the major findings of internal investigations and management's response.
 7. To consider any other topics as defined by the Board.

F. RIGHTS AND AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- (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 and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, the internal auditors, or both excluding the attendance of other directors and employees of the Company whenever deemed necessary.

G. REVIEW OF THE AUDIT COMMITTEE

1. The Board of Directors shall review the term of office and performance of the Audit Committee and each of its members at least once in every three years to determine whether the Audit Committee and its members have carried out their duties in accordance with their term of reference.