



Annual Report

Looking forward to

GREATER OPPORTUNITIES



SM Summit Holdings Bhd (287036-X)

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MALAYSIA (Subsidiaries)

SUMMIT AUDIO INDUSTRIES (M) SDN. BHD.
SUMMIT CD MANUFACTURE (M) SDN. BHD.
SM DIGITAL MEDIA SDN. BHD.

No. 9, Jalan 3/91A Taman Shamelin Perkasa
Cheras 56100, Kuala Lumpur, Malaysia
Tel: (03) 9281 1188
Fax: (03) 9287 9959
Email: smsummit@smsummit.com.my

JAPANTEC INDUSTRIES (M) SDN. BHD.

No. 10, Jalan Hasil 2
Off Jalan Tampoi, 81200
Johor Bahru
Tel: (07) 238 1818
Fax: (07) 238 9818

SINGAPORE (Affiliates)

SM SUMMIT HOLDINGS LIMITED
SUMMIT AUDIO MANUFACTURE PTE LTD
SUMMIT CD MANUFACTURE PTE LTD
SUMMIT HI-TECH PTE LTD

45 Ubi Road 1 Summit Building
Singapore 408696
Tel: (65) 6745 3288
Fax: (65) 6748 9612
Website: www.smsummit.com.sg

AUSTRALIA (Affiliates)

SUMMIT TECHNOLOGY AUSTRALIA PTY LTD

Unit 2, 904 Bourke Street, Waterloo
NSW 2017, Australia
Tel: (612) 9318 2088
Fax: (612) 9319 0887
Email: francis@summittech.com.au

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Corporate information

We can look forward with confidence
for we know our foundations are strong.

BOARD OF DIRECTORS

Nazir bin Mansor
(Chairman)

Lee Kerk Chong
(Vice Chairman)

Gun Seong Thean
(Managing Director)

Yip Soon Chee

Yap Kiam Beng

Soo Yoke Mun

Frances Augustine Peter

Rick Loh Lap Sang
(Appointed on 23rd June 2003)

AUDIT COMMITTEE

Yip Soon Chee
(Chairman, Independent Non-Executive Director)

Frances Augustine Peter
(Independent Non-Executive Director)

Yap Kiam Beng
(Executive Director)

Rick Loh Lap Sang
(Independent Non-Executive Director)
(Appointed on 23rd June 2003)

COMPANY SECRETARIES

Chu Kum Yoon

Chong Swee Yoon
(Resigned on 28th May 2002)

Leong Shiak Wan
(Appointed on 28th May 2002)

REGISTERED OFFICE

22nd Floor, Wisma Cyclecarri
288, Jalan Raja Laut
50350 Kuala Lumpur
Tel: 03-2694 8788
Fax: 03-2693 9137

AUDITOR

PricewaterhouseCoopers
11th Floor, Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur

REGISTRAR OFFICE

Tenaga Koperat Sdn Bhd
20th Floor, Plaza Permata
Jalan Kampar off Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-4041 6522
Fax: 03-4042 6352



Dear valued shareholder,

You've always known, through these several years, that prudence and forward-thinking have been our watchwords. Indeed, they have been at the core of the good leadership that marks your company.

Chairman's statement



...the strength to make tough but strategic decisions that helps good leadership maintain a steady path forward.

I would add another thought: that, beyond foresight, it is also the strength to make tough but strategic decisions that helps good leadership maintain a steady path forward. Take, for instance, our own Prime Minister's bold move to uncouple our Ringgit from the world foreign exchange mechanism during the worst of the 1997-1998 financial crisis. It was widely criticised but the years have proven him right and the country rode out its crisis with, arguably, less trauma.

Your company had to make tough decisions last year. On a Group basis, turnover continued its upward trend, increasing 9% from RM33.6 million in 2002 to RM36.5 million in 2003, with contributions from our Compact Disc (CD) business of an 8% increase (2003: RM16.8 million; 2002: RM15.6 million), an even better 19% from our Casing business (2003: RM17.2 million; 2002: RM14.4 million), but then dampened by a 16% drop in our Cassette line (2003: RM3.8 million; 2002: RM4.6 million).

These results are indeed positive and bear testimony to our resilience for they were achieved in the face of an unavoidable operational loss of RM2.5 million in the year under review. We recognise this position is less than satisfactory but wish to add that it was exceptional circumstances that specifically contributed to our situation.

As prudent management, your Board of Directors is constantly assessing risk versus gain and continually making strategic decisions to help your company reduce its risk even as it seeks to open new markets.

We had previously made a considered decision to upgrade our production capacity to a new high of 10 million pieces in the casing business to both cater for a bigger global market and to reap more economies of scale. At that point in time, Russia was one of our biggest markets. We felt that, with the ever-increasing

uncertainties of dealing with that market, the size of our risk was growing too large. Your Board decided that it was wiser to downsize the risk and, painful as it was, reduce its presence in that market.

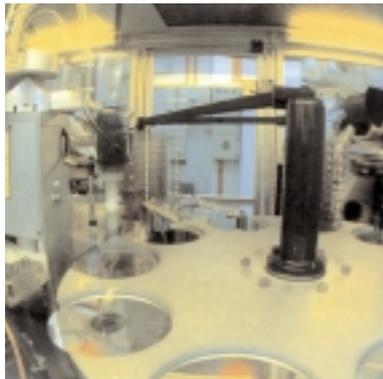
Additionally, there was the unexpected effect of the Iraq war on material costs. We had contracted containers in November/December 2002 and, when war came in February 2003, the price of landed raw material rocketed upwards from USD650 to almost USD1,000 per ton. Given the substantial drop in volume, higher costs and reduced economies, there was simply not enough time, even with our best efforts, to recover the loss.

Your company remains, nonetheless, resolute in its pursuit of the strategies that will allow it to compete even more aggressively and further cement its leadership position. The commissioning of the 8-cavities mould was a deliberate move in this direction. With a 1.5 million capacity on its own, this new line now provides greatly increased output capability, putting us in position to take on many new opportunities as we now have the volume to even out any high-risk propositions. It did take some time, given the process involved in ironing out new technologies, but that was still in line with our cautious overall approach. Remembering our experience of 2002, we have emphasised ever greater prudence even if it does come with a cost – for example, with tighter credit control, buyers are reacting to the squeeze and contracting some orders.

It was also a deliberate strategy to push for greater automation in our process lines. We believe that automation is key to staying competitive in the future. It will advance our leadership position in quality and service. These key areas are vital to our long-term goal of becoming more than a manufacturer, for the more we progress in quality and service, the better we position ourselves for the challenges of the future.



We believe that **automation is the key** to staying competitive in the future.



Already, we are seeing quality continuing to improve as a whole. In compact disc production, our yield is up from 11.9 million pieces in 2002 to 15.9 million pieces in 2003 whereas our casing business production yield has gone up from 56 million pieces in 2001 to 60 million in 2003. The introduction of the new automated assembly and shrink-wrapping machine has not only increased productivity but, more importantly, has generated vast improvement to our quality of packaging. This, in turn, has contributed to our clinching large new orders and created new revenue opportunities as we can also use the

machine to shrink-wrap products from other businesses.

Our ongoing restructuring of our Cassette business is also deliberate. We recognise that the continuing trend in format change and the problem of piracy affects our market potential. We have thus made our operations lean and mean, reacting to lower volumes by reducing shifts from two to one, moving staff to other process lines, ceasing investment in machinery and so on.

While these are positive steps, we will still aim higher. We are not satisfied

that we had teething problems with the new technology for our standards are higher. We took steps to minimise the risk of being affected, as we were in 2002, by a drop in sales and turnover. In 2003, the Directors decided to push up turnover and move aggressively to capture more market. This saw our share of export business increase from 5% in 2002 to 17% in 2003.

Foreign exchange business is valuable business to your company and we are working to generate more worldwide volume. There will be trade-offs. Profit margins may drop as a result of a need to have a more aggressive pricing

strategy but a policy of sales maximisation will generally be more advantageous for the worldwide footprint and the diversified market strength that it will afford us.

Additionally, with regulatory approval already in hand, we will position ourselves to take advantage of continuing developments in the Digital Versatile Disc (DVD) market. This format of the future, with its superior quality and storage potential, will be tomorrow's lucrative market. Unlike our competitors, we are ready to move in anytime. Our strong overall balance sheet position, low gearing and strong cash position provides us the resources to come up swiftly with the new investment needed.

In light of this, our outlook for 2004 is much stronger. We are targeting to achieve consistent production output of 80% of our installed capacity and further tightening of production support and improvements to downtime will see us edge closer yet to our full potential. This allows us to gear for higher sales. We have, in hand, an already contracted 4 million-piece order and are working new deals with other multinational companies to add to that figure.

We are creating new potential in the education sector, working with related companies to be part of a new Knowledge Economy education thrust. We expect this to be a big market, worth at least another few million pieces and have increased our focus to maximise our sales in this sector.

Your Board of Directors recognises that we still face challenges – piracy, the aftermath of war and SARS, stiffer competition, to name a few. Be assured that we are taking the necessary actions to overcome these challenges.

The year past has been tough but it serves to strengthen our resolve to do even better. We have progressed and we will keep driving ahead. We can look forward with confidence for we know our foundations are strong and the many considered strategies we have put in place will be proven right over time.

DIVIDEND

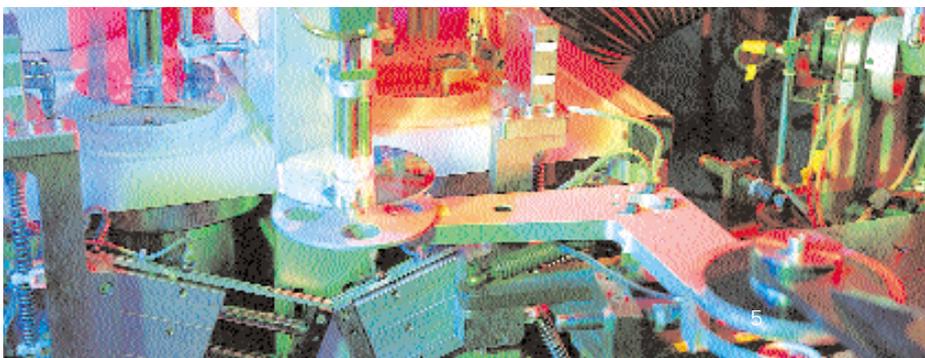
The Board of Directors regrets to announce that no dividend will be declared. This is due to the completion of the capitalization exercise within the regulatory authority's deadline, the disbursement of bonus issue in January 2003 and the operating loss incurred for the year under review.

ACKNOWLEDGEMENT

My sincere thanks, firstly, to my colleagues on the Board for their interest in and contribution to the Company. My appreciation is also extended to our shareholders, valued customers, bankers, business associates and government authorities for their continued confidence and support.

Special thanks also to our committed Management team who have been with us, unchanged, since the time the Company was formed. The experience and stability they bring together with the untiring efforts and effective contributions of staff to the success of the Company are very much remembered.

Nazir bin Mansor
Chairman



Board of directors and profile



Standing from left : Yap Kiam Beng, Yip Soon Chee and Frances Augustine Peter.

Sitting from left : Soo Yoke Mun, Lee Kerk Chong, Nazir bin Mansor, Gun Seong Thean and Rick Loh Lap Sang.

NAZIR BIN MANSOR

NAZIR BIN MANSOR, Chairman, aged 51, a Malaysian citizen and currently the Chairman of the Group was appointed to the Board on 7th February 1994. He is a non-independent, non-executive director of the Group. He is a graduate with a Diploma in Management from the Malaysian Institute of Management.

He is the Managing Director of Jay Trading Co and Peheli Sdn Bhd, both companies being his own businesses in the nature of trading of electrical products, electrical appliances, computer and sewing machine. He also owns a sole proprietary business that supplies LCD projectors, office automation, electrical and other related products to government agencies.

LEE KERK CHONG

LEE KERK CHONG, Vice Chairman, aged 52, a Singaporean citizen, was appointed to the Board on 7th February 1994. He is currently the Vice Chairman of the Group and sits as the Chairman of the Executive Committee of the Board. He is a non-independent, non-executive director of the Group.

He is currently the Chairman and Managing Director of SM Summit Holdings Limited ("SML"), a Main Board public listed company in the Singapore Stock Exchange and a substantial shareholder in SM Summit Holdings Bhd. He is instrumental in setting up and expanding SML to its present size since the beginning in Singapore in 1981.

GUN SEONG THEAN

GUN SEONG THEAN, Managing Director, aged 56, a Singaporean citizen was appointed to the Board on 7th February 1994. He is currently the Managing Director of the Group and sits as a member in the Executive Committee of the Board. He is an executive, non-independent director of the Group.

Prior to joining SM Summit Group, he was with Amateur Photo Store Pte Ltd, a reputable consumer electrical product distribution agency from 1971 to 1985 with the last position held as the Sales Manager. He later joined Summit Audio Enterprise Pte Ltd ("SAE") which in subsequent years became SM Summit Holdings Limited, a Main Board public listed company in the Singapore Stock Exchange, as its General Manager from 1986 to 1988. In view of his experience and expertise, he was offered by

SAE to set up a business of similar nature in Malaysia. He became the Managing Director of Summit Audio Industries Sdn Bhd ("SAI") and Summit CD Manufacture (M) Sdn Bhd ("SCD") upon their incorporation in 1988 and 1991 respectively. He set up an investment holding arm, SM Summit Holdings Bhd in 1994 which became the SM Summit Group taking into its fold both SAI and SCD and in later years, list the whole Group on the Second Board of Kuala Lumpur Stock Exchange. He was made the Managing Director of the Group in 1994.

YIP SOON CHEE

YIP SOON CHEE, aged 48, a Malaysian citizen was appointed to the Board on 18th January 2000 and is the Chairman of the Audit Committee of the Board. He is an independent, non-executive of the Group.

He is a graduate with a Diploma in Business Studies and is currently the Managing Director of Interdeals Automation (M) Sdn Bhd, a company specializing in providing automation solutions for the finance industry, public and government sectors. He has been with the company since 1980.

YAP KIAM BENG

YAP KIAM BENG, aged 38, a Malaysian citizen and currently the Executive Director of the Group, was appointed to the Board and a member of the Audit Committee on 3rd November 1999. He is also a member of the Executive Committee of the Board. He is an executive, non-independent director of the Group.

He is a graduate with a degree in Bachelor of Accounting (Hons) from University of Malaya and a member of the Malaysian Association of Certified Public Accountants. Prior to joining the Group, he was attached to an international accounting firm, Coopers & Lybrand from 1989 to 1994 with the last position held as an Assistant Manger in the audit division. He joined SM Summit Group as its General Manager in 1994 and became the Executive Director in 1999.

SOO YOKE MUN

SOO YOKE MUN, aged 53, a Malaysian citizen and a Public Accountant by profession, was appointed to the

Board on 7th February 1994. He is a graduate with a degree in Bachelor of Economics from University of Malaya and a member of the Malaysian Institute of Accountants. He is a non-independent, non-executive director of the Group.

He has more than 20 years of working experience in the field of accounting and auditing having set up and is currently the sole partner of an accounting firm, Y M Soo & Co, established back in 1978, which provides services such as auditing, secretarial and tax consultancy.

FRANCES AUGUSTINE PETER

FRANCES AUGUSTINE PETER, aged 45, a Malaysian citizen and an advocate and solicitor by profession, was appointed to the Board and member of the Audit Committee on 25th July 2001. He is an independent, non-executive director of the Group.

He is a graduate with a degree in Bachelor of Arts (Hons) from University Sains Malaysia and holds an LLB (Hons) London and CLP (Malaysia). He is currently a partner of the legal firm, Messrs. Syed Mubarak, Frances, Zainal & Partners and prior to this, he was an Executive Director of Intellectual Property Protection Sdn Bhd, a company providing intellectual property protection services to copyrights owners. He has specialist knowledge in intellectual property rights, civil litigation and conveyancing matters. He also acts as legal advisor to a number of companies.

RICK LOH LAP SANG

RICK LOH LAP SANG, aged 52, a Malaysian citizen, was appointed to the Board and member of the Audit Committee on 23rd June 2003. He is an independent, non-executive director of the Group.

He is a graduate in Accountancy and Marketing. Prior to joining the Group, he was the Managing Director of Sony Music Entertainment (M) Sdn Bhd from 1985 to 2002. He had also previously hold the Chairman position in the Recording Industry Association of Malaysia ("RIM") for two terms from 1987 to 1988 and from 1996 to 1998 and the Chairman of Public Performance (M) Sdn Bhd ("PPM") from 1998 to 2002.

Financial highlights

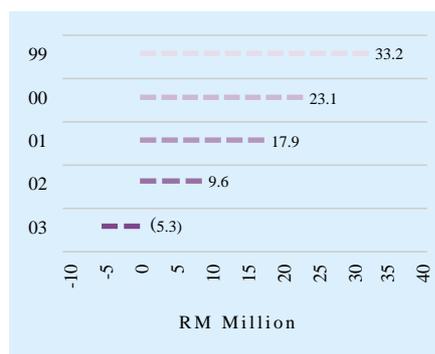
GROUP TURNOVER



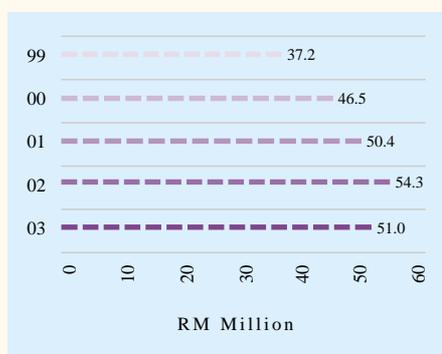
EARNING BEFORE INTEREST AND DEPRECIATION



NET EARNINGS PER SHARE



NET TANGIBLE ASSETS



Corporate governance statement

The Board of Director ("the Board") fully appreciate the importance of adopting high standards of Corporate Governance within the Group by ensuring that the recommendation of the Malaysian Code on Corporate Governance ("the Code") are practiced throughout the Group as a mean of managing the business and affairs of the Group with honesty, integrity and professionalism so as to enhance business prosperity and corporate accountability in order to protect the interest of shareholders, whilst ensuring at the same time the interest of other stakeholders are safeguarded.

As such, the Board strives to adopt the substance behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Part 1 and 2 of the Code respectively.

The Board is pleased to provide the following statements, which outline the main Corporate Governance principles and practices that were in place throughout the financial year, unless otherwise stated.

Principles Statement

The following statement sets out how the Company has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings: Board of Directors, Directors' Remuneration, Shareholders and Accountability and Audit.

A) THE BOARD OF DIRECTORS

The Board is fully aware of its continuing responsibilities over the stewardship of the Group's directions and operations, and ultimately the enhancement of shareholders' value.

The Group is led and managed by an effective Board comprising members with wide range of business experiences and expertises required to successfully direct and supervise the Group's business activities, which are vital to the success of the Group.

The Board has the overall responsibility for, apart from its statutory responsibility, determining the Group's overall strategic plans including approving of major investments and financing decisions. Financial performance review and implementation of corporate governance practice in the Group are reserved for the Board, which also has responsibility for executive directors' remuneration and succession planning for top management.

Board Balance

The existing Board members consists of eight (8) members, a Non-Executive Chairman, a Managing

Director, one (1) Executive Director with two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The present Board composition complied with Paragraph 15.02 of the Listing Requirements that stipulates at least two (2) directors or one third of the Board of the Company, whichever is higher, are independent directors. A brief profile of each director is presented on pages 6 to 7 in this Annual Report.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the day to day running of the business, organizational effectiveness and implementation of Board policies and decisions.

More than two-third of the directors, 6 out of 8 Board members, are non-executive directors, 3 of whom are considered by the Board to be independent. The presence of non-executive director provides significant contributions towards the formulation of policies and decision-making. The presence of independent non-executive directors is essential as they provide an unbiased and independent view, advice and judgment to the decision-making of the Board and provide a capable check and balance for the executive directors, thereby ensuring that no one individual or group dominates the Board decision-making process.

The Code recommends the appointment of a senior independent non-executive director to whom concerns may be conveyed. The Board has not appointed any independent non-executive director to fulfill that role as the Chairman normally encourages participation by all directors during meetings. However, the Board recognizes the importance of this provision and is actively looking into this matter and will consider the relevant steps to comply with this practise.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

Board Meeting

During the financial year ended 31st March 2003, the Board met a total of 5 times. Details of the Director's attendance record are presented on page 10.

Board Committees

The Board has established Board Committees delegated with specific powers and responsibilities to assist it in carrying out its duties and functions. The Board Committees that have been established are the Audit Committee and Executive Committee.

DIRECTORS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Nazir bin Mansor	5	5
Lee Kerk Chong	5	5
Gun Seong Thean	5	5
Yip Soon Chee	5	5
Yap Kiam Beng	5	5
Soo Yoke Mun	5	4
Frances Augustine Peter	5	4
Rick Loh Lap Sang*	-	-

*Appointed as a director with effect from 23rd June 2003.

The Audit Committee is chaired by an independent non-executive director whom reports the outcomes of Audit Committee Meetings to the Board. Its prime duties include the review of financial statements, quarterly results, accounting policies, appointment of external auditors, review of audit plan and the auditors' remuneration. Fuller details of the Audit Committee terms of reference and its activities during the year are stated in pages 14 to 15 of the Annual Report.

The Executive Committee comprises three (3) members headed by the Vice-Chairman of the Company, meets regularly on the Group's financial and operational matters to ensure that the Group is managed in an efficient and effective manner. As part of its key responsibilities, the Executive Committee provides overall direction to the management and operations of the Group. It formulates and approves business plans and strategies for the Group and policies on operation. It conducts periodic review of the Group's operational and financial performance and approved organization structure and manpower establishments.

In addition to the above Board Committees, the Board may, wherever required, set up other Board Committees delegated with specific power and responsibilities.

Supply of Information

The Chairman ensures that directors have access to all information within the Group. Prior to each Board meeting, all directors are provided with an agenda and information relevant to the business of the meeting to enable them to discuss and contribute to the meeting effectively. This is issued in sufficient time to enable the directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

All directors has unhindered access to the advice and services of the Joint Company Secretaries who are responsible for ensuring that Board meeting procedure are followed and that applicable rules and regulations are complied with.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports, prior to releasing them to the KLSE.

From time to time, the Board determines, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

Appointment to the Board

The Code endorses as good practice, a formal procedure for appointments to the Board, with a nomination committee making recommendations to the Board. Establishment of a Nomination Committee has not been carried out as the Board believes that the present number of directors is deemed sufficient, considering the size of the Group and the nature of its operations, to undertake the said procedure for appointment as a whole.

In addition, the Board is of the view, with the current directors' mix of experiences and expertises, the current size of members is sufficient and optional in effectively addressing all issues affecting the Group.

Directors' Training

The Board as a whole recruits only individuals of sufficient caliber, knowledge and experience to fulfill the duties of a director appropriately. There is no formal training programme for directors. However all the directors (except for Mr Rick Loh Lap Sang) have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (RIIAM). The directors will continue to undergo other relevant training programme to further enhance their skills and knowledge wherever required.

Re-election of Directors

In accordance with the Company's Articles of Associates, one-third of the Board members shall retire from office at each Annual General Meeting and they can offer themselves for re-election. Newly appointed directors by the Board are subject to election by the shareholders at the next Annual General Meeting held following their appointments. These provide an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders in their decision, sufficient information such as personal

profile, meetings attendance and the shareholding in the Group of each Director standing for election are furnished in the Annual Report accompanying Notice of the Annual General Meeting.

The Joint Company Secretaries will ensure that all appointments are properly made and that all information necessary is obtained, as well as legal and regulatory obligations are met.

B) DIRECTORS' REMUNERATION

The directors' fees are approved at the Annual General Meeting by the shareholders, based on the recommendation of the Board. All directors are provided with directors' fees with the Managing Director and executive directors being provided with remuneration package which commensurate to their duties and responsibilities. The Board, as a whole, determines the remuneration packages of the Managing Director with the Executive Committee determining the remuneration packages of the executive directors. The directors involved do not participate in decision regarding their own remuneration packages.

The aggregate directors' remuneration paid or payable or otherwise made available to all directors of the Company during the financial year are as shown below: -

CATEGORY	FEES (RM'000)	SALARIES & OTHER EMOLUMENTS (RM'000)	BENEFITS IN KIND (RM'000)
Executive Director	10	542	45
Non-Executive Director	60	-	-

The number of directors of the Company whose income from the Company falling within the following bands are: -

EXECUTIVE DIRECTOR	NUMBER
RM 100,000 to RM 150,000	1
RM 350,000 to RM 400,000	1

NON-EXECUTIVE DIRECTOR	NUMBER
Less than RM 50,000	5

C) SHAREHOLDERS AND INVESTORS

The Company recognizes the importance of accountability to its shareholders through proper communication with them. The Annual General Meeting ("AGM") is the principal form of dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report before the meeting. All shareholders are encouraged to attend the AGM and participate in its proceedings. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Company and the Group.

The Company also ensures that its shareholders are well informed via proper procedures which have been established for the timely release of material share price-sensitive information, quarterly financial results, regulatory financial statements and other matters affecting shareholders' interests.

D) ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for preparing the annual audited accounts and ensure that the financial statements give a true and fair view of the state of affairs of the Company and Group.

The Board aims to present a balanced, clear and understandable assessment of the Company and Group's financial positions and prospects in the annual financial statements and quarterly announcement to the shareholders, investors and regulatory authorities. In this regard, the Board ensure that the Company's financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

A statement by directors of their responsibilities in preparing the financial statement is included in this Annual Report.

Internal Control

The directors recognize the importance of monitoring sound internal control system to safeguard the shareholders' investment and the company's assets. In this regard, the Board has appointed an external accounting professional firm to undertake the internal audit function and risk management function during the year with the aim to ensure its existing internal control system is effective and appropriate in mitigating against the Group's significant risks. The internal auditors report independently to the Audit Committee on a quarterly basis with their findings and these findings are further

deliberated during the Board meeting.

Apart from the above, the directors regularly reviewed and assessed the key risk areas and ensure that all significant risks are adequately addressed at various levels within the Group.

A statement by the directors on the application of the principles set out in Part 1 of the Malaysian Code of Corporate Governance is included in this Annual Report.

Relationship with the Auditors

The Board has established that the Audit Committee play the role of maintaining the appropriate relationship with the Company and Group auditors as stated on pages 14 to 15 of the Annual Report. The good relationship with the Company and Group auditors has always prevail and maintained on a transparent and professional basis.

Compliance Statement

Save as disclosed below, the Group has substantially complied with the Best Practices set out in Part 2 of the Code throughout the year: -

- a) Appointment of a senior independent non-executive Director to whom concerns may be conveyed has not been made as the Chairman normally encourages participation by all directors during meetings. Nevertheless, the Board is actively looking into this matter and will consider the relevant steps to comply with this practice.
- b) Establishment of a Nominating Committee has not been carried out, as the Board believes that the present number of Directors is deemed optimal considering the size of the Group and the nature of its operations. The Board as a whole assumes the responsibilities, though not formally, of assessing the effectiveness of the Board, its committee and individual director as well as candidates for all directorships.
- c) There was no formal review done on the present members of the Board of Directors, as the mix of experience and expertise of the current number of Directors, in the opinion of the Board, are considered sufficient and optimum in addressing the issues affecting the Group.
- d) Pursuant to Best Practice Provision AA XIII of the Code on training to new recruits to the Board, the Company does not have a formal training programme for its new Directors since it is the Board's policy to recruit only individual of sufficient calibre and experience to carry out the necessary duties of a director. Nevertheless, the Board will review the necessity for a formal orientation programme for its new directors from time to time.

- e) The Board has not developed position description for the Board and the Managing Director nor any formal schedule of matters specifically reserved to it for decision. The Board is of the view that the current set up of the Board and the Board Committees that is in place are sufficient to effectively handle and facilitate the smooth functioning of the Group.
- f) The Board does not have any agreed procedure for directors, whether as a full Board or in their individual capacity, in furtherance of their duties to take independent professional advice at the Company's expense, if necessary. Any need for professional advice normally comes under the purview of the Board who will deliberate on a consensual basis.
- g) Establishment of a Remuneration Committee has not been undertaken as the Board is of the view that remuneration of Directors has been expeditiously handled by the Board as a whole.
- h) The Board, through the Executive Directors and the Audit Committee, has been able to identify business risks of the Group and will ensure that implementation of appropriate measures be taken to manage these risks. Nevertheless, the Board is considering to formalize its existing risk management process to better identify, monitor and manage the business risks affecting the Group.

This statement was made in accordance with a resolution of the Board dated 29th August 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE ANNUAL AUDITED ACCOUNTS

In accordance with the requirements in Paragraph 15.27(a) of the Listing Requirements of the Kuala Lumpur Stock Exchange, the Board of Directors are required to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The directors are accountable for ensuring that the Company keeps proper accounting and other records which disclose with reasonable accuracy at any time of the financial position of the Company to enable them to ensure that the financial statements are complied with approved accounting standards and the provisions of the Companies Act, 1965.

The directors in preparing the financial statements have used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The directors consider that all applicable approved accounting standards in Malaysia have been followed and confirmed that the financial statements have been prepared on a going concern basis.

The directors are also responsible for safeguard of the assets of the Company and of the Group and for prevention and detection of material fraud and other irregularities.

This statement was made in accordance with a resolution of the Board dated 29th August 2003.

STATEMENT OF INTERNAL CONTROL

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Paragraph 15.27(b) of the Kuala Lumpur Stock Exchange's ("KLSE") Listing Requirements requires directors of listed companies to include a statement in annual reports on the state of their internal controls. The Board of Directors set out below the Internal Control Statement of the Group which has been prepared in accordance with the guidance provided under KLSE's "Statement on Internal Control: Guidance for Directors of Public Listed Companies".

The Board acknowledges its responsibility for the Group's system of internal control and the need to review its adequacy and integrity regularly. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and the system by its nature can only provide reasonable assurance but not absolute assurance against material misstatement, fraud or loss.

The system of internal control is maintained to achieve the following objectives: -

1. Safeguard the shareholders' interest and assets of the Group.
2. Ensure the achievement of operation objectives.
3. Ensure compliance with regulatory requirements.
4. Identify and manage financial and business risks affecting the Group.

For the year under review, the Group has in place a process for identifying, evaluating and managing the significant risks affecting the achievement of its business objectives. This process is reviewed by the Board of Directors annually.

Salient features of the framework of internal control system of the Group are as follows: -

1. The management structure is well defined, with clear line of responsibilities and delegation of authorities and appropriate segregation of duties.
2. Policies and procedures of a key subsidiary are clearly established and documented and communicated to all staff members.

3. Key risks are reviewed and assessed by the Board and the Audit Committee. The internal audit function is performed by an external professional accounting firm.
4. Financial results are reviewed quarterly by the Board and the Audit Committee.
5. Executive Directors and heads of departments meet regularly to discuss operational, corporate, financial and key management issues.
6. For key operational areas, annual independent audit on operational procedures of a key subsidiary is carried out in line with the ISO 9000 Certification Programmes.
7. Effective reporting system is established to ensure timely generation of financial information for management and the Board of Directors review.
8. Top Management demonstrated a "hands-on" approach to the operational activities in the Group.
9. The Group reporting structure has been improved during the year to assist in effective monitoring of key activities in the Group.

Certain aspects of the controls and the recommendations highlighted by the internal auditors are currently being addressed and implemented. The directors are of the opinion that the existing system of internal control is adequate to achieve the above objectives.

This statement was made in accordance with a resolution of the Board dated 18th July 2003.

Audit committee

The Audit Committee comprises the following directors: -

Members

Mr. Yip Soon Chee

– Chairman, Independent Non-Executive Director

Mr. Frances Augustine Peter

– Independent Non-Executive Director

Mr. Rick Loh Lap Sang

– Independent Non-Executive Director

Mr. Yap Kiam Beng

– Executive Director

TERMS OF REFERENCE

The Board of Directors of the Company has set up a Board of Audit Committee in accordance with the requirements by the Kuala Lumpur Stock Exchange.

The Audit Committee comprises of four (4) members three of whom are independent directors. The Chairman of the committee shall be an independent non-executive director to be appointed by the Board.

The Committee holds at least four (4) meetings a year. The quorum shall be two (2) members of whom must be independent directors.

OBJECTIVES

- a) Provide assistance to the Board of Directors in fulfilling its statutory and fiduciary responsibilities for examinations of the Company and in monitoring its accounting and financial reporting practices.
- b) Determine that the Company has adequate administrative, operational, and internal accounting controls and that the Company is operating in accordance with its prescribed procedures and codes of conduct.
- c) Serve as an independent and objective party in the review of the financial information presented by management for distribution to shareholders and the general public.
- d) Provide direction and controls over the internal audit function and the external auditors.

MEMBERSHIP

The committee shall be appointed by the Board and shall consist of: -

- a) Not less than three (3) members of whom a majority shall be independent non-executive directors to be appointed by the Board; and
- b) At least one (1) member of the Audit Committee must fulfil the following requirements: -

- i) Must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - ii) If he is not a member of the MIA, he must have at least 3 years' working experience and
- Must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1968; or
 - Must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

AUTHORITY

The Audit Committee is authorized by the Board to investigate any activity within its Terms of Reference. It is authorized to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Audit Committee.

The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

FUNCTIONS AND RESPONSIBILITIES

The duties and functions of the Committee shall be: -

- a) To consider and recommend the appointment of the external auditors, audit fees and question on any resignation or dismissal of the external auditors before making recommendation to the Board;
- b) To discuss with the external auditor before the audit commences the nature and scope of the audit and to ensure coordination where more than one audit firm is involved;
- c) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - i) Changes in or implementation of major accounting policy changes;
 - ii) Significant and unusual events;
 - iii) Compliance with accounting standards requirements;
 - iv) Compliance with stock exchange and legal requirements.
- d) To discuss problems and reservations arising from the interim and final audits, the evaluation and findings of the system of internal controls and matters the auditors may wish to discuss (in the absence of management where necessary);
- e) To keep under review the effectiveness of internal control systems, in particular, review the external auditor's management letter and management's response;

- f) To review any related party transaction and conflict of interest situation that may arise in the Company or Group including any transaction, procedure or course of conduct that raise questions of management integrity;
- g) To review the adequacy of the scope, functions and resources of the internal audit functions and that the internal audit has the necessary authority to carry out its work;
- h) To review the internal audit programme, process, the results of the internal audit programme and process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- i) To review the audit reports with the auditors;
- j) To consider other related matters, as defined by the Board.

AUDIT COMMITTEE REPORT

During the financial year, the activities of the Audit Committee included the followings: -

- a) Reviewing the audited accounts for financial year ended 31st March 2003 and unaudited quarterly financial results announcements of the Group and making recommendations to the Board.
- b) Discussing and reviewing the external auditors' scope of works and the audit planning memorandum, the results of their examination, their auditors' report and management letters in relation to the audit and accounting issues arising from the audit.
- c) Reviewed and discussed the major findings of the internal audit investigation and management's responses and ensure that appropriate actions are taken on the recommendation of the internal audit function.

- d) Discussion and updating on new developments of accounting standards issued by the Malaysian Accounting Standards Board.

INTERNAL AUDIT FUNCTION

The Group's internal audit functions are outsourced to an external professional accounting firm, which reports to the Audit Committee and assists the Board of Directors in monitoring and managing risks and internal controls. The Audit Committee approves the internal audit plan during the first Audit Committee meeting in the beginning of the financial year. The scope of internal audit covers the audits of all operations of all subsidiary companies in the Group.

The approach adopted by the Group is of a risk based approach to the implementation and monitoring of controls of the subsidiary companies. The internal auditors has been assigned to review and assessed the adequacy of such controls prevailing in those key operational areas selected for reviewed.

No major weakness which resulted in material losses, contingencies or uncertainties was identified during the period.

In addition, for a key operational business, an annual independent audit on operational procedures in line with the ISO 9000 Certificate Programme is carried out to provide further assurance of adequacy and integrity of the internal controls applied in the Group.

AUDIT COMMITTEE ATTENDANCE RECORD

The Audit Committee met five (5) times during the financial year ended 31st March 2003 and the attendance record is as follows: -

DIRECTORS	TOTAL NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
Mr. Yip Soon Chee	5	5
Mr. Frances Augustine Peter	5	5
Mr. Yap Kiam Beng	5	5
Mr. Rick Loh Lap Sang*	-	-

*Appointed as member of Committee with effect from 23rd June 2003.

The Audit Committee Report was made in accordance with a resolution of the Audit Committee dated 29th August 2003.

Other information

CONFLICT OF INTEREST

None of the directors has any family relationship with other directors or major shareholders of the Company.

None of the directors has any conflict or interest in the Company except for Mr. Lee Kerk Chong who is deemed interested via his interest in SM Summit Holdings Limited, a major shareholder of the Company.

CONVICTION FOR OFFENCES

None of the directors has been convicted for offences within the past ten (10) years other than traffic offences, if any.

UTILIZATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceed during the financial year.

SHARE BUYBACKS

The Company did not make any share buyback during the financial year.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities were exercised by the Company in the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR programme.

IMPOSITION OF SANCTIONS/PENALTIES

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

NON AUDIT FEES

The Company did not pay the external auditors any non-audit fees during the financial year.

PROFIT ESTIMATE, FORECAST OR PROJECTION

The Company did not release any profit estimate, forecast or projection for the financial year.

PROFIT GUARANTEES

There were no profit guarantees given by the Company during the year.

MATERIAL CONTRACTS

During the year, there were no material contracts on the Company and its subsidiaries involving directors' and major shareholders' interests.

CONTRACTS RELATING TO LOANS

There were no contracts relating to loans by the Company in respect of the material contracts involving directors and major shareholders.

REVALUATION OF LANDED PROPERTIES

The revaluation policy on landed properties is stated in page 31 of the Annual Report.

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Directors' report

for the financial year ended 31 March 2003

The Directors are pleased to submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	<i>GROUP</i>	<i>COMPANY</i>
	<i>RM</i>	<i>RM</i>
Net (loss)/profit for the financial year	(2,127,950)	9,738,256

MOVEMENTS ON RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year are shown in the financial statements.

DIVIDENDS

Dividend proposed and paid since 31 March 2002 was as follows:

	<i>RM</i>
In respect of the financial year ended 31 March 2002, as shown in the Directors' report of that year, a final tax exempt dividend of 3 sen per share on 30,000,000 ordinary shares, paid on 01 October 2002	900,000

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 March 2003.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid up share capital from 30,000,000 ordinary shares of RM1 each to 40,000,000 ordinary shares of RM1 each through the issuance of 10,000,000 bonus shares capitalised through the retained earnings on the basis of 1 ordinary share of RM1 each for every 3 existing shares held. The increase in share capital was to meet the minimum paid up capital of RM40 million for Second Board companies listed on the Kuala Lumpur Stock Exchange.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company save and except that they shall not be entitled to any dividends in respect of first and final tax exempt dividend of 3% declared by the Company for the financial year ended 31 March 2002.

DIRECTORS

The Directors in office since the date of the last report are:

Nazir bin Mansor	(Chairman)
Gun Seong Thean	(Managing Director)
Lee Kerk Chong	
Soo Yoke Mun	
Yap Kiam Beng	
Yip Soon Chee	
Frances Augustine Peter	
Loh Lap Sang	(appointed on 23.6.2003)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, particulars of interests in the shares in the Company during the financial year of those Directors holding office at the end of the financial year are as follows:

	<i>NUMBER OF ORDINARY SHARES OF RM1.00 EACH</i>			
	<i>1 APRIL 2002</i>	<i>ADDITIONS</i>	<i>DISPOSALS</i>	<i>31 MARCH 2003</i>
Nazir bin Mansor	2,529,000	843,000	0	3,372,000
Gun Seong Thean	2,660,000	1,993,333	0	4,653,333
Soo Yoke Mun				
- Direct	0	72,000	0	72,000
- Indirect*	2,834,000	720,000	(682,000)	2,872,000
Lee Kerk Chong				
- Direct	3,300,000	1,579,333	(2,242,000)	2,637,333
- Indirect*	6,036,000	2,012,000	0	8,048,000
Yap Kiam Beng	30,000	8,000	(10,000)	28,000

* Indirect interest (shares held by a company in which the Director is deemed to have an interest).

No other Directors in office at the end of the financial year held any interest in the shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the Directors' remuneration as disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member (other than the professional fees paid to a firm in which a Director is a member as disclosed in Note 6 to the financial statements), or with a company in which he has a substantial financial interest, other than as disclosed in Note 31 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

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

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; and
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

IN THE OPINION OF THE DIRECTORS:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, will not be seeking re-appointment at the forthcoming Annual General Meeting.

In accordance with a resolution of the Board of Directors dated 18 July 2003.



Nazir bin Mansor
Chairman



Gun Seong Thean
Managing Director

Kuala Lumpur

Income statements

for the financial year ended 31 March 2003

	Note	GROUP		COMPANY	
		2003	2002	2003	2002
		RM	RM	RM	RM
Revenue	5	36,485,935	33,580,687	10,428,000	900,000
Cost of sales		(31,751,151)	(25,581,619)	0	0
Gross profit		4,734,784	7,999,068	10,428,000	900,000
Other operating income		524,713	4,612,346	16,381	16,672
Selling and distribution costs		(2,605,115)	(2,503,329)	0	0
Administrative expenses		(4,379,016)	(2,840,214)	(307,801)	(239,209)
Other operating expenses		(228,349)	(166,797)	0	0
(Loss)/profit from operations	6	(1,952,983)	7,101,074	10,136,580	677,463
Finance costs	8	(552,154)	(692,300)	0	0
(Loss)/profit from ordinary activities before tax		(2,505,137)	6,408,774	10,136,580	677,463
Tax	9	377,187	(2,578,962)	(398,324)	35,038
(Loss)/profit from ordinary activities after tax		(2,127,950)	3,829,812	9,738,256	712,501
Minority interest		0	0	0	0
Net (loss)/profit for the financial year		(2,127,950)	3,829,812	9,738,256	712,501
(Loss)/earnings per share (sen)	10	(5.3)	9.6		
Dividends per share (sen)	11	3	5		

Balance sheets

as at 31 March 2003

	Note	GROUP		COMPANY	
		2003	2002	2003	2002
		RM	RM	RM	RM
Non current assets					
Property, plant and equipment	12	39,623,726	41,489,349	0	0
Subsidiary companies	13	0	0	15,962,057	17,000,057
Amount due from a subsidiary company	14	0	0	1,964,816	1,964,816
Investment	15	16,000	30,030	0	0
Goodwill on consolidation	16	955,304	1,031,728	0	0
		40,595,030	42,551,107	17,926,873	18,964,873
Current assets					
Inventories	17	2,760,413	3,573,335	0	0
Trade receivables	18	12,745,057	11,157,355	0	0
Other receivables, deposits and prepayments	19	1,259,687	3,871,513	150,000	250,000
Tax recoverable		1,118,606	809,409	300	0
Amounts due from subsidiary companies	20	0	0	24,077,445	15,474,419
Deposits with licensed financial institutions	21	8,690,771	9,373,273	522,180	505,799
Cash and bank balances	21	1,363,420	1,693,587	222,031	43,866
		27,937,954	30,478,472	24,971,956	16,274,084
Less: Current liabilities					
Payables	22	10,939,910	7,599,031	184,058	202,243
Bank borrowings (interest bearing)	23	2,563,861	3,946,778	0	0
Bank overdraft (unsecured)	24	0	179,650	0	0
Taxation		0	1,114,572	0	38,059
		13,503,771	12,840,031	184,058	240,302
Net current assets		14,434,183	17,638,441	24,787,898	16,033,782
Less: Non current liabilities					
Bank borrowings (interest bearing)	23	0	1,023,268	0	0
Hire purchase and finance lease payables (interest bearing)	25	1,406,205	2,297,050	0	0
Deferred taxation	26	2,578,300	2,612,432	0	0
		3,984,505	5,932,750	0	0
		51,044,708	54,256,798	42,714,771	34,998,655
Capital and reserves					
Share capital	27	40,000,000	30,000,000	40,000,000	30,000,000
Share premium		939,803	1,023,943	939,803	1,023,943
Revaluation reserve		997,321	1,097,321	1,726,595	2,764,595
Retained earnings	28	9,107,584	22,135,534	48,373	1,210,117
Shareholders' funds		51,044,708	54,256,798	42,714,771	34,998,655

Consolidated statement of changes in equity
for the financial year ended 31 March 2003

	NOTE	ISSUED AND FULLY PAID ORDINARY SHARES OF RM1.00 EACH		NON-DISTRIBUTABLE		DISTRIBUTABLE	TOTAL RM
		NUMBER OF SHARES	NOMINAL VALUE RM	SHARE PREMIUM RM	REVALUATION RESERVE RM	RETAINED EARNINGS RM	
At 1 April 2001		30,000,000	30,000,000	1,023,943	1,097,321	18,305,722	50,426,986
Prior year adjustment	29	0	0	0	0	1,500,000	1,500,000
		30,000,000	30,000,000	1,023,943	1,097,321	19,805,722	51,926,986
Net profit for the financial year		0	0	0	0	3,829,812	3,829,812
Dividend	11	0	0	0	0	(1,500,000)	(1,500,000)
At 31 March 2002		30,000,000	30,000,000	1,023,943	1,097,321	22,135,534	54,256,798
At 1 April 2002		30,000,000	30,000,000	1,023,943	1,097,321	21,235,534	53,356,798
Prior year adjustment	29	0	0	0	0	900,000	900,000
		30,000,000	30,000,000	1,023,943	1,097,321	22,135,534	54,256,798
Issue of bonus shares	27	10,000,000	10,000,000	0	0	(10,000,000)	0
Share issue costs		0	0	(84,140)	0	0	(84,140)
Impairment loss	12	0	0	0	(100,000)	0	(100,000)
Net loss not recognised in income statement		0	0	(84,140)	(100,000)	0	(184,140)
Net loss for the financial year		0	0	0	0	(2,127,950)	(2,127,950)
Dividend	11	0	0	0	0	(900,000)	(900,000)
At 31 March 2003		40,000,000	40,000,000	939,803	997,321	9,107,584	51,044,708

Company statement of changes in equity
for the financial year ended 31 March 2003

	NOTE	ISSUED AND FULLY PAID ORDINARY SHARES OF RM1.00 EACH		NON-DISTRIBUTABLE		DISTRIBUTABLE	TOTAL RM
		NUMBER OF SHARES	NOMINAL VALUE RM	SHARE	REVALUATION	RETAINED	
				PREMIUM RM	RESERVE RM	EARNINGS RM	
At 1 April 2001		30,000,000	30,000,000	1,023,943	2,764,595	497,616	34,286,154
Prior year adjustment	29	0	0	0	0	1,500,000	1,500,000
		30,000,000	30,000,000	1,023,943	2,764,595	1,997,616	35,786,154
Net profit for the financial year		0	0	0	0	712,501	712,501
Dividend	11	0	0	0	0	(1,500,000)	(1,500,000)
At 31 March 2002		30,000,000	30,000,000	1,023,943	2,764,595	1,210,117	34,998,655
At 1 April 2002		30,000,000	30,000,000	1,023,943	2,764,595	310,117	34,098,655
Prior year adjustment	29	0	0	0	0	900,000	900,000
		30,000,000	30,000,000	1,023,943	2,764,595	1,210,117	34,998,655
Issue of bonus shares	27	10,000,000	10,000,000	0	0	(10,000,000)	0
Share issue costs		0	0	(84,140)	0	0	(84,140)
Impairment loss	13	0	0	0	(1,038,000)	0	(1,038,000)
Net loss not recognised in income statement		0	0	(84,140)	(1,038,000)	0	(1,122,140)
Net profit for the financial year		0	0	0	0	9,738,256	9,738,256
Dividend	11	0	0	0	0	(900,000)	(900,000)
At 31 March 2003		40,000,000	40,000,000	939,803	1,726,595	48,373	42,714,771

Cash flow statements

for the financial year ended 31 March 2003

	Note	GROUP		COMPANY	
		2003	2002	2003	2002
		RM	RM	RM	RM
Cash flows from/(used in)					
operating activities					
Net (loss)/profit for the financial year		(2,127,950)	3,829,812	9,738,256	712,501
Adjustments for:					
Depreciation of property, plant and equipment		5,017,894	4,357,600	0	0
Amortisation of goodwill on consolidation		76,424	43,904	0	0
Bad debts written off		157,725	0	100,000	0
Allowance for doubtful debts		960,811	97,671	0	0
Net loss on disposal of property, plant and equipment		347	2,667	0	0
Allowance for obsolete inventories		69,865	0	0	0
Allowance for diminution in value of investment		14,030	0	0	0
Dividend income		0	0	(10,428,000)	(900,000)
Interest income		(309,576)	(312,833)	(16,381)	(16,672)
Unrealised exchange gain		(15,350)	(32,712)	0	0
Interest expense		552,154	692,300	0	0
Tax		(377,187)	2,578,962	398,324	(35,038)
		6,147,137	7,427,559	(9,946,057)	(951,710)
		4,019,187	11,257,371	(207,801)	(239,209)
Changes in working capital					
Inventories		743,057	404,852	0	0
Receivables		(77,223)	(1,856,165)	0	0
Payables		1,918,535	(1,471,947)	(18,185)	256
Inter-company balances		0	0	496,974	244,626
		2,584,369	(2,923,260)	478,789	244,882
Net cash from operations		6,603,556	8,334,111	270,988	5,673
Interest paid		(552,154)	(692,300)	0	0
Tax paid		(1,080,714)	(1,421,085)	(8,683)	(8,451)
Net cash flows from/(used in)					
operating activities					
		4,970,688	6,220,726	262,305	(2,778)
Cash flows from/(used in)					
investing activities					
Acquisition of property, plant and equipment	30	(1,208,198)	(2,241,306)	0	0
Proceeds from sale of property, plant and equipment		110,507	5,001	0	0
Dividends received		0	0	900,000	1,500,000
Interest received		307,737	312,833	16,381	16,672
Net cash flow from investing activities		(789,954)	(1,923,472)	916,381	1,516,672

	<i>Note</i>	<i>GROUP</i>		<i>COMPANY</i>	
		<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
		<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Cash flows from/(used in) financing activities					
Receipt of bank borrowings		6,937,276	2,096,774	0	0
Repayment of bank borrowings		(9,343,461)	(3,068,749)	0	0
Repayment of hire purchase and finance lease payables		(1,623,428)	(1,193,604)	0	0
Bonus issue expenses		(84,140)	0	(84,140)	0
Dividend paid		(900,000)	(1,500,000)	(900,000)	(1,500,000)
Net cash flows used in financing activities		(5,013,753)	(3,665,579)	(984,140)	(1,500,000)
Net (decrease)/increase in cash and cash equivalents during the year		(833,019)	631,675	194,546	13,894
Cash and cash equivalents at beginning of the year		10,578,393	9,946,718	549,665	535,771
Cash and cash equivalents at end of the year	21	9,745,374	10,578,393	744,211	549,665

Notes to the financial statements

for the financial year ended 31 March 2003

1 GENERAL INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out in Note 13 to the financial statements.

The number of employees in the Group at the end of the financial year was 221 (2002: 199). There was no employee in the Company at the end of the current and previous financial year as the operations of the Company are managed by the employees of certain subsidiary companies.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Kuala Lumpur Stock Exchange.

The address of the registered office of the Company is:

22 Floor, Wisma Cyclecarri
288, Jalan Raja Laut
50350 Kuala Lumpur

The address of the principal place of business of the Company is:

No 9, Jalan 3/91A
Taman Shamelin Perkasa
56100 Kuala Lumpur

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, credit risk, interest rate risk, market risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that there is sufficient level of liquidity and its ability to finance the Group's operations, with a view of minimising potential adverse effects on the financial performance of the Group and to create value for the shareholders. Financial risk management is carried out through risk reviews, internal control system and adherence to the Group financial risk management policies.

The Group does not trade in financial instruments.

(a) Foreign Currency Exchange Risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies. The Group's exposure to foreign currency exchange risk is mitigated as most of the Group's transactions are denominated in US Dollars, which is pegged against the Ringgit Malaysia. In addition, the Group would consider entering into foreign currency forward contracts for any material capital expenditure and raw materials purchase to limit its exposure to such risks, when necessary.

(b) Credit Risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by having in place proper credit policies. This risk is controlled through the application of the Group's credit management procedures, which include the application of credit approval via reviewing credit history and setting of appropriate credit limit and period, regular monitoring and follow up procedures.

Sales to customers are suspended when earlier amounts exceed the credit period or limit granted, unless exempted by the management where risk of collection is low.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Market Risk

The Group's principal exposure to market risk arises mainly from changes in prices of raw material supply in the industries the subsidiaries operate in. For key raw material purchases, the Group would consider entering into forward contract arrangements or physical supply agreements, where necessary to mitigate against such risks.

(d) Interest Rate Risk

The Group's exposure to interest rate fluctuation is due to the Group's borrowings and time deposits being mainly dependent on the financial institution interest rate and market cost of funds. This particularly applies to its hire purchase and trade financing loans. The exposure is managed through the use of fixed and floating rate debts.

(e) Liquidity and Cash Flow Risk

Prudent liquidity risk implies maintaining sufficient cash, time deposits and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention, except as disclosed in this summary of significant accounting policies.

The financial statements of the Group and the Company comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Actual results could differ from those estimates.

(b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of consolidation (Cont'd)

Subsidiary companies are consolidated using the acquisition method of accounting except for certain subsidiaries which are consolidated using the merger method of accounting in accordance with Malaysian Accounting Standard 2, "Accounting for Acquisitions and Mergers", as disclosed in Note 13 to the financial statements.

The Group has taken advantage of the exemption provided to apply Malaysian Accounting Standards Board (MASB) Standard No. 21, "Business Combinations" prospectively. Accordingly, business combinations entered into prior to 1 April 2002 have not been restated to comply with MASB Standard No. 21.

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

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment over the nominal value of the shares acquired is taken to merger reserve.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost 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 unamortised balances of goodwill on acquisition.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of the subsidiary over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Capitalised goodwill is amortised using the straight line method over a period of 25 years. However, during the financial year, the Directors reassessed the economic useful life of the goodwill on consolidation and are of the opinion that the economic useful life be reduced from 25 years to 15 years to better reflect the future economic benefits expected from them. The change of this economic useful life of the goodwill has resulted in additional amortisation of goodwill amounting to RM32,520 for the current financial year.

Where an indication of impairment exists, the carrying amount of the goodwill is assessed and written down immediately to its recoverable amount.

(d) Investments

Investment in subsidiary companies is stated at Directors' valuation based on net tangible assets of the subsidiary companies. Acquisitions after valuation date are stated at cost. A valuation will be conducted at intervals of at least once in every five years. The last valuation was in 1999. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments (Cont'd)

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation and impairment loss is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same subsidiary company. In all other cases, a decrease in carrying amount is charged to income statement.

Other investment in respect of a transferable membership in a club, is stated at cost. Allowance is only made where, in the opinion of the Directors, there is a permanent diminution in value.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement. On disposal of investment in subsidiary companies, amounts in revaluation reserve relating to those subsidiary companies are transferred to income statement.

(e) Property, plant and equipment

Land and buildings are stated at Directors' valuation based on valuation by independent professional valuers using the open market value basis, with additions at cost less subsequent depreciation and impairment loss. Revaluation of land and buildings will be conducted at intervals of at least once in every five years. The last valuation was in 1999. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. The cost of other property, plant and equipment comprise their purchase cost and any incidental costs of acquisition.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation and impairment loss are charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

Long leasehold land are amortised in equal instalments over the periods of the respective leases that range from 60 to 99 years.

All other property, plant and equipment are depreciated so as to write off the cost or valuation of each asset on a straight line basis over their expected useful economic lives. The principal annual rates used for this purpose are:

	%
Buildings	2
Plant, machinery and audio equipment	10 - 12
Office equipment	10 - 12
Motor vehicles	16 - 20
Furniture, fixtures, fittings and equipment	8 - 20
Renovation	10
Electrical installation	10

Depreciation on assets under construction commences when the assets are ready for their intended use.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Gain and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss from operations. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Inventories

Inventories comprising raw materials, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis. The cost of work-in-progress and finished goods comprise raw materials, direct labour, other direct costs and an appropriate proportion of production overheads. Where necessary, allowance is made for obsolete, slow moving or defective inventories.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(g) Trade receivables

Trade receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for any considered to be doubtful of collection.

(h) Foreign currencies

Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are converted at rates of exchange ruling on the transaction dates. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are taken to the income statement in the year in which they are arise.

The principal closing rates used in translation of foreign currency amounts were as follows:

<i>FOREIGN CURRENCY</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
1 US Dollar	3.80	3.80
1 Singapore Dollar	2.20	2.20
1 Sterling Pound	5.99	5.36
100 Japanese Yen	3.18	2.86
Euro	4.11	3.30

(i) Financial instruments

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(ii) Fair value estimation for disclosure purposes

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets and liabilities with a maturity of more than one year is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Deferred taxation

Deferred taxation is provided for using the liability method for taxation deferred in respect of all timing differences. Deferred tax assets are not recognised unless there is reasonable expectation of their realisation.

In prior years, deferred taxation is provided for using the liability method for taxation deferred in respect of all timing differences except where it is reasonably probable that the tax effects of such deferrals will continue in the foreseeable future. The change of this policy has no significant impact on the financial statements.

(k) Hire purchase and finance lease agreements

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Plant and equipment acquired under hire purchase and finance lease agreements are included in plant and equipment and the capital element of the hire purchase and finance lease obligations is shown as hire purchase and finance lease payables. The capital elements of the hire purchase and finance lease instalments are applied to reduce the outstanding obligations and the interest elements are charged to the income statement so as to give a constant periodic rate of interest on the outstanding liabilities at the end of each accounting period. Plant and equipment acquired under hire purchase and finance lease agreements are depreciated over the useful lives of equivalent owned assets.

(l) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(m) Revenue recognition

Sales are recognised upon delivery of goods and customer acceptance, net of sales discounts and returns, and after eliminating sales within the Group.

Other revenues earned by the Group are recognised on the following bases:

- Dividend income is recognised when the Group's right to receive payment is established.
- Rental income is recognised on an accrual basis.
- Interest income is recognised on an accrual basis.

(n) Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings in the year in which they are declared.

(o) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4 SEGMENT REPORTING

The Group is organised into three main business segments:

- Replication of compact discs
- Duplication of audio cassettes
- Plastic fabricated parts

Other operations of the Group comprise mainly investment holding and trading of compact discs, neither of which are of a sufficient size to be reported separately.

Intersegment sales comprise sales of compact discs and fabricated plastics at prices which are competitive and comparable to other persons supplying similar goods in the market.

(a) Primary reporting format – business segments

	<i>REPLICATION OF COMPACT DISCS</i>	<i>DUPLICATION OF AUDIO CASSETTE</i>	<i>PLASTIC FABRICATED PARTS</i>	<i>OTHERS</i>	<i>GROUP</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
31 March 2003					
Sales					
Total sales	16,795,298	3,835,762	17,228,764	10,747,916	48,607,740
Intersegment sales	(181,202)	0	(1,506,261)	(10,434,342)	(12,121,805)
External sales	16,614,096	3,835,762	15,722,503	313,574	36,485,935
Results					
Segment result (external)	1,406,303	(648,725)	(2,578,243)	(132,318)	(1,952,983)
Finance cost	(81,957)	0	(470,197)	0	(552,154)
Profit/(loss) from ordinary activities before tax	1,324,346	(648,725)	(3,048,440)	(132,318)	(2,505,137)
Tax	(92,899)	245,040	185,000	40,046	377,187
Net profit/(loss) for the financial year	1,231,447	(403,685)	(2,863,440)	(92,272)	(2,127,950)
Other information					
Segment assets	40,912,484	8,021,279	17,073,161	1,407,454	67,414,378
Unallocated assets					1,118,606
					68,532,984
Segment liabilities	(2,394,893)	(650,077)	(8,340,335)	(189,708)	(11,575,013)
Unallocated liabilities					(5,913,263)
					17,488,276
Capital expenditure	718,245	0	2,638,271	6,609	3,363,125
Depreciation and amortisation of goodwill on consolidation	2,948,568	491,594	1,653,275	881	5,094,318
Impairment loss (Note 12(d))	100,000	0	0	0	100,000

4 SEGMENT REPORTING (CONT'D)

(a) Primary reporting format – business segments (Cont'd)

	<i>REPLICATION OF COMPACT DISCS RM</i>	<i>DUPLICATION OF AUDIO CASSETTE RM</i>	<i>PLASTIC FABRICATED PARTS RM</i>	<i>OTHERS RM</i>	<i>GROUP RM</i>
31 March 2002					
Sales					
Total sales	15,590,802	4,557,042	14,426,447	935,212	35,509,503
Intersegment sales			(1,015,741)	(913,075)	(1,928,816)
External sales	15,590,802	4,557,042	13,410,706	22,137	33,580,687
Results					
Segment result (external)	6,956,991	325,263	87,899	(269,079)	7,101,074
Finance cost	(330,299)	0	(362,001)	0	(692,300)
Profit/(loss) from ordinary activities before tax	6,626,692	325,263	(274,102)	(269,079)	6,408,774
Tax	(2,400,000)	(150,000)	(64,000)	35,038	(2,578,962)
Net profit/(loss) for the financial year	4,226,692	175,263	(338,102)	(234,041)	3,829,812
Other information					
Segment assets	45,177,724	9,067,264	17,090,624	884,558	72,220,170
Unallocated assets					809,409
					<u>73,029,579</u>
Segment liabilities	(4,350,824)	(521,358)	(5,867,300)	(210,944)	(10,950,426)
Unallocated liabilities					(7,822,355)
					<u>(18,772,781)</u>
Capital expenditure	80,660	604,100	5,693,253	0	6,378,013
Depreciation and amortisation of goodwill on consolidation	2,883,236	416,478	1,101,790	0	4,401,504

Segment assets consist primarily of property, plant and equipment, other investment, current assets and exclude tax recoverable. Segment liabilities comprise operating liabilities and its related interest bearing liabilities and exclude hire purchase payables, taxation and deferred taxation.

Unallocated asset includes tax recoverable. Unallocated liabilities include the hire purchase payables, taxation and deferred taxation.

Capital expenditure comprises additions to property, plant and equipment (Note 12).

4 SEGMENT REPORTING (CONT'D)

(b) Secondary reporting format - geographical segment

The Group operates principally in Malaysia. The relevant financial information has been appropriately presented in these financial statements.

5 REVENUE

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Sale of goods	36,485,935	33,580,687	0	0
Gross dividend income from subsidiary companies	0	0	10,428,000	900,000
	36,485,935	33,580,687	10,428,000	900,000

6 (LOSS)/PROFIT FROM OPERATIONS

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
(Loss)/profit from operations is stated after charging/(crediting):				
Depreciation of property, plant and equipment	5,017,894	4,357,600	0	0
Auditors' remuneration	53,500	43,500	23,000	18,000
Rental of land and buildings	258,000	247,500	0	0
Amortisation of goodwill on consolidation (Note 16)	76,424	43,904	0	0
Bad debts written off	157,725	0	100,000	0
Allowance for doubtful debts	960,811	97,671	0	0
Net loss on disposal of property, plant and equipment	347	2,667	0	0
Staff costs (including Directors' emoluments of RM445,192 (2002: RM387,500))	4,426,566	5,095,382	0	0
Allowance for obsolete inventories	69,865	0	0	0
Allowance for diminution in value of investment	14,030	0	0	0
Professional fees paid to a firm in which a Director is a member	12,500	1,750	0	0
Gross dividend income from subsidiary companies	0	0	(10,428,000)	(900,000)
Interest income	(309,576)	(312,833)	(16,381)	(16,672)
Unrealised exchange gain	(15,350)	(32,172)	0	0
Realised exchanged gain	(169,818)	(16,376)	0	0
Realised exchange loss	2,294	5,122	0	0
Rental income	0	(10,000)	0	0
Refund of royalties (Note a)	0	(4,068,155)	0	0

6 (LOSS)/PROFIT FROM OPERATIONS (CONT'D)

Note (a)

During the previous financial year ended 31 March 2002, the Group reached an agreement with Phillips Electronics International B.V. ("Phillips") for the refund of past royalties paid on Audio CD and CD-ROM products manufactured and sold in Malaysia. The refund of past royalties paid was due to Phillips not having registered the patents right for the said Audio CD and CD-ROM products.

7 DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors of the Company during the financial year were as follows:

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Non-executive Directors:				
- Fees	60,000	55,000	60,000	55,000
Executive Directors:				
- Fees	10,000	10,000	10,000	10,000
- Basic salaries and bonus	445,192	387,500	0	0
- Other emoluments	175,600	130,117	0	0
	630,792	527,617	10,000	10,000
	690,792	582,617	70,000	65,000

The estimated monetary value of benefit-in-kind provided to Directors of the Group during the financial year amounted to RM 42,441 (2002: RM 38,500)

8 FINANCE COSTS

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Interest expense		
- Term loans	67,782	313,289
- Hire purchase	352,426	219,268
- Short terms borrowings	129,171	159,743
- Overdraft	2,775	0
	552,154	692,300

9 TAX

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Tax based on the results of the financial year:				
Malaysia income tax				
- current	74,626	1,242,568	432,600	20,000
- over provision in respect of prior years	(417,681)	(55,038)	(34,276)	(55,038)
Transfer (from)/to deferred taxation (Note 26)	(34,132)	1,391,432	0	0
	(377,187)	2,578,962	398,324	(35,038)

Current year income tax of the Group is in respect of interest income of certain companies within the Group as there is no group tax relief. The effective tax rate of the Company is lower than the statutory tax rate due to tax-exempt dividend income from certain subsidiary companies.

10 (LOSS)/EARNINGS PER SHARE

The loss per share for the financial year ended 31 March 2003 has been calculated based on the Group's net loss for the financial year of RM2,127,950 (2002: net profit of RM3,829,812) and on the weighted average number of ordinary shares outstanding during the year of 40,000,000 (2002: 40,000,000) calculated as follows:

	<i>2003</i>	<i>2002</i>
Issued ordinary shares at beginning of the financial year	30,000,000	30,000,000
Effects of bonus issue	10,000,000	*10,000,000
Weighted average number of ordinary shares	40,000,000	40,000,000

* In accordance with Malaysian Accounting Standards Board (MASB) Standard No. 13, Earnings Per Share, the issue of bonus shares (Note 27) is treated as if it had occurred at the beginning of the financial year ended 31 March 2002.

11 DIVIDENDS

	<i>2003</i>		<i>2002</i>	
	<i>GROSS PER SHARE</i>	<i>AMOUNT OF TAX EXEMPT DIVIDEND</i>	<i>GROSS PER SHARE</i>	<i>AMOUNT OF TAX EXEMPT DIVIDEND</i>
	<i>SEN</i>	<i>RM</i>	<i>SEN</i>	<i>RM</i>
Final dividend paid (tax exempt) in respect of				
- financial year ended 31 March 2002	3	900,000		0
- financial year ended 31 March 2001	0	0	5 *	1,500,000

* The gross dividend per share did not include the effects of the issue of bonus shares during the financial year as disclosed in Note 27 to the financial statements.

12 PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:

GROUP	LONG	PLANT,			FURNITURE,	ELECTRICAL		CAPITAL	TOTAL	
	LEASEHOLD	BUILDINGS	MACHINERY AND AUDIO EQUIPMENT	OFFICE EQUIPMENT	MOTOR VEHICLES	FIXTURES AND FITTINGS	RENOVATION	INSTALLATION		WORK IN PROGRESS
	LAND									
2003	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Net Book Value										
At 1 April 2002	10,959,493	2,460,627	26,403,420	17,388	425,007	882,050	96,654	218,372	26,338	41,489,349
Additions	1,400	0	3,273,637	6,609	0	47,425	25,815	8,239	0	3,363,125
Transfer	0	0	18,227	0	0	7,764	0	0	(25,991)	0
Disposals	0	0	(110,507)	0	0	0	0	0	(347)	(110,854)
Depreciation charge										
for the financial year	(144,935)	(96,216)	(4,358,400)	(10,646)	(145,716)	(198,973)	(27,828)	(35,180)	0	(5,017,894)
Impairment loss	0	(100,000)	0	0	0	0	0	0	0	(100,000)
Net Book Value										
At 31 March 2003	10,815,958	2,264,411	25,226,377	13,351	279,291	738,266	94,641	191,431	0	39,623,726
At 31 March 2003										
Cost	5,425,097	0	43,926,046	206,820	1,234,671	2,058,549	299,331	358,240	0	53,508,754
Valuation	5,890,995	2,608,652	0	0	0	0	0	0	0	8,499,647
Accumulated depreciation	(500,134)	(244,241)	(18,699,669)	(193,469)	(955,380)	(1,320,283)	(204,690)	(166,809)	0	(22,284,675)
Accumulated impairment losses	0	(100,000)	0	0	0	0	0	0	0	(100,000)
Net Book Value	10,815,958	2,264,411	25,226,377	13,351	279,291	738,266	94,641	191,431	0	39,623,726
At 31 March 2002										
Cost	5,423,697	0	40,992,581	200,211	1,234,671	2,003,360	273,516	350,001	26,338	50,504,375
Valuation	5,890,995	2,608,652	0	0	0	0	0	0	0	8,499,647
Accumulated depreciation	(355,199)	(148,025)	(14,589,161)	(182,823)	(809,664)	(1,121,310)	(176,862)	(131,629)	0	(17,514,673)
Net Book Value	10,959,493	2,460,627	26,403,420	17,388	425,007	882,050	96,654	218,372	26,338	41,489,349

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company does not have any property, plant and equipment during the financial year.

(a) Valuation

Leasehold land and buildings of the Group were revalued in 1999 by the Directors based on valuations carried out by independent professional valuers using the open market value basis.

The tax effect of RM49,866 (2002: RM54,866) in connection with the surplus arising on the revaluation of land and buildings of the Group is not accounted for in the financial statements as there is no intention to dispose of these landed properties in the foreseeable future.

Had these assets been carried at cost less depreciation, the net book values of property, plant and equipment of the Group that would have been included in the financial statements are as follows:

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Long leasehold land	2,884,096	2,950,794
Buildings	1,324,771	1,356,910

(b) Property, plant and equipment with restricted title

In the previous financial year, the net book value of property, plant and equipment of the Group pledged to financial institutions to secure term loan facilities as disclosed in Note 23 to the financial statements were as follows:

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Plant and machinery		
Net book value	0	8,105,951

The legal charges have been discharged following the full repayment of the term loan during the year.

(c) Property, plant and equipment held under hire purchase and finance lease agreements

At the balance sheet date, the net book value of property, plant and equipment of the Group held under hire purchase and finance lease agreements are as follows:

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Plant and machinery		
Net book value	6,496,480	5,804,249
Motor vehicles		
Net book value	0	425,004

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(d) Impairment loss

During the financial year, the Directors of the Group have recognised an impairment loss of RM100,000 to the extent of the building's recoverable amount. This impairment loss is charged against the revaluation reserve of the Group to the extent of the previous revaluation surplus. The asset is reported under replication of compact discs segment as disclosed in Note 4 to the financial statements.

13 SUBSIDIARY COMPANIES

	COMPANY	
	2003 RM	2002 RM
Unquoted shares - at valuation	14,445,057	14,445,057
- at cost	2,555,000	2,555,000
	17,000,057	17,000,057
Less: Accumulated impairment losses	(1,038,000)	0
	15,962,057	17,000,057

Investments in certain subsidiary companies were revalued by the Directors in 1999 based on the audited net assets of the subsidiary companies as at 31 March 1999. During the financial year, the Directors have recognised an impairment loss of RM1,038,000 to the extent of its recoverable amount (share of net assets). This impairment loss is charged against the revaluation reserve to the extent of the previous revaluation surplus.

The shares of all subsidiary companies are held directly by the Company. Details of the subsidiary companies are as follows:

NAME OF COMPANY	COUNTRY OF INCORPORATION	GROUP EFFECTIVE INTEREST		PRINCIPAL ACTIVITIES	METHOD OF CONSOLIDATION
		2003 %	2002 %		
Summit Audio Industries (M) Sdn Bhd	Malaysia	100	100	Mechanical reproduction of sound and music	Merger method
Summit CD Manufacture (M) Sdn Bhd	Malaysia	100	100	Manufacture of compact discs	Merger method
Japantec Industries (M) Sdn Bhd	Malaysia	100	100	Manufacture of plastic fabricated parts	Acquisition method
SM Digital Media Sdn Bhd	Malaysia	100	100	Trading of compact discs	Acquisition method

14 AMOUNT DUE FROM A SUBSIDIARY COMPANY

Company

Amount due from a subsidiary company is denominated in Ringgit Malaysia, unsecured, interest free and is not repayable within the next 12 months.

The fair value of the amount due from a subsidiary company approximates its carrying amount.

15 INVESTMENT

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Club membership, at cost	30,030	30,030
Less: Allowance for diminution in value	(14,030)	0
	16,000	30,030
Fair value	16,000	

16 GOODWILL ON CONSOLIDATION

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Net book value		
At 1 April	1,031,728	1,075,632
Amortisation charged (Note 6)	(76,424)	(43,904)
At 31 March	955,304	1,031,728
At 31 March:		
Cost	1,097,584	1,097,584
Accumulated amortisation	(142,280)	(65,856)
Net book value	955,304	1,031,728

17 INVENTORIES

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
At cost:		
Raw materials	1,929,831	1,925,954
Work-in-progress	0	26,303
Finished goods	830,582	1,621,078
	2,760,413	3,573,335

18 TRADE RECEIVABLES

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Trade receivables	14,984,692	12,479,643
Less: Allowance for doubtful debts	(2,239,635)	(1,322,288)
	12,745,057	11,157,355
	<i>GROUP</i>	
	<i>2003</i>	
	<i>RM</i>	
The currency exposure profile of trade receivables is as follows:		
- Ringgit Malaysia	8,825,645	
- Singapore Dollar	737,437	
- US Dollar	2,974,737	
- Sterling Pound	207,238	
	12,745,057	

Credit terms of trade receivables range from payment in advance to 120 days.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors. The Group's historical experience in collection of accounts receivable fall within the recorded allowances.

Included in trade receivables are amounts due from related parties (Note 31) which are unsecured, interest free with credit terms ranging from payment in advance to 45 days.

19 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Other receivables	851,251	417,798	150,000	250,000
Less: Allowance for doubtful debts	(50,000)	0	0	0
	801,251	417,798	150,000	250,000
Receivables from disposal of properties	770	585,000	0	0
Royalties receivable	0	2,417,331	0	0
Deposits	226,430	221,164	0	0
Prepayments	231,236	230,220	0	0
	1,259,687	3,871,513	150,000	250,000

Other receivables, receivables from disposal of properties and amount due from related parties are denominated in Ringgit Malaysia.

20 AMOUNTS DUE FROM SUBSIDIARY COMPANIES

Company

Amounts due from subsidiary companies are denominated in Ringgit Malaysia, unsecured, interest free and repayable on demand.

21 CASH AND CASH EQUIVALENTS

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Deposits with licensed banks	7,366,487	9,373,273	522,180	505,799
Deposits with licensed finance companies	1,324,284	0	0	0
Deposits with licensed financial institutions	8,690,771	9,373,273	522,180	505,799
Cash and bank balances	1,363,420	1,693,587	222,031	43,866
Bank overdraft	0	(179,650)	0	0
	10,054,191	10,887,210	744,211	549,665
Less: Deposits pledged as collateral	(308,817)	(308,817)	0	0
	9,745,374	10,578,393	744,211	549,665

Deposits, cash and bank balances are denominated in Ringgit Malaysia.

Deposits with licensed banks of the Group amounting to RM308,817 (2002: RM308,817) have been pledged as collateral for banking facilities granted to a subsidiary company.

The weighted average interest rates of deposits that was effective as at balance sheet date was as follows:

	<i>GROUP</i>	<i>COMPANY</i>
	<i>2003</i>	<i>2003</i>
	<i>%</i>	<i>%</i>
Deposit with licensed banks	3.1	3.2
Deposit with licensed finance companies	3.2	0

Deposits of the Group and Company have an average maturity of 30 days. Bank balances are deposits held at call with banks.

22 PAYABLES

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Trade payables	6,664,139	4,507,939	0	0
Other payables	1,635,221	210,897	0	0
Other accruals	711,792	1,057,244	184,058	202,243
Hire purchase and finance lease payables (Note 25)	1,928,758	1,798,301	0	0
Deposits payable	0	24,650	0	0
	10,939,910	7,599,031	184,058	202,243

	<i>GROUP</i>	<i>COMPANY</i>
	<i>2003</i>	<i>2003</i>
	<i>RM</i>	<i>RM</i>
The currency exposure profile of trade payables is as follows:		
- Ringgit Malaysia	6,237,297	184,058
- Singapore Dollar	131,301	0
- US Dollar	3,357,496	0
- Euro	25,468	0
- Japanese Yen	1,188,348	0
	10,939,910	184,058

Credit terms of trade payables granted to the Group vary from payment in advance to 90 days.

Included in trade payables is amount due from a related party (Note 31) which is unsecured, interest free with credit terms ranging from payment in advance to 45 days.

23 BANK BORROWINGS (INTEREST BEARING)

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Current		
Term loans (secured)		
- Term loan I	0	800,004
- Term loan II	0	675,000
- Term loan III	0	375,000
	0	1,850,004
Short term borrowings (unsecured)		
- Trust receipts	756,861	1,106,000
- Bankers' acceptances	1,807,000	990,774
	2,563,861	2,096,774
	2,563,861	3,946,778

23 BANK BORROWINGS (INTEREST BEARING) (CONT'D)

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Non current		
Term loans (secured)		
- Term loan I	0	266,652
- Term loan II	0	287,866
- Term loan III	0	468,750
	0	1,023,268
	2,563,861	4,970,046
Maturity of bank borrowings		
Payable within 1 year (included under current liabilities)	2,563,861	3,946,778
Payable later than 1 year and not later than 2 years	0	1,023,268
	2,563,861	4,970,046

	<i>GROUP</i>
	<i>2003</i>
Weighted average effective interest rates	
Trust receipts	8.30%
Bankers' acceptances	3.18%

The term loans were secured by legal charges over the plant and machinery of the subsidiary company and guaranteed by the Company. The legal charges have been discharged following the full repayment of the term loans during the year.

The short term borrowings are denominated in Ringgit Malaysia.

24 BANK OVERDRAFT (UNSECURED)

Group

The Group did not utilise the overdraft facilities at the end of the financial year.

25 HIRE PURCHASE AND FINANCE LEASE PAYABLES (INTEREST BEARING)

Hire purchase and finance lease payables are analysed as follows:

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Hire purchase and finance lease liabilities		
Minimum lease payments:		
- not later than 1 year	2,267,801	2,112,364
- later than 1 year and not later than 2 years	1,112,623	1,919,681
- later than 2 years and not later than 5 years	551,190	764,503
	3,931,614	4,796,548
Future finance charges on hire purchase and finance lease	(596,651)	(701,197)
Present value of hire purchase and finance lease liabilities	3,334,963	4,095,351
Representing hire purchase and finance lease liabilities		
- current (included in other payables and accrued liabilities - Note 22)	1,928,758	1,798,301
- non current	1,406,205	2,297,050
	3,334,963	4,095,351
Present value of hire purchase and finance lease liabilities		
- not later than 1 year	1,928,758	1,798,301
- later than 1 year and not later than 2 years	946,159	1,638,205
- later than 2 years and not later than 5 years	460,046	658,845
	3,334,963	4,095,351
Fair value of finance lease liabilities at the balance sheet date	3,723,506	
Weighted average effective interest rate at the balance sheet date	5.27%	

The finance lease liabilities are denominated in Ringgit Malaysia.

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

26 DEFERRED TAXATION

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
At 1 April	2,612,432	1,221,000
Transfer (to)/from income statement (Note 9)	(34,132)	1,391,432
At 31 March	2,578,300	2,612,432

26 DEFERRED TAXATION (CONT'D)

Deferred taxation provided in the financial statements are analysed as follows:

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Timing differences between depreciation and corresponding taxation allowances	11,196,253	12,123,112
Other timing differences	(1,988,113)	(2,792,997)
	9,208,140	9,330,115
Timing differences on which deferred taxation has been provided	(9,208,140)	(9,330,115)
Timing differences between depreciation and corresponding taxation allowances which are expected to continue in the foreseeable future	0	0

27 SHARE CAPITAL

	<i>GROUP AND COMPANY</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Authorised:		
50,000,000 ordinary shares of RM1.00 each	50,000,000	50,000,000
Issued and fully paid ordinary shares of RM1.00 each		
At 1 April	30,000,000	30,000,000
Bonus issue during the year	10,000,000	0
At 31 March	40,000,000	30,000,000

During the financial year, the Company increased its issued and paid up share capital from 30,000,000 ordinary shares of RM1 each to 40,000,000 ordinary shares of RM1 each through the issuance of 10,000,000 bonus shares capitalised through the retained earnings on the basis of 1 ordinary shares of RM1 each for every 3 existing shares held. The increase in share capital was to meet the minimum paid up capital of RM40 million for Second Board companies listed on the Kuala Lumpur Stock Exchange.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary share of the Company save and except that they shall not be entitled to any dividends in respect of first and final tax exempt dividend of 3% declared by the Company for the financial year ended 31 March 2002.

28 RETAINED EARNINGS

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income amounting to approximately RM4,120,000 (2002: RM4,099,000) and RM10,100,000 (2002: RM10,100,000) respectively to frank the payment of dividends out of all its retained earnings at 31 March 2003.

29 PRIOR YEAR ADJUSTMENT

During the financial year, the Group changed its accounting policy with respect to the recognition of liabilities in compliance with the new Malaysian Accounting Standards Board (MASB) Standard No.19 "Events after the Balance Sheet Date". This change in policy has effect on the accounting treatment as follows:

- Dividend

In previous years, dividends were accrued as a liability when proposed by directors. The Group has now changed this accounting policy to recognise dividends in shareholders' equity in the financial year in which the obligation to pay is established in accordance with MASB Standard No. 19. Therefore, final dividends is now accrued as a liability after approval by shareholders at the Annual General Meeting.

This change in accounting policy has been accounted for retrospectively.

The effects of the change on the Group's and the Company's financial statements are as follows:

	<i>AS PREVIOUSLY REPORTED RM</i>	<i>EFFECT OF CHANGE IN POLICY RM</i>	<i>AS RESTATE D RM</i>
Group			
At 31 March 2001:			
- retained earnings	18,305,722	1,500,000	19,805,722
At 31 March 2002:			
- retained earnings	21,235,534	900,000	22,135,534
- proposed dividends	900,000	(900,000)	0

	<i>AS PREVIOUSLY REPORTED RM</i>	<i>EFFECT OF CHANGE IN POLICY RM</i>	<i>AS RESTATE D RM</i>
Company			
At 31 March 2001:			
- retained earnings	497,616	1,500,000	1,997,616
At 31 March 2002:			
- retained earnings	310,117	900,000	1,210,117
- proposed dividends	900,000	(900,000)	0

30 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Net cash outflow for the acquisition of property, plant and equipment during the financial year are as follows:

	<i>GROUP</i>	
	<i>2003 RM</i>	<i>2002 RM</i>
Total acquisition of property, plant and equipment	3,363,125	6,378,013
Less: Amount financed by hire purchase	(863,040)	(4,136,707)
Less: Amount due to creditors	(1,291,887)	0
Net cash outflow	1,208,198	2,241,306

31 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related party and relationships

The related parties of the Group comprise:

Name of company	Relationship
SM Summit Holdings Ltd	Company in which Mr Lee Kerk Chong has substantial interest
Summit CD Manufacture Pte Ltd	Subsidiary of SM Summit Holdings Ltd
Summit Technology Australia Pty Ltd	Subsidiary of SM Summit Holdings Ltd

(b) Significant related party transactions

In the normal course of business, the Group undertakes on agreed terms, a variety of transactions with the related parties. Significant transactions between the Group and its related parties were as follows:

	2003	2002
	RM	RM
Sale of goods to:		
- Summit CD Manufacture Pte Ltd	2,223,735	1,764,126
- Summit Technology Australia Pty Ltd	3,016,903	2,675,680

(c) Significant related party balances

Significant related party balances outstanding at the end of the financial year were as follows:

	Type of transactions	2003	2002
		RM	RM
Included in trade receivables			
- Summit CD Manufacture Pte Ltd	Sale of goods	398,821	440,673
- Summit Technology Australia Pty Ltd	Sale of goods	273,337	696,862

	Type of transactions	2003	2002
		RM	RM
Included in trade payables			
- Summit CD Manufacture Pte Ltd	Sale of goods	68,217	0

32 COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

	<i>GROUP</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Not later than 1 year	194,400	42,000
Later than 1 year and not later than 5 years	194,400	10,500
	388,800	52,500

The above lease payments relate to the non-cancellable operating lease of a subsidiary's premises.

33 CONTINGENT LIABILITIES

	<i>COMPANY</i>	
	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
Guarantee of banking facilities granted to subsidiary companies (unsecured)	5,898,824	9,245,047

34 COMPARATIVES

Comparatives have not been presented by the Group and the Company on the adoption of Malaysian Accounting Standards Board Standard No. 24, "Financial Instruments: Disclosure and Presentation", as permitted by the Standard.

Statement by directors

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

We, Nazir bin Mansor and Gun Seong Thean, two of the Directors of SM Summit Holdings Bhd, state that, in the opinion of the Directors, the financial statements set out on pages 22 to 51 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2003 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 18 July 2003.



Nazir bin Mansor
Chairman



Gun Seong Thean
Managing Director

Statutory declaration

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

I, Yap Kiam Beng, the Director primarily responsible for the financial management of SM Summit Holdings Bhd, do solemnly and sincerely declare that the financial statements set out on pages 22 to 51 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.



Yap Kiam Beng
Director

Subscribed and solemnly declared by the abovesigned Yap Kiam Beng at Kuala Lumpur on 18 July 2003, before me

Commissioner for Oaths



Lot 2-42, 2nd Floor,
The Mall, 100 Jalan Putera,
50350 KUALA LUMPUR.

Report of the auditors

to the members of SM Summit Holdings Bhd

We have audited the financial statements set out on pages 22 to 51. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and the Company as at 31 March 2003 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

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

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



PricewaterhouseCoopers

(AF: 1146)

Chartered Accountants



Lee Tuck Heng

(No. 2092/09/04(J))

Partner of the firm

Kuala Lumpur

18 July 2003

List of properties

as at 31 March 2003

Registered Owner / Location	Description	Tenure/ Age (years)	Total Land Area/ Built-up Area (sq metres)	Net Book Value as at 31 March 2003 (RM)
Summit Audio Industries (M) Sdn Bhd				
Parcel No.D-113 1st Floor, Block D Pandan Height, PT 34798 Mukim of Ampang District of Ulu Langat State of Selangor	Three (3) bedroom apartment for management	Freehold (age is approx 7 years)	79.25	111,818
Plot No. B29 Gateway 2020 Industrial Park, Phase 5 Taman Shamelin Perkasa PT 1604 and PT 1668 Mukim of Kuala Lumpur and Ampang respectively District of Kuala Lumpur.	Adjoining unit of semi-detached single storey factory with three storey office	Leasehold 99 years expiring on 11.09.2082 (age is approx 7 years)	1,041.00	3,076,446
Parcel No.1313 Storey No.3, Building 1 Taman Shamelin Perkasa PT 1604 Mukim of Kuala Lumpur District of Kuala Lumpur	Three (3) bedroom apartment for management	Leasehold 99 years expiring on 11.09.2082 (age is approx 11 years)	95.00	117,314
Summit CD Manufacture (M) Sdn Bhd				
Parcel No. 149 Taman Shamelin Perkasa Phase 1A, PT 1668 Mukim of Ampang District of Kuala Lumpur	One and a half storey intermediate terrace factory	Leasehold 99 years expiring on 2082 (age is approx 17 years)	278.71	755,053
Parcel No. D-107 1st Floor, Block D Pandan Height, PT 34798 Mukim of Ampang, District of Ulu Langat State of Selangor	Three (3) bedroom apartment for management	Freehold (age is Approx 7 years)	79.62	113,024
Plot No. B30 Gateway 2020 Industrial Park, Phase 5 Taman Shamelin Perkasa PT 1604 and PT 1668 Mukim of Kuala Lumpur and Ampang respectively District of Kuala Lumpur	Adjoining unit of semi-detached single storey factory with three storey office	Leasehold 99 years expiring on 11.09.2082 (age is approx 7 years)	1,041.00	3,002,348

Registered Owner / Location	Description	Tenure/ Age (years)	Total Land Area/ Built-up Area (sq metres)	Net Book Value as at 31 March 2003 (RM)
Summit CD Manufacture (M) Sdn Bhd (Cont'd)				
Parcel No.1307 storey No. 3, Building 1 Taman Shamelin Perkasa PT 1604 Mukim of Kuala Lumpur District of Kuala Lumpur	Three (3) bedroom apartment for management	Leasehold 99 years expiring on 11.09.2082 (age is approx 11 years)	95.00	117,587
Parcel No. E-GP04 Block E, Phase 5 Pandan Perdana PT 4335 Mukim of Kuala Lumpur District of Kuala Lumpur	5 + 1 bedroom apartment (Penthouse) for senior management accommodation	Freehold (age is approx 4 years)	195.93	361,682
Lot No. 31573-31578 & 31627, Desa Tun Razak PN 10174-10179 & 10228 Mukim Petaling, Daerah Wilayah Persekutuan Negeri Wilayah Persekutuan	Vacant industrial land	Leasehold 99 years expiring on 20.03.2085 (age is approx 17 years)	6,861.00	5,425,097
Total			9,766.51	13,080,369

Statistics of shareholdings

as at 31 July 2003

Financial Year End : 31st March 2003
Class of Shares : Ordinary Shares of RM 1.00 each
Voting Rights : One vote per ordinary share

Analysis of Shareholders by Range Groups

Size of the Shareholdings	No. of Shares	% over Total Shares	No. of Holders	% over Total Shareholders
1 – 99	2,192	0.01	53	2.04
100 – 1,000	86,365	0.22	106	4.08
1,001 – 10,000	6,976,914	17.44	2,101	80.78
10,001 – 100,000	7,396,929	18.49	316	12.15
100,001 – 1,999,999	3,954,934	9.89	20	0.77
2,000,000 & above	21,582,666	53.95	5	0.18
Total	40,000,000	100.00	2,601	100.00

List of Thirty Largest Shareholders as at 31 July 2003

(As per Record of Depositors)

Name of Holders	No. of Shares	%
1. SM Summit Holdings Limited	8,048,000	20.12
2. Gun Seong Thean	4,653,333	11.63
3. Nazir Bin Mansor	3,372,000	8.43
4. Shing Kong Enterprise Sdn Bhd	2,872,000	7.18
5. Lee Kerk Chong	2,637,333	6.59
6. Wong Kong Meng	384,000	0.96
7. Sing Kong Wey	314,667	0.79
8. Tam Chui Chui	314,200	0.79
9. Chow Seck Kai	292,000	0.73
10. Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Na Bon Tiam (Rem 622)</i>	292,000	0.73
11. Yap Win Seng	264,000	0.66
12. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Magnum 4D (Selangor) Sdn Bhd</i>	240,000	0.60
13. Universal Trustee (Malaysia) Berhad <i>SBB Emerging Companies Growth Fund</i>	204,000	0.51
14. Citicorp Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Tiou Chong</i>	200,000	0.50
15. RHB Nominees (Asing) Sdn Bhd <i>GK Goh SPL for Chong Ah Kong</i>	200,000	0.50
16. Teo Kee Bock	146,667	0.37
17. Chee Wai Meng	145,967	0.36
18. Yeoh Ah Tu	140,000	0.35
19. Gan Beng Tong	128,900	0.32
20. Lem Lee Siang @ Lim Lee Cheng	128,733	0.32
21. Nile Capital Limited	124,000	0.31
22. Tan Su Loke	116,000	0.29
23. Ngu Kee Leng	109,333	0.27
24. Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Magnum 4D (Selangor) Sdn Bhd</i>	106,667	0.27

List of Thirty Largest Shareholders as at 31 July 2003 (Cont'd)

(As per Record of Depositors)

Name of Holders	No. of Shares	%
25. Hong Leong Finance Berhad <i>Pledged Securities Account for Chua Seh Liang</i>	103,800	0.26
26. Sim Seong Lee	100,000	0.25
27. Lee Teck Hoe	96,000	0.24
28. Loh Lai Kim	96,000	0.24
29. Affin-UOB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tee Kwee He (SXX950)</i>	80,833	0.20
30. MIDF SISMA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Loi Teak Kuong</i>	73,333	0.18
Total	25,983,766	64.96

Substantial Shareholders as at 31 July 2003

(As per the Register of Substantial Shareholders)

Name of Shareholders	No. of Shares Direct / Indirect	%
1. SM Summit Holdings Limited	8,048,000	20.12
2. Gun Seong Thean	4,653,333	11.63
3. Nazir Bin Mansor	3,372,000	8.43
4. Shing Kong Enterprise Sdn Bhd	2,872,000	7.18
5. Lee Kerk Chong	2,637,333 (direct) 8,048,000 (indirect)	6.59 20.12 •
6. Soo Yoke Mun	72,000 (direct) 2,872,000 (indirect)	0.18 7.18 <<
7. Tan Mooi Hiang	2,872,000 (indirect)	7.18 <<

• Deemed interest by virtue of his direct and indirect shareholding interest in SM Summit Holdings Limited.

<< Deemed interest by virtue of his 50.00% direct shareholding interest in Shing Kong Enterprise Sdn Bhd.

<< Deemed interest by virtue of her 50.00% direct shareholding interest in Shing Kong Enterprise Sdn Bhd

Directors' Shareholdings as at 31 July 2003

(As per the Register of Directors' Shareholdings)

Directors	No. of Shares Direct / Indirect	%
1. Gun Seong Thean	4,653,333	11.63
2. Nazir Bin Mansor	3,372,000	8.43
3. Lee Kerk Chong	2,637,333 (direct) 8,048,000 (indirect)	6.59 20.12 •
4. Soo Yoke Mun	72,000 2,872,000 (indirect)	0.18 7.18 ••
5. Yap Kiam Beng	28,000	0.07
6. Yip Soon Chee	0	0.00
7. Frances A/L Augustine Peter	0	0.00
8. Loh Lap Sang	0	0.00

• Deemed interest by virtue of his direct and indirect shareholding interest in SM Summit Holdings Limited.

•• Deemed interest by virtue of his 50.00% direct shareholding interest in Shing Kong Enterprise Sdn Bhd.

Notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the Company will be convened and held at No. 9 Jalan 3/91A Taman Shamelin Perkasa Cheras 56100 Kuala Lumpur on Monday, 29 September 2003 at 10.00 a.m. to transact the following items of business:

AGENDA

1. To receive and adopt the audited financial statements for the year ended 31 March 2003 together with the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors' Fees amounting to RM70,000/- for the year ended 31 March 2003. **Ordinary Resolution 2**
3. To re-elect Mr Yap Kiam Beng who retires in accordance with Article 82 of the Company's Articles of Association. **Ordinary Resolution 3**
4. To re-elect Mr Yip Soon Chee who retires in accordance with Article 82 of the Company's Articles of Association. **Ordinary Resolution 4**
5. To re-elect Mr Loh Lap Sang who retires in accordance with Article 89 of the Company's Articles of Association. **Ordinary Resolution 5**
6. To appoint Auditors and to authorise the Directors of fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure I" have been received by the Company for the nomination of Messrs Ernst & Young who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:

"THAT Messrs Ernst & Young be and are hereby appointed auditors of the Company in place of the retiring auditors, Messrs PricewaterhouseCoopers to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." **Ordinary Resolution 6**

7. Special Business

To consider and if thought fit, pass the following resolutions:

(i) Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965

"THAT subject always to the Companies Act, 1965 and the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time upon such terms and conditions, and for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that the Directors be and are empowered to obtain the approval from Kuala Lumpur Stock Exchange (KLSE) for the listing and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 7**

(ii) Proposed Shareholders' Mandate and extension of the scope of the Shareholders' Mandate for the Company's subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("Proposal")

"THAT subject to the provision of the Listing Requirements of Kuala Lumpur Stock Exchange, mandate be given to the Company's subsidiaries to enter into, with interested director(s) or interested major shareholder(s), the following Related Party Transactions involving Recurrent Transactions of a revenue or trading nature which are necessary for its day to day operations as set out in Section 2.2 (pages 3 to 6) of the Circular to Shareholders dated 5 September 2003 which shall be considered and approved as separate mandates :-

(i) Transaction to be entered into by the Company's subsidiaries, namely Summit CD Manufacture (M) Sdn Bhd and Japantec Industries (M) Sdn Bhd with SM Summit Holdings Ltd and its subsidiaries. **Ordinary Resolution 8**

(ii) Transaction to be entered into by the Company's subsidiary, namely Summit CD Manufacture (M) Sdn Bhd with KL Graphic and Art Supply. **Ordinary Resolution 9**

AND THAT the aforesaid recurrent transactions of a revenue or trading nature are subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders.*
- (b) disclosure of the aggregate value of recurrent transactions conducted during the financial year will be disclosed in the Annual Report for the said financial year AND that such approval shall continue to be in force until :-*
 - (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed;*
 - (ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or*
 - (iii) revoked or varied by resolution passed by the shareholders in an AGM or an Extraordinary General Meeting,**whichever is earlier.*
- (c) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including such documents as may be required) to give effect to the Proposal contemplated and/or authorised by these Ordinary Resolutions 8 and 9."*

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

BY ORDER OF THE BOARD

CHU KUM YOON
LEONG SHIAK WAN
Company Secretaries

Kuala Lumpur
5 September 2003

NOTES:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member may appoint two (2) or more proxies to attend at the same meeting. Where a member appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy or proxies shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office at 22nd Floor Wisma Cyclecarri 288 Jalan Raja Laut 50350 Kuala Lumpur at least forty-eight (48) hours before the time approved for holding the meeting or any adjournment thereof (or in the case of a poll not less than twenty-four (24) hours before the time appointed for taking of the poll).
5. EXPLANATORY NOTE ON THE SPECIAL BUSINESS
 - (i) The proposed Ordinary Resolution 7, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at general meeting, will expire at the next Annual General Meeting.
 - (ii) The proposed Ordinary Resolutions 8 and 9, if passed, will empower the Directors from the date of the Tenth Annual General Meeting, to deal with the related party transactions involving recurrent transactions of revenue or trading nature which are necessary for its day-to-day operations. These Renewed Recurrent Related Party Transactions are in the ordinary business and are on terms not more favourable to the related party than those generally available to the public. This authority, unless revoke or varied at a general meeting, will expire at the next Annual General Meeting.

Statement Accompanying notice of annual general meeting pursuant to Paragraph 8.28 (2) of the listing requirements of Kuala Lumpur Stock Exchange

1. **The Directors who are standing for re-election at the Tenth Annual General Meeting of the Company are as follows:**

- Yap Kiam Beng
- Yip Soon Chee
- Loh Lap Sang

The profiles and interests in shares of the abovementioned Directors are set out on page 7.

2. **Board Meetings**

Five (5) Board Meetings were held during the financial year ended 31 March 2003.

Both Messrs Yap Kiam Beng and Yip Soon Chee attended all the five (5) Board Meetings held during the financial year ended 31 March 2003.

Mr Loh Lap Sang was appointed as a director of the Company on 23 June 2003. As such, he did not attend all Board Meetings held during the financial year ended 31 March 2003.

3. **Date, Time and Venue of the Tenth Annual General Meeting**

Date : 29 September 2003

Time : 10.00 a.m.

Venue : No. 9, Jalan 3/91A, Taman Shamelin Perkasa, Cheras, 56100 Kuala Lumpur

4. **Other Information**

None of the above Directors has any family relationship with other Directors or major shareholders of the Company.

None of the above Directors has been convicted for offences within the past ten (10) years other than traffic offences.

Proxy form

SM SUMMIT HOLDINGS BHD
(Company No. 287036-X)
(Incorporated in Malaysia)

No. of ordinary shares held

I/We, _____ of _____
_____ being a *Member/Members of **SM Summit Holdings Bhd**
hereby appoint *Chairman of the meeting or _____ of _____
_____ or failing him/her _____
of _____ as *my/our proxy/proxies
to attend and vote for *me/us and on *my/our behalf at the Tenth Annual General Meeting of the Company, to be held at No 9 Jalan 3/91A Taman Shamelin Perkasa Cheras 56100 Kuala Lumpur on Monday, the 29th day of September 2003 at 10.00 a.m. and, at every adjournment thereof to vote as indicated below in respect of the following Resolutions:

		For	Against
Ordinary Resolution 1	Adoption of Financial Statements and Reports		
Ordinary Resolution 2	Approval of Directors' Fees of RM70,000/-		
Ordinary Resolution 3	Re-election of Mr Yap Kiam Beng		
Ordinary Resolution 4	Re-election of Mr Yip Soon Chee		
Ordinary Resolution 5	Re-election of Mr Loh Lap Sang		
Ordinary Resolution 6	Appointment of Messrs Ernst & Young as auditors in place of the retiring auditors, Messrs PricewaterhouseCoopers, and to authorise the Directors to determine their remuneration		
Ordinary Resolution 7	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution 8	Shareholders' mandate to enter into recurrent related party transactions with SM Summit Holdings Ltd and its subsidiaries		
Ordinary Resolution 9	Shareholders mandate to enter into recurrent related party transactions with KL Graphic and Art Supply		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

The proportions of *my/our holding to be represented by my * proxy/proxies are as follows:-

First named Proxy	%
Second named Proxy	%
	100%

In case of a vote of taken by show of hands, the First Proxy shall vote on *my/our behalf

Dated this _____ day of _____ 2003

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder(s)

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his instead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member may appoint two (2) or more proxies to attend at the same meeting. Where the member appoints two (2) or more proxies, the proxies shall not be valid unless the member specifies the proportion of his shareholdings to be represented by each proxy.
3. The instrument appointing a proxy or proxies shall be in writing (in the common or usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, the instrument appointing a proxy or proxies must be either under seal or under the hand of an office or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office at 22nd Floor, Wisma Cyclecarri, 288 Jalan Raja Laut, 50350 Kuala Lumpur at least forty-eight (48) hours before the time approved for holding the meeting or any adjournment thereof (or in the case of a poll not less than twenty-four (24) hours before the time appointment for taking of the poll).

* Strike out whichever is not valid