

ANNUAL REPORT

2003

Cover Rationale

The pillar that is used on the cover illustrates the solidity of the Company's operational and financial strength. It is this strength that it draws upon in meeting the shareholders' profit target.

The marks on the pillars, are used to illustrate each level of achievement that the Company aims for and these levels will keep growing in years to come. With the attainment of one level, the next target comes into view.

This is the push that will give a boost in its efforts to strive for total excellence.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Kee Chit Huei
Executive Director

Lai Hock Meng
Executive Director

Y.B. Dato' Hilmi Bin Haji Abdul Rashid
Independent Non-Executive Director

Yong Loong Chen
Independent Non-Executive Director

Wong Siu Kay
Non-Independent Non-Executive Director

COMPANY SECRETARY

Coral Hong (MAICSA 7019696)

REGISTERED/CORPORATE OFFICE

Level 25, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel: 03-2161 6996
Fax: 03-2161 7066

BUSINESS OFFICE

Lot 20, Kulim Industrial Estate
09000 Kulim
Kedah Darul Aman
Tel: 04-489 2288
Fax: 04-489 1088

SHARE REGISTRAR

Signet Share Registration Services Sdn. Bhd.
11th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2145 4337
Fax: 03-2142 1353

AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS OF THE GROUP

Malayan Banking Berhad
RHB Bank Berhad
Citibank Berhad

STOCK EXCHANGE LISTING

Listed on the Second Board of the Malaysia
Securities Exchange Bhd on 10 February 1999

PLACE OF INCORPORATION AND DOMICILE

Malaysia

STOCK SHORT NAME

ASUPREM

STOCK CODE

7070

SECTOR

Industrial/Product

AUDIT COMMITTEE

Y.B. Dato' Hilmi Bin Haji Abdul Rashid
Chairman

Yong Loong Chen
Member

Kee Chit Huei
Member

NOMINATION COMMITTEE

Yong Loong Chen
Chairman

Y.B. Dato' Hilmi Bin Haji Abdul Rashid
Member

Wong Siu Kay
Member

REMUNERATION COMMITTEE

Wong Siu Kay
Chairman

Yong Loong Chen
Member

Lai Hock Meng
Member

DIRECTORS' PROFILES

KEE CHIT HUEI

Executive Director,
Malaysian, aged 32

Mr Kee was appointed to the Board of the Company on 12 September 2003 as an Executive Director. He was also appointed a member of the Audit Committee. Mr Kee is an Executive Director in Singatronics Ltd, the holding company.

Mr Kee, a graduate from Monash University and a member of Australian Certified Practising Accountant, has 9 years of exposure in corporate finance and corporate restructuring. Prior to joining the Company, Mr Kee was a Senior Manager in the Corporate Finance Department of Southern Investment Bank Berhad. He had also worked in the Corporate Finance Division of Arab Malaysian Merchant Bank Berhad and K&N Kenanga Berhad.

LAI HOCK MENG

Executive Director,
Singaporean, aged 48

Mr Lai was appointed to the Board of Directors of the Company on 12 September 2003 as Executive Director. He was also appointed a member of the Remuneration Committee.

Mr Lai has had more than 18 years of experience in investment banking before starting his own consulting and investment business in Singapore. He was formerly Managing Director of both Morgan Grenfell Asia & Partners Securities Pte Ltd and SocGen-Crosby Securities Pte Ltd. His expertise includes treasury management, corporate finance, corporate strategic planning, investment research and securities brokerage operations. In 1998, Mr Lai founded Star Investment Consulting Pte Ltd, a successful technology/biomedical incubation and venture investment company that has advised over 20 technology based firms in business planning and fund raising. Mr Lai is a Director of Singatronics Ltd, the holding company. He is currently also a director of Senoko Power Ltd, City Gas Pte Ltd and BreadTalk Group Limited.

Mr Lai holds a Master of Arts in Economics from the University of Cambridge and is a Chartered Financial Analyst. He was an Adjunct Associate Professor at the National University of Singapore's Graduate Business School specialising in investments and capital markets.

Directors' Profiles

(continued)

YONG LOONG CHEN

*Independent and
Non-Executive Director,
Malaysian, aged 38*

Mr Yong was appointed to the Board of the Company on 12 September 2003. He was also appointed the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee.

Mr Yong is a Certified Public Accountant (MICPA) and worked with KPMG Peat Marwick as an Audit Senior from 1990 - 1994, and subsequently as an Audit Manager with Paul Chuah & Company. Currently, he is a Dealer Representative with Affin-UOB Securities Sdn Bhd.

Y.B. DATO' HILMI BIN HAJI ABDUL RASHID

*Independent and Non-Executive Director,
Malaysian, aged 50*

Y.B. Dato' Hilmi, was appointed to the Board on 12 September 2003. He was also appointed the Chairman of the Audit Committee and a member of the Nomination Committee.

Y.B. Dato' Hilmi holds a Master Degree in Business Administration (MBA), Marshall University West Virginia, USA and Bachelor of Administration (BBA) from Monmouth College, Illinois, USA. Formerly an Assistant Manager of HSBC Bank Malaysia Bhd and Youth Leader of Kepala Batas United Malays National Organisation ("UMNO"), he is currently the Vice Chairman of UMNO, Kepala Batas Division, the Chairman of PERDA (Penang Regional Development Authority) and the Chairman of Penang Public Account Committee (PAC).

WONG SIU KAY

*Non-Independent and
Non-Executive Director,
Singaporean, aged 45*

Mr Wong was appointed to the Board of the Company on 17 November 2003. He was also appointed the Chairman of the Remuneration Committee and a member of the Nomination Committee.

Mr Wong started his career in 1983 as a Treasury Market Specialist for various international broking houses in Hong Kong and Singapore until 1994, when he became the Managing Director of Chancellor Land Pte Ltd for four years involving in real estate business. In 1998, he joined Grandy International Pte Ltd as Managing Director prior to accepting the Executive Director position in Singatronics Ltd, the holding company. From 2001 to 2002, he was also the Chairman and Chief Executive Officer of Dynamic Global Holdings Ltd, a Hong Kong listed Company.

None of the Directors have any family relationship with any other Directors and / or the major shareholders of the Company. To date, there is no conflict of interest between any of the Directors and the Company. None of the Directors have been convicted for any offence in the past ten years.

Details of the Directors' attendance at Board Meetings are set out in the Statement Accompanying Notice of Annual General Meeting.

EXECUTIVE DIRECTOR'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2003.



First of all, it is my pleasure to welcome Mr Lai Hock Meng, Mr Wong Siu Kay, YB Dato' Hilmi Bin Haji Abdul Rashid and Mr Yong Loong Chen as new directors who joined the Group during the year. The new Board comprise of members from different nationalities and backgrounds with different corporate exposure, it is hoped that the current Board of such a wider base and diverse expertise, will propel the Group to a credible performance generating surplus value for the shareholders.

The new directors will focus on using value-based management to enhance and revitalise the Group's resources and operational strengths. Going forward, we should be poised to increase returns to shareholders funds.

Operational And Financial Review

Towards late 2002, world trade growth slowed considerably with the downturn of the electronics market. These negative sentiments persisted till early 2003 and were perpetuated by the outbreak of Severe Acute Respiratory Syndrome, the Iraqi war and the lack of progress in the Doha round of trade negotiations. These significant events casted a dark cloud on the global economy then.

Operating under such a difficult business environment, our Group's turnover declined to RM16.176 million compared to RM20.639 million in 2002. The Group posted a loss before tax of RM7.561 million mainly due to the allowance for diminution in value of investment in Gain Micro Optic Inc. ("GMO") amounting to



Executive Director's Statement

(continued)

RM7.601 million. However, the Group achieved an operating profit before tax of RM0.04 million excluding the aforesaid allowance due to prudent measures and operational efficiency compared to operating loss before tax of RM1.165 million in 2002.

As mentioned in the last Annual Report, the Group continues to focus on providing customised electronics manufacturing services to niche markets. In 2003, resources have been channeled to enlarge our customer base in order to beef up revenue and returns to shareholders. I am pleased to report that our marketing efforts have shown positive signs of success in securing orders from new customers for the year 2003 and we should see the fruits of these orders in 2004.

The Group's balance sheet remains healthy with shareholders funds of RM43.521 million and net current assets of RM38.398 million as of 31 December 2003. The Group does not have any bank borrowings.

Corporate Development

As mentioned in our Annual Report 2000, the Company had invested RM7.6 million (equivalent to USD2.0 million) in Gain Micro-Optics Inc. ("GMO"), a USA based company, in 2001. GMO is principally involved in the development of high value optical products incorporating a new liquid crystal display ("LCD") technology. However, GMO has not commenced commercial operation since 2001 and has continually registered losses. GMO's cash position has also been depleted. In addition, GMO's collaboration contract with a multinational corporation to build prototypes of a light projection engine incorporating the multinational corporation's Liquid Crystal On Silicon microdisplays has already lapsed. The Board has also been told by GMO that they are actively seeking funds to continue operation. In the absence of any positive development in GMO obtaining further funding, the Group has made a full allowance for diminution in the carrying value of this investment as at 31 December 2003.

Dividend

In view of the registered net loss of RM7.789 million and in the absence of any distributable reserves arising from the loss, no dividend will be declared for the financial year ended 31 December 2003.

Prospects

According to the IMF's outlook, the real global GDP growth of 4.1% in 2004 compared to 3.2% in 2003 should lay a better economic basis for the world in 2004. Major global electronics firms are reporting better profits for the last quarter of 2003. With an encouraging response from our current and new customer base, the Group expects to perform better in 2004, barring any unforeseen circumstances in the key economic and political scenes.

On such a positive backdrop, the Group will remain focused on operational profitability through value-based management and intensify its efforts to secure new customers and penetrate new markets to maximise the usage of our resources. With the existing surplus cash position, the Group may identify suitable assets for acquisition in order to enhance the return of the internal cash.

Appreciation

I would like to take this opportunity to express my sincere appreciation to the Management and the employees for their commitment, support and dedication towards the Group. I would also like to extend our profound appreciation to our customers, business partners, bankers and shareholders for their continued support.

On behalf of the Company, I wish to record the Company's appreciation and thanks to the former Board of Directors who have resigned during the financial year; Mr Eddie Foo Chik Kin, Y.M. Raja Abdul Aziz, Ms Katherine Chang Choong Yeen, Mr Leow Siew Beng, Mr George Thia Peng Hock and Mr Sieh Kok Jiun for their valuable contributions to the Group during their tenure of service.

Executive Director

Kee Chit Hwei

13 April 2004

CORPORATE GOVERNANCE STATEMENT

The Board of Directors acknowledges that good corporate governance in the conduct of the business and affairs of the Group protects shareholders' investment in the Company and is integral to the Group's continued progress and success.

The following statement explains the manner in which the Group has applied the Principles, and the state of compliance with the Best Practice provisions of the Malaysian Code of Corporate Governance ("Code").

1. DIRECTORS

(a) The Board

The Group is led and managed by an experienced Board which is responsible for the performance of the Group. The Board provides strategic direction and advice to the Group and guides the Group on its short and long term goals. The Board also provides a balance to the management of the Company.

Members of the Board bring with them a wide range of business, financial and technical experience to the helm of the Group. This ensures a balanced Board decision-making process which is essential for strong and effective leadership and control of the Group.

(b) Board Balance

The Board comprises two Executive Directors and three Non-Executive Directors, of whom two are Independent. The Independent Non-Executive Directors, representing 40% of the Board (which exceed the requirement of one-third), are independent of management and have no relationships which would interfere with the exercise of their independent judgment.

The duties and responsibilities of the Managing Director are now carried out by a team of Executive Directors of the Group. The Board provides strategic input and direction to the business, while the Executive Directors are responsible for the day-to-day operations of the Group.

No individual or group of individuals dominates the Board's decision making.

(c) Board Meetings

The Board meets every quarter. Additional meetings are held as and when necessary. Documented procedures are in place in the event decisions are required between Board meetings.

The Board met four times during the year ended 31 December 2003. Details of each Director's attendance at Board meetings are set out in the Statement Accompanying Notice Of Annual General Meeting.

(d) Supply Of Information

All Directors are provided with an agenda and information necessary for their review and/or action before Board meetings. These documents are issued in sufficient time

Corporate Governance Statement

(continued)

in order for the Directors to be well informed prior to meetings. The Executive Directors of the Board undertakes the primary responsibility of organising such information and providing this information to the Directors on a timely basis.

The Board has approved an agreed procedure for Directors, whether as a full Board or in their individual capacity, to obtain independent professional advice at the Company's expense where necessary, in order to discharge their duties. Where the Directors require such external professional advice in their individual capacity, such advice may be obtained subject to the approval of the Audit Committee. No such advice was sought in 2003.

Directors have direct access to the advice and services of the Company Secretary as well as access to all information within the Group, whether as a full Board or in their individual capacity, in discharging their duties.

(e) Re-election Of Directors

The Articles of Association of the Company provide for all Directors to retire from office once every three years but shall be eligible for re-election. A Director appointed to fill a vacancy on the Board is subject to re-election by shareholders at the Annual General Meeting after his/her appointment. Information on Directors seeking re-election at the forthcoming Annual General Meeting is set out in the Statement Accompanying Notice of Annual General Meeting.

2. DIRECTORS' REMUNERATION

(a) Level And Make-Up

The Company's objective is to ensure that the level of remuneration is sufficient to attract and retain Directors to run the Company successfully. The remuneration for Executive Directors takes into account the responsibility, contribution and performance of the individual. For the year ended 31 December 2003, the Directors' fees for both Executive and Non-Executive Directors were determined by the Board.

(b) Procedure

Please refer to details of the Remuneration Committee set out below.

(c) Disclosure Of Remuneration

The aggregate remuneration of Directors of the Company from the Group categorised into appropriate components is as follows:-

	Executive Directors	Non-Executive Directors
	RM	RM
Fees	27,000	82,500
Salaries	50,400	-
Bonus	-	-
Benefits-In-Kind	6,579	-
Total	83,979	82,500

Corporate Governance Statement

(continued)

The number of Directors of the Company whose total compensation falls within the following bands is as follows:-

	Executive Directors	Non-Executive Directors
Below RM50,000	2	5
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM201,000 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-

There are three directors' remuneration being paid at holding company level

3. BOARD COMMITTEES

The Board has established the following Board Committees to assist the Board in executing its responsibilities:-

(a) Audit Committee

The composition and terms of reference of this Committee together with its report are presented in the Audit Committee Report.

(b) Nomination Committee

The Nomination Committee was established on 19 November 2001. The Committee's primary responsibilities are to consider and recommend to the Board, candidates for directorships and to review the required mix of skills and experience which Non-Executive Directors should bring to the Board. The Committee is also responsible for the assessment of the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on an annual basis. The Committee reports to the Board its recommendation and findings for the Board's consideration and implementation.

Members of the Nomination Committee as at 31 December 2003, are as follows:-

Yong Loong Chen (*Chairman*)

Y.B. Dato' Hilmi Bin Haji Abdul Rashid (*Member*)

Wong Siu Kay (*Member*)

(c) Remuneration Committee

The Remuneration Committee was established on 19 November 2001. The primary responsibilities of the Committee are to develop for the Board, the Group's remuneration policy for Executive Directors, to recommend to the Board the remuneration packages and terms of employment of Executive Directors, and to administer the Company's employees' share option scheme.

Members of the Remuneration Committee as at 31 December 2003, are as follows:-

Wong Siu Kay (*Chairman*)

Yong Loong Chen (*Member*)

Lai Hock Meng (*Member*)

4. ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board has endeavoured to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects.

(b) Internal Control

The Board recognises its responsibility for the Group's system of internal controls and the need to review its adequacy and integrity regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. However, this system, by its nature, can only provide reasonable but not absolute assurance against material errors, fraud or losses.

The Board has put in place a risk assessment framework where principal risks are identified and risk management activities are agreed upon and communicated to senior management. As part of the monitoring process, the Board is updated on the progress of such activities. The Board also reviews the principal risks and the associated risk management activities when necessary.

The Statement On Internal Control is set out on page 14 of this Annual Report.

(c) Relationship With External Auditors

The Board, through the Audit Committee, maintains a transparent relationship with the external auditors in seeking their professional advice toward ensuring compliance with the accounting standards and other related regulatory requirements.

5. RELATIONSHIP WITH SHAREHOLDERS

The Board encourages shareholders' active participation at the Company's Annual General Meeting and endeavours to ensure that all Board members are in attendance. The Board is supported by the auditors and other legal/financial advisers, where applicable, who are also present at the Company's Annual General Meeting.

In addition, the Company makes a timely release of the Group's quarterly results with in two months from the close of a particular quarter, as stipulated by the Listing Requirements of the Malaysia Securities Exchange Bhd. Members of the public can obtain the full financial results and the Company's announcements from the Malaysia Securities Exchange Bhd's website or the Company's corporate office.

The Board has identified Y.B. Dato' Hilmi Bin Haji Abdul Rashid as the Independent Non-Executive Director to whom shareholders can address their concerns. Shareholders may also contact the Company Secretary for information at all times.

Corporate Governance Statement

(continued)

6. STATEMENT OF COMPLIANCE WITH THE CODE

The Group has substantially complied with the recommendations of the Best Practices of the Code except for the following:-

(a) The Best Practices recommend that the Board should include a number of directors which fairly reflects the investment in the Company by shareholders other than the significant shareholder.

The Company's Board currently comprises five members, of which two members are Independent Non-Executive Directors. The Directors regard the interests of minority shareholders of the Company as adequately served by the two Independent Non-Executive Directors who have a wealth of business and financial knowledge and experience.

(b) Since the resignation of Mr Eddie Foo Chik Kin as Executive Chairman on 12 September 2003, the Company has yet to appoint a Chairman.

(c) The Board is of the opinion that details of remuneration of each Director are confidential, and disclosure of such information would not be in the interest of the Company.

(d) The Remuneration Committee had not established a formal procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors.

7. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and their results and cash flows for the year. In preparing the financial statements for the year ended 31 December 2003, the Directors have used appropriate accounting policies that are consistently applied, and made judgments and estimates that are reasonable and prudent.

The Directors are responsible for ensuring that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 1965.

8. ADDITIONAL COMPLIANCE INFORMATION

(a) Share Buybacks

There were no share buybacks by the Company during the year ended 31 December 2003.

(b) Options, Warrants Or Convertible Securities Exercised

The Company's employees' share option scheme ("ESOS") became effective on 10 January 2002. Other than the issue of options under the ESOS as disclosed in the

Corporate Governance Statement

(continued)

Directors' Report, the Company has not issued any options, warrants or convertible securities during the financial year.

(c) American Depositary Receipt ("ADR") Or Global Depositary Receipt ("GDR") Programme

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

(d) Imposition Of Sanctions/Penalties

There were no sanctions nor penalties imposed on the Company and its subsidiaries, Directors, or Management by the relevant regulatory bodies.

(e) Non-Audit Fees

Non-audit fees paid and payable by the Group to the external auditors mainly for taxation advice and services were RM16,200 for the financial year.

(f) Variance From Unaudited Results Previously Announced

There is no variance between the audited results for the financial year and the unaudited results previously announced by the Company.

(g) Profit Guarantee

Not applicable.

(h) Material Contracts Involving Directors And Substantial Shareholders' Interests

To the best of the Board's knowledge, there are no material contracts involving the Group with any of the Directors and major shareholders as at 31 December 2003.

Dated: 13 April 2004

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Board acknowledges its responsibility for maintaining a sound system of internal control, and for reviewing its adequacy and integrity in order to safeguard the Group's assets and therefore shareholders' investment in the Group.

However, the Board recognises that this system, by its nature, can only provide reasonable but not absolute assurance against material errors, fraud or losses. In accordance with paragraph 15.27(b) of the Malaysia Securities Exchange Bhd ("MSEB") Listing Requirements, the Board is pleased to provide the following statements on the state of internal control of the Group for the financial year ended 31 December 2003, which has been prepared in accordance with the "Statement of Internal Control – Guidance for Directors of Public Listed Companies," issued by the Institute of Internal Auditors Malaysia and adopted by the MSEB.

INTERNAL CONTROL

The Board has established a system of internal control and has delegated to Management the implementation and monitoring of the system of internal control within an established framework.

The Group's system of internal control comprises the following key elements:

• Risk Management

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. Under this process, the Group has carried out a necessary risk assessment and identified the principal risks faced by the Group. These principal risks were further prioritised whereby significant risks were identified and assessed. Action plans were then formulated to manage the critical risks and an appropriate Internal Audit plan was developed to enhance the internal control system. Management reported on the progress of action plans for identified risks to the Board through regular Board Meetings held for the financial year ended 31 December 2003.

• Control Procedures

Operating Procedures Manuals which set out the policies, procedures and practices to be complied with are in place for key operating units.

• Organisational Structure And Responsibility Levels

The Group has in place a well defined organisational structure with clear lines of accountability and delegation of authority setting out the appropriate authority levels of Management including matters requiring Board's approval.

• Reporting And Review

The Group has a reporting system where information on financial and business performance is provided to the Board on a quarterly basis.

• Annual Budgeting Process

Budgets are prepared annually by the Management and approved by the Board. Information on actual performance against the budget is provided to the Board on a quarterly basis.

Statement On Internal Control

(continued)

• Quality Control

In relation to the Group's core business of manufacturing and assembly of electrical and electronic products, control on the quality of the manufacturing and assembling process is implemented with a certified Quality System complying with the MS ISO 9001:2000 Quality Management System requirements.

• Internal Audit

Professional services firm appointed in 2002 to provide internal audit services to the Group had carried out regular internal audits in accordance with the Internal Audit Plan. At year end a new professional services firm was appointed. The Internal Audit Plan was reviewed by the Audit Committee in order to evaluate the adequacy and integrity of the internal control systems of the business units. The internal audit teams from the professional services firm advises executive and operational management on areas for improvement and subsequently also reviews the extent to which its recommendations have been implemented. The reports are submitted to the Audit Committee, which reviews the findings with Management at its quarterly meetings.

In addition, the external auditors' management letter can indicate deficiencies and their corresponding management responses noted during financial audits. This can provide added assurance that certain control procedures on matters of finance and internal control are in place, and are being followed.

In assessing the adequacy and effectiveness of the system of internal control and accounting control procedures of the Group, the Audit Committee reports to the Board of Directors its activities, significant results, findings and the necessary recommendations or changes.

The nature of risk means that events may occur which would give rise to unanticipated or unavoidable losses. The Group's system of internal control is designed to provide reasonable but not absolute assurance against the risk of material errors, fraud or losses from occurring. It is possible that internal control may be circumvented or overridden.

Furthermore, because of changing circumstances and conditions, the effectiveness of an internal control system may vary over time. The rationale of the system of internal control is to enable the Group to achieve its corporate objectives within an acceptable risk profile and cannot be expected to eliminate all risks.

The Board is of the view that there are no significant breakdowns or weaknesses in the system of internal control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2003. The Group continues to take the necessary measures to strengthen its internal controls.

Dated : 9 March 2004

AUDIT COMMITTEE REPORT

I. MEMBERSHIP

The Audit Committee comprises the following members:

Chairman :- Y.B. Dato' Hilmi Bin Haji Abdul Rashid
(Independent Non-Executive Director)

Members :- Yong Loong Chen (Independent Non-Executive Director)
Kee Chit Huei (Executive Director)

All the members are appointed on 14 November 2003

II. TERMS OF REFERENCE OF THE COMMITTEE

1. Constitution

The Committee was established by the Board on 2 November 1998.

2. Membership And Meetings

The Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three (3) members. A majority of the Committee shall be non-executive directors and at least one member of the Committee shall be a member of the Malaysian Institute of Accountants or one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 or must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967. The Chairman of the Committee shall be an independent non-executive director appointed by the Board and the Secretary of the Committee shall be the Company Secretary.

The Audit Committee shall meet at least four (4) times a year, although additional meetings may be convened at any time at the discretion of the Chairman of the Committee. Other members of the Board and employees may attend the meetings upon the invitation of the Committee. At least once a year, the Committee shall meet the external auditors without any executive directors present. The external auditors may request for a meeting if they consider that it is necessary.

All or any members of the Committee may participate in a meeting of the Committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

The quorum of all meetings of the Committee shall be two (2) and the majority of members present must be independent directors. Any decision shall be by a simple majority. The Chairman of the Committee shall report on each meeting to the Board.

The Secretary of the Committee shall give notice of the meeting including the agenda together with all relevant documents to all members of the Committee prior to the meeting. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. Any persons who may be required to attend shall also be notified by the Secretary accordingly.

II. TERMS OF REFERENCE OF THE COMMITTEE (continued)

3. Authority

The Committee is authorised by the Board and at the cost of the Company to:-

- (a) Investigate any matter within its terms of reference;
- (b) Have the resources which are required to perform its duties;
- (c) Have full and unrestricted access to any information pertaining to the Company and the Group;
- (d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity, if any;
- (e) Obtain independent professional or other advice; and
- (f) Convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Notwithstanding the above, the Committee does not have executive powers and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Company and the Group.

4. Responsibility

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Malaysia Securities Exchange Bhd ("MSEB"), the Committee has the responsibility to promptly report such matter to MSEB.

5. Review Of The Committee

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

6. Duties

The duties of the Committee are to:-

- (a) Consider the appointment, resignation and dismissal of the external auditors and the audit fee;
- (b) Review the nature and scope of the audit with the internal (if any) and external auditors before the audit commences;
- (c) Review the quarterly and annual financial statements of the Group, focusing on the matters set out below, and thereafter to submit them to the Board:-
 - (i) Any changes in accounting policies and practices;
 - (ii) Significant and unusual events;
 - (iii) Significant adjustments arising from the audit;
 - (iv) The going concern assumption;
 - (v) Compliance with accounting standards and other legal requirements.
- (d) Discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss;
- (e) Review with the external auditor, his evaluation of the system of internal controls;
- (f) Review the audit reports and management letters prepared by the external auditors, the major findings and management's responses thereto;

Audit Committee Report

(continued)

II. TERMS OF REFERENCE OF THE COMMITTEE (continued)

- (g) Where an internal audit function exists:-
 - (i) Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (ii) Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
 - (iii) Review any appraisal or assessment of the performance of members of the internal audit function;
 - (iii) Approve any appointment or termination of senior staff members of the internal audit function;
 - (iv) Be informed of any resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- (h) Consider any related party transactions and conflict of interest situations that may arise within the Group;
- (i) Consider the major findings of internal investigations and management's response;
- (j) Review the assistance given by the Group's employees to the auditors; and
- (k) Consider any other issues as may be designated by the Board from time to time.

III. SUMMARY OF ACTIVITIES

The following activities were carried out by the Audit Committee during the year under review:-

1. Reviewed the quarterly and annual financial statements of the Group prior to presentation for the Board's approval.
2. Considered and recommended to the Board the reappointment of the external auditors and approval of their audit fee.
3. Reviewed with the external auditors their audit plan prior to the commencement of audit.
4. Discussed and reviewed the Group's annual financial statements with the external auditors including issues and findings noted in the course of the audit of the Group's financial statements.
5. Discussed with the external auditors their evaluation of the system of internal controls of the Group.
6. Reviewed the audit reports of the Group. The auditors did not issue any management letters.
7. Recommended to the Board the establishment of an internal audit function and that this function be outsourced.
8. Recommended to the Board the appointment of the internal auditors and approval of their internal audit fee.
9. Reviewed the adequacy of the scope of the internal audit plan for 2003.
10. Reviewed and discussed the Internal Audit Reports with the internal auditors and management at its quarterly meetings.

IV. INTERNAL AUDIT FUNCTION

An independent professional services firm was appointed by the Company to provide internal audit services to the Group. The internal auditors are independent of the activities they audit and their terms of engagement provide for their services to be performed in accordance with the Standards for the Professional Practice of Internal Auditing that are issued by The Institute of Internal Auditors.

Further information on the internal audit function is set out in the Statement on Internal Control.

V. DETAILS OF ATTENDANCE

The Audit Committee met four times during the year ended 31 December 2003. Details of each Committee member's attendance are given below:-

<u>Directors</u>	<u>Number of meetings attended</u>
George Thia Peng Heok (resigned on 30 September 2003)	3
Sieh Kok Jiun (resigned on 1 October 2003)	3
Leow Siew Beng (resigned on 12 September 2003)	3
Dato' Hilmi Bin Haji Abdul Rashid (appointed on 14 November 2003)	1
Kee Chit Huei (appointed on 14 November 2003)	1
Yong Loong Chen (appointed on 14 November 2003)	1



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company. The principal activities of the Group are the manufacture, assembly and export of electronic and electrical consumer and industrial products. There have been no significant changes in these activities during the financial year.

FINANCIAL RESULTS

	<u>Group</u> RM	<u>Company</u> RM
Net loss after taxation for the financial year	<u>(7,788,934)</u>	<u>(5,964,473)</u>

DIVIDENDS

Dividends paid or declared by the Company since 31 December 2002 are as follows:

RM

In respect of the financial year ended 31 December 2002,
as shown in the Directors' report of that financial year:

Final dividend of 5 sen per share (tax exempt), paid on 3 June 2003	<u>2,250,000</u>
---	------------------

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2003.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

RESERVES AND PROVISIONS

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

SHARE OPTIONS

No option was granted to any person during the financial year to take up unissued shares of the Company other than as disclosed in the Employees' Share Option Scheme ("ESOS") in the Directors' report.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Kee Chit Huei	(appointed on 12.9.2003)
Lai Hock Meng	(appointed on 12.9.2003)
Yong Loong Chen	(appointed on 12.9.2003)
Dato' Hilmi Abdul Rashid	(appointed on 12.9.2003)
Wong Siu Kay	(appointed on 17.11.2003)
Foo Chik Kin	(resigned on 12.9.2003)
Chang Choong Yeen	(resigned on 12.9.2003)
Leow Siew Beng	(resigned on 12.9.2003)
Thia Peng Heok	(resigned on 30.9.2003)
Y.M. Raja Abdul Aziz bin Raja Musa	(resigned on 1.10.2003)
Sieh Kok Jiun	(resigned on 1.10.2003)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, 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 except for the share options granted to certain Directors as disclosed in the Employees' Share Option Scheme ("ESOS") in the Directors' report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration and benefits disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain Directors received remuneration as Directors/executives from the Company's holding company.

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and/or options over shares in the Company and its related corporation are as follows:

Number of ordinary shares of S\$0.20 each				
Options over shares in holding company	At 1.1.2003		Exercised/ expired/	At 31.12.2003
<u>Singatronics Limited</u>		<u>Granted</u>		
Kee Chit Huei	0	2,000,000	0	2,000,000
Lai Hock Meng	0	2,000,000	0	2,000,000
Yong Loong Chen	0	100,000	0	100,000
Dato' Hilmi Abdul Rashid	0	100,000	0	100,000
Wong Siu Kay	0	2,000,000	0	2,000,000

Other than as disclosed above, no other Directors in office at the end of the financial year held any interest in shares and/or options over shares in the Company and its related corporations during the financial year. No Directors held any interest in debentures of the Company and its related corporations during the financial year.

Directors' Report

(continued)

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company implemented the ESOS on 10 January 2002 after obtaining shareholders' approval for the revised By-Laws on the same date.

The salient features of the ESOS are as follows:

- (a) the maximum number of new ordinary shares to be allotted by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company;
- (b) the ESOS shall be for a duration of 10 years;
- (c) eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee subject to the employees, inter-alia, being at least 18 years of age and confirmed in service on the offer date;
- (d) an executive Director shall only be eligible to participate in the ESOS if he is holding a full time executive position and the specific allotment to be made to the executive Director has been approved by the shareholders of the Company in general meeting;
- (e) the exercise price for the new ordinary shares to be issued under the ESOS is the higher of the weighted average market price of the ordinary shares of the Company for the five market days preceding the offer date (subject to a discount of not more than ten percent which the ESOS Committee may at its discretion decide to give), and the par value of the ordinary shares of the Company of RM1;
- (f) the new ordinary shares to be issued upon the exercise of any option under the ESOS will upon allotment rank pari passu in all respects with the then existing issued and paid-up ordinary shares of the Company except that the new ordinary shares so allotted will not be eligible for any dividends, rights, allotments or other distributions, the entitlement date for which is before the date of exercise of the option; and
- (g) the ESOS Committee shall have the discretion to determine the manner in which an option may be exercised during the option period.

The movements during the financial year in the number of ordinary shares under options of the Company are as follows:

At 1 January 2003	601,000*
Lapsed	(100,000)
At 31 December 2003	<u>501,000</u>

* represents share options granted during the financial year ended 31 December 2002 with an exercise price of RM2.00 per share.

The Company has been granted exemption by the Companies Commission of Malaysia on 9 October 2002 from having to disclose the list of option holders and their holdings except for employees granted 10,000 and more shares under options.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets 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 substantially 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 and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and 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.

Directors' Report

(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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 other than the allowance for diminution in value of long term investment and the effect of change in accounting policy in Notes 6 and 21 to the financial statements respectively; 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.

ULTIMATE HOLDING COMPANY

The Directors regard Singatronics Limited, a company incorporated in Singapore, as the Company's ultimate holding company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 9 March 2004.

KEE CHIT HUEI
DIRECTOR

LAI HOCK MENG
DIRECTOR

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2003

		Group		Company	
	Note	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
		RM	RM	RM	RM
TURNOVER	5	16,176,141	20,639,554	2,250,000	6,750,000
COST OF SALES		<u>(13,923,854)</u>	<u>(17,970,747)</u>	<u>0</u>	<u>0</u>
GROSS PROFIT		2,252,287	2,668,807	2,250,000	6,750,000
OTHER OPERATING INCOME		1,568,468	1,206,272	446,454	414,666
ADMINISTRATIVE EXPENSES		(3,404,677)	(4,170,194)	(947,007)	(1,109,184)
SELLING AND MARKETING EXPENSES		(317,456)	(468,855)	0	0
OTHER OPERATING EXPENSES (GROUP AND COMPANY: INCLUDING ALLOWANCE FOR DIMINUTION IN VALUE OF LONG TERM INVESTMENT OF RM7,600,799 (2002: NIL)		<u>(7,659,250)</u>	<u>(401,512)</u>	<u>(7,600,799)</u>	<u>0</u>
(LOSS)/PROFIT FROM OPERATIONS	6	(7,560,628)	(1,165,482)	(5,851,352)	6,055,482
TAXATION	7	<u>(228,306)</u>	<u>183,420</u>	<u>(113,121)</u>	<u>(115,189)</u>
NET (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(7,788,934)</u>	<u>(982,062)</u>	<u>(5,964,473)</u>	<u>5,940,293</u>
LOSS PER SHARE	8				
- BASIC		(17.31 sen)	(2.18 sen)	N/A	N/A
- DILUTED		<u>(17.31 sen)</u>	<u>(2.18 sen)</u>	<u>N/A</u>	<u>N/A</u>
DIVIDENDS PER SHARE	9	<u>NIL</u>	<u>10.0 sen</u>	<u>NIL</u>	<u>10.0 sen</u>

The notes on pages 32 to 58 form part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2003

		Group		Company	
	Note	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	10	5,356,813	5,946,369	238,405	101,419
Subsidiaries	11	0	0	33,750,000	33,750,000
Long term investment	12	1	7,600,800	1	7,600,800
		<u>5,356,814</u>	<u>13,547,169</u>	<u>33,988,406</u>	<u>41,452,219</u>
CURRENT ASSETS					
Short term investments	13	13,363,874	3,120,587	0	0
Inventories	14	2,112,670	964,072	0	0
Amount due from a subsidiary company		0	0	81,418	77,401
Receivables	15	2,546,291	669,373	140,497	85,121
Tax recoverable		252,579	580,745	9,163	39,666
Cash and cash equivalents	16	21,381,784	35,637,965	14,726,158	15,368,489
		<u>39,657,198</u>	<u>40,972,742</u>	<u>14,957,236</u>	<u>15,570,677</u>
LESS CURRENT LIABILITIES					
Amount due to a subsidiary company		0	0	182,503	0
Amount due to ultimate holding company		32,571	32,641	32,571	32,641
Payables	17	1,226,490	656,385	66,133	111,347
		<u>1,259,061</u>	<u>689,026</u>	<u>281,207</u>	<u>143,988</u>
NET CURRENT ASSETS		38,398,137	40,283,716	14,676,029	15,426,689
LESS NON-CURRENT LIABILITY					
Deferred taxation	18	234,000	271,000	0	0
		<u>43,520,951</u>	<u>53,559,885</u>	<u>48,664,435</u>	<u>56,878,908</u>
CAPITAL AND RESERVES					
Share capital	19	45,000,000	45,000,000	45,000,000	45,000,000
Reserves	20	(1,479,049)	8,559,885	3,664,435	11,878,908
		<u>43,520,951</u>	<u>53,559,885</u>	<u>48,664,435</u>	<u>56,878,908</u>

The notes on pages 32 to 58 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

GROUP	Note	Issued and fully paid ordinary shares of RM1 each	Non- distributable reserves	Retained earnings/ (Accumulated loss)	Total
		Number of shares	Nominal value RM	RM	RM
At 1 January 2002					
- as previously reported		45,000,000	45,000,000	5,696,436	13,048,511
- change in accounting policy	21	0	0	(332,000)	129,000
- as restated		<u>45,000,000</u>	<u>45,000,000</u>	<u>5,364,436</u>	<u>13,177,511</u>
Net loss for the financial year		0	0	0	(982,062)
Dividends					
- financial year ended 31 December 2001		0	0	0	(6,750,000)
- financial year ended 31 December 2002		0	0	0	(2,250,000)
		0	0	0	(9,000,000)
At 31 December 2002		<u>45,000,000</u>	<u>45,000,000</u>	<u>5,364,436</u>	<u>3,195,449</u>
At 1 January 2003					
- as previously reported		45,000,000	45,000,000	5,696,436	2,888,449
- change in accounting policy	21	0	0	(332,000)	307,000
- as restated		<u>45,000,000</u>	<u>45,000,000</u>	<u>5,364,436</u>	<u>3,195,449</u>
Net loss for the financial year		0	0	0	(7,788,934)
Dividends					
- financial year ended 31 December 2002		0	0	0	(2,250,000)
		0	0	0	(2,250,000)
At 31 December 2003		<u>45,000,000</u>	<u>45,000,000</u>	<u>5,364,436</u>	<u>(6,843,485)</u>

The notes on pages 32 to 58 form part of these financial statements.

Statement Of Changes In Equity

For The Financial Year Ended 31 December 2003

(continued)

NON-DISTRIBUTABLE RESERVES GROUP	Share premium RM	Revaluation reserve RM	Total RM
At 1 January/31 December 2002			
- as previously reported	4,510,291	1,186,145	5,696,436
- change in accounting policy (Note 21)	0	(332,000)	(332,000)
- as restated	4,510,291	854,145	5,364,436
At 1 January 2003			
- as previously reported	4,510,291	1,186,145	5,696,436
- change in accounting policy (Note 21)	0	(332,000)	(332,000)
- as restated	4,510,291	854,145	5,364,436
At 31 December 2003	4,510,291	854,145	5,364,436

	Issued and fully paid ordinary shares of RM1 each	Non- distributable Share premium	Retained earnings/ (Accumulated loss)	Total
COMPANY	Number of shares	Nominal value RM	RM	RM
At 1 January 2002	45,000,000	45,000,000	4,510,291	10,428,324
Net profit for the financial year	0	0	0	5,940,293
Dividends				
- financial year ended 31 December 2001	0	0	0	(6,750,000)
- financial year ended 31 December 2002	0	0	0	(2,250,000)
	0	0	0	(9,000,000)
At 31 December 2002	45,000,000	45,000,000	4,510,291	7,368,617
At 31 December 2003	45,000,000	45,000,000	4,510,291	7,368,617
Net loss for the financial year	0	0	0	(5,964,473)
Dividends				
financial year ended 31 December 2002	0	0	0	(2,250,000)
	0	0	0	(2,250,000)
At 31 December 2003	45,000,000	45,000,000	4,510,291	(845,856)

The notes on pages 32 to 58 form part of these financial statements.

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from debtors	14,351,423	22,486,071	0	1,158
Cash payments to suppliers and employees	(17,371,058)	(21,857,903)	(956,092)	(944,897)
Cash flow from operations	<u>(3,019,635)</u>	<u>628,168</u>	<u>(956,092)</u>	<u>(943,739)</u>
Taxation refunded/(paid)	62,860	(860,229)	(82,618)	(138,827)
Net operating cash flow	<u>(2,956,775)</u>	<u>(232,061)</u>	<u>(1,038,710)</u>	<u>(1,082,566)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(329,404)	(57,368)	(229,571)	0
Proceeds from disposal of property plant and equipment	50,884	3,736	45,000	0
Interest received	861,775	1,002,465	402,534	412,544
Dividends from a subsidiary company	0	0	2,250,000	6,750,000
Dividends from marketable securities	118,635	109,477	0	0
Other short term investment	(7,500,000)	0	0	0
Purchase of marketable securities	(4,375,000)	0	0	0
Proceeds from disposal of marketable securities	2,123,774	0	0	0
Advances (to)/from related companies	(70)	11,645	178,416	(1,106)
Compensation received on profit guarantee shortfall	0	8,464,219	0	8,464,219
Net investing cash flow	<u>(9,049,406)</u>	<u>9,534,174</u>	<u>2,646,379</u>	<u>15,625,657</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	(2,250,000)	(9,000,000)	(2,250,000)	(9,000,000)
Net financing cash flow	<u>(2,250,000)</u>	<u>(9,000,000)</u>	<u>(2,250,000)</u>	<u>(9,000,000)</u>
CHANGES IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR	(14,256,181)	302,113	(642,331)	5,543,091
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	35,637,965	35,335,852	15,368,489	9,825,398
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 16)	<u>21,381,784</u>	<u>35,637,965</u>	<u>14,726,158</u>	<u>15,368,489</u>

The notes on pages 32 to 58 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is that of an investment holding company. The principal activities of the Group are the manufacture, assembly and export of electronic and electrical consumer and industrial products.

The number of staff employed by the Group and the Company at the end of the financial year are 313 (2002: 355) and 4 (2002: 1) respectively.

The holding and ultimate holding company is Singatronics Limited, a company incorporated in Singapore.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Second Board of the Malaysian Securities Exchange Berhad (formerly known as Kuala Lumpur Stock Exchange). The Company's registered office and principal place of business are as follows:

Level 25, Menara HLA
No.3 Jalan Kia Peng
50450 Kuala Lumpur

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified for the revaluation of land and buildings) unless otherwise indicated in the summary of significant accounting policies as shown in Note 3 on the financial statements.

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

The new applicable approved accounting standards adopted in these financial statements are as follows:

(a) Retrospective application

The following new Malaysian Accounting Standards Board ("MASB") Standards have been applied retrospectively:

- MASB Standard 25: "Income Taxes"
- MASB Standard 27: "Borrowing Costs"
- MASB Standard 29: "Employee Benefits"

With the exception of MASB Standard 25 (see Note 21), there were no changes in accounting policies that affected the results for the financial year and retained earnings at the beginning of the financial year as a result of the adoption of the above standards in these financial statements.

(b) Prospective application

The following new MASB Standard has been applied prospectively:

- MASB Standard 28: "Discontinuing Operations"

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 unless otherwise stated.

(a) Basis of consolidation

Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting except for Singatronics (Malaysia) Sdn. Bhd., which was consolidated prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard No.2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.

The Group has taken advantage of the exemption provided by MASB Standard 21: "Business Combinations" to apply this standard prospectively. Accordingly, business combinations entered into prior to 1 January 2002 have not been restated to comply with this standard.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation.

In a piecemeal acquisition, the fair value adjustment attributable to previously held equity interests is accounted for as post-acquisition revaluation.

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

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of post-acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

Notes On The Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments

Investments in subsidiaries are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See Note (d) for accounting policy on impairment of assets.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Marketable securities and unquoted investments (classified within current assets) are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value of the marketable securities is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date while market value of the unquoted investments is determined by the Directors based on the expected realisable value less selling cost.

Increases/decreases in the carrying amount of marketable securities and unquoted investments are credited/charged to the income statement. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, modified by valuation of long leasehold land and factory buildings. Long leasehold land is amortised over the lease period of 99 years expiring on 9 November 2080. Other property, plant and equipment are depreciated on the straight line basis over the period of their estimated useful lives at the following principal annual rates:

Factory buildings	2%
Plant and machinery)
Furniture, fixtures and equipment)
Tools and equipment) 20%
Electrical fittings)
Motor vehicles)
Renovation	40%

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Long leasehold land and factory buildings in a subsidiary company, Singatronics (Malaysia) Sdn. Bhd., have not been revalued since they were first revalued in 1981. The Directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of International Accounting Standards ("IAS") No.16 (Revised): Property, Plant and Equipment as allowed for by the MASB, these assets are stated at their 1981 valuation less accumulated depreciation. The revaluation surplus (net of deferred taxation liability) on the long leasehold land and factory buildings in the subsidiary company has been credited into the revaluation reserve. On disposal of these revalued assets, the amounts in the revaluation reserve are transferred to retained earnings.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

(d) Impairment of assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(e) 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 on the first-in first-out basis, and in the case of work-in-progress and finished goods, cost represents materials, direct labour, other direct costs and an appropriate proportion of production overheads.

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

(f) Trade receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the financial year end. Bad debts are written off when identified.

Notes On The Financial Statements

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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.

(h) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

(i) Foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at exchange rates ruling at the transaction dates or at contracted rates, where applicable. At balance sheet date, monetary assets and liabilities resulting from foreign currency transactions are translated into Ringgit Malaysia at exchange rates prevailing at that date or at contracted rates, where applicable. All exchange differences are included in the income statement.

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

Foreign currency	2003	2002
	RM	RM
1 US Dollar	3.8000	3.8000
1 Singapore Dollar	2.1978	2.1660
1 Euro	4.4423	3.9310
1 HK Dollar	0.4895	N/A

(j) 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 of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity of less than one year are assumed to approximate their fair values.

(k) Revenue recognition

Sales are recognised upon delivery of products.

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

Interest income (included in other operating income) is recognised on the accrual basis determined by the principal outstanding and rate applicable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Deferred taxation

Deferred taxation is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for taxation purposes and their carrying amounts in the financial statements. Deferred taxation assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

(m) Employee benefits

Wages, salaries, paid annual and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks encompassing foreign currency exchange risk, market risk and credit risk during the course of its business. The Group has an overall risk management framework, the objective of which is to safeguard the Group's assets and members' investments in the Group. Under the framework, the Board of Directors ("Board") regularly reviews the principal risks to which the Group is exposed, and approves the policies for the management of each of these risks.

Notes On The Financial Statements

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency exchange risk

As the Group's foreign currency transactions are mainly in United States Dollar ("USD"), the Group does not have a material exposure to currency risk given the Government's peg against the USD. The Group's exposure in Euro is minimal. Thus, currency risk exposure in Euro is not material. However, the Board keeps the risk under review in the event of any changes in circumstances.

Market risk

The Group is exposed to market risk in relation to its investment in marketable and other securities. The Board is updated regularly on the performance of the Group's investment portfolio.

Credit risk

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Credit policies for new major customers are subject to approval from the Board. The Group's fixed deposits are placed only with licensed financial institutions.

As at the balance sheet date, there were no significant concentrations of credit risk.

5 TURNOVER

Turnover of the Company consists of gross dividend income. Turnover of the Group represents the invoiced value of goods sold less returns.

Notes On The Financial Statements

(continued)

6 (LOSS)/PROFIT FROM OPERATIONS

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
(Loss)/profit from operations are stated after charging:				
Auditors' remuneration				
- current year	45,000	45,000	12,000	12,000
- prior year	0	5,000	0	0
Directors' remuneration *	356,263	662,348	109,500	248,339
Fees paid to a firm in respect of services rendered in a professional capacity by a Director of a subsidiary company	3,000	5,000	0	0
Depreciation	911,872	969,742	92,585	105,921
Allowance for diminution in value of long term investment	7,600,799	0	7,600,799	0
Allowances for diminution in value of marketable securities	0	334,000	0	0
Allowances for slow moving inventories	0	207,563	0	0
Inventories written off	150,436	75,738	0	0
Loss on disposal of property, plant and equipment	1,204	0	0	0
Realised foreign exchange loss	0	12,337	0	0
Rental of equipment	720	16,820	0	0
Rental of building	248,205	435,100	224,025	201,860
Staff costs** (excluding Directors' remuneration)	<u>4,234,279</u>	<u>5,005,599</u>	<u>53,421</u>	<u>151,400</u>

and after crediting:

Allowances for diminution in value of marketable securities written back	286,700	0	0	0
Interest income	841,524	986,407	401,541	414,508
Realised foreign exchange gain	9,643	0	0	0
Gain on disposal of property, plant and equipment	45,000	2,447	45,000	0
Gross dividends from marketable securities	118,635	109,477	0	0
Gain on disposal of marketable securities	205,361	0	0	0
Dividends received (gross) from a subsidiary company	<u>0</u>	<u>0</u>	<u>2,250,000</u>	<u>6,750,000</u>

Notes On The Financial Statements

(continued)

6 (LOSS)/PROFIT FROM OPERATIONS (continued)

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
*Directors' remuneration represents the following:				
Fees	109,500	130,500	109,500	130,500
Salaries and bonus	218,419	473,000	0	105,000
Defined contribution plan	26,220	56,760	0	12,600
Other benefits	2,124	2,088	0	239
	<u>356,263</u>	<u>662,348</u>	<u>109,500</u>	<u>248,339</u>

**Staff costs represent the following:

Wages, salaries and bonus	3,721,952	4,423,577	50,252	134,788
Defined contribution plan	432,017	508,861	2,912	15,963
Other benefits	80,310	73,161	257	649
	<u>4,234,279</u>	<u>5,005,599</u>	<u>53,421</u>	<u>151,400</u>

The estimated monetary value of benefits otherwise than in cash receivable during the financial year by Directors of the Group and the Company are RM23,378 (2002: RM35,440) and RM6,579 (2002: RM9,400) respectively.

The options over ordinary shares of the Company granted to Directors of the Company during the financial year are as follows:

		Number of shares					
<u>Grant date</u>	<u>Expiry date</u>	<u>Exercise price RM/share</u>	<u>At beginning of the financial year</u>	<u>Granted</u>	<u>Exercised</u>	<u>Lapsed</u>	<u>At end of the financial year</u>
Financial year ended <u>31 December 2003</u>							
4 July 2002	3 January 2012	2.00	<u>60,000</u>	<u>0</u>	<u>0</u>	<u>(60,000)</u>	<u>0</u>
Financial year ended <u>31 December 2002</u>							
4 July 2002	3 January 2012	2.00	0	60,000	0	0	60,000

The share options granted during the financial year ended 31 December 2002 were given to the Directors on the same terms and conditions as those offered to other employees of the Company in accordance with the By-Laws of the Employees' Share Option Scheme ("ESOS")

Notes On The Financial Statements

(continued)

7 TAXATION

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
In respect of the current financial year:				
- Malaysian income tax	(262,200)	(296,900)	(110,000)	(110,300)
- Deferred taxation (Note 18)	37,000	207,000	0	0
	<u>(225,200)</u>	<u>(89,900)</u>	<u>(110,000)</u>	<u>(110,300)</u>
In respect of prior financial years:				
- Malaysian income tax	(3,106)	273,320	(3,121)	(4,889)
Tax expense	<u>(228,306)</u>	<u>183,420</u>	<u>(113,121)</u>	<u>(115,189)</u>

Current taxation of the Company is in respect of tax on interest income while the current taxation of the Group is in respect of interest and dividend income. There is no taxation on the business income of Singatronics (Malaysia) Sdn. Bhd. for the current financial year due to the utilisation of current year capital allowances which resulted in tax savings of RM71,000 (2002: RM58,000).

The reconciliation of the taxation applicable to the (loss)/profit from operations of the Group and of the Company at the statutory taxation rate to the tax expense at the average effective taxation rate of the Group and of the Company is as follows:

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
(Loss)/profit from operations	<u>(7,560,628)</u>	<u>(1,165,482)</u>	<u>(5,851,352)</u>	<u>6,055,482</u>
Taxation calculated at a rate of 28% (2002: 28%)	2,116,976	326,335	1,638,379	(1,695,535)
Expenses not deductible for taxation purposes	(2,451,473)	(447,607)	(2,388,291)	(308,376)
Income not subject to taxation	154,927	43,703	642,600	1,890,044
Previously unrecognised capital allowances now recognised to reduce deferred taxation	37,000	0	0	0
Current financial year capital allowances not recognised to reduce deferred taxation	(67,000)	0	0	0
(Under)/overprovision of current taxation in respect of prior financial years	(3,106)	273,320	(3,121)	(4,889)
Others	(15,630)	(12,331)	(2,688)	3,567
Tax expense	<u>(228,306)</u>	<u>183,420</u>	<u>(113,121)</u>	<u>(115,189)</u>

Notes On The Financial Statements

(continued)

8 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share of the Group is calculated by dividing the net loss for the financial year by the number of ordinary shares in issue during the financial year:

	<u>2003</u>	<u>2002</u>
Net loss for the financial year	(RM7,788,934)	(RM982,062)
Number of ordinary shares in issue	45,000,000	45,000,000
Basic loss per share	(17.31 sen)	(2.18 sen)

(b) Diluted loss per share

For the diluted loss per share calculation, the number of ordinary shares in issue is adjusted to assume conversion of all share options granted to employees.

In respect of the diluted loss per share calculation for the share options granted to employees, a calculation is done to determine the number of shares that could have been issued at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net loss for the financial year for the share options calculation.

	<u>2003</u>	<u>2002</u>
Net loss for the financial year	<u>(RM7,788,934)</u>	<u>(RM982,062)</u>
Number of ordinary shares in issue	45,000,000	45,000,000
Adjustment for share options	<u>0</u>	<u>66,000</u>
Number of ordinary shares for diluted loss per share	<u>45,000,000</u>	<u>45,066,000</u>
Diluted loss per share	(17.31 sen)	(2.18 sen)

9 DIVIDENDS

	<u>Group and Company</u>	
	<u>2003</u>	<u>2002</u>
	RM	RM
Nil (2002: Interim dividend of 5 sen per share (tax exempt))	0	(2,250,000)
Nil (2002: Proposed final dividend of 5 sen per share (tax exempt))	<u>0</u>	<u>(2,250,000)</u>
	<u>0</u>	<u>(4,500,000)</u>

Notes On The Financial Statements

(continued)

10 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>Opening net book value RM</u>	<u>Additions RM</u>	<u>Disposals RM</u>	<u>Depreciation for the year RM</u>	<u>Closing net book value RM</u>
Financial year ended 31 December 2003					
Long leasehold land					
- at valuation	95,080	0	0	(1,212)	93,868
Factory buildings					
- at valuation	1,585,665	0	0	(53,600)	1,532,065
- at cost	2,792,506	0	0	(65,269)	2,727,237
	<u>4,378,171</u>	<u>0</u>	<u>0</u>	<u>(118,869)</u>	<u>4,259,302</u>
At cost					
Plant and machinery	389,939	0	0	(224,647)	165,292
Furniture, fixtures and equipment	308,096	59,130	(7,088)	(122,333)	237,805
Tools and equipment	257,240	57,561	0	(142,149)	172,652
Electrical fittings	125,894	0	0	(62,947)	62,947
Motor vehicles	320,474	182,713	0	(167,240)	335,947
Renovation	71,475	30,000	0	(72,475)	29,000
	<u>1,473,118</u>	<u>329,404</u>	<u>(7,088)</u>	<u>(791,791)</u>	<u>1,003,643</u>
	<u>5,946,369</u>	<u>329,404</u>	<u>(7,088)</u>	<u>(911,872)</u>	<u>5,356,813</u>

<u>Group</u>	<u>Valuation/cost RM</u>	<u>Accumulated depreciation RM</u>	<u>Net book value RM</u>
At 31 December 2003			
Long leasehold land			
- at valuation	120,000	(26,132)	93,868
Factory buildings			
- at valuation	2,680,000	(1,147,935)	1,532,065
- at cost	3,263,472	(536,235)	2,727,237
	<u>5,943,472</u>	<u>(1,684,170)</u>	<u>4,259,302</u>
At cost			
Plant and machinery	3,091,197	(2,925,905)	165,292
Furniture, fixtures and equipment	1,393,109	(1,155,304)	237,805
Tools and equipment	1,868,834	(1,696,182)	172,652
Electrical fittings	368,920	(305,973)	62,947
Motor vehicles	973,229	(637,282)	335,947
Renovation	30,000	(1,000)	29,000
	<u>7,725,289</u>	<u>(6,721,646)</u>	<u>1,003,643</u>
	<u>13,788,761</u>	<u>(8,431,948)</u>	<u>5,356,813</u>

Notes On The Financial Statements

(continued)

10 PROPERTY, PLANT AND EQUIPMENT (continued)

<u>Group</u>	<u>Valuation/cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
	RM	RM	RM
<u>At 31 December 2002</u>			
Long leasehold land			
- at valuation	<u>120,000</u>	<u>(24,920)</u>	<u>95,080</u>
Factory buildings			
- at valuation	2,680,000	(1,094,335)	1,585,665
- at cost	<u>3,263,472</u>	<u>(470,966)</u>	<u>2,792,506</u>
	<u>5,943,472</u>	<u>(1,565,301)</u>	<u>4,378,171</u>
At cost			
Plant and machinery	3,091,197	(2,701,258)	389,939
Furniture, fixtures and equipment	1,347,968	(1,039,872)	308,096
Tools and equipment	1,811,273	(1,554,033)	257,240
Electrical fittings	368,920	(243,026)	125,894
Motor vehicles	790,516	(470,042)	320,474
Renovation	<u>285,900</u>	<u>(214,425)</u>	<u>71,475</u>
	<u>7,695,774</u>	<u>(6,222,656)</u>	<u>1,473,118</u>
	<u>13,759,246</u>	<u>(7,812,877)</u>	<u>5,946,369</u>

Company

<u>Financial year ended</u>	<u>Opening net book value</u>	<u>Additions</u>	<u>Depreciation for the year</u>	<u>Closing net book value</u>
<u>31 December 2003</u>	RM	RM	RM	RM
At cost				
Furniture, fixtures and equipment	29,944	16,858	(10,974)	35,828
Renovation	71,475	30,000	(72,475)	29,000
Motor vehicle	<u>0</u>	<u>182,713</u>	<u>(9,136)</u>	<u>173,577</u>
	<u>101,419</u>	<u>229,571</u>	<u>(92,585)</u>	<u>238,405</u>

<u>Company</u>	<u>Valuation/cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
	RM	RM	RM
<u>At 31 December 2003</u>			
At cost			
Furniture, fixtures and equipment	69,961	(34,133)	35,828
Renovation	30,000	(1,000)	29,000
Motor vehicle	<u>182,713</u>	<u>(9,136)</u>	<u>173,577</u>
	<u>282,674</u>	<u>(44,269)</u>	<u>238,405</u>

Notes On The Financial Statements

(continued)

10 PROPERTY, PLANT AND EQUIPMENT (continued)

<u>Company</u>	<u>Valuation/cost</u> RM	<u>Accumulated depreciation</u> RM	<u>Net book value</u> RM
<u>At 31 December 2003</u>			
At cost			
Furniture, fixtures and equipment	53,103	(23,159)	29,944
Renovation	285,900	(214,425)	71,475
	<u>339,003</u>	<u>(237,584)</u>	<u>101,419</u>

The valuation of the long leasehold land and buildings in a subsidiary company, Singatronics (Malaysia) Sdn. Bhd., were made by the Directors based on an independent valuation of those assets in 1981 by a firm of professional valuers using the comparison method for the long leasehold land and the current replacement cost method for the buildings.

The long leasehold land and factory buildings have not been revalued since the first revaluation exercise in 1981. The Directors have adopted the transitional provisions in respect of assets carried at previously revalued amounts for IAS No.16 (Revised): Property, Plant and Equipment as allowed for by the MASB to retain the carrying amounts of the long leasehold land and factory buildings on the basis of their previous revaluation subject to the continuing application of the current depreciation policy.

Had the revalued property, plant and equipment been included in the financial statements of the Group at cost less depreciation, the net book value of each class of property, plant and equipment would have been as follows:

	<u>Group</u>	
	<u>2003</u> RM	<u>2002</u> RM
Long leasehold land	92,068	93,257
Factory buildings	3,582,538	3,677,730
	<u>3,674,606</u>	<u>3,770,987</u>

Notes On The Financial Statements

(continued)

11 SUBSIDIARIES

	Company	
	<u>2003</u>	<u>2002</u>
	RM	RM
Unquoted shares, at cost	<u>33,750,000</u>	<u>33,750,000</u>

<u>Name</u>	<u>Country of Incorporation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		<u>2003</u>	<u>2002</u>	
<u>Direct subsidiary</u>				
Singatronics (Malaysia) Sdn. Bhd.	Malaysia	100%	100%	Manufacture, assembly and export of electronic and electrical consumer and industrial products.
ASTRAL-GMO Sdn. Bhd.	Malaysia	100%	100%	The company has not commenced operation as at 31 December 2003.

12 LONG TERM INVESTMENT

	Group and Company	
	<u>2003</u>	<u>2002</u>
	RM	RM
Unquoted convertible preference shares in an overseas corporation, at cost	7,600,800	7,600,800
Less: Allowance for diminution in value	<u>(7,600,799)</u>	<u>0</u>
	<u>1</u>	<u>7,600,800</u>

The unquoted convertible preference shares in an overseas corporation, when converted, will represent a 26% equity interest in the overseas corporation.

Notes On The Financial Statements

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13 SHORT TERM INVESTMENTS

	Group	
	2003	2002
	RM	RM
Marketable securities quoted in Malaysia	5,863,874	3,120,587
Other short term investment unquoted in Malaysia, at cost	7,500,000	0
	<u>13,363,874</u>	<u>3,120,587</u>
Market value of marketable securities	<u>5,864,600</u>	<u>3,132,192</u>

The market value of marketable securities at the balance sheet date approximated their fair value.

During the financial year ended 31 December 2003, the Group placed a fund of RM7.5 million with a local licensed asset management company. The local licensed asset management company invested in 750,000 of unquoted irredeemable convertible preference shares ("ICPS") in a company incorporated in Malaysia at a cost of RM7.5 million on 29 October 2003. The ICPS carries preference dividend rate of 12% p.a. and can be converted into new ordinary shares of the issuer within one year from the date of issuance of the ICPS until maturity date i.e. 28 October 2004. Unless previously converted, all outstanding ICPS shall be converted on the maturity date by the issuer into new ordinary shares at the conversion rate of one (1) ICPS into ten (10) ordinary shares of the issuer of RM1.00 each. In addition, the ICPS holders are granted the right to put the ICPS to an ordinary shareholder of the issuer equivalent to the issue price plus a carrying cost accruing at 12% p.a.

The Directors are of the opinion that the Group's other investment in ICPS be classified as current assets as the Group intends to exercise the put option before the maturity date i.e. 28 October 2004 which enables the Group to cash out within one year from the date of investment.

Notes On The Financial Statements

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14 INVENTORIES

	Group	
	<u>2003</u>	<u>2002</u>
	RM	RM
At cost:		
Raw materials	1,842,257	942,853
Work-in-progress	19,019	134
Finished goods	251,394	21,085
	<u>2,112,670</u>	<u>964,072</u>

15 RECEIVABLES

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Trade receivables	1,318,785	185,173	0	0
Other receivables	730,605	94,930	41,020	16,043
Advances paid to creditors	165,940	170,937	0	0
Deposits	116,259	86,360	99,477	69,078
Prepayments	17,402	19,133	0	0
Staff loans	197,300	112,840	0	0
	<u>2,546,291</u>	<u>669,373</u>	<u>140,497</u>	<u>85,121</u>

Credit terms of the trade receivables range from payment in advance to 30 days.

The currency exposure profile of the trade receivables is as follows:

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
US Dollar	1,118,099	140,505	0	0
Euro	200,686	44,668	0	0
	<u>1,318,785</u>	<u>185,173</u>	<u>0</u>	<u>0</u>

Based on the Group's historical collection record and stringent credit policies, there are no significant concentrations of credit risks in respect of trade receivables.

Notes On The Financial Statements

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16 CASH AND CASH EQUIVALENTS

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Deposits with licensed banks	12,590,000	18,430,000	8,100,000	5,200,000
Deposits with licensed finance companies	6,550,000	16,540,000	6,550,000	10,040,000
Cash and bank balances	2,241,784	667,965	76,158	128,489
	<u>21,381,784</u>	<u>35,637,965</u>	<u>14,726,158</u>	<u>15,368,489</u>

The currency exposure profile of deposits, cash and bank balances is as follows:

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Ringgit Malaysia	20,774,808	34,590,626	14,726,158	15,368,489
US Dollar	606,976	1,047,339	0	0
	<u>21,381,784</u>	<u>35,637,965</u>	<u>14,726,158</u>	<u>15,368,489</u>

The effective interest rates of the deposits as at balance sheet date are as follows:

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	%	%	%	%
	0.80 to 3.00	1.10 to 3.20	2.40 to 3.00	2.60 to 3.20

Deposits of the Group and of the Company have an average maturity of 16 days (2002: 15 days). Bank balances are deposits held at call with banks.

Notes On The Financial Statements

(continued)

17 PAYABLES

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Trade payables	714,881	112,061	0	0
Advances received from a customer	177,418	63,053	0	0
Other payables	8,610	2,418	0	0
Accrued expenses	153,387	224,426	60,173	110,676
Payroll liabilities	172,194	254,427	5,960	671
	<u>1,226,490</u>	<u>656,385</u>	<u>66,133</u>	<u>111,347</u>

The currency exposure profile of trade payables is as follows:

	Group		Company	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	RM	RM	RM	RM
Ringgit Malaysia	458,318	88,060	0	0
US Dollar	196,145	24,001	0	0
Euro	11,186	0	0	0
HK Dollar	21,309	0	0	0
Singapore Dollar	27,923	0	0	0
	<u>714,881</u>	<u>112,061</u>	<u>0</u>	<u>0</u>

Credit terms of trade payables range from payment in advance to 60 days.

18 DEFERRED TAXATION

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	<u>2003</u>	<u>2002</u>
	RM	RM
Deferred taxation liabilities	<u>(234,000)</u>	<u>(271,000)</u>

Notes On The Financial Statements

(continued)

18 DEFERRED TAXATION (continued)

The movements and components relating to deferred taxation are as follows:

	Group	
	2003	2002
	RM	RM
At 1 January		
- as previously reported	(246,000)	(275,000)
- change in accounting policy	(25,000)	(203,000)
as restated	<u>(271,000)</u>	<u>(478,000)</u>
Credited to income statement (Note 7)	37,000	207,000
At 31 December	<u>(234,000)</u>	<u>(271,000)</u>

Subject to income tax

	Group	
	2003	2002
	RM	RM
Deferred taxation assets (prior to offsetting):		
- Property, plant and equipment	145,000	114,000
- Allowances	<u>18,000</u>	<u>58,000</u>
	163,000	172,000
Offsetting	<u>(163,000)</u>	<u>(172,000)</u>
Deferred taxation assets (after offsetting)	<u>0</u>	<u>0</u>
Deferred taxation liabilities (prior to offsetting):		
- Property, plant and equipment	(397,000)	(443,000)
Offsetting	<u>163,000</u>	<u>172,000</u>
Deferred taxation liabilities (after offsetting)	<u>(234,000)</u>	<u>(271,000)</u>

The amount of capital allowances carried forward of the Group for which no deferred taxation asset is recognised in the balance sheet is RM240,000 (2002: RM132,000).

Notes On The Financial Statements

(continued)

19 SHARE CAPITAL

	<u>Group and Company</u>	
	<u>2003</u>	<u>2002</u>
	RM	RM
Ordinary shares of RM1.00 each		
Authorised	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid	<u>45,000,000</u>	<u>45,000,000</u>

The Company implemented the ESOS on 10 January 2002 after obtaining shareholders' approval for the revised By-Laws on the same date.

The salient features of the ESOS are as follows:

- (a) the maximum number of new ordinary shares to be allotted by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company;
- (b) the ESOS shall be for a duration of 10 years;
- (c) eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee subject to the employees, inter-alia, being at least 18 years of age and confirmed in service on the offer date;
- (d) an Executive Director shall only be eligible to participate in the ESOS if he is holding a full time executive position and the specific allotment to be made to the Executive Director has been approved by the shareholders of the Company in general meeting;
- (e) the exercise price for the new ordinary shares to be issued under the ESOS is the higher of the weighted average market price of the ordinary shares of the Company for the five market days preceding the offer date (subject to a discount of not more than ten percent which the ESOS Committee may at its discretion decide to give), and the par value of the ordinary shares of the Company of RM1;
- (f) the new ordinary shares to be issued upon the exercise of any option under the ESOS will upon allotment rank pari passu in all respects with the then existing issued and paid-up ordinary shares of the Company except that the new ordinary shares so allotted will not be eligible for any dividends, rights, allotments or other distributions, the entitlement date for which is before the date of exercise of the option; and
- (g) the ESOS Committee shall have the discretion to determine the manner in which an option may be exercised during the option period.

Notes On The Financial Statements

(continued)

19 SHARE CAPITAL (continued)

The movements during the financial year in the number of ordinary shares under options of the Company are as follows:

Grant date	Expiry date	Exercise price RM/share	Number of shares				At end of the financial year
			At beginning of the financial year	Granted	Exercised	Lapsed	
Financial year ended 31 December 2003							
4 July 2002	3 January 2012	2.00	601,000	0	0	(100,000)	501,000
Financial year ended 31 December 2002							
4 July 2002	3 January 2012	2.00	0	636,000	0	(35,000)	601,000

The number of share options vested as at the financial year end is 501,000 (2002: 601,000).

20 RESERVES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-distributable				
Share premium	4,510,291	4,510,291	4,510,291	4,510,291
Revaluation reserve	854,145	854,145	0	0
	<u>5,364,436</u>	<u>5,364,436</u>	<u>4,510,291</u>	<u>4,510,291</u>
(Accumulated loss)/Retained earnings	(6,843,485)	3,195,449	(845,856)	7,368,617
	<u>(1,479,049)</u>	<u>8,559,885</u>	<u>3,664,435</u>	<u>11,878,908</u>

The revaluation reserve at 31 December 2003 represents revaluation surplus on long leasehold land and buildings (net of deferred taxation liability) of Singatronics (Malaysia) Sdn. Bhd. and is not distributable.

Notes On The Financial Statements

(continued)

21 CHANGE IN ACCOUNTING POLICY

During the financial year, the Group changed its accounting policy with respect to the recognition of deferred taxation assets and liabilities in compliance with the new MASB Standard 25: "Income Taxes".

Prior to the adoption of MASB Standard 25: "Income Taxes", deferred taxation was recognised by using the liability method in respect of significant timing differences between accounting income and taxable income except where there was reasonable evidence that those timing differences would not reverse in the foreseeable future. Deferred taxation assets were not recognised unless there was reasonable expectation of their realisation.

Where there was intention to dispose of revalued assets, the deferred taxation relating to such assets was recognised through a transfer from the related revaluation surplus. No provision nor disclosure was made of this taxation effect where the Group intended to hold such assets for the foreseeable future.

Under MASB 25, deferred taxation is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for taxation purposes and their carrying amounts in the financial statements. Deferred taxation assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

In addition, deferred taxation is recognised on temporary differences arising on investments in subsidiary companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

This change in accounting policy has been accounted for retrospectively and has the effect of increasing the net loss of the Group for the financial year ended 31 December 2003 by RM3,000. The comparative figures for the financial year ended 31 December 2003 have been restated to conform to the changed policy. The effects of the change in accounting policy on the financial statements are as follows:

	Group		
	As previously reported RM	Effect of change in policy RM	As restated RM
At 31 December 2001:			
- Revaluation reserve	1,186,145	(332,000)	854,145
- Retained earnings	13,048,511	129,000	13,177,511
- Deferred taxation	<u>275,000</u>	<u>203,000</u>	<u>478,000</u>
Financial year ended 31 December 2002:			
- Taxation	<u>5,420</u>	<u>178,000</u>	<u>183,420</u>
At 31 December 2002:			
- Revaluation reserve	1,186,145	(332,000)	854,145
- Retained earnings	2,888,449	307,000	3,195,449
- Deferred taxation	<u>246,000</u>	<u>25,000</u>	<u>271,000</u>

Notes On The Financial Statements

(continued)

22 FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values.

23 SIGNIFICANT RELATED PARTY DISCLOSURES

In addition to related party disclosures mentioned elsewhere in the financial statements, other significant related party information is set out below:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Significant related company balances:				
Amount due from Astral-GMO Sdn. Bhd., a subsidiary company				
- Non-trade	0	0	81,418	77,401
Amount due to Singatronics (Malaysia) Sdn. Bhd., a subsidiary company				
- Non-trade	<u>0</u>	<u>0</u>	<u>182,503</u>	<u>0</u>

The balances are unsecured and interest free with no fixed terms of repayment.

Significant related party transactions:

Dividends received (gross) from Singatronics (Malaysia) Sdn. Bhd., a subsidiary company	0	0	2,250,000	6,750,000
Dividends paid (gross) to Singatronics Limited, the ultimate holding company	2,250,000	4,860,000	2,250,000	4,860,000
Fees charged by Singatronics Limited, the ultimate holding company	<u>131,318</u>	<u>97,500</u>	<u>131,318</u>	<u>97,500</u>

The fees charged were based on the agreed terms between the Company and the ultimate holding company.

Notes On The Financial Statements

(continued)

24 GROUP SEGMENTAL REPORTING

Primary reporting format – Business segments

	2003			2002		
	Electronic and electrical consumer and industrial products RM	Investment holding RM	Total RM	Electronic and electrical consumer and industrial products RM	Investment holding RM	Total RM
<u>Turnover</u>						
Total turnover	16,176,141	2,250,000	18,426,141	20,639,554	6,750,000	27,389,554
Intersegment turnover	0	(2,250,000)	(2,250,000)	0	(6,750,000)	(6,750,000)
External turnover	<u>16,176,141</u>	<u>0</u>	<u>16,176,141</u>	<u>20,639,554</u>	<u>0</u>	<u>20,639,554</u>
<u>Results</u>						
Segment result	(304,594)	(8,502,893)	(8,807,487)	(818,340)	(1,109,026)	(1,927,366)
Unallocated income			1,246,859			1,095,884
Unallocated expense			0			(334,000)
Loss from operations			<u>(7,560,628)</u>			<u>(1,165,482)</u>
Taxation			<u>(228,306)</u>			<u>183,420</u>
Net loss for the financial year			<u>(7,788,934)</u>			<u>(982,062)</u>
<u>Other information</u>						
Segment assets	11,802,498	7,955,061	19,757,559	7,932,750	7,915,829	15,848,579
Unallocated assets			25,256,453			38,671,332
Total assets			<u>45,014,012</u>			<u>54,519,911</u>
Segment liabilities	1,160,357	98,704	1,259,061	545,038	143,988	689,026
Unallocated liabilities			234,000			271,000
Total liabilities			<u>1,493,061</u>			<u>960,026</u>

Notes On The Financial Statements

(continued)

24 GROUP SEGMENTAL REPORTING (continued)

Primary reporting format – Business segments (continued)

	2003			2002		
	Electronic and electrical consumer and industrial products RM	Investment holding RM	Total RM	Electronic and electrical consumer and industrial products RM	Investment holding RM	Total RM
Capital expenditure	99,833	229,571	329,404	57,368	0	57,368
Depreciation	819,287	92,585	911,872	863,821	105,921	969,742
Non-cash expenses other than depreciation:						
Allowance for diminution in value of long term investment	0	7,600,799	7,600,799	0	0	0
Allowances for slow moving inventories	0	0	0	207,563	0	207,563
Inventories written off	150,436	0	150,436	75,738	0	75,738

Intersegment turnover represents dividend income (Note 6). Unallocated income for the current financial year includes gross dividends from marketable securities, interest income and allowances for diminution in value of marketable securities written back (Note 6). Segment assets consist of property, plant and equipment and operating assets but exclude marketable securities, deposits with licensed banks and finance companies and tax recoverable. Segment liabilities represent operating liabilities but exclude taxation.

Capital expenditure comprises the additions to property, plant and equipment (Note 10).

Notes On The Financial Statements

(continued)

24 GROUP SEGMENTAL REPORTING (continued)

Secondary reporting format – Geographical segments

The business segments of electronic and electrical consumer and industrial products and investment holding predominantly operate in Malaysia except for an investment in an unquoted corporation in the USA.

	2003						Total RM
	Malaysia RM	USA RM	Japan RM	Germany RM	Australia RM	Other countries RM	
External turnover by location of customers	0	0	9,007,590	3,292,836	2,819,349	1,056,366	16,176,141
Segment assets by location of assets	19,757,558	1	0	0	0	0	19,757,559
Other assets by location of assets	25,256,453	0	0	0	0	0	25,256,453
Total assets	45,014,011	1	0	0	0	0	45,014,012
Capital expenditure by location of assets	329,404	0	0	0	0	0	329,404

	2002						Total RM
	Malaysia RM	USA RM	Japan RM	Germany RM	Australia RM	Other countries RM	
External turnover by location of customers	0	0	15,318,745	4,371,891	2,285	946,633	20,639,554
Segment assets by location of assets	8,247,779	7,600,800	0	0	0	0	15,848,579
Other assets by location of assets	38,671,332	0	0	0	0	0	38,671,332
Total assets	46,919,111	7,600,800	0	0	0	0	54,519,911
Capital expenditure by location of assets	57,368	0	0	0	0	0	57,368

With the exception of the countries disclosed above, no other individual country contributed more than 10% of the consolidated turnover.

25 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the board of Directors on 9 March 2004.

STATEMENT BY DIRECTORS

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

We, Kee Chit Huei and Lai Hock Meng, two of the Directors of Astral Supreme Berhad, state that in the opinion of the Directors, the financial statements set out on pages 27 to 58 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 December 2003 and of the results and the 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 provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 9 March 2004.

KEE CHIT HUEI
DIRECTOR

LAI HOCK MENG
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Kee Chit Huei, the Director primarily responsible for the financial management of Astral Supreme Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 58 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.

KEE CHIT HUEI

Subscribed and solemnly declared by the abovenamed Kee Chit Huei at Kuala Lumpur, In Wilayah Persekutuan on 9 March 2004, before me.

Mohd Radzi bin Yasin
COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS

TO THE MEMBERS OF ASTRAL SUPREME BERHAD

(Company No. 442371 A)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 27 to 58. 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 applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 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 December 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
(No. AF-1146)
Chartered Accountants

CHO CHOO MENG
(2082/09/04 (J))
Partner of the firm

9 March 2004

PROPERTIES OF THE GROUP

DETAILS OF PROPERTIES

Address	Description/ Existing use	Land Area/ Built-up Area (sq. meter)	Tenure	Approximate Age of Building (Years)	Net Book Value (as at 31.12.2003)	Date of last evaluation
Plot 20, HS(M) 2/1981 Kulim Industrial Estate Mukim of Sungei Seluang District of Kulim Kedah Darul Aman	Land and electronics factory building	10,036/6,624	60 years of leasehold expiring on 9.1.2041	23	RM4,353,170	24.9.1997*

* For purpose of the Company's initial public offering.

SHAREHOLDING STATISTICS

AS AT 23 MARCH 2004

Authorised Capital	: RM100,000,000.00
Issued And Paid-Up Capital	: RM45,000,000.00
Class of Share	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per ordinary share
Number of Shareholders	: 2,917

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	0	0	0	0
100 to 1,000	1,307	44.81	1,302,400	2.89
1,001 to 10,000	1,448	49.64	5,473,200	12.16
10,001 to 100,000	149	5.11	3,540,700	7.87
100,001 to less than 5% of issued shares	11	0.38	3,597,700	7.99
5% and above of issued shares	2	0.07	31,086,000	69.08
Total	2,917	100.00	45,000,000	100.00

TOP THIRTY SHAREHOLDERS

	Name of Shareholders	No. of Shares	%
1.	Singatronics Limited	24,300,000	54.00
2.	Lembaga Tabung Haji	6,786,000	15.08
3.	Mohd Najib Bin Mashhor	935,000	2.08
4.	Employees Provident Fund Board	562,000	1.25
5.	Amanah Raya Berhad, Amittikal	549,000	1.22
6.	Cimsec Nominees (Tempatan) Sdn Bhd, pledged securities account for Yap Kong Yeaw	372,700	0.83
7.	HDM Nominees (Asing) Sdn Bhd, UOB Kay Hian Pte Ltd for Winrox Investments Ltd	370,700	0.82
8.	Zainuddin Bin Mohd Radzi	200,000	0.44
9.	Amsec Nominees (Tempatan) Sdn Bhd, pledged securities account for Yap Kong Yeaw	148,300	0.33
10.	Rafeah Binti Jaafar	124,000	0.28
11.	Looi Chin Seng	120,000	0.27
12.	Tan Sing Kah	110,000	0.24
13.	AM Nominees (Tempatan) Sdn Bhd, Malaysia France Institute Sdn Bhd	106,000	0.24
14.	Zalima Binti MD Drus	100,000	0.22
15.	Mayban Securities Nominees (Asing) Sdn Bhd, UOB-Kay Hian Pte Ltd for Koh Poh Choo	96,000	0.21
16.	Ng Yoke Hua	86,000	0.19
17.	Teng U Heng	81,000	0.18
18.	Leow Guan Seng	80,000	0.18
19.	Andrew Ooi Soon Hock	77,000	0.17
20.	Mohd Junid Bin Itam Suliman	70,000	0.16

Shareholding Statistics

As At 23 March 2004

(continued)

TOP THIRTY SHAREHOLDERS (continued)

	Name of Shareholders	No. of Shares	%
21.	Cimsec Nominees (Tempatan) Sdn Bhd, pledged securities account for Hamzah Bin Mohd Salleh	63,000	0.14
22.	Ooi Tong Sun	57,000	0.13
23.	Citicorp Nominees (Tempatan) Sdn Bhd, pledged securities account for Yap Kong Yeaw	55,000	0.12
24.	Chua Tua Soon @ Chua Siow Seng	54,000	0.12
25.	Mayban Nominees (Tempatan) Sdn Bhd, pledged securities account for See Hock Hian	50,300	0.11
26.	Lee Yit Kwai	50,300	0.11
27.	Botly Nominees (Tempatan) Sdn Bhd, pledged securities account for Wong Ah Tim @ Ong Ah Tin	50,000	0.11
28.	Chua Tua Soon @ Chua Siow Seng	47,000	0.10
29.	Han Moh Jee @ Han Teng Siew	45,000	0.10
30.	PAB Nominee (Tempatan) Sdn Bhd, pledged securities account for Navamani A/P Krishnan	40,000	0.09
	Total	35,785,300	79.52

SUBSTANTIAL SHAREHOLDERS

(According to the Register of Substantial Shareholders as at 23 March 2004)

	Name of Shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
1.	Singatronics Limited	24,300,000	54.00	-	-
2.	Lembaga Tabung Haji	6,786,000	15.08	-	-
3.	Eddie Foo Chik Kin	-	-	(1)24,300,000	54.00

(1) Deemed interest by virtue of his interest in Singatronics Limited.

VOTING RIGHTS OF SHAREHOLDERS

Every member of the Company present in person or by proxy shall have one vote on a show of hand and in the case of a poll shall have one vote for every share of which he is the holder.

DIRECTORS' INTEREST IN THE COMPANY OR ITS RELATED CORPORATION ACCORDING TO THE REGISTER OF DIRECTORS SHAREHOLDING AS AT 23 MARCH 2004

Astral Supreme Berhad No. of Shares of RM1.00 Each				
Direct Interest		Indirect Interest		
No. of Shares	%	No. of Shares	%	
-	-	-	-	

Notes:

None of the Directors have any shareholdings in the Company

Singatronics Limited (ultimate holding company) Options over number of Shares of S\$0.20 Each		
	Number of Option Shares	Price per Options Shares S\$
1. Lai Hock Meng	2,000,000	0.314
2. Kee Chit Huei	2,000,000	0.314
3. Wong Siu Kay	2,000,000	0.314
4. Y.B. Dato' Hilmi Bin Haji Abdul Rashid	100,000	0.314
5. Yong Loong Chen	100,000	0.314

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at Mahkota III, Ballroom, Hotel Istana, 73, Jalan Raja Chulan 50200 Kuala Lumpur, on Wednesday, 19 May 2004 at 9.00 a.m. to conduct the following businesses :-

AGENDA

As Ordinary Business :

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon. *(Resolution 1)*
2. To approve the payment of Directors' fees for the year ended 31 December 2003. *(Resolution 2)*
3. To re-elect Mr. Lai Hock Meng who retires pursuant to Article 79 of the Company's Articles of Association. *(Resolution 3)*
4. To re-elect Mr Kee Chit Huei who retires pursuant to Article 79 of the Company's Articles of Association. *(Resolution 4)*
5. To re-elect Y.B. Dato' Hilmi Bin Haji Abdul Rashid who retires pursuant to Article 79 of the Company's Articles of Association. *(Resolution 5)*
6. To re-elect Mr Yong Loong Chen who retires pursuant to Article 79 of the Company's Articles of Association. *(Resolution 6)*
7. To re-elect Mr Wong Siu Kay who retires pursuant to Article 79 of the Company's Articles of Association. *(Resolution 7)*
8. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. *(Resolution 8)*
9. As Special Business :

To consider and, if thought fit, pass the following Ordinary Resolution :

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the total issued capital of the Company for the time being and THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Malaysia Securities Exchange Bhd and THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 9)

Notice of Annual General Meeting

(continued)

AGENDA (continued)

10. To consider and, if thought fit, pass any resolution of which notice in accordance with Section 151 of the Companies Act, 1965 has been given.

By Order of the Board

CORAL HONG
Company Secretary

Kuala Lumpur
26 April 2004

NOTES ON APPOINTMENT OF PROXY

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar.
3. To be valid, this proxy form duly completed, must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting.
4. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Ordinary Resolution 9 : Authority to issue shares pursuant to Section 132D of the Companies Act, 1965

Subject to the exceptions provided in the Companies Act, 1965, the Directors would have to call for a General Meeting to approve the issue of new shares even though the number involved is less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a General Meeting to approve such issue of shares, it is thus considered appropriate that the Directors be now empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. SIXTH ANNUAL GENERAL MEETING OF ASTRAL SUPREME BHD

Venue : Mahkota III , Ballroom, Hotel Istana, 73, Jalan Raja Chulan, 50200 Kuala Lumpur

Date : Wednesday, 19 May 2004

Time : 9.00 a.m.

2. NAMES OF DIRECTORS STANDING FOR RE-ELECTION

Directors who are standing for re-election at the Sixth Annual General Meeting of the Company are :-

Mr. Lai Hock Meng	Article 79	<i>(Resolution 3)</i>
Mr Kee Chit Huei	Article 79	<i>(Resolution 4)</i>
Y.B. Dato' Hilmi Bin Haji Abdul Rashid	Article 79	<i>(Resolution 5)</i>
Mr Yong Loong Chen	Article 79	<i>(Resolution 6)</i>
Mr Wong Siu Kay	Article 79	<i>(Resolution 7)</i>

3. PROFILE OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

Details of Directors who are standing for re-election are set out in the Directors' Profile and Shareholding Statistics sections of the Annual Report 2003.

4. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

The Board met four times during the year ended 31 December 2003. Details of each Director's attendance are given below :

Directors	No. of Meetings Attended
Eddie Foo Chik Kin (resigned on 12 September 2003)	3
Y.M. Raja Abdul Aziz Bin Raja Musa (resigned on 1 October 2003)	3
Katherine Chang Choong Yeen (resigned on 12 September 2003)	3
Leow Siew Beng (resigned on 12 September 2003)	3
George Thia Peng Heok (resigned on 30 September 2003)	3
Sieh Kok Jiun (resigned on 1 October 2003)	3
Lai Hock Meng (appointed on 12 September 2003)	1
Kee Chit Huei (appointed on 12 September 2003)	1
Y.B. Dato' Hilmi Bin Haji Abdul Rashid (appointed on 12 September 2003)	1
Yong Loong Chen (appointed on 12 September 2003)	1
Wong Siu Kay (appointed on 17 November 2003)	1

Proxy Form



ASTRAL SUPREME BERHAD

(Company No. 442371-A)
(Incorporated In Malaysia)

* I/We _____
of _____
being a Member/Members of Astral Supreme Berhad ("the Company"), hereby appoint *The Chairman of the Meeting or

of _____
or failing *him/her, _____
of _____
as *my/our proxy/proxies to vote for *me/our behalf at the Sixth Annual General Meeting of the Company to be held at Mahkota III ,
Ballroom, Hotel Istana, 73, Jalan Raja Chulan 50200 Kuala Lumpur on Wednesday, 19 May 2004 at 9.00 a.m. and at any adjournment
thereof.

My/our proxy/proxies is/are to vote on the resolutions as indicated by an "X" in the appropriate box below. If this form is returned
without any indication as to how the proxy/proxies shall vote, the proxy/proxies shall vote or abstain from voting as he/she thinks fit:

	ORDINARY RESOLUTION	FOR	AGAINST
No. 1	To receive and adopt the Financial Statements and Reports		
No. 2	To approve the payment of Directors' Fees		
No. 3	To re-elect Mr. Lai Hock Meng as a Director pursuant to the Company's Articles of Association		
No. 4	To re-elect Mr Kee Chit Huei as a Director pursuant to the Company's Articles of Association		
No. 5	To re-elect Dato' Hilmi Bin Haji Abdul Rashid as a Director pursuant to the Company's Articles of Association		
No. 6	To re-elect Mr Yong Loong Chen as a Director pursuant to the Company's Articles of Association		
No. 7	To re-elect Mr Wong Siu Kay as a Director pursuant to the Company's Articles of Association		
No. 8	To re-appoint Messrs. PricewaterhouseCoopers as Auditors		
No. 9	As special business, to approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965		

Signature _____
(If shareholder is a corporation, this part should be executed under seal)

Signed this _____ day of _____ 2004

No. of Shares Held

NOTES :

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
2. A proxy need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar.
3. To be valid, this proxy form duly completed, must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting.
4. Where a member appoints two or more proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

*Delete where not applicable.

please fold here

Affix
stamp
here

The Company Secretary
ASTRAL SUPREME BERHAD
(442371-A)

Level 25, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur



ASTRAL SUPREME BHD(442371-A)

Level 25, Menara HLA, No. 3, Jalan Kia Peng, 50450 Kuala Lumpur.
Tel: 03-2161 6996 Fax: 03-2161 7066