



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

(Incorporated in Malaysia)

ANNUAL REPORT 2003

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Corporate Information

Board of Directors

Executive Chairman
Managing Director
Directors

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

Company Secretary

Lee Peng Loon (LS 00405)

Auditors

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

Registered Office

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

Share Registrar

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

Bankers

Bumiputra-Commerce Bank Berhad
HSBC Bank Malaysia Bhd
Malayan Banking Berhad
Southern Bank Berhad
United Overseas Bank (Malaysia) Bhd

Stock Exchange Listing

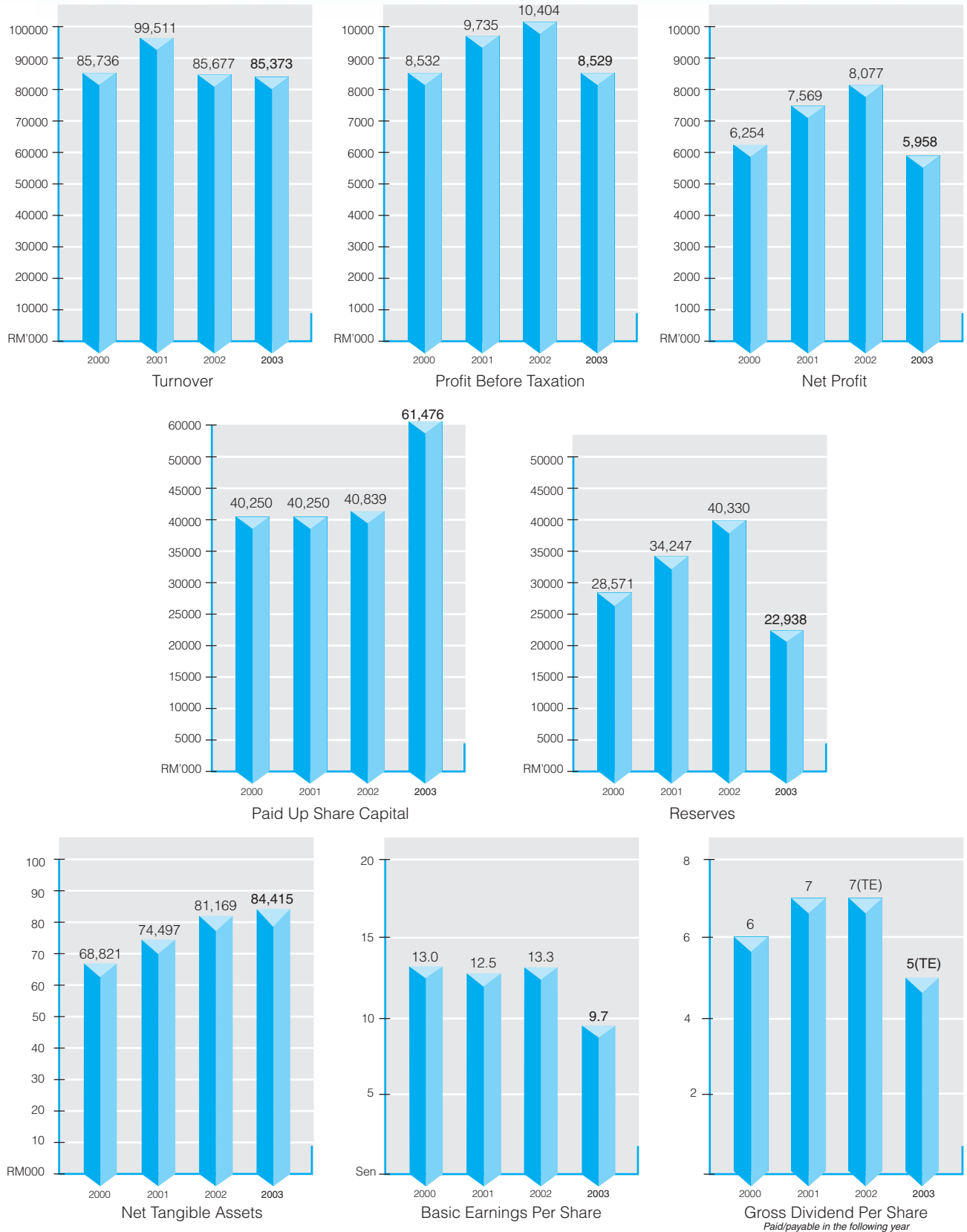
Main Board, Kuala Lumpur Stock Exchange

KLSE Stock Number

7087



Financial Highlights



TE: Tax Exempt

Profile of Directors

Tan Sri Dato' Tan Kok Ping

Executive Chairman ; Appointed to the Board on 18-2-2000
Aged 57, Malaysian,
Bachelor Degree in Commerce, Nanyang University Singapore
Occupation : Company Director

Tan Sri has more than 34 years of experience in various business sectors which include property development, manufacturing of consumer electronics, garment, corrugated and plastic packaging products.

He is currently the Chairman of Berjaya Holdings (HK) Limited, a public listed company in Hong Kong. He was the former Managing Director and Deputy Chairman of Berjaya Sports Toto Berhad. He also sits on the Board of several other private limited companies.

He is the Executive Adviser of Penang Chinese Chamber of Commerce, of which he was also the past President. He was also the former Deputy President of The Associated Chinese Chambers of Commerce and Industry of Malaysia.

He has been appointed as a member of The Second National Economic Consultative Council (NECC II) in August 1999. He is also a member of the Penang Trade Consultative Council for the term of 2000-2004.

Tan Poay Seng

Managing Director and Member of Audit Committee ; Appointed to the Board on 18-2-2000
Aged 37, Malaysian
Diploma in Hotel Management, Switzerland
Occupation : Company Director

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

Tan Kok Aun

Executive Director ; Appointed to the Board on 18-2-2000
Aged 54, Malaysian
Bachelor of Mechanical Engineering Degree, Trinity College, Ireland
Occupation : Company Director

He was one of the pioneers responsible for the initial setup and operations of South Island Packaging (Penang) Sdn Bhd (SIPP), a 99.64% owned Subsidiary of the Company. He has gathered over 27 years of experience and knowledge in the printing and packaging industry. He also sits on the Board of several private limited companies.

Ahmad Fizri bin Abu Bakar

Non-Executive and Non-Independent Director ; Appointed to the Board on 18-2-2000
Aged 54, Malaysian
Bachelor of Arts Degree, UM and MBA, Northrop University, USA
Occupation : Company Director

He has an aggregate of 15 years working exposure in the consumer electronics manufacturing sector. He was the Director of Corporate Affairs of Sony (M) Sdn Bhd for about 7 years. He also sits on the Board of several private limited companies.

Profile of Directors (cont'd)

Lee Koong Chen @ Lee Kong Chew

Executive Director ; Appointed to the Board on 18-2-2000
Aged 63, Malaysian
Mechanical Engineering Degree, National Taiwan University
Occupation : Company Director

He is the Managing Director of Inter-Pacific Packaging Sdn Bhd (IPP), a wholly owned subsidiary of the Company. An Engineer by profession, he was one of the pioneers in the corrugated line having more than 27 years of experience in printing and packaging. He was the Works Manager in Federal Paper Products, Shah Alam for 18 years, General Manager in Pan Asian Paper Product Sdn Bhd, Penang for 4 years and Federal Printing & Packaging Sdn Bhd for one year. He set up IPP in early 1990 and steered it to become a leader in the industrial packaging industry. He is currently a member of the Board of Engineers Malaysia.

Chang Chuen Hwa

Executive Director ; Appointed to the Board on 18-2-2000
Aged 46, Malaysian
Bachelor of Business Studies Degree, Massey University, New Zealand
Occupation : Company Director

He is the Managing Director of South Island Plastics Sdn Bhd (SIP), a wholly owned subsidiary of the Company and was attached to SIP since 1982. During his 20 years of service with SIP, he has gained extensive knowledge of the plastic film packaging industry.

H'ng Cheok Seng

Independent Non-Executive Director and Chairman of Audit Committee ;
Appointed to the Board on 18-2-2000
Aged 45, Malaysian
Fellow Member, Association of Chartered Certified Accountants, UK
Occupation : Company Director

He has 13 years experience in financial, corporate and accounting related positions with investment holding, garment manufacturing, local and multi-national electronic manufacturing companies. Prior to his Pre-U studies, he had 6 years of audit and taxation working experience with a local public accounting firm.

Datuk Noor Zahidi bin Omar

Non-Executive Independent Director and Member of Audit Committee ;
Appointed to the Board on 18-2-2000
Aged 46, Malaysian
Diploma in Business Studies, ITM
Occupation : Company Director

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



Profile of Directors (cont'd)

Abdul Jalil bin Ismail

Non-Executive Independent Director ; Appointed to the Board on 24-4-2000

Aged 53, Malaysian

Member, Chartered Institute of Bankers, London

Occupation : Company Director

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

Notice of Annual General Meeting

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang on Thursday, 30 October 2003 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 30 April 2003 together with the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
2. To re-elect the following Directors retiring pursuant to Article 94(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election :
 - i) Mr. H'ng Cheok Seng **Ordinary Resolution 2**
 - ii) Datuk Noor Zahidi bin Omar **Ordinary Resolution 3**
 - iii) Encik Abdul Jalil bin Ismail **Ordinary Resolution 4**
3. To approve the payment of a first and final tax exempt dividend of 5 % for the year ended 30 April 2003. **Ordinary Resolution 5**
4. To approve the payment of Directors' Fees for the year ended 30 April 2003. **Ordinary Resolution 6**
5. To re-appoint Messrs. Ernst & Young as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

As Special Business :

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

6. "That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Kuala Lumpur Stock Exchange for the listing and quotation for the additional shares to be issued." **Ordinary Resolution 8**
7. "THAT subject to the Listing Requirements of the Kuala Lumpur Stock Exchange, authority be and is hereby given to the Company and its subsidiaries to enter into the category of recurrent transactions of a revenue or trading nature, as specified in section 2.1 of the Circular dated 8 October 2003 subject further to the following:-
 - i) the recurrent transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;
 - ii) disclosure is made in the Annual Report on the type of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationship with the Company and the breakdown of aggregate value of recurrent transactions conducted pursuant to the shareholders' mandate during the financial year; and
 - iii) the Directors be and are hereby authorised to complete and do all such acts (including executing such documents as may be required) to give effect to the recurrent transactions contemplated and/or authorised by this Ordinary Resolution.

Notice of Annual General Meeting (cont'd)

THAT such authority shall continue to be in force until :

- i) the conclusion of the first Annual General Meeting of the Company following the Annual General Meeting at which such shareholders' mandate was passed, at which time it will lapse, unless by an Ordinary Resolution passed at the Annual General Meeting, the authority is renewed;
- ii) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Companies Act, 1965);
- iii) revoked or varied by an Ordinary Resolution passed by the shareholders in general meeting,

whichever is the earlier."

Ordinary Resolution 9

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

By Order of the Board

LEE PENG LOON (LS 00405)
Company Secretary

Penang
Date: 8 October 2003

Explanatory Notes on Special Business

Item 6

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

Item 7

The Ordinary Resolution 9 proposed under item 7, if passed, will give the Directors of the Company authority to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Company's day to day operations, particulars of which have been disclosed in the Circular to Shareholders dated 8 October 2003 enclosed in the Company's 2003 Annual Report.



Notice of Annual General Meeting (cont'd)

Notes :

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

NOTICE IS ALSO HEREBY GIVEN THAT a depositor shall qualify for entitlement only in respect of:

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 18 November 2003 in respect of ordinary transfers;
- b. Shares bought on Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend, if approved will be paid on 10 December 2003 to shareholders on the Register of the Company at the close of business on 18 November 2003.

Statement Accompanying Notice of Annual General Meeting

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

I.	H'ng Cheok Seng	(Ordinary Resolution 2)
II.	Datuk Noor Zahidi bin Omar	(Ordinary Resolution 3)
III.	Abdul Jalil bin Ismail	(Ordinary Resolution 4)

Details of attendance of Directors at Board Meetings:-

There were Five (5) Board Meetings held during the financial year ended 30 April 2003 and all the Board Meetings were held at Level 18 Penas Tower, Jalan Burmah, 10350 Penang. The attendance for each Director is shown below :

	Name	No. of Meetings Attended
I.	Tan Sri Dato' Tan Kok Ping	5
II.	Tan Poay Seng	5
III.	Tan Kok Aun	5
IV.	Ahmad Fizri bin Abu Bakar	5
V.	Lee Koong Chen @ Lee Kong Chew	5
VI.	Chang Chuen Hwa	5
VII.	H'ng Cheok Seng	5
VIII.	Datuk Noor Zahidi bin Omar	4
IX.	Abdul Jalil bin Ismail	4

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

Date	Hour	Place
30 October 2003	10.30 a.m.	Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang.

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

Name, age & nationality	Position	No. of ordinary shares of RM1.00 each held in the Company	No. of ordinary shares of RM1.00 each held in the subsidiaries
H'ng Cheok Seng, 45, Malaysian	Independent & Non-Executive Director	Direct Interest : 15,000	NIL
Datuk Noor Zahidi bin Omar, 46, Malaysian	Independent & Non-Executive Director	Direct Interest : 10,500	NIL
Abdul Jalil bin Ismail, 53, Malaysian	Independent & Non-Executive Director	NIL	NIL

++ Shareholders are requested to refer to Profile of Directors and related information on pages 4 to 6, 18 and 48 to 49 of the Annual Report of the Company for the following details:-

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

Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Magni-Tech Industries Berhad for the year ended 30 April 2003.

Corporate Developments

- (a) During the year, the Company's issued and paid-up share capital has increased from RM40.839 million to RM61.476 million arising from the "1 for 2" bonus issue of 20,492,000 new ordinary shares by way of the capitalization of its retained earnings and the exercise of 145,000 employees' share options.
- (b) During the year, the Company has also rounded off the transfer of the listing and quotation for its entire issued and paid up share capital from the Second Board to the Main Board of the KLSE.
- (c) Subsequent to the year end, the Company has subscribed for a 30% equity stake in OTC Digital Mapping Services Sdn Bhd ("OTC"). OTC has been granted MSC status and is involved in designing, developing and marketing global positioning system and radio frequency related products.

OTC has successfully developed its owned vehicle tracking products, telemetric products and digital road maps of Malaysia which provide highly accurate relevant information.

The rationale of the subscription is for the Group to diversify into other business not related to its core activities, which will enhance its future earnings and growth.

Group's Performance

For the year ended 30 April 2003, the Group recorded a slightly lower Turnover of RM85.373 million (2002 : RM85.677 million).

Despite the unfavorable selling price and the uncertainty in raw material price, the Group managed to register a Profit before Tax of RM8.529 million (2002 : RM10.404 million), representing a decrease of 18% over the previous year.

Operations

The Group's packaging goods are sold to customers mostly in the manufacturing sector which are mainly involved in the manufacturing of rubber & plastics based products, food & confectionery, electrical & electronics, and consumer & household products.

The current outlook for the manufacturing sector remains weak. Multinational companies are in general on the drive to further streamline their supply base.

The prolonged excess capacity in the packaging industry resulting in intense price competition and fluctuating raw material prices remain to be the main factors that will further erode the profit margin of packaging industry operators. The lack of foreign direct investment in the fast moving consumer goods has also made it difficult to absorb the spare capacity.

The Group's on-going strategic priority is to further expand its market share by strengthening marketing efforts and customers' services with main focus on prompt delivery, competitive pricing and excellent quality as its order winners.



Chairman's Statement (cont'd)

Dividends

The Board is very grateful to all the loyal shareholders for their continued support and has recommended a final tax exempt dividend of 5% for the year ended 30 April 2003 (2002: 7% tax exempt) for approval by the shareholders at the forthcoming Annual General Meeting. The recommended dividend is covered 1.9 times by the Group's net profit.

Prospects

In spite of the tough business environment envisaged ahead, the Directors anticipate that the Group's performance for the year ending 30-4-2004 will be satisfactory.

Appreciation

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

Tan Sri Dato' Tan Kok Ping
Chairman

Corporate Governance Statement

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

Application of the Principles

(1) The Board of Directors

The Board and Board Balance

The Board has overall responsibility on the strategic direction of the Group. The Board has 9 members, 5 of whom are Executive Directors, 1 of whom is Non-Independent Non-Executive Director whilst the remaining 3 are Independent Non-Executive Directors.

The Board met 5 times during the financial year ended 30 April 2003 and the attendance of the Directors at the said meetings are set out in the Statement accompanying the Notice of 6th Annual General Meeting on Page 10 of the Annual Report.

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

Appointments to the Board

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

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

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

Re-election

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

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

Supply of Information

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

Directors' Training

All the Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (RIIAM). The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

Corporate Governance Statement (cont'd)

(2) Directors' Remuneration

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

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

The aggregate and range of Directors' remuneration for the financial year ended 30 April 2003 are disclosed in Note 6 to the Financial Statements on page 38.

(3) Shareholders

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

(4) Accountability and Audit

Financial Reporting

The Board is responsible for presenting a balanced and understandable assessment of the performance and prospects when releasing its quarterly and annual financial statements to shareholders.

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

Internal Control

Information pertaining to the Group's internal control is disclosed in the Statement on Internal Control on page 15.

Relationship with the Auditors

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

Compliance Statement

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

Statement on Internal Control

Responsibility

The Board of Directors acknowledges its responsibility for the Group's system of internal control and for reviewing its adequacy and integrity. The said system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Key Processes

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

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

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

All the operating subsidiaries, namely Inter-Pacific Packaging Sdn Bhd ("IPP"), South Island Plastics Sdn Bhd ("SIP") and South Island Packaging (Penang) Sdn Bhd ("SIPP") had been accredited for ISO9002 : 1994. IPP and SIP have already revised the existing version to the latest version, namely ISO9001 : 2000 while SIPP is in the process of revising to the latest version concerned.

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

Audit Committee's Report

Chairman	: H'ng Cheok Seng	- Independent Non-Executive Director
Members	: Datuk Noor Zahidi bin Omar Tan Poay Seng	- Independent Non-Executive Director - Managing Director

TERMS OF REFERENCE

Authority

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

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

Functions

The functions of the Audit Committee are as follows:-

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

Procedure

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

Number of Audit Committee Meetings held during the financial year

There were 5 meetings held during the financial year. All the 3 members of the Audit Committee were present at the said 5 meetings.

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

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

- Review the quarterly and year end financial statements before submission to the Board and announcement to the Kuala Lumpur Stock Exchange.
- Review related party transactions.
- Review the internal audit reports presented.

Internal Audit Function

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

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



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

Directors' Responsibility Statement

as at April 2003

The directors consider that, in preparing the financial statements of Magni-Tech Industries Berhad for the year ended 30 April 2003 on pages 27 to 51 of this annual report, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also consider that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

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

Other Corporate Disclosure

Convictions for Offences

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

Share Buybacks, Options, Warrants or Convertible Securities

During the financial year ended 30 April 2003, 145,000 new ordinary shares were issued arising from the exercise of 145,000 options at an exercise price of RM1.06 per share pursuant to the Company's Employee Share Option Scheme.

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

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

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

Sanctions and / or Penalties

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

Non-Audit Fees

The external auditors have not been paid non-audit fee by the Company during the financial year.

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

During the financial year, there was no profit guarantee given the Company.

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

Material Contracts or Contract Relating to Loans

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

Revaluation Policy on Landed Properties

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

Family Relationship

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

Recurrent Related Party Transactions of a Revenue or Trading Nature

Shareholders Mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature was obtained at the Extraordinary General Meeting held on 31 October 2002. The said Mandate is subject to renewal at the forthcoming Annual General Meeting. Details of such transactions are disclosed in Note 25 to the financial statement on pages 48 and 49.



FINANCIAL STATEMENTS

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2003.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit after taxation	5,959,451	24,925,743
Minority interests	(1,545)	-
Net profit for the year	<u>5,957,906</u>	<u>24,925,743</u>

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

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

DIVIDENDS

The amount of dividends paid by the Company since 30 April 2002 was as follows:

	RM
In respect of the financial year ended 30 April 2002 as reported in the directors' report of that year:	
First and final tax exempt dividend of 7% on 40,947,000 ordinary shares paid on 9 December 2002	<u>2,866,290</u>

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the financial year ended 30 April 2003, of 5% on 61,476,000 ordinary shares, amounting to a total dividend payable of RM3,073,800 (5 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 April 2004.

Directors' Report (cont'd)

DIRECTORS

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

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

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options granted pursuant to the Employees' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each				
	1 May 2002	Bought	Bonus Issue	Sold	30 April 2003
The Company					
Direct Interest					
Tan Sri Dato' Tan Kok Ping *	9,700,280	490,100	4,857,647	-	15,048,027
Tan Poay Seng **	706,508	307,000	506,754	-	1,520,262
Tan Kok Aun	611,454	-	305,727	-	917,181
Lee Koong Chen @ Lee Kong Chew	143,000	10,000	76,500	79,500	150,000
Ahmad Fizri bin Abu Bakar #	1,640,937	-	806,968	27,000	2,420,905
Chang Chuen Hwa	100,374	10,000	55,187	-	165,561
H'ng Cheok Seng	10,000	-	5,000	-	15,000
Datuk Noor Zahidi bin Omar	7,000	-	3,500	-	10,500

Directors' Report (cont'd)

	Number of Options over Ordinary Shares of RM1 Each				30 April 2003
	1 May 2002	Granted	Exercised	Adjustment for Bonus Issue	
The Company					
Direct Interest					
Tan Sri Dato' Tan Kok Ping	30,000	-	15,000	7,500	22,500
Tan Poay Seng	30,000	-	15,000	7,500	22,500
Tan Kok Aun	15,000	-	-	7,500	22,500
Lee Koong Chen @ Lee Kong Chew	21,000	-	10,000	5,500	16,500
Chang Chuen Hwa	21,000	-	10,000	5,500	16,500

* Inclusive of shares registered in the name of JB Nominees (Tempatan) Sdn. Bhd. and Southern Nominees (Tempatan) Sdn. Bhd.

** Inclusive of shares registered in the name of Hong Leong Finance Berhad.

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

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

The other director in office at the end of the financial year did not have any interest in shares or share options in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM40,839,000 to RM61,476,000 by way of the issuance of:

- 145,000 ordinary shares of RM1 each pursuant to the Employees' Share Option Scheme at the option price of RM1.06 each; and
- 20,492,000 ordinary shares of RM1 each through the bonus issue on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held by way of the capitalisation of the retained profits of the Company.

EMPLOYEES' SHARE OPTION SCHEME

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

The main features of the ESOS are as follows:

- Eligible persons are employees of the Group (including executive directors) who have been confirmed in the full-time employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the ESOS Committee appointed by the Board of Directors.
- The total number of shares to be offered shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS, which shall be in force for a period of five years from the effective date.

Directors' Report (cont'd)

- (c) The option price for each share shall be the higher of the following:
- (i) at a discount of not more than 10% from the weighted average market quotation of the shares of the Company as shown in the daily official list issued by the Kuala Lumpur Stock Exchange for the five trading days preceding the date of the offer; or
 - (ii) the par value of the shares.
- (d) No offer shall be made for less than 1,000 shares nor more than 500,000 shares to any eligible employee.
- (e) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company before the expiry of five years from the date of the offer or such shorter period as may be specified in such offer.
- (f) The number of shares under option or the option price or both, so far as the options remain unexercised, may be adjusted following any variation in the issued share capital of the Company by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of the Company's shares made by the Company.
- (g) The shares under option shall remain unissued until the options are exercised and shall, on allotment, rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the options.

As at 30 April 2003, the details of the share options are as follows:

Date of Grant	1 May 2002	Granted Granted	Exercised Exercised	Adjustment for Bonus Issue	30 April 2003	Option Price per Ordinary Share RM	Date of Expiry
18 July 2001	468,000	-	145,000	161,500	484,500	1.00 *	17 July 2006

* The option price has been revised from RM1.06 to RM1.00 to take into account the effect of the bonus issue made during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Directors' Report (cont'd)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

OTHER SIGNIFICANT EVENT

The other significant event during the financial year is as disclosed in Note 29 to the financial statements.

SUBSEQUENT EVENT

The subsequent event is as disclosed in Note 30 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors:

TAN POAY SENG

Penang, Malaysia
Date: 18 August 2003

LEE KOONG CHEN @ LEE KONG CHEW



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

Statement by Directors

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

We, TAN POAY SENG and LEE KOONG CHEN @ LEE KONG CHEW, being two of the directors of MAGNI-TECH INDUSTRIES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 27 to 51 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 April 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

TAN POAY SENG

LEE KOONG CHEN @ LEE KONG CHEW

Penang, Malaysia

Date: 18 August 2003

Statement by Declaration

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

I, POH SENG CHIT, being the officer primarily responsible for the financial management of MAGNI-TECH INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 27 to 51 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed POH SENG CHIT)
at Georgetown in the State of Penang)
on 18 August 2003)

POH SENG CHIT

Before me,

Commissioner for Oaths

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

We have audited the accompanying financial statements set out on pages 27 to 51. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 30 April 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

Penang, Malaysia
Date: 18 August 2003

Lim Foo Chew
No. 1748/01/04(J)
Partner



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

Income Statements for the year ended 30 April 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM As Restated	2003 RM	2002 RM As Restated
Revenue	3	85,373,238	85,677,280	33,239,845	3,282,000
Cost of sales		(65,025,190)	(64,849,352)	-	-
Gross profit		20,348,048	20,827,928	33,239,845	3,282,000
Other operating income		464,427	785,909	1,023	-
Administrative expenses		(7,278,543)	(6,408,280)	(997,857)	(406,037)
Selling and distribution expenses		(5,120,379)	(4,996,239)	-	-
Profit from operations	4	8,413,553	10,209,318	32,243,011	2,875,963
Finance income, net	7	115,692	194,231	13,732	295
Profit before taxation		8,529,245	10,403,549	32,256,743	2,876,258
Taxation	8	(2,569,794)	(2,323,734)	(7,331,000)	1,045
Profit after taxation		5,959,451	8,079,815	24,925,743	2,877,303
Minority interests		(1,545)	(2,806)	-	-
Net profit for the year		5,957,906	8,077,009	24,925,743	2,877,303
Earnings per share (sen)					
Basic	9	9.7	13.3		
Diluted	9	9.7	13.2		
Net dividend per share (sen)	10	7.0	5.0	7.0	5.0

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

**MAGNI-TECH INDUSTRIES BERHAD**

(422585-V)

Balance Sheets

as at 30 April 2003

		GROUP		COMPANY	
	Note	2003 RM	2002 RM As Restated	2003 RM	2002 RM As Restated
NON-CURRENT ASSETS					
Property, plant and equipment	11	53,321,770	44,550,034	380,123	324,842
Investments in subsidiaries	12	-	-	31,649,998	31,649,998
Other investments	13	478,125	-	478,125	-
Other receivables	16	-	-	5,000,000	5,000,000
		53,799,895	44,550,034	37,508,246	36,974,840
CURRENT ASSETS					
Inventories	14	13,636,318	12,704,974	-	-
Trade receivables	15	22,711,540	20,290,173	-	-
Other receivables	16	6,854,831	716,934	31,397,157	9,472,210
Cash and bank balances	17	7,120,374	17,757,038	368,839	559,683
		50,323,063	51,469,119	31,765,996	10,031,893
CURRENT LIABILITIES					
Borrowings	18	1,014,000	-	-	-
Trade payables	19	3,981,995	4,442,847	-	-
Other payables	20	8,695,188	5,121,130	104,493	50,137
Tax payable		-	320,489	-	-
		13,691,183	9,884,466	104,493	50,137
NET CURRENT ASSETS					
		36,631,880	41,584,653	31,661,503	9,981,756
		90,431,775	86,134,687	69,169,749	46,956,596
FINANCED BY:					
Share capital	21	61,476,000	40,839,000	61,476,000	40,839,000
Share premium		3,048,336	3,039,636	3,048,336	3,039,636
Retained profits	22	19,890,199	37,290,583	4,645,413	3,077,960
		84,414,535	81,169,219	69,169,749	46,956,596
Shareholders' equity		43,580	59,108	-	-
Minority interests		84,458,115	81,228,327	69,169,749	46,956,596
Deferred tax liabilities	23	5,973,660	4,906,360	-	-
		90,431,775	86,134,687	69,169,749	46,956,596

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

**MAGNI-TECH INDUSTRIES BERHAD**

(422585-V)

Statements of Changes in Equity
for the year ended 30 April 2003

GROUP	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 May 2001				
As previously stated	40,250,000	3,005,296	29,213,574	72,468,870
Prior year adjustment (Note 24)	-	-	2,028,600	2,028,600
At 1 May 2001 (restated)	40,250,000	3,005,296	31,242,174	74,497,470
Exercise of options under ESOS (Note 21)	589,000	35,340	-	624,340
Share issue and listing expenses	-	(1,000)	-	(1,000)
Net profit for the year	-	-	8,077,009	8,077,009
Dividends (Note 10)	-	-	(2,028,600)	(2,028,600)
At 30 April 2002	40,839,000	3,039,636	37,290,583	81,169,219
At 1 May 2002				
As previously stated	40,839,000	3,039,636	34,431,853	78,310,489
Prior year adjustment (Note 24)	-	-	2,858,730	2,858,730
At 1 May 2002 (restated)	40,839,000	3,039,636	37,290,583	81,169,219
Exercise of options under ESOS (Note 21)	145,000	8,700	-	153,700
Bonus issue (Note 21)	20,492,000	-	(20,492,000)	-
Net profit for the year	-	-	5,957,906	5,957,906
Dividends (Note 10)	-	-	(2,866,290)	(2,866,290)
At 30 April 2003	61,476,000	3,048,336	19,890,199	84,414,535

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

**MAGNI-TECH INDUSTRIES BERHAD**

(422585-V)

Statements of Changes in Equity
or the year ended 30 April 2003 (cont'd)

COMPANY	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
At 1 May 2001				
As previously stated	40,250,000	3,005,296	200,657	43,455,953
Prior year adjustment (Note 24)	-	-	2,028,600	2,028,600
At 1 May 2001 (restated)	40,250,000	3,005,296	2,229,257	45,484,553
Exercise of options under ESOS (Note 21)	589,000	35,340	-	624,340
Share issue and listing expenses	-	(1,000)	-	(1,000)
Net profit for the year	-	-	2,877,303	2,877,303
Dividends (Note 10)	-	-	(2,028,600)	(2,028,600)
At 30 April 2002	40,839,000	3,039,636	3,077,960	46,956,596
At 1 May 2002				
As previously stated	40,839,000	3,039,636	219,230	44,097,866
Prior year adjustment (Note 24)	-	-	2,858,730	2,858,730
At 1 May 2002 (restated)	40,839,000	3,039,636	3,077,960	46,956,596
Exercise of options under ESOS (Note 21)	145,000	8,700	-	153,700
Bonus issue (Note 21)	20,492,000	-	(20,492,000)	-
Net profit for the year	-	-	24,925,743	24,925,743
Dividends (Note 10)	-	-	(2,866,290)	(2,866,290)
At 30 April 2003	61,476,000	3,048,336	4,645,413	69,169,749

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

Cash Flows Statements

for the year ended 30 April 2003

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	8,529,245	10,403,549	32,256,743	2,876,258
Adjustments for:				
Bad debts written off	2,552	-	-	-
Depreciation	3,631,309	3,399,132	77,871	44,092
Interest expense	24,355	3,078	-	-
Property, plant and equipment written off	161,953	154,653	-	-
Provision for doubtful debts	1,815	201,081	-	-
Gain on disposal of property, plant and equipment	(192,535)	(233,259)	(1,023)	-
Gross dividend income	-	-	(32,751,845)	(3,000,000)
Interest income	(326,444)	(326,892)	(15,432)	(1,455)
Provision for doubtful debts written back	(69,011)	(100,000)	-	-
Operating profit/(loss) before working capital changes	11,763,239	13,501,342	(433,686)	(81,105)
Increase in inventories	(931,344)	(151,322)	-	-
(Increase)/Decrease in receivables	(7,805,797)	2,417,977	(21,878,139)	(999,707)
Increase/(Decrease) in payables	3,113,206	369,744	54,356	(29,661)
Cash generated from/(used in) operations	6,139,304	16,137,741	(22,257,469)	(1,110,473)
Interest paid	(24,355)	(3,078)	-	-
Taxes paid	(2,511,806)	(3,552,183)	(1,046)	-
Net cash generated from/(used in) operating activities	3,603,143	12,582,480	(22,258,515)	(1,110,473)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	326,444	326,892	15,432	1,455
Net dividends received	-	-	25,375,083	3,000,000
Proceeds from disposal of property, plant and equipment	285,249	302,157	70,000	-
Purchase of investments	(478,125)	-	(478,125)	-
Purchase of property, plant and equipment	(12,657,712)	(2,171,508)	(202,129)	(175,587)
Net cash (used in)/generated from investing activities	(12,524,144)	(1,542,459)	24,780,261	2,825,868



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

Cash Flows Statements for the year ended 30 April 2003 (cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of borrowings	1,014,000	-	-	-
Proceeds from issuance of shares	153,700	624,340	153,700	624,340
Dividends paid to shareholders	(2,866,290)	(2,028,600)	(2,866,290)	(2,028,600)
Dividends paid to minority shareholders of a subsidiary	(17,073)	-	-	-
Repayment of borrowings	-	(1,187,114)	-	-
Share issue and listing expenses paid	-	(1,000)	-	(1,000)
Net cash used in financing activities	(1,715,663)	(2,592,374)	(2,712,590)	(1,405,260)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,636,664)	8,447,647	(190,844)	310,135
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	17,757,038	9,309,391	559,683	249,548
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	7,120,374	17,757,038	368,839	559,683

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

Notes to the Financial Statements

30 April 2003

1. CORPORATE INFORMATION

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

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

The numbers of employees in the Group and in the Company at the end of the financial year were 595 (2002: 616) and 2 (2002: 2) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 August 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of certain property, plant and equipment of the Group.

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

During the financial year, the Group and the Company adopted the following MASB Standards for the first time:

MASB 19: Events After the Balance Sheet Date
MASB 20: Provisions, Contingent Liabilities and Contingent Assets
MASB 21: Business Combinations
MASB 22: Segment Reporting
MASB 23: Impairment of Assets
MASB 24: Financial Instruments - Disclosure and Presentation

The effects of adopting MASB 19 are summarised in the statements of changes in equity and further information is disclosed in Note 24. The adoption of MASB 20 to MASB 24 has not given rise to any adjustment to the opening balances of the retained profits of the prior and current years or to any change in comparatives.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

Notes to the Financial Statements

30 April 2003 (cont'd)

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

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets together with any exchange differences which were not previously recognised in the consolidated income statement.

Minority interests are measured at the minorities' share of the post-acquisition fair values of the identifiable assets and liabilities of the acquiree.

(c) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Property, Plant and Equipment and Depreciation

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

Freehold land is not depreciated. Long term leasehold land and buildings are depreciated over the period of the respective leases which range from 51 years to 83 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost or valuation of each asset to its residual value over the estimated useful life at the following annual rates:

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

Certain property, plant and equipment of the Group have not been revalued since their last revaluation dates i.e. 1979 and 1989. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board, these property, plant and equipment continue to be stated at their 1979 and 1989 valuation less accumulated depreciation.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials used in producing corrugated fibre board cartons and boxes is determined on the weighted average basis. Cost of raw materials used in producing flexible plastic packaging materials and inner packaging boxes is determined on the first-in, first-out basis. Cost of raw materials consists of purchase prices and other incidental costs incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

(f) Cash and Cash Equivalents

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

Notes to the Financial Statements

30 April 2003 (cont'd)

(g) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(h) Income Tax

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(i) Revenue Recognition

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

i. Sale of Goods

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

ii. Dividend Income

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

iii. Revenue from Management Services

Revenue from management services rendered is recognised net of discounts as and when the services are performed.

(j) Foreign Currencies

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

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

	2003 RM	2002 RM
United States Dollar	3.8000	3.8000
Japanese Yen	0.0315	0.0299

Notes to the Financial Statements

30 April 2003 (cont'd)

(k) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(l) Financial Instruments

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

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

i. Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investment and is recognised as an expense in the year in which the decline occurs.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

ii. Receivables

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

iii. Payables

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

iv. Interest-Bearing Borrowings

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

Borrowing costs directly attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the year in which they are incurred.

v. Equity Instruments

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

Notes to the Financial Statements

30 April 2003 (cont'd)

3. REVENUE

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sale of goods	85,373,238	85,677,280	-	-
Gross dividends from subsidiaries	-	-	32,751,845	3,000,000
Management fees from subsidiaries	-	-	488,000	282,000
	<u>85,373,238</u>	<u>85,677,280</u>	<u>33,239,845</u>	<u>3,282,000</u>

4. PROFIT FROM OPERATIONS

Profit from operations is stated:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
after charging:				
Auditors' remuneration				
- current year	49,400	49,400	8,400	8,400
- overprovision in respect of prior years	-	(4,600)	-	(4,600)
Bad debts written off	2,552	-	-	-
Depreciation (Note 11)	3,631,309	3,399,132	77,871	44,092
Non-executive directors' remuneration (Note 6)	150,000	122,000	150,000	122,000
Property, plant and equipment written off	161,953	154,653	-	-
Provision for doubtful debts	1,815	-	201,081	-
Realised foreign exchange loss	2,351	1,911	-	-
Rental expenses	555,260	466,925	141,300	25,925
Staff costs (Note 5)	14,813,702	14,367,289	68,498	76,832
and crediting:				
Bad debts recovered	-	3,042	-	-
Gain on disposal of property, plant and equipment	192,535	233,259	1,023	-
Provision for doubtful debts written back	69,011	100,000	-	-
Rental income	60,000	60,000	-	-

5. STAFF COSTS

Included in staff costs of the Group are executive directors' remuneration amounting to RM1,831,578 (2002: RM1,655,828) as further disclosed in Note 6.

Notes to the Financial Statements

30 April 2003 (cont'd)

6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,567,918	1,460,018	-	-
Bonus	181,600	79,400	-	-
Fees	60,000	60,000	-	-
Benefits-in-kind	7,800	7,800	-	-
	<u>1,817,318</u>	<u>1,607,218</u>	<u>-</u>	<u>-</u>
Non-executive:				
Fees	108,000	122,000	108,000	122,000
Other emoluments	42,000	-	42,000	-
	<u>150,000</u>	<u>122,000</u>	<u>150,000</u>	<u>122,000</u>
Director of a subsidiary				
Executive:				
Salaries and other emoluments	22,060	48,410	-	-
Bonus	-	8,000	-	-
	<u>22,060</u>	<u>56,410</u>	<u>-</u>	<u>-</u>
Total including benefits-in-kind	<u>1,989,378</u>	<u>1,785,628</u>	<u>150,000</u>	<u>122,000</u>
Total excluding benefits-in-kind	<u>1,981,578</u>	<u>1,777,828</u>	<u>150,000</u>	<u>122,000</u>
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration excluding benefits-in-kind (Note 5)	1,831,578	1,655,828	-	-
Total non-executive directors' remuneration (Note 4)	150,000	122,000	150,000	122,000
Total directors' remuneration excluding benefits-in-kind	<u>1,981,578</u>	<u>1,777,828</u>	<u>150,000</u>	<u>122,000</u>

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

	Number of Directors	
	2003	2002
Executive directors:		
RM200,001 - RM250,000	2	3
RM250,001 - RM300,000	1	-
RM500,001 - RM550,000	1	2
RM550,001 - RM600,000	1	-
Non-executive directors:		
Below RM50,000	3	4
RM50,001 - RM100,000	<u>1</u>	<u>-</u>

Notes to the Financial Statements

30 April 2003 (cont'd)

7. FINANCE INCOME, NET

Finance income, net is stated after charging/(crediting):

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Interest expense	24,355	3,078	-	-
Interest income	(326,444)	(326,892)	(15,432)	(1,455)

8. TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Tax expense for the year	1,550,100	2,816,000	7,331,000	-
Transfer from/(to) deferred taxation (Note 23)	1,067,300	(120,640)	-	-
	2,617,400	2,695,360	7,331,000	-
Overprovision for taxation in prior years	(47,606)	(371,626)	-	(1,045)
	2,569,794	2,323,734	7,331,000	(1,045)

The effective rate of taxation of the Group is higher than the statutory rate of taxation due principally to certain expenses being disallowed for taxation purposes.

The effective rate of taxation of the Company is lower than the statutory rate of taxation because the income of the Company for the year consists partly of tax exempt dividends.

9. EARNINGS PER SHARE

(a) Basic:

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

	GROUP	
	2003	2002
Net profit for the year (RM)	5,957,906	8,077,009
Weighted average number of ordinary shares in issue	61,410,125	60,820,062
Basic earnings per share (sen)	9.7	13.3

Comparative basic earnings per share has been restated to take into account the effect of the one (1) for two (2) bonus issue made during the financial year.

Notes to the Financial Statements

30 April 2003 (cont'd)

(b) Diluted:

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

The Group has one (1) category of dilutive potential ordinary shares i.e. ESOS. The maximum number of ordinary shares of RM1 each to be issued on exercise of share options granted, the latest date for exercise and the option price are mentioned in the directors' report.

	GROUP	
	2003	2002
Net profit for the year (RM)	5,957,906	8,077,009
Weighted average number of ordinary shares in issue	61,410,125	60,820,062
Adjusted for:		
Assumed exercise of ESOS	51,087	210,466
Adjusted weighted average number of ordinary shares in issue and issuable	61,461,212	61,030,528
Diluted earnings per share (sen)	9.7	13.2

The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that the dilutive ESOS were exercised at the beginning of the financial year.

Comparative diluted earnings per share has been restated to take into account the effect of the one (1) for two (2) bonus issue made during the financial year.

10. DIVIDENDS

GROUP AND COMPANY	Amount		Net Dividend per Share	
	2003 RM	2002 RM	2003 Sen	2002 Sen
First and final tax exempt dividend of 7% paid on 9 December 2002	2,866,290	-	7.0	-
First and final dividend of 7% less 28% taxation paid on 12 November 2001	-	2,028,600	-	5.0
	2,866,290	2,028,600	7.0	5.0

At the forthcoming Annual General Meeting, a first and final tax exempt dividend in respect of the financial year ended 30 April 2003, of 5% on 61,476,000 ordinary shares, amounting to a total dividend payable of RM3,073,800 (5 sen net per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 30 April 2004.

Notes to the Financial Statements

30 April 2003 (cont'd)

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	Long term leasehold land and buildings RM	Freehold land and buildings RM	Plant and machinery, electrical and piping installations RM	Office furniture, fittings, equipment and renovation RM	Motor vehicles RM	Total RM
Cost/Valuation						
At 1 May 2002	6,433,312	11,761,920	50,010,649	2,756,421	4,127,725	75,090,027
Additions	1,844,648	1,203,000	7,892,877	734,426	982,761	12,657,712
Disposals/Write-offs	-	-	(206,740)	(153,713)	(768,701)	(1,129,154)
At 30 April 2003	8,277,960	12,964,920	57,696,786	3,337,134	4,341,785	86,618,585
Representing:						
At cost	6,137,960	12,964,920	52,938,542	3,331,424	4,333,785	79,706,631
At valuation	2,140,000	-	4,758,244	5,710	8,000	6,911,954
	8,277,960	12,964,920	57,696,786	3,337,134	4,341,785	86,618,585
Accumulated Depreciation						
At 1 May 2002	1,521,898	1,995,426	22,556,301	2,018,381	2,447,987	30,539,993
Depreciation charge for the year (Note 4)	165,059	176,775	2,566,187	252,426	470,862	3,631,309
Disposals/Write-offs	-	-	(50,454)	(147,619)	(676,414)	(874,487)
At 30 April 2003	1,686,957	2,172,201	25,072,034	2,123,188	2,242,435	33,296,815
Representing:						
At cost	1,131,594	2,172,201	21,527,831	2,117,479	2,234,436	29,183,541
At valuation	555,363	-	3,544,203	5,709	7,999	4,113,274
	1,686,957	2,172,201	25,072,034	2,123,188	2,242,435	33,296,815
Net Book Value						
At 30 April 2003						
At cost	5,006,366	10,792,719	31,410,711	1,213,945	2,099,349	50,523,090
At valuation	1,584,637	-	1,214,041	1	1	2,798,680
	6,591,003	10,792,719	32,624,752	1,213,946	2,099,350	53,321,770
At 30 April 2002						
At cost	3,287,804	9,766,494	26,010,757	738,039	1,679,737	41,482,831
At valuation	1,623,610	-	1,443,591	1	1	3,067,203
	4,911,414	9,766,494	27,454,348	738,040	1,679,738	44,550,034
Depreciation charge for 2002 (Note 4)	128,681	176,756	2,473,411	223,516	396,768	3,399,132

Notes to the Financial Statements

30 April 2003 (cont'd)

COMPANY	Office equipment and renovation RM	Motor vehicles RM	Total RM
Cost			
At 1 May 2002	22,079	370,065	392,144
Additions	202,129	-	202,129
Disposals	-	(103,457)	(103,457)
At 30 April 2003	224,208	266,608	490,816
Accumulated Depreciation			
At 1 May 2002	4,438	62,864	67,302
Depreciation charge for the year (Note 4)	17,659	60,212	77,871
Disposals	-	(34,480)	(34,480)
At 30 April 2003	22,097	88,596	110,693
Net Book Value			
At 30 April 2003	202,111	178,012	380,123
At 30 April 2002	17,641	307,201	324,842
Depreciation charge for 2002 (Note 4)	3,244	40,848	44,092

- (a) Certain property, plant and equipment of the Group were revalued in 1979 and 1989 by an independent firm of professional valuers based on fair market value. Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation, the net book value of each class of property, plant and equipment that would have been included in the financial statements of the Group as at 30 April 2003 would be as follows:

	2003 RM	2002 RM
Long term leasehold land and buildings	966,164	999,924
Plant and machinery, electrical and piping installations	1	1
Office furniture, fittings, equipment and renovation	1	1
Motor vehicles	1	1
	<u>966,167</u>	<u>999,927</u>

- (b) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM3,670,138 (2002: RM4,046,817).

Notes to the Financial Statements

30 April 2003 (cont'd)

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2003 RM	2002 RM
Unquoted shares at cost	31,649,998	31,649,998

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

Name of Subsidiaries	Equity Interest Held (%)		Principal Activities
	2003	2002	
South Island Packaging (Penang) Sdn. Bhd. *	99.64	99.64	Manufacturing and distribution of inner packaging boxes for industrial and commercial uses.
South Island Plastics Sdn. Bhd. *	100	100	Manufacturing and distribution of flexible plastic packaging materials for industrial and commercial uses.
Inter-Pacific Packaging Sdn. Bhd.	100	100	Manufacturing and distribution of corrugated fibre board cartons and boxes for industrial and commercial uses.

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

13. OTHER INVESTMENTS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted convertible loan stocks at cost	478,125	-	478,125	-

14. INVENTORIES

	GROUP	
	2003 RM	2002 RM
At cost:		
Raw materials	10,435,507	10,265,588
Work-in-progress	814,452	752,997
Finished goods	2,029,847	1,321,552
Consumables, tools and spare parts	356,512	114,456
	13,636,318	12,454,593
At net realisable value:		
Finished goods	-	250,381
	13,636,318	12,704,974

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM65,025,190 (2002: RM64,849,352).

Notes to the Financial Statements

30 April 2003 (cont'd)

15. TRADE RECEIVABLES

	GROUP	
	2003 RM	2002 RM
Trade receivables	24,585,850	22,231,679
Provision for doubtful debts	(1,874,310)	(1,941,506)
	<u>22,711,540</u>	<u>20,290,173</u>

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

	2003 RM	2002 RM
Industrial Adhesives Nitta Inc. Sdn. Bhd.	-	919
Pen'Ads Sendirian Berhad	-	690
South Island Garment Sdn. Bhd.	534,640	260,883
Yong Guan Heng & Co. Sdn. Bhd.	1,006,100	1,790,714
	<u>1,540,740</u>	<u>2,053,206</u>

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

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

16. OTHER RECEIVABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Due from subsidiaries	-	-	35,940,485	14,466,403
Loan to a third party	5,000,000	-	-	-
Tax refundable	706,012	17,189	47,854	1,046
Deposits	132,908	364,617	3,250	3,250
Prepayments	417,168	294,374	5,568	1,511
Sundry receivables	598,743	40,754	400,000	-
	<u>6,854,831</u>	<u>716,934</u>	<u>36,397,157</u>	<u>14,472,210</u>
Non-current portion, classified as non-current assets	-	-	(5,000,000)	(5,000,000)
Current portion, classified as current assets	<u>6,854,831</u>	<u>716,934</u>	<u>31,397,157</u>	<u>9,472,210</u>

Notes to the Financial Statements

30 April 2003 (cont'd)

Non-current portion refers to the amount due from a subsidiary i.e. Inter-Pacific Packaging Sdn. Bhd. It is not the intention of the Company to recall the amount within the next 12 months.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The loan to a third party is unsecured, carries interest of 7% (2002: Nil) per annum and will be repaid within the next 12 months.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors except for the loan to a third party of RM5,000,000.

17. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash on hand and at banks	4,530,967	3,384,112	87,389	159,683
Fixed deposits with licensed banks	2,589,407	14,372,926	281,450	400,000
	<u>7,120,374</u>	<u>17,757,038</u>	<u>368,839</u>	<u>559,683</u>

The interest rates and the maturities of fixed deposits as at 30 April 2003 range from 2.20% to 3.20% per annum and 30 days to 60 days respectively.

18. BORROWINGS

	GROUP	
	2003 RM	2002 RM
Bankers' acceptances	514,000	-
Revolving credits	500,000	-
	<u>1,014,000</u>	<u>-</u>

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

The bankers' acceptances and revolving credits bore interest during the financial year of 4.00% (2002: Nil) and 6.15% (2002: Nil) per annum respectively.

Notes to the Financial Statements

30 April 2003 (cont'd)

19. TRADE PAYABLES

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

	2003 RM	2002 RM
Induscor Supplies (M) Sdn. Bhd.	16,168	19,429
Industrial Adhesives Nitta Inc. Sdn. Bhd.	38,338	41,100
	<u>54,506</u>	<u>60,529</u>

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

20. OTHER PAYABLES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Payables for acquisition of property, plant and equipment	4,100,021	2,937	-	-
Accruals	2,490,920	2,870,696	8,400	8,400
Sundry payables	2,104,247	2,247,497	96,093	41,737
	<u>8,695,188</u>	<u>5,121,130</u>	<u>104,493</u>	<u>50,137</u>

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

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Distra Sdn. Bhd.	3,000	1,500	-	-
Induscor Supplies (M) Sdn. Bhd.	27	2,377	-	-
Industrial Adhesives Nitta Inc. Sdn. Bhd.	-	73	-	-
Pen'Ads Sendirian Berhad	64,458	849	8,207	150
South Island Garment Sdn. Bhd.	178,090	43,887	-	-
	<u>245,575</u>	<u>48,686</u>	<u>8,207</u>	<u>150</u>

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

30 April 2003 (cont'd)

21. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003 RM	2002 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
At 1 May	40,839,000	40,250,000	40,839,000	40,250,000
Exercise of options under ESOS	145,000	589,000	145,000	589,000
Bonus issue	20,492,000	-	20,492,000	-
At 30 April	61,476,000	40,839,000	61,476,000	40,839,000

During the financial year, the Company increased its issued and paid-up share capital from RM40,839,000 to RM61,476,000 by way of the issuance of:

- 145,000 ordinary shares of RM1 each pursuant to the Employees' Share Option Scheme at the option price of RM1.06 each; and
- 20,492,000 ordinary shares of RM1 each through the bonus issue on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held by way of the capitalisation of the retained profits of the Company.

22. RETAINED PROFITS

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and sufficient balance in the tax exempt account to frank the payment of dividends out of its entire retained profits as at 30 April 2003. This is subject to agreement with the Inland Revenue Board.

23. DEFERRED TAX LIABILITIES

	GROUP	
	2003 RM	2002 RM
At 1 May	4,906,360	5,027,000
Transfer to/(from) income statement (Note 8)	1,067,300	(120,640)
At 30 April	5,973,660	4,906,360

Deferred tax liabilities totalling RM513,000 (2002: RM579,000) are not provided for on the surplus arising from the revaluation of certain property, plant and equipment of the Group as it is not the intention of the Group to dispose these assets in the near future.



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

Notes to the Financial Statements

30 April 2003 (cont'd)

24. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the effect of the change in accounting policy with respect to the recognition of proposed dividends as liabilities. This change in accounting policy has been accounted for retrospectively and comparatives have been restated as shown below:

	As Previously Stated RM	Effect of Change in Policy RM	As Restated RM
GROUP			
At 1 May 2001			
- retained profits	29,213,574	2,028,600	31,242,174
- proposed dividends	2,028,600	(2,028,600)	-
At 1 May 2002			
- retained profits	34,431,853	2,858,730	37,290,583
- proposed dividends	2,858,730	(2,858,730)	-
COMPANY			
At 1 May 2001			
- retained profits	200,657	2,028,600	2,229,257
- proposed dividends	2,028,600	(2,028,600)	-
At May 2002			
- retained profits	219,230	2,858,730	3,077,960
- proposed dividends	2,858,730	(2,858,730)	-

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sale of finished goods and services to:				
Induscor Supplies (M) Sdn. Bhd. #	1,860	2,975	-	-
Industrial Adhesives Nitta Inc. Sdn. Bhd. #	3,649	2,664	-	-
Pen'Ads Sendirian Berhad #	1,197	690	-	-
South Island Building Sdn. Bhd. #	-	3,036	-	-
South Island Garment Sdn. Bhd. #	261,132	396,667	-	-
Yong Guan Heng & Co. Sdn. Bhd. #	790,479	2,181,314	-	-
Purchase of goods and services from:				
Berjaya Georgetown Hotel (Penang) Sdn. Bhd. *	-	4,669	-	4,541
Distra Sdn. Bhd. #	4,400	4,400	-	-
Induscor Supplies (M) Sdn. Bhd. #	145,273	75,433	-	-
Industrial Adhesives Nitta Inc. Sdn. Bhd. #	242,660	195,331	-	-
Pen'Ads Sendirian Berhad #	86,150	19,884	12,512	3,212
Yong Guan Heng & Co. Sdn. Bhd. #	-	3,604	-	-

Notes to the Financial Statements

30 April 2003 (cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Rental of premises paid and payable to:				
Distra Sdn. Bhd. #	12,400	13,200	-	-
Induscor Supplies (M) Sdn. Bhd. #	-	14,400	-	-
KP Holding Sdn. Bhd. #	136,800	22,800	136,800	22,800
South Island Garment Sdn. Bhd. #	240,000	240,000	-	-
Rental of machinery received and receivable from:				
Yong Guan Heng & Co. Sdn. Bhd. #	60,000	60,000	-	-

* Company in which certain directors of the Company i.e. Tan Sri Dato' Tan Kok Ping and Tan Poay Seng are also its directors.

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

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

26. COMMITMENTS

	GROUP	
	2003 RM	2002 RM
Capital expenditure approved and contracted for acquisition of property, plant and equipment	158,200	5,031,000

27. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	2003 RM	2002 RM
Corporate guarantees given for banking facilities granted to subsidiaries	2,301,796	885,755

28. SEGMENTAL INFORMATION

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

29. OTHER SIGNIFICANT EVENT

During the financial year, the listing of and quotation for the entire issued and paid-up share capital of the Company was transferred from the Second Board to the Main Board of the Kuala Lumpur Stock Exchange.

Notes to the Financial Statements

30 April 2003 (cont'd)

30. SUBSEQUENT EVENT

Subsequent to year end, the Company proposed to subscribe for 750,000 ordinary shares of RM1 each, representing 30% equity interest in OTC Digital Mapping Services Sdn. Bhd. ("OTC"), a company incorporated in Malaysia, for a cash consideration of RM4,000,000. OTC is principally involved in designing, developing and marketing of global positioning systems and radio frequency related products.

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

(b) Interest Rate Risk

The Group deems that the interest rate risk is minimal as the Group does not have substantial long term interest-bearing financial instruments as at 30 April 2003.

(c) Foreign Exchange Risk

The Group deems that the foreign exchange risk is minimal as the Group does not have substantial foreign currency denominated financial instruments as at 30 April 2003.

(d) Liquidity Risk

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

(e) Credit Risk

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

Notes to the Financial Statements

30 April 2003 (cont'd)

(f) Fair Values

The aggregate net fair values of financial instruments which are not carried at their fair values on the balance sheets of the Group and of the Company are represented as follows:

	Note	GROUP		COMPANY	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Unquoted convertible loan stocks	13	478,125	*	478,125	*
Due from subsidiaries	16	-	-	35,940,485	#

* It is not practical to estimate the fair values of unquoted convertible loan stocks because of the lack of quoted market prices and the inability to estimate the fair values without incurring excessive costs.

It is not practical to estimate the fair values of the amounts due from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

The financial assets and financial liabilities other than unquoted convertible loan stocks and the amounts due from subsidiaries are carried at the amounts approximating their fair values due to the relatively short term maturity of these financial instruments.

The nominal amounts and the fair values of the financial instruments not recognised in the balance sheet of the Company as at 30 April 2003 are:

	Note	Company	
		Nominal Amount RM	Fair Value RM
Contingent liabilities	27	2,301,796	*

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

32. COMPARATIVES

- (a) Certain comparative amounts have been adjusted as a result of the change in accounting policy as disclosed in Note 24.
- (b) Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB 24 - Financial Instruments: Disclosure and Presentation upon first application.

33. CURRENCY

All amounts are stated in Ringgit Malaysia (RM).



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

List of Properties owned by the Group

Company	Location	Land Area/ Built-up Area	Existing Use	Tenure	Approx. Age of Building (Year)	Net Book Value @30-4-2003 RM000
Inter-Pacific Packaging Sdn Bhd	Lot 897, 984 & 985, Batu 13, Jalan Kelang, 47100 Puchong, Selangor Darul Ehsan (^1)	27,797 sq.m./ 15,362 sq.m.	Factory and Office Premises	Freehold	13	9,593
South Island Plastics Sdn Bhd	H.S.(D) No. 40 Plot No. 21 Mk. 1, SPT (*), 983 Kawasan MIEL Prai, PIP (~) (^2)	1,995 sq.m./ 1,528 sq.m.	Warehouse	99 years Leasehold expiring on 28-9-2071	20	226
	H.S.(D) No. 4694 P.T. No. 3406 Mk. 1 SPT (*), Plot 541 Lorong Perusahaan Baru 2, PIP (~) (^3)	7,050 sq.m./ 4,464 sq.m.	Factory and Office Premises	60 years Leasehold expiring on 23-7-2051	13	2,436
	Lot 187 Mk. 1, SPT (*), No. GM 59, 2930 Lorong Perusahaan Baru 6, 13600 Prai, Penang. (^4)	3,979 sq.m./ 1,674 sq.m.	Factory and Warehouse	Freehold	7	2,705
	20 Jalan Tambur 33/19, Shah Alam Technology Park, Sectionb 33, 40400 Shah Alam, Slenagor. (^5)	186 sq.m./ 279 sq.m.	Office Premises	Freehold	3	286
South Island Packaging (Penang) Sdn Bhd	H.S.(D) No. 34 & 61 Mk. 1, SPT (*), Lot 689 & 652 Phase 1, PIP (~) (^6)	8,027 sq.m./ 6,334 sq.m.	Factory and Office Premises	90 years Leasehold expiring on 10-7-2071 and 26-11-2071 respectively	23	2,138

(^1) Purchased on 16 September 1989

(^2) Purchased on 27 May 1988

(^3) Purchased on 30 June 1990

(^4) Purchased on 18 April 2002

(^5) Purchased on 14 May 2002

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

(*) Seberang Perai Tengah

(~) Prai Industrial Park, 13600 Prai, Penang

Thirty Largest Shareholders as at 18 September 2003

Shareholders	No. of Shares	% Shareholding
1. Dato' Kamarudin bin Jaffar	8,403,907	13.67
2. Mayban Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Tan Sri Dato' Tan Kok Ping)	6,000,000	9.76
3. JB Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Tan Sri Dato' Tan Kok Ping)	3,892,382	6.33
4. Southern Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Tan Sri Dato' Tan Kok Ping)	3,185,137	5.18
5. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for A.A. Anthony Securities Sdn Bhd)	1,918,000	3.12
6. Dato' Tengku Adnan bin Tengku Mansor	1,890,000	3.07
7. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Ahmad Fizri bin Abu Bakar)	1,809,800	2.94
8. Tan Poay Seng	1,480,500	2.41
9. Ooi Tong Sun	1,249,500	2.03
10. Tan Kok Aun	917,181	1.49
11. South Island Holdings Sdn. Bhd.	699,940	1.14
12. South Island Development Company Sdn. Berhad	682,300	1.11
13. Alliancegroup nominees (Tempatan) Sdn. Bhd. (Pledged securities account for Seh Tiong Say @ Su Tiong Say)	591,000	0.96
14. Lembaga Tabung Angkatan Tentera	535,500	0.87
15. Anthony Tsai-Pen Tseng	518,000	0.84
16. Tan Kok Pooh	483,842	0.79
17. Hiap Tatt Credit Sendirian Berhad	450,000	0.73
18. Seow Siew Chin	366,500	0.60
19. Tan Su Chin	366,223	0.60
20. Lee Yuit Eow	310,500	0.50
21. Tan Kok Wei	301,739	0.49
22. Alam Langkawi Sdn Bhd	300,000	0.49
23. Beatrice Ferlat Kusumo Anggraini	300,000	0.49
24. Ooi Tong Sun	292,500	0.48
25. Chong Ah Him @ Chong Kum Kwan	260,700	0.42
26. Lim Hooi Leng	238,640	0.39
27. Wabina Holdings Sdn Bhd	220,300	0.36
28. Lim Yong Sun Realty Sdn Bhd	210,783	0.34
29. Teo Choo Guan	207,000	0.34
30. PM Nominees (Tempatan) Sdn Bhd (Pledged securities account for Ewe Swee Kheng)	200,000	0.33
Total	38,281,874	62.26

Substantial Shareholders AS AT 18 September 2003 excluding Bare Trustee

	Direct		Deemed	
	No. of Shares	% Shareholding	No. of Shares	% Shareholding
Tan Sri Dato' Tan Kok Ping	13,130,027	21.35	-	-
Dato' Kamarudin bin Jaffar	8,403,907	13.67	-	-

Directors' Shareholdings

as at 18 September 2003

Name	Direct		Deemed		No. of Unexercised ESOS Options
	No. of Shares	% Shareholding	No. of Shares	% Shareholding	
Tan Sri Dato' Tan Kok Ping	13,130,027	21.35	-	-	22,500
Tan Poay Seng	1,520,262	2.47	-	-	22,500
Tan Kok Aun	917,181	1.49	-	-	22,500
Ahmad Fizri bin Abu Bakar	1,840,705	2.99	-	-	-
Lee Koong Chen @ Lee Kong Chew	150,000	0.24	-	-	16,500
Chang Chuen Hwa	165,561	0.27	-	-	16,500
H'ng Cheok Seng	15,000	0.02	-	-	-
Datuk Noor Zahidi bin Omar	10,500	0.02	-	-	-

ANALYSIS OF SHAREHOLDINGS AS AT 18 September 2003

Authorised share capital	:	RM100,000,000
Issued and fully paid-up	:	RM61,492,000
Class of Share	:	Ordinary shares of RM1 each fully paid
Voting Rights	:	On a show of hands – one vote for every shareholder On a poll – one vote for every ordinary share held.

Size of Shareholdings	No. of Shareholders	% Shareholders	No. of Shares	% Shareholding
1 – 99	4	0.11	102	0.00
100 – 1,000	272	7.46	249,300	0.41
1,001 – 10,000	2,880	78.99	8,576,900	13.95
10,001 – 100,000	437	11.99	11,259,651	18.31
100,001 – 3,074,599	49	1.34	19,924,621	32.40
3,074,600 – and above	4	0.11	21,481,426	34.93
Total	3,646	100.00	61,492,000	100.00

Location of Shareholders

Malaysia	3,610	99.01	60,096,900	97.73
Germany	1	0.03	1,500	0.00
Indonesia	1	0.03	4,500	0.01
Permanent Resident of Malaysia	13	0.36	489,000	0.80
Singapore	7	0.19	44,600	0.07
Taiwan	2	0.05	75,000	0.12
United States of America	1	0.03	518,000	0.84
Virgin Islands	1	0.03	15,000	0.03
Others	10	0.27	247,500	0.40
Total	3,646	100.00	61,492,000	100.00

Category of Shareholders

Individual	3,246	89.03	36,008,446	58.56
Banks/Finance Companies	18	0.50	303,000	0.49
Investment Trust/Foundation/Charities	3	0.08	116,000	0.19
Industrial and Commercial Companies	41	1.12	3,485,235	5.67
Government Agencies/Institutions	1	0.03	535,500	0.87
Nominees	337	9.24	21,043,819	34.22
Total	3,646	100.00	61,492,000	100.00



MAGNI-TECH INDUSTRIES BERHAD

(422585-V)

Proxy Form

*I/We _____
(Full Name in Block Letters)

of _____
(Address)

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

(Full Name in Block Letters)

of _____
(Address)

or failing him, _____
(Full Name in Block Letters)

of _____
(Address)

as * my / our proxy to vote for * me / us on * my / our behalf at the Sixth Annual General Meeting of the Company to be held at Berjaya 1, 7th Floor, Berjaya Georgetown Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, 10350 Penang on Thursday, 30 October 2003 at 10.30 a.m. and at any adjournment thereof.

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

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

No. of shares held

As witness my hand this _____ day of _____, 2003.

Signature of Member (s)

Notes :

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

* Strike out whichever is not desired.



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Stamp

To,

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

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