

Mesiniaga



ANNUAL REPORT 2003

Mission & Vision

Mesiniaga's Mission is :

"To provide solutions in IT Products and Services which enable our customers to serve their customers efficiently and effectively."

We are guided by this Vision :

"To be the leading Malaysian company in the IT industry."



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company profile

CORPORATE BACKGROUND

Mesiniaga provides comprehensive solutions in IT products and services, from simple networking solutions to turnkey projects. This involves planning and development to full implementation, system documentation, user education and assistance, systems and network management and system maintenance. Mesiniaga represents IBM, and several leading industry names like Avaya, Cisco Systems, Lotus, Microsoft, Tivoli and others.

SERVICES

As a one-stop IT provider, we see our job as one of making our clients' jobs easier by providing a menu of services from which clients can pick and choose including:

- Systems installation, implementation, deployment & integration
- Network & systems management
- Industry-specific application development
- Workgroup application development
- Executive end-user education
- Project management, relocation and migration
- Business process, analysis & study
- Support, maintenance & operations & facilities management

PRODUCTS:

- A comprehensive range of hardware
- Complete systems, database & applications software
- Workgroup, imaging & document management packages
- Network & Structured Cabling products
- E-business Suites

SUPPORT:

We provide services for all IBM PC products and major third party offerings:

- Hardware maintenance for:
 - ◆ Personal computers such as IBM and Compaq
 - ◆ Networking products such as IBM, Cisco Systems & 3Com.
 - ◆ Printers such as HP & Lexmark
 - ◆ Other Peripherals
- Networking Systems Maintenance:
 - ◆ Novell Netware
 - ◆ Microsoft Windows NT

Mesiniaga remains a leading service provider for IBM, Lexmark and other principals.

COMPANY BLUEPRINT

VISION: TO BE THE LEADING MALAYSIAN COMPANY IN THE IT INDUSTRY."

To be number one in everything we do, in all business areas, all the time. We aim to lead the industry through the best solutions offerings we can design and by continuously setting new benchmarks.

OUR MISSION: "TO PROVIDE SOLUTIONS IN IT PRODUCTS AND SERVICES WHICH ENABLE OUR CUSTOMERS TO SERVE THEIR CUSTOMERS EFFICIENTLY AND EFFECTIVELY."

We are geared towards meeting and exceeding customers' requirements. In this way, we empower businesses to better serve their customers. Nothing is more valuable to us than our partnerships with our clients to help build their businesses.

OUR KEY PILLARS: "TO BE A PROFESSIONAL COMPANY AND TO BE A COMPANY OF PROFESSIONALS"

We tap on our rich expertise and experience to deliver value. The many awards and industry certification which Mesiniaga has garnered are testimony to the superior quality of our resources, talent, culture and business processes. This allows us to promise the best, deliver on our promises and achieve excellent results.

MESINIAGA'S MILESTONES

- 1982:** Mesiniaga started as IBM's response to the spirit of the New Economic Policy to encourage Bumiputra entrepreneurship and build skills.
Start-up capital: RM500,000.
Start-up employee strength: 50
- 1999:** Listed on the Main Board of KLSE (now known as Bursa Malaysia)
Paid up capital (as at 31 Dec 2003) : RM60.3 million
- 2000:** Included in the Kuala Lumpur Composite Index (KLCI)
Current employee strength: 546

awards & recognition

Mesiniaga has achieved over 30 performance, achievement and satisfaction awards from IBM and other global technology partners. Our partners' recognition is a testimony towards our excellence as an effective IT solutions provider and business partner.

These awards include:

IBM Local Awards:

- IBM Business Partner of The Year Award 2003
- IBM Platinum Club Award 2003
- IBM Top Contributor Award 2003 - IBM Server and Storage, and IBM Personal Computing Division in Malaysia
- IBM Top Contributor Award 2003 - IBM Global Services
- IBM Top Contributor Award 2003 - IBM Systems Integrator

IBM International Awards:

- IBM Stellar Award 2003, Asia Pacific, Best Corporate Reseller
- Asia Pacific Business Partners (BP) Excellence Award 2003



CISCO Local Awards:

- Cisco Gold Partner certification 2003
- Cisco Best Year-on-Year Growth 2003
- Cisco Best Advanced Technology and Market 2003

corporate information

Board of Directors

DATO' DR. MOHAMAD ZAWAWI ISMAIL
WAN MOHAMED FUSIL WAN MAHMOOD
MOHD PUZI AHAMAD
RAMLI AMAT
HOR YEE (until 19th May 2003)
JAMIAH ABDUL HAMID (until 22nd December, 2003)
DATO' WAN ABDULLAH MOHAMAD
NOR HAYATI MOHD. KASIM
CHUNG THIAN SINN
VOON SENG CHUAN
ZAITON MOHD. HASSAN
FATHIL SULAIMAN ISMAIL
JOSEPH TAN JEOK SIAK
(Alternate Director to Voon Seng Chuan)

Nomination Committee

JAMIAH ABDUL HAMID (until 22nd December, 2003)
(Chairperson)
CHUNG THIAN SINN
NOR HAYATI MOHD. KASIM

Option Committee

JAMIAH ABDUL HAMID (until 22nd December, 2003)
(Chairperson)
NOR HAYATI MOHD. KASIM

Remuneration Committee

NOR HAYATI MOHD. KASIM
(Chairperson)
DATO' WAN ABDULLAH MOHAMAD
RAMLI AMAT

Audit Committee

NOR HAYATI MOHD. KASIM
(Chairperson)
CHUNG THIAN SINN
ZAITON MOHD. HASSAN

Risk Management Committee

FATHIL SULAIMAN ISMAIL
(Chairperson)
ZAITON MOHD HASSAN
WAN MOHAMED FUSIL WAN MAHMOOD
MOHD PUZI AHAMAD

Company Secretary

JASNI ABDUL JALIL (MACS 01359)
LEE LOONG FOOK (MAICSA 0767097)

Registered Office

11th Floor, Menara Mesiniaga
1A, Jalan SS16/1, 47500 Subang Jaya
Selangor Darul Ehsan
Tel : 03-5635 8828
Fax : 03-5636 3838

Auditors and Reporting Accountants

PRICEWATERHOUSECOOPERS
11th Floor, Wisma Sime Darby
Jalan Raja Laut
P.O.Box 10192
50706 Kuala Lumpur
Tel : 03-2693 1077

Principal Bankers

CITIBANK BERHAD
BANK ISLAM MALAYSIA BERHAD
STANDARD CHARTERED BANK (MALAYSIA) BERHAD
MAYBANK BERHAD

Share Registrar

MALAYSIAN SHARE REGISTRATION
SERVICES SDN. BHD.
Level 26, Menara Multi Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2721 2222
Fax : 03-2721 2530

Stock Exchange Listing

Main Board of BURSA MALAYSIA

corporate structure

Mesiniaga

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graph TD; Mesiniaga[Mesiniaga] --- S1[100% MESINIAGA SERVICES SDN. BHD.]; Mesiniaga --- S2[100% MESINIAGA MSC SDN. BHD.]; Mesiniaga --- S3[100% MESINIAGA TECHNIQUES SDN. BHD.]; Mesiniaga --- S4[60% MESINIAGA-SCS SDN. BHD.]; Mesiniaga --- S5[51% VA DYNAMICS SDN. BHD.]; Mesiniaga --- S6[35% SJA INFOTECH SDN. BHD.]; Mesiniaga --- S7[30% PWR POWERLAN (MALAYSIA) SDN. BHD.]; Mesiniaga --- S8[30% ADVANTAGE SYSTEMS SDN. BHD.];
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100%

MESINIAGA SERVICES SDN. BHD.

(Formerly known as Secure Online Transactions Sdn. Bhd.)
Provision of IT Maintenance Services.

100%

MESINIAGA MSC SDN. BHD.

Dormant.

100%

MESINIAGA TECHNIQUES SDN. BHD.

Provision of human resources for parent company

60%

MESINIAGA-SCS SDN. BHD.

Provision of management training & consulting services to the public & private sectors in strategic planning, strategic management implementation, management training & development, strategic sales & marketing consulting & human resource management consulting.

51%

VA DYNAMICS SDN. BHD.

Sales of networking cables and related products.

35%

SJA INFOTECH SDN. BHD.

Development & Maintenance of Web Sites.

30%

PWR POWERLAN (MALAYSIA) SDN. BHD.

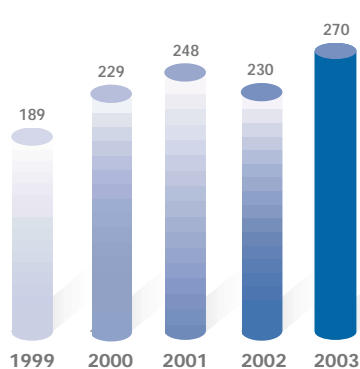
Development & sale of computer software & equipment, installation & support of computer software systems.

30%

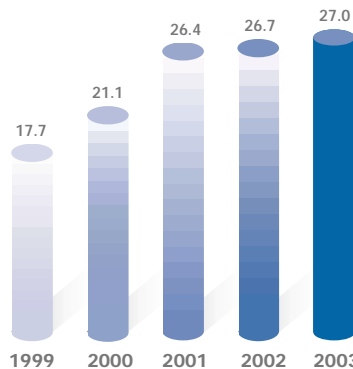
ADVANTAGE SYSTEMS SDN. BHD.

Provision of Data Connectivity and Communication services.

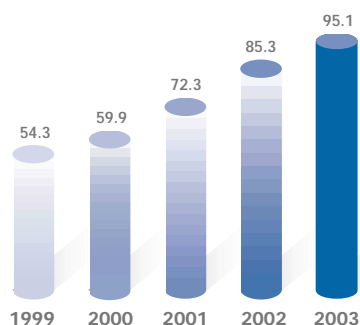
five year performance statistics



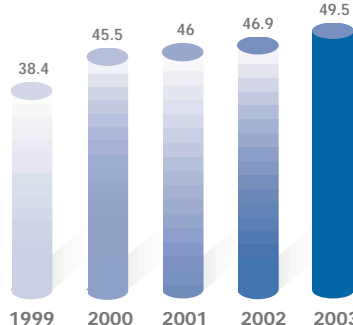
Revenue
RM Million



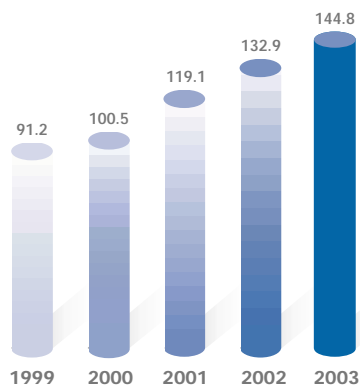
Profit Before Tax
RM Million



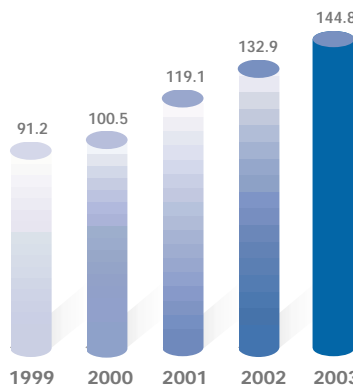
Net Current Assets
RM Million



Fixed Assets
RM Million

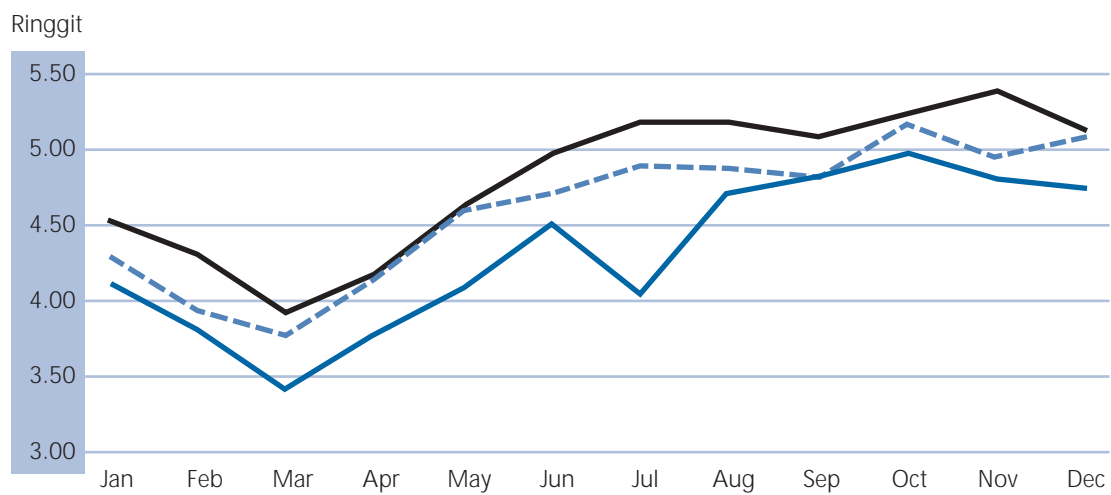


Net Tangible Assets
RM Million



Shareholders' Equity
RM Million

share price movement in year 2003



MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Low	4.12	3.78	3.40	3.76	4.08	4.50	4.02	4.72	4.82	4.98	4.82	4.74
High	4.52	4.30	3.92	4.18	4.62	4.98	5.20	5.20	5.10	5.25	5.40	5.15
Close	4.30	3.92	3.76	4.14	4.60	4.72	4.90	4.90	4.82	5.20	4.96	5.10

— Low
— High
- - - Close

board of directors' profiles

Dato' Dr. Mohamad Zawawi Ismail

PhD, DPSK, FaSc, FIPM, MIEM, PENG, 58
Independent Non-Executive Director
and Chairman

Dato' Dr. Mohamad Zawawi Ismail was appointed to the Board on 16th November 2001. He was appointed Non-Executive Chairman on 16th May 2002 upon the retirement of the previous Chairman, Ismail Sulaiman. Dato' Dr Zawawi is a professional engineer and consultant, and a member of the National Information Technology Council (NITC) and National Aerospace Council (NAC). Apart from Mesiniaga, Dato' Dr Zawawi is also a Board member of Bumiputra-Commerce Bank Berhad, Bumi Armada Berhad and Inti Universal Holdings Berhad. Other previous appointments include Deputy Director-General Malaysian Institute of Microelectronics Systems (now Mimos Bhd). He was the founding Vice-Chancellor of Universiti Malaysia Sarawak (Unimas), a position he held until December 2000. He is an honorary Fellow of the Institute of Physics Malaysia and a foundation Fellow of the Academy of Sciences Malaysia. Dato' Dr Zawawi holds a degree from the University of Leeds, England. In 1996, he was awarded the honorary degree of Doctor of Engineering by his alma mater.

Wan Mohamed Fusil bin Wan Mahmood, 53

Executive Director and
Chief Executive Officer

Wan Mohamed Fusil bin Wan Mahmood was appointed to the Board in 1982. Prior to joining Mesiniaga, Wan Fusil was with IBM Malaysia. During his tenure with the company, he served in various managerial positions. This includes serving as Country Manager – Information Products Division. In 1982, he was part of the team who founded Mesiniaga. Wan Fusil is also one of the founder members of The Association of Computer and Multimedia Industry Malaysia

(PIKOM). He has held several positions in PIKOM including serving as councillor (1987), Deputy Chairman (1989-1991) and Chairman (1991/92). Wan Fusil graduated with a Diploma in Accountancy from ITM (now known as UiTM) in 1972.

Mohd Puzi Ahamad RA(M), FCCA, 51

Executive Director and
Chief Financial Officer

Mohd Puzi Ahamad was appointed to the Board in 1982 as part of the team who founded Mesiniaga. Prior to joining Mesiniaga, he served with IBM Malaysia in various capacities over a seven year period from 1974-1981. His last position with the company was Sales and Administration Manager. A trained accountant, Mohd Puzi is a Fellow Member of the Chartered Association of Certified Accountants and a member of the Malaysian Institute of Accountants.

Ramli Amat, 52

Independent Non-Executive Director

Ramli Amat was appointed to the Board in 1982 as part of the team who founded Mesiniaga. He served as an Executive Director until March 2000, upon which, he assumed his Independent Directorship. Prior to joining Mesiniaga, Ramli served with IBM Malaysia over a period of 10 years. During his tenure, he held several positions, the last being Marketing Manager -- IBM Malaysia. Ramli graduated with a Diploma in Business Studies from ITM (now known as UiTM) in 1971.

Hor Yee, 64

Non-Executive Director

Hor Yee was appointed to the Board in 1982 as part of the team who founded Mesiniaga. He served as an Executive Director until 1998. Prior to joining Mesiniaga, Hor Yee served with IBM Malaysia for a total of 17 years, holding various positions with

the company. He last served as Information Products Customer Engineering Manager for the South East Asia region where he was responsible for ASEAN countries, as well as South Korea, Taiwan and Hong Kong. Hor Yee studied Mechanical Engineering in the Singapore Polytechnic. He has since stepped down from the Board effective 19th May, 2003.

Jamiah Abdul Hamid

JSM, 49

Non-Executive Director

Jamiah Abdul Hamid was appointed to the Board in 1992 and sits as Chairperson of Mesiniaga's Nomination and Option Committees. Her tenure in corporate Malaysia has seen her serve in various positions in Permodalan Nasional Berhad (PNB). From 1982-1995, she served with the company's Investment Operation Department. Later, she was promoted to head the Corporate Services Division of PNB as General Manager. Apart from Mesiniaga, Jamiah sits on the Board of various public companies including Malaysia Mining Corporation Berhad, UMW Holdings (M) Berhad and Singapore Unit Trusts Limited. She holds a Masters in Business Administration from Universiti Kebangsaan Malaysia and Bachelor of Science (Finance) from Northern Illinois University. She also holds a Diploma in Public Administration from ITM (now known as UiTM). Jamiah has since stepped down from the Board effective from 22nd December, 2003.

Dato' Wan Abdullah Mohamad

DPMT, 63

Non-Executive Director

Dato' Wan Abdullah Mohamad was appointed to the Board in 1995 and sits on the Remuneration Committee. He began his career with the Terengganu State Agriculture Department. He later joined Rothmans of Pall Mall (M) Berhad as a pioneer and became their Leaf Advisor. Later, he served as Directors

of the Leaf Growing Scheme and Leaf Tobacco Development Corporation since 1970. In 1973, Dato' Wan Abdullah was promoted to Director, Rothmans of Pall Mall (Malaysia) Berhad. He assumed the position of Regional Leaf Director Asia-Pacific until his retirement in 1997. Dato' Wan Abdullah graduated from The College of Agriculture Serdang (now known as Universiti Putra Malaysia) in 1962 with a Diploma in Agriculture. He also pursued the Advanced Management Programme (AMP) at Harvard Business School, USA in 1984.

Chung Thian Sinn, 61
Independent Non-Executive Director

Chung Thian Sinn was appointed to the Board on 17th September 1999 and is a Committee Member of Mesiniaga's Audit and Nomination Committees. Chung began his corporate career when he joined Mobil (Malaysia) as a Technical Sales Executive. In 1967, he joined IBM Malaysia as a Systems Engineer. The last position he held at the company was Country Systems Engineering Manager. In 1981, Chung joined Time Engineering Sdn Bhd, and was appointed as Company Secretary and Director, a position from which he later retired in 1990. Chung graduated with Bachelor of Science (Hons).

Nor Hayati Mohd Kasim, 57
Independent Non-Executive Director

Nor Hayati Mohd Kasim was appointed to the Board of Directors on 17th September 1999. She chairs the Mesiniaga Audit Committee and is a member of the Remuneration, Option and Nomination Committees. She started her corporate career with Bank Negara Malaysia in 1971 as a Human Resource Officer. Subsequently, she joined IBM Malaysia as Personnel Assistant in 1974, later serving as Human Resource Manager. In 1997, Nor Hayati was appointed as Management Development Manager

of IBM ASEAN in 1997, a position she later retired from in June 1999. Nor Hayati holds a Bachelor of Arts degree from Universiti Malaya awarded in 1970 and a Master of Arts (Organisation Psychology) from the University of Lancaster awarded in 1983.

Voon Seng Chuan, 45
Non-Executive Director

Voon Seng Chuan was appointed to the Board on 24th October 2000. Since 1983, Voon has served with IBM Malaysia in various capacities starting with his first appointment as Marketing representative. In January 2000, he became General Manager of IBM Malaysia Sdn Bhd. He was then appointed as Managing Director of IBM Malaysia Sdn. Bhd. and remains in this position today. Voon holds a Bachelor in Mathematics from University of Malaya.

Zaiton Mohd. Hassan
FCCA, MICPA, 47
Independent Non-Executive Director

Zaiton Mohd. Hassan was appointed to the Board on 16th November 2001. She is a Member of MICPA (Malaysian Institute of Certified Public Accountants) and a Fellow Member of Chartered Association of Certified Accountants. She is the President and Chief Executive Officer of Malaysian Rating Corporation Berhad (MARC). Prior to joining MARC, she served 12 years with Maybank, in various senior positions, the last being General Manager of Corporate Planning. Before Maybank, she was also with Price Waterhouse, Bank Pembangunan (M) Berhad and PFM Capital Holdings Sdn Bhd (a subsidiary of Permodalan Nasional Berhad).

Fathil Sulaiman Ismail, 40
Non-Executive Director

Fathil Sulaiman Ismail was appointed as a Non-Executive Director of the Company on 1st June 2002. An

accountant by training, Fathil served with Ernst & Young and then the Corporate Finance Department of Arab Malaysian Merchant Bank before pursuing private enterprise. He was a founding partner and the Managing Director of Aetna Genesis Healthcare (formerly known as Genesis Healthcare) for six years until late 2001. Fathil is a Malay College Kuala Kangsar alumni and had graduated from the Chartered Association of Certified Accountants.

Joseph Tan Jeok Siak, 53
Alternate Director to
Voon Seng Chuan

Joseph Tan Jeok Siak was appointed to the Board of Mesiniaga as Alternate Director to Voon Seng Chuan on 24th October 2000. He joined IBM Malaysia in 1969 as an Administrative Assistant and served in various positions throughout the organisation. He possesses over 30 years of industry experience. Currently, he is Chief Financial Officer of IBM Malaysia. Joseph holds a Masters degree from the University of Bath and a Diploma in Management from the Malaysian Institute of Management.

All Board Members are Malaysian citizens. With the exception of Fathil Sulaiman Ismail, all of the Board Members have no family relationship among themselves or with any of the major shareholders of the company. All Board Members do not have any conflict of interest with the Company as well as were never convicted for any offences other than traffic offences within the past 10 years. Other than the Director positions held by Dato' Dr. Mohamad Zawawi Ismail, Jamiah Abd. Hamid and Zaiton Mohd Hassan in other public companies as stated in their respective profiles, all of the Directors do not hold any directorship positions in any public companies other than Mesiniaga Berhad.

Chairman's Statement

On behalf of the Board of Directors of Mesiniaga, I am pleased to present the Annual Report and Accounts of the Company for the year ended 2003.

The year 2003 was a year of continuous growth filled with exciting challenges within the ever developing and competitive ICT industry environment. As companies and individuals continue to advance and become more and more dependent on IT for competitive advantage and efficiency, so too the need for us to forge ahead, innovate and creatively and consistently fulfill our customers' needs with the best IT solutions for them. I am proud to say that your company has been able to meet these challenges head-on and emerge as winners in every respect. I am pleased to report that in the year under review, your company's revenue grew by 17% to RM270 million, yielding a profit of RM27 million.

Coupled with this achievement, Mesiniaga also continued to receive accolades and awards from our business partners, a testimony and increased recognition of the level of professionalism and capabilities of our workforce. We take particular pride in becoming the first Malaysian public-listed company to receive the Gold Partner Certification from Cisco Systems in August 2003. This prestigious certification reflects our ability to deliver quality solutions and support in the networking marketplace and places us firmly on par with other service providers worldwide.

Yet another milestone achievement and a visually prominent indicator of the company's financial

strength and long-term commitment to Malaysia's ICT industry growth, was the addition of own building, Mutiara Mesiniaga to the Penang city skyline. This building was completed in 2003 and joins Menara Mesiniaga in Subang Jaya as landmark reminders of our continuing growth.

We look to the year ahead with steadfast confidence and optimism. I believe Mesiniaga will continue to capitalise on growing industry trends to further improve its performance in 2004. The changing nature of work towards an "anytime, anyplace" environment demands that we must be ready to offer connectivity and security solutions, especially wireless ones in the networking marketplace. The exponential growth of e-commerce and e-business will fuel the need for reliable infrastructure and systems that ensure privacy, safety and security.

In addition, as information demand grows, so too will the demand for the storage of such information in data warehouses that are secure, reliable and easily accessible. In line with these growing demands, I believe Mesiniaga is able to combine the right mix of products and services into a single, complete and functional offering that will satisfy the specific requirements of our customers for total and integrated business solutions. We will continue to aggressively promote our infrastructure, e-learning, business intelligence and knowledge management solutions. Special emphasis will be placed on our network services offerings, especially in the wireless and Voice over Internet Protocol (VoIP) space.

Our strong partnerships with reputed international technology partners allows us to tailor global leading edge information and knowledge to the specific local needs of our customers. The stable business environment, increased investor confidence which has led to improved performances in the equity market, the roll-out of the MSC to other parts of Malaysia and expanding IT and IT-related services expenditure all augur well for the company. We will continue to support the government's effort and aggressively participate and play a key role in the Malaysian ICT industry.

Underpinning this growth strategy is our three-S philosophy – Solutions, Services and Satisfaction. Offering the best-of-breed IT solutions coupled with impeccable and reliable service and placing customer satisfaction as the highest priority is a Mesiniaga credo which we will all continue to live and work by.

The crucial backbone to this strategy is, our most important resource – our people. The company is only as good as the people who work for it and we will continue to invest strongly in human resource development to ensure that we remain a leading player in this industry. We will continue to reward performances and promote the professional growth of the many talented people in Mesiniaga. At this point, I would like to acknowledge and record the Board's appreciation for the hard work and dedication of the management and staff of Mesiniaga who have been instrumental in the positive performance of the company this year.

At Board-level, I would like to express our profound gratitude and appreciation to Mr. Hor Yee and Puan Jamiah Abdul Hamid who have served for several years as non-executive directors but have since resigned from this Board. We would like to recognize their valuable contribution to Mesiniaga and wish them the best in their future undertakings.

As a listed company, we are equally mindful of our obligation to our stockholders and to the community at large. Towards this end, the Board is committed to adhering to the highest standards in prudent management, good corporate governance, transparency and accountability in all its dealings.

In conclusion, the strong performance of the Company in 2003 would not have been possible without the relentless contributions and loyalty of the management and staff as well as the unwavering support of our business partners, associates and most importantly, our customers. I take this opportunity to express my heartfelt gratitude and the Board's sincere appreciation. I am confident that Mesiniaga is well positioned to take advantage of the many challenges and opportunities ahead and look forward to another successful year in 2004.

Dato' Dr. Mohamad Zawawi Ismail

With the exception of the meeting held on 18th September 2003 which was held at the Meeting Room, Mutiara Mesiniaga, No. 56, Jalan Larut, 10050 Georgetown, Pulau Pinang, all the other meetings were held at the Conference Room, 11th Floor, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya, Selangor Darul Ehsan. The Directors exercised independent judgements to bear on all issues presented at the Directors' meetings which among others incorporates issues on strategies, performance and resources.

BOARD BALANCE

The Board consists of two Executive Directors and ten Non-Executive Directors, five of whom are Independent Non-Executive Directors. With the resignation of Hor Yee and Jamiah Abdul Hamid on 19th May 2003 and 22nd December 2003 respectively, the number of Non-Executive Directors is reduced to eight.

As at 31st December 2003, the representation of the members of the Board is as follows:-

		%
Executive Directors	2/10	20
Non-Independent Non-Executive Directors	3/10	30
Independent Non-Executive Directors	5/10	50

The composition exceeded with the listing requirements of Bursa Malaysia, which requires that at least one third of the Board should comprise of independent directors.

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

Together, the Directors bring a wide range of business, commercial and financial experience relevant to the Company. A brief description on the

background of each Director is presented in the Directors Profile column on page 8 to 9.

SUPPLY OF INFORMATION

The Board is provided with written reports and supporting information ahead of meetings of the Board and in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be sufficiently well informed before the meeting.

At each Directors Meeting, a special briefing on the Company's operations by the Company's Senior Managers by rotation was also presented. The Special Briefings by the Senior Managers was to allow the Board Members to actively and effectively participate in determining the Company's direction.

All Directors have access to the service of the Company Secretary and if so required, could also engage independent professional advice at the Company's expense.

APPOINTMENTS TO THE BOARD

There were no new directors appointed to the Board during the year.

RE-ELECTION

In accordance with the Company's Articles of Association, at least one third of the Directors shall retire and be eligible for re-election by rotation at each Annual General Meeting. All Directors are to retire from office at least once in every three years.

DIRECTORS' REMUNERATION

The remuneration of Executive Directors is determined by the Remuneration Committee, which is headed by Nor Hayati Mohd. Kasim.

Details of the remuneration for the Directors are as follows:

	Basic Salary RM	Fees RM	Bonus RM	Benefit-in-kind RM	Pension RM	Others RM	Total RM
Executive Directors	662,000	0	0	82,594	0	79,440	824,034
Non-Executive Directors	0	159,919	0	11,178	30,290	76,446	277,833

Directors' Remuneration in Bands

	No. of Executive Directors	No. of Non-Executive Directors
Below RM 50,000	-	10
RM 50,000 to RM 99,999	-	1
RM 100,000 to RM 149,999	-	-
RM 150,000 to RM 199,999	-	-
RM 200,000 to RM 249,999	-	-
RM 250,000 to RM 299,999	-	-
RM 300,000 to RM 349,999	1	-
RM 350,000 to RM 399,999	-	-
RM 400,000 to RM 449,999	-	-
RM 450,000 to RM 499,999	1	-

Considerations such as Director's responsibilities, experience and market rates are taken into account when deciding remuneration.

BOARD COMMITTEES

The main Board has delegated specific responsibilities to Board committees which operate within clearly-defined terms of reference. The committees are empowered to deliberate and examine issues delegated to them and report back to the Board with their recommendation and comments.

The various Board Committees and their composition are as listed on page 4.

SHAREHOLDERS

Dialogue between the Company and Investors

The Company's Advisor holds discussions with analysts and shareholders from time to time especially after the announcement of the Company's quarterly financial results. The Company's web site www.mesiniaga.com.my is also accessible for further information.

The Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. All Directors attend the Annual General Meeting.

An explanatory statement for the proposed resolution, to facilitate full understanding and evaluation of issues involved, will accompany each item of special business included in the notice of the meeting.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and easily understandable assessment of the Company's position and prospects. The Audit Committee assists the Board in ensuring accuracy and adequacy of information by reviewing the information for disclosure.

The Statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 26 of this Annual Report.

INTERNAL CONTROL

The Directors acknowledge their responsibility for the Company's system of internal controls which covers financial, operational and compliance controls, as well as risk management. The internal control system is designed and maintained to ensure that the risks faced by the business in pursuit of its objectives are identified and managed at known acceptable levels.

The Internal Audit Department undertakes the internal audit functions in the Company. The Company will be continuously reviewing the adequacy and integrity of its system of internal control.

RELATIONSHIP WITH AUDITORS

The role of the Audit Committee is as stated on page 16. Through the Audit Committee of the Board, the Company has established transparent and appropriate relationships with the Company's Auditors, both Internal and External. When required, the External Auditors attend the meetings of the Committee.

statement of directors' responsibilities in relation to the **financial statements**

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

The Directors consider that, in preparing the financial statements of the Company for the year ended 31st December 2003, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have also considered that all applicable accounting standards have been followed and confirm that the financial statements have been prepared on the going concern basis.

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

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company.

the audit committee

CHAIRPERSON

NOR HAYATI MOHD KASIM
(Independent Non-Executive Director)

MEMBERS

CHUNG THIAN SINN
(Independent Non-Executive Director)
ZAITON MOHD. HASSAN
(Independent Non-Executive Director)

SECRETARY

ALAIN WEE KIM SUAN

TERMS OF REFERENCE

Terms of Reference for the Audit Committee Size and Composition

The Committee shall be appointed by the Board of Directors of Mesiniaga from amongst their members and shall consist of not less than 3 members, a majority of whom shall be independent Directors.

The chairman of the Committee shall be an independent Director.

Frequency of Meeting

Meetings shall be held not less than four times a year and as when required during the financial year. The quorum for a meeting shall be at least two independent Directors.

Secretary

The secretary of the Audit Committee shall be the head of internal audit of the company. All meetings shall be minuted.

Purpose of the Committee

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

Functions and Duties

The functions and duties of the Audit Committee are:

- (1) To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- (2) To review with the external auditor, the audit plan, evaluation of the system of internal accounting controls, audit report and assistance given by the company's officers to the auditors.
- (3) To review the scope, functions and resources of the internal audit functions.
- (4) To review the internal audit programme processes, the results of the internal audit programme, processes of investigation undertaken and whether or not appropriate action is taken on the recommendation of the internal function.
- (5) To review the year end financial statements, prior to the approval by the Board of Directors.
- (6) To approve for the release of the quarterly results.
- (7) To monitor any related party transactions and conflict of interest situations within the company or group.
- (8) Perform other related duties as directed by the board of directors.

Meetings Held

Date	Nor Hayati Mohd. Kasim	Chung Tian Sinn	Zaiton Mohd. Hassan
25/02/2003*	✓	✓	✓
13/03/2003	✓	✓	✓
29/04/2003	✓	✓	✓
01/08/2003	✓	✓	✓
03/08/2003	✓	✓	✓
18/11/2003	✓	✓	✓

✓ Attended

* Teleconference

Summary Of Activities

1. Review and approval of financial results announcements to Bursa Malaysia.
2. Review and adoption of quarterly financial results and yearly financial statements.
3. Review of the related party transactions.
4. Review of audit plan, functions and resources.
5. Review of internal audit reports.
6. Participate in training programmes in related areas.
7. Review of referencing guidelines pertaining to rules and regulations as well as best practices that govern Mesiniaga Berhad.
8. Independent meetings with external auditor.

Summary of Internal Audit function

1. Preparation of annual audit plan.
2. Presentation of reports on audits carried out.
3. Maintenance of effective audit programmes.
4. Planning and co-ordination of ISO quality audit.
5. Preparation of Audit Committee meeting reports for its review.
6. Secretarial function to the Audit Committee.
7. Provide full co-operation to the external auditors in carrying out their audit.
8. Any other functions as instructed by the Audit Committee and the Board of Directors.

statement on internal control

The Board recognises the need to have a sound system of internal control and risk management within the Company for good corporate governance and to safeguard shareholders' investments and the Company's assets. The Company's system of internal controls are designed to manage risks. The Board places greater emphasis on items of material significance to the well being of the Company and provides reasonable assurance that significant effects of the risks to the Company are minimised, notwithstanding there is no absolute assurance against material errors, losses, fraud or occurrence of unforeseeable circumstances.

RISK MANAGEMENT

The Board is cognisant of the potential risks faced by the Company and in that respect has established the Risk Management Committee ("RMC") to oversee the risk management of the Company. The RMC has formalised and adopted a risk management framework to be used by the Company for identifying, assessing and continuously managing significant risks.

The implementation of the risk management framework on an enterprise-wide basis is currently on-going and involves assessing the degree of significant risks identified, evaluating the effectiveness of the controls in place, and requirement for additional controls. The Company's risk management function addresses a number of risk areas every quarter. This involves discussions and planning sessions with the Company's management on effective ways to manage the Company's risk exposure. If the present controls can be improved upon, then modifications will be designed and proposed for further implementation.

The RMC meets four (4) times a year to review the progress made by the Company in addressing the risk areas identified. An overview on the progress of the risk management framework is presented to the Board every quarter.

INTERNAL AUDIT

The internal audit function of Mesiniaga Berhad provides the board with the assurance it requires on the adequacy and integrity of the system of internal controls. The Audit and Examination Committee of Directors (AECD) quarterly meeting minutes is presented to the Board every quarter.

A detailed annual internal audit plan is presented to the AECD for approval.

The AECD also has full access to both the internal and external auditors.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the growth and dynamics of the Company's business. As such, the Board, in striving for continuous improvement, will put in place appropriate action plans, when necessary, to further enhance the Company's system of internal control.

The Board of Directors
Mesiniaga Berhad

other information required by Bursa Malaysia listing requirements

UTILISATION OF PROCEEDS

No funds were raised by the Company from any corporate proposal during the financial year.

SHARE BUY BACK

During the financial year, the Company did not enter into any share buy back transactions.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

Other than the implementation of Employees' Share Option Scheme (ESOS) as reported on pages 54 and 55 of this Annual Report, the Company did not implement any other Options, Warrants or Convertible Securities.

AMERICAN DEPOSITORY RECEIPT ("ADR")/GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not enter into any ADR/GDR transactions.

SANCTIONS AND/OR PENALTIES

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

NON-AUDIT FEES

There were no non-audit fees paid to the External Auditors by the Group and by the Company for the financial year.

VARIATION IN RESULTS

There is no significant difference between the Audited and Unaudited Results.

PROFIT GUARANTEE

The Company has never provided any Profit Guarantee.

MATERIAL CONTRACTS

There were no material contracts by the Company and its subsidiaries involving Directors or substantial shareholders' interest during the financial year.

CONTRACTS RELATING TO LOAN

There were no contracts relating to a loan by the Company during the financial year.

CONFLICT OF INTEREST

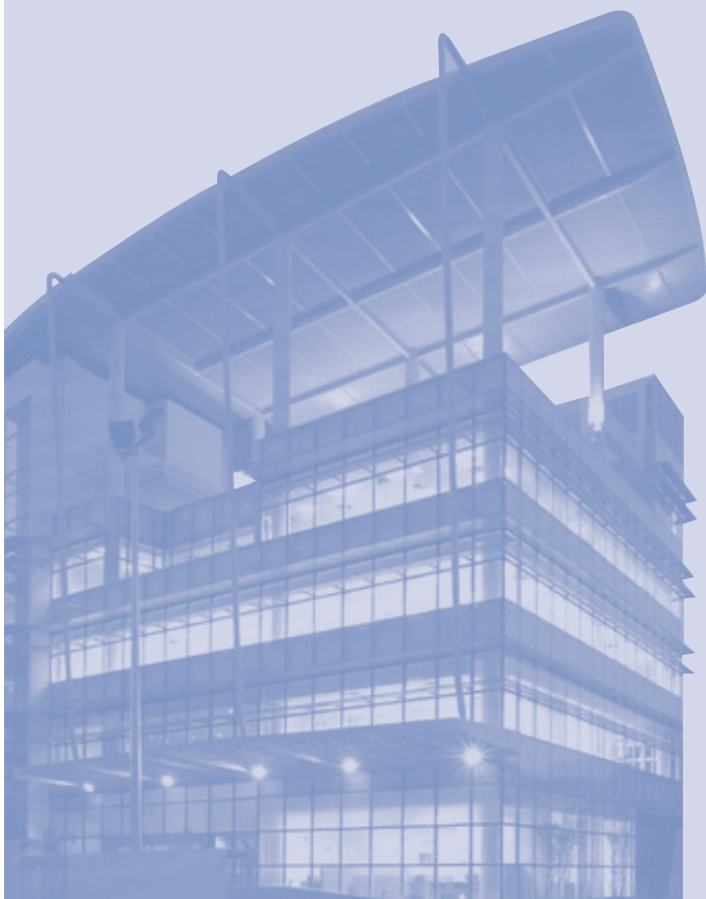
The directors are not aware of any conflict of interest with the listed issuers, existing at the end of the financial year 2003.

REVALUATION OF LANDED PROPERTIES

The Company did not carry out any revaluation exercise on its landed properties during the financial year.

financial statements

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Directors' report

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

PRINCIPAL ACTIVITIES

The Company is principally involved in the sale and service of information technology products and related services. The principal activities of the subsidiaries are described in Note 13 to the financial statements.

There have been no significant changes in the activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit from ordinary activities after taxation	19,096	18,394
Minority interest	(475)	-
Net profit attributable to shareholders	18,621	18,394

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2002 are as follows:

	RM'000
In respect of the financial year ended 31 December 2002, as shown in the Directors' Report of that year:	
- final gross dividend of 13 sen per share, less income tax, paid on 18 June 2003	5,632
- final gross dividend of 3 sen per share, tax exempt, paid on 18 June 2003.	1,805
	<u>7,437</u>

The Directors now recommend the payment of a final gross dividend of 13 sen per share, less income tax, amounting to RM 5,646,233 and a final gross dividend of 3 sen per share, tax exempt, amounting to RM1,809,690, subject to the approval of the members at the forthcoming Annual General Meeting, which will be paid on 24 June 2004 to shareholders registered on the Company's Register of Members at the close of business on 4 June 2004.

RESERVES AND PROVISIONS

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

SHARE CAPITAL

During the financial year, 155,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at the following issue prices:

Issue price RM	Number of ordinary shares of RM1.00 each '000
4.65	50
4.25	43
3.69	62
	<u>155</u>

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders on 17 September 1999 and became effective on 7 February 2001 for a period of five years.

Details of the ESOS are set out in Note 22 (a) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this Report the names of the persons to whom options have been granted during the year and details of their holdings pursuant to Section 169 (11) of the Companies Act, 1965 except for information of employees who were granted options of 50,000 shares and above.

The list of employees of the Company and its subsidiaries who were granted options of 50,000 shares and above during the year are as follows:

Name	Option price	Number of options over ordinary shares of RM1.00 each at the option price of RM3.69 per share			At 31.12.2003
		Granted during the year	Exercised	Lapsed	
Zuraida Jamaluddin	3.69	127	-	-	127
Noorizan Ali	3.69	52	-	-	52

DIRECTORS

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

Wan Mohamed Fusil bin Wan Mahmood
Ramli bin Amat
Mohd Puzi bin Ahamad
Dato' Wan Abdullah bin Mohamad
Nor Hayati Mohd Kasim
Chung Thian Sinn
Voon Seng Chuan
Joseph Tan Jeok Siak
(alternate Director to Voon Seng Chuan)
Dato' Dr. Mohamad Zawawi Ismail
Zaiton Mohd Hassan
Fathil Sulaiman Ismail
Hor Yee
Jamiah bte Abd Hamid

(Retired on 19.05.2003)
(Resigned on 22.12.2003)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each			
	At			At
	1.1.2003	Bought	Sold	31.12.2003
	'000	'000	'000	'000
Wan Mohamed Fusil bin Wan Mahmood	4,276	-	(400)	3,876
Ramli bin Amat *	1,375	-	(260)	1,115
Mohd Puzi bin Ahamad*	3,949	-	-	3,949
Hor Yee	4,329	-	-	4,329
Jamiah bte Abd Hamid	8	-	-	8
Dato' Wan Abdullah bin Mohamad	28	-	-	28
Nor Hayati Mohd Kasim	28	-	-	28
Fathil Sulaiman Ismail	130	-	-	130

* Including interests held under their respective nominee accounts with Bumiputra Commerce Nominees (T) Sdn. Bhd.

Other than those disclosed above, according to the Register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares and options over shares in the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet their obligations when they fall due.

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'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 which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

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

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 6 April 2004.

WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

Statement by directors

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

We, Wan Mohamed Fusil bin Wan Mahmood and Mohd Puzi bin Ahamad, two of the Directors of Mesiniaga Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 28 to 58 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 6 April 2004.

WAN MOHAMED FUSIL BIN WAN MAHMOOD
DIRECTOR

MOHD PUZI BIN AHAMAD
DIRECTOR

Statutory declaration

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

I, Mohd Puzi bin Ahamad, the Director primarily responsible for the financial management of Mesiniaga Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 58 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

MOHD PUZI BIN AHAMAD
DIRECTOR

Subscribed and solemnly declared by the abovenamed, Mohd Puzi bin Ahamad, at Subang Jaya in Malaysia on 6 April 2004 before me.

COMMISSIONER FOR OATHS

Report of the auditors

to the members of Mesiniaga Berhad

We have audited the financial statements set out on pages 28 to 58. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

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

and

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

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

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MOHD DARUIS ZAINUDDIN
(No. 969/03/05 (J/PH))
Partner of the firm

6 April 2004

Income statements

for the financial year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	5	269,741	230,354	260,903	219,544
Changes in inventories of finished goods		19,626	(6,889)	19,946	(4,433)
Finished goods purchased		(215,789)	(155,530)	(210,646)	(150,255)
Staff costs	6	(30,359)	(28,289)	(29,386)	(27,343)
Cost of contract staff		(3,768)	(2,881)	(3,768)	(2,881)
Depreciation of property, plant and equipment		(4,117)	(3,635)	(4,018)	(3,533)
Travelling expenses		(2,779)	(2,656)	(2,646)	(2,592)
Administrative expenses		(4,267)	(4,454)	(3,994)	(4,275)
Other operating income		955	1,810	1,183	2,255
Other operating expenses		(2,160)	(1,218)	(1,421)	(1,642)
Profit from operations	7	27,083	26,612	26,153	24,845
Finance cost	8	(159)	(42)	(159)	(42)
Share of results of associates		106	107	-	-
Profit from ordinary activities before taxation		27,030	26,677	25,994	24,803
Taxation	9				
- Company and subsidiaries		(7,902)	(7,545)	(7,600)	(7,319)
- Associates		(32)	(45)	-	-
		(7,934)	(7,590)	(7,600)	(7,319)
Profit from ordinary activities after taxation		19,096	19,087	18,394	17,484
Minority interests		(475)	(572)	-	-
Net profit attributable to shareholders		18,621	18,515	18,394	17,484
Earnings per share (sen)	10				
- basic		30.9	30.8		
- diluted		30.8	30.6		
Gross dividends per share (sen)	11	16	16	16	16

The notes on pages 33 to 58 form part of these financial statements.

Balance sheets

as at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	49,485	46,876	49,403	46,724
Subsidiaries	13	-	-	1,130	1,140
Associates	14	6,338	6,470	6,635	6,635
Deferred tax assets	15	237	234	-	-
		56,060	53,580	57,168	54,499
CURRENT ASSETS					
Inventories	16	26,551	6,925	24,648	4,702
Receivables	17	136,200	85,834	133,240	81,471
Tax recoverable		814	-	794	-
Cash, bank balances and deposits	18	9,817	20,350	6,907	18,858
		173,382	113,109	165,589	105,031
LESS: CURRENT LIABILITIES					
Payables	19	77,580	25,645	77,097	24,254
Taxation		703	2,173	696	2,116
		78,283	27,818	77,793	26,370
NET CURRENT ASSETS		95,099	85,291	87,796	78,661
LESS: NON-CURRENT LIABILITIES					
Post-employment benefit obligations	20	1,291	882	1,291	882
Finance lease liability	21	38	153	38	153
Deferred tax liabilities	15	1,527	1,617	1,527	1,617
		2,856	2,652	2,856	2,652
		148,303	136,219	142,108	130,508
Represented by:					
CAPITAL AND RESERVES					
Share capital	22	60,323	60,168	60,323	60,168
Share premium		3,880	3,392	3,880	3,392
Revaluation reserve		6,346	6,346	6,346	6,346
Capital reserve on consolidation		40	40	-	-
Retained earnings		74,171	62,987	71,559	60,602
SHAREHOLDERS' EQUITY		144,760	132,933	142,108	130,508
MINORITY INTERESTS		3,543	3,286	-	-
		148,303	136,219	142,108	130,508

The notes on pages 33 to 58 form part of these financial statements.

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

	Note	Issued and fully paid ordinary shares of RM1.00 each		Share premium RM'000	Revaluation reserve RM'000	Non-distributable Capital reserve on consolidation RM'000	Distributable		Total RM'000
		Number of shares '000	Nominal value RM'000				Retained earnings RM'000		
At 1 January 2002									
- as previously reported		60,000	60,000	2,792	6,800	40	49,514		119,146
- prior year adjustment	23	-	-	-	(454)	-	1,877		1,423
As restated		60,000	60,000	2,792	6,346	40	51,391		120,569
Final dividends:									
- 31 December 2001		-	-	-	-	-	(6,912)		(6,912)
- 31 December 2001 (under provision)		-	-	-	-	-	(7)		(7)
							(6,919)		(6,919)
Net profit attributable to shareholders		-	-	-	-	-	18,515		18,515
Issuance of shares pursuant to ESOS		168	168	600	-	-	-		768
At 31 December 2002		60,168	60,168	3,392	6,346	40	62,987		132,933
At 1 January 2003									
- as previously reported		60,168	60,168	3,392	6,800	40	61,407		131,807
- prior year adjustment	23	-	-	-	(454)	-	1,580		1,126
As restated		60,168	60,168	3,392	6,346	40	62,987		132,933
Final dividends:									
- 31 December 2002	11	-	-	-	-	-	(7,437)		(7,437)
Net profit attributable to shareholders		-	-	-	-	-	18,621		18,621
Issuance of shares pursuant to ESOS	22	155	155	488	-	-	-		643
At 31 December 2003		60,323	60,323	3,880	6,346	40	74,171		144,760

The notes on pages 33 to 58 form part of these financial statements.

	Note	Issued and fully paid ordinary shares of RM1.00 each		Non-Distributable		Distributable	Total
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
At 1 January 2002							
- as previously reported		60,000	60,000	2,792	6,800	48,318	117,910
- prior year adjustment	23	-	-	-	(454)	1,719	1,265
As restated		60,000	60,000	2,792	6,346	50,037	119,175
Final dividends:							
- 31 December 2001		-	-	-	-	(6,912)	(6,912)
- 31 December 2001 (under provision)		-	-	-	-	(7)	(7)
		-	-	-	-	(6,919)	(6,919)
Net profit attributable to shareholders						17,484	17,484
Issuance of shares pursuant to ESOS		168	168	600	-	-	768
At 31 December 2002		60,168	60,168	3,392	6,346	60,602	130,508
At 1 January 2003							
- as previously reported		60,168	60,168	3,392	6,800	59,215	129,575
- prior year adjustment	23	-	-	-	(454)	1,387	933
As restated		60,168	60,168	3,392	6,346	60,602	130,508
Final dividends:							
- 31 December 2002	11	-	-	-	-	(7,437)	(7,437)
Net profit attributable to shareholders		-	-	-	-	18,394	18,394
Issuance of shares pursuant to ESOS	22	155	155	488	-	-	643
At 31 December 2003		60,323	60,323	3,880	6,346	71,559	142,108

The notes on pages 33 to 58 form part of these financial statements.

Cash flow statements

for the financial year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit attributable to shareholders		18,621	18,515	18,394	17,484
Adjustments for non-cash items:					
Amortisation of goodwill		207	207	-	-
Depreciation of property, plant and equipment		4,117	3,635	4,018	3,533
Dividends from a subsidiary		-	-	(357)	(349)
Impairment of investment in an associate		-	401	-	150
Impairment of investment in a subsidiary		-	-	-	500
Interest expense		159	42	159	42
Interest income		(283)	(659)	(253)	(650)
Loss/(gain) on disposal of interest in a subsidiary		14	-	(4)	-
Minority interests		475	572	-	-
Property, plant and equipment written off		-	8	-	8
Retirement benefits		439	42	439	42
Share of results of associates		(106)	(107)	-	-
Taxation		7,934	7,590	7,600	7,319
		31,577	30,246	29,996	28,079
Changes in working capital:					
Inventories		(19,626)	6,889	(19,946)	4,433
Receivables		(50,366)	3,862	(51,769)	6,620
Payables		52,099	(14,533)	53,007	(13,992)
Net cash generated from operations		13,684	26,464	11,288	25,140
Retirement benefits paid		(89)	(42)	(89)	(42)
Interest paid		(159)	(42)	(159)	(42)
Taxation paid		(10,279)	(12,160)	(9,804)	(11,579)
Net cash generated from operating activities		3,157	14,220	1,236	13,477
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(6,726)	(4,132)	(6,697)	(4,102)
Interest received		283	553	253	544
Proceeds from disposal of interest in subsidiaries		14	-	14	-
Dividends received from subsidiaries		-	-	257	264
Net cash used in investing activities		(6,429)	(3,579)	(6,173)	(3,294)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to shareholders of the Company		(7,437)	(6,919)	(7,437)	(6,919)
Dividends paid to minority interests		(247)	-	-	-
Proceeds from issuance of shares		643	768	643	768
Repayment of finance lease liabilities		(220)	(170)	(220)	(170)
Net cash used in financing activities		(7,261)	(6,321)	(7,014)	(6,321)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR		(10,533)	4,320	(11,951)	3,862
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		20,350	16,030	18,858	14,996
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	18	9,817	20,350	6,907	18,858

The notes on pages 33 to 58 form part of these financial statements.

Notes to the financial statements

for the financial year ended 31 December 2003

1 GENERAL INFORMATION

The Company is principally involved in the sale and service of information technology products and related services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There have been no significant changes in the activities of the Group and of the Company during the financial year.

The average number of employees during the financial year was 484 (2002: 463) employees in the Group and 449 (2002: 441) employees in the Company.

The Company is a limited liability company, incorporated and domiciled in Malaysia and listed on the Main Board of the Malaysian Securities Exchange Bhd (formerly known as "Kuala Lumpur Stock Exchange").

The address of the registered office and the principal place of business of the Company is as follows:

11th Floor, Menara Mesiniaga,
1A, Jalan SS16/1,
47500 Subang Jaya.

As at the end of the financial year, all assets and liabilities of the Company are denominated in Ringgit Malaysia except otherwise disclosed.

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention, modified by the revaluation of certain freehold land and building.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The new applicable approved accounting standards adopted in these financial statements are as follows:

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

With the exception of MASB 25 and MASB 29 (Note 23), there are no changes in accounting policies that affect the net profit attributable to shareholders or shareholders' equity as a result of the adoption of the above standards in these financial statements as the Group and the Company were already following the recognition and measurement principles in those standards.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, except for the changes in accounting policies set out in Note 23 to the financial statements.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

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

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

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

(b) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates acquired over the Group's share of the fair value of their identifiable net assets at the date of acquisition.

Goodwill on acquisition is amortised using the straight line method over its estimated useful life or 20 years, whichever is shorter. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note (e) on impairment of assets.

Reserve on consolidation represents the excess of the fair value of identifiable net assets acquired over the cost of acquisition. In the Group's balance sheet, reserve on consolidation is treated as a permanent item.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Freehold land and buildings are subsequently shown at valuation, based on the valuation by independent professional valuers once in every five years. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

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

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on a straight line basis so as to write off the cost of each asset over their estimated useful lives at the following annual rates:

Buildings	2%
Machines	25% to 50%
Office equipment, furniture and fittings	12.5% to 50%

Depreciation on capital work-in-progress commences when the asset is ready for its intended use.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note (e) on impairment of assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments

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

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(e) Impairment of assets

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

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(f) Associates

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting. Associates are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the results of associates for the financial year. The Group's investments in associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred.

(g) Software development expenditure

Software development expenditure relates to development work carried out in developing specialised software packages. Costs that are clearly associated with an identifiable and unique product which will be controlled by the Group and has a probable benefit exceeding the cost beyond one financial year are recognised as software development expenditure. Costs include direct costs such as licence fee, salaries and hardware costs specifically attributable to each project. Costs incurred in software development which are not or have ceased to be commercially viable are written off to the income statement.

Software development expenditure recognised as asset is amortised using a straight line basis over a period of five years.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note (e) on impairment of assets.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost, which includes purchase price and other import charges, is determined on a weighted average basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Trade receivables

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

Known bad debts are written off and specific allowance is made for any considered to be doubtful of collection.

(j) Foreign currencies

(i) Reporting currency

The financial statements are presented in Ringgit Malaysia.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates approximating those ruling at balance sheet date. All exchange differences are taken to the income statement.

(iii) Closing rates

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

<u>Foreign currency</u>	<u>2003</u>	<u>2002</u>
	<u>RM</u>	<u>RM</u>
1 US Dollar	3.83	3.83
1 Singapore Dollar	2.26	2.18
1 New Zealand Dollar	2.01	1.86
1 Brunei Dollar	2.21	-

(k) Finance leases

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

Finance leases are capitalised at the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charges is charged to the income statement over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its estimated useful life.

(l) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and other employee benefits are accrued in the period in which the associated services are rendered by employees and Executive Directors of the Group.

(ii) Post employment benefits

Defined contribution plan

The Group's contributions to a defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. The Group contributes to the Employees Provident Fund, the national defined contribution plan.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Employee benefits (Cont'd)

(ii) Post employment benefits (Cont'd)

Defined benefit plan

The Company operates a funded defined benefit plan, which is an approved defined benefit plan under Section 150 of the Income Tax Act, 1967.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses. The Company determines the present value of the defined benefit obligation and the fair value of the plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date. The Company's obligations in respect of the defined benefit plan, calculated using the Projected Unit Credit method, is determined by an actuarial valuation carried out every two years by a qualified actuary.

Upon initial adoption of MASB 29 on 1 January 2003, the increase in defined benefit liability is recognised as an expense on a straight line basis over 5 years in accordance with the transitional provision of the standard.

The defined benefit plan is only applicable for eligible employees who have completed at least 15 years of service at the time of retirement and are employed prior to 2 July 2002.

(iii) Equity compensation benefits

Details of the Group's Employee Share Option Scheme are set out in Note 22 (a) to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

(m) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

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

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

(n) Revenue recognition

Revenue is recognised upon delivery of goods sold or services rendered to customers, net of discounts and after excluding intra-group transactions. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

(o) Dividends

Dividends are recognised when the Group's right to receive payment is established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Fair value estimation for disclosure purposes

The historical cost carrying amounts of trade receivables and trade payables subject to normal trade credit terms approximate their fair values. The carrying amounts of other receivables and other payables are reasonable estimates of fair value because of their short maturity. The carrying amounts of deposits, cash and bank balances approximate their fair values due to the relatively short term maturity of these instruments.

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to Group financial risk management policies. The management regularly reviews these risks.

(a) Foreign currency exchange risk

The Group is exposed to various currencies, mainly United States Dollar, New Zealand Dollar, Singapore Dollar and Brunei Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies give rise to foreign exchange exposures. Foreign currency exposures are kept to an acceptable level.

(b) Interest rate risk

Interest rate exposure arises mainly from the Group's deposits. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group controls these risks by application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis via regular updates and management reporting procedures.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Credit risk (Cont'd)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers. The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts allowed for collection loss is inherent in the Group's trade receivables.

(d) Liquidity and cash flow risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities. The Group maintains sufficient levels of cash to meet its working capital requirements. The Group also maintains sufficient levels of banking facilities for contingent funding of working capital.

5 REVENUE

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Sale of:				
Hardware	184,835	113,996	177,063	113,996
Software	29,112	53,173	29,112	43,309
Services	55,794	63,185	54,728	62,239
	269,741	230,354	260,903	219,544

6 STAFF COSTS

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonus and other employment benefits	26,708	25,306	25,841	24,438
Defined contribution retirement plan	3,153	2,941	3,047	2,863
Defined benefit retirement plan	498	42	498	42
	30,359	28,289	29,386	27,343

Details of the defined contribution and defined benefit plans of the Group and Company are set out in Note 20 to the financial statements.

The aggregate amount of emoluments received and receivable by Directors of the Group and Company during the financial year was as follows:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors				
- fees	160	237	160	237
- defined benefit retirement plan	30	30	30	30
- others	76	9	76	9
	266	276	266	276
Estimated money value of benefits-in-kind	11	59	11	59

6 STAFF COSTS (CONT'D)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Executive Directors				
- salaries and bonus	796	804	662	708
- defined contribution retirement plan	97	97	80	85
- defined benefit retirement plan	383	348	383	348
	1,276	1,249	1,125	1,141
Estimated money value of benefits-in-kind	91	7	83	74

7 PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging / (crediting):

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Allowance for doubtful debts:				
- subsidiaries	-	-	-	467
- associates	-	478	-	478
- trade receivables	232	198	232	198
Amortisation of goodwill	207	207	-	-
Auditors' remuneration	77	77	60	60
(Gain) / loss on disposal of interest in a subsidiary	14	-	(4)	-
Gross dividend income from a subsidiary	-	-	(357)	(349)
Impairment of investment:				
- associate	-	401	-	150
- subsidiary	-	-	-	500
Interest income	(283)	(659)	(253)	(650)
Net realized foreign exchange gain	-	(162)	-	(164)
Rental income from rental of premises	(69)	(69)	(96)	(97)
Rental of premises	175	417	110	277

8 FINANCE COST

	Group and Company	
	2003 RM'000	2002 RM'000
Interest expenses on:		
Bank overdraft	28	18
Bankers' acceptance	108	8
Lease financing	23	16
	159	42

9 TAXATION

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current tax:				
Current year - Malaysian income tax	8,065	7,305	7,690	6,987
Overaccrual in prior years (net)	(38)	-	-	-
Deferred tax:				
Origination and reversal of temporary differences (Note 15)	8,027	7,305	7,690	6,987
	(93)	285	(90)	332
	7,934	7,590	7,600	7,319

The explanation of the relationship between taxation and profit from ordinary activities before taxation is as follows:

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Numerical reconciliation between the average effective tax rate and the Malaysian tax rate				
Malaysian tax rate	28.00	28.00	28.00	28.00
Tax effects of:				
- expenses not deductible for tax purposes	1.61	0.65	1.24	1.51
- tax incentive for small and medium scale companies	(0.06)	-	-	-
- previously unrecognised tax losses and capital allowances	(0.06)	(0.20)	-	-
- overaccrual in prior years (net)	(0.14)	-	-	-
Average effective tax rate	29.35	28.45	29.24	29.51

Included in the taxation of the Group are tax savings from utilisation of tax losses and unabsorbed capital allowances as follows:

	Group	
	2003 RM'000	2002 RM'000
Tax savings as a result of the utilisation of tax losses / unabsorbed capital allowances brought forward for which the related credit is recognised during the year:		
(i) Tax losses	12	56
(ii) Unabsorbed capital allowances	16	-

Subject to the agreement by the tax authorities, the Company has sufficient tax credits available under Section 108(6) of the Malaysian Income Tax Act, 1967 to frank the payment of net dividends out of all its retained earnings as at 31 December 2003 if paid out as dividends.

In addition, the Company has tax exempt income as at 31 December 2003 arising from the Income Tax (Amendment) Act, 1999, relating to tax on income earned in 1999 being waived and first tier exempt dividend income amounting to approximately RM4,640,520 (2002: RM6,445,560) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to agreement by the tax authorities.

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

		Group	
		2003	2002
		RM'000	RM'000
Net profit attributable to shareholders	(RM'000)	18,621	18,515
Weighted average number of ordinary shares in issue	('000)	60,216	60,101
Basic earnings per share	(sen)	30.9	30.8

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares; share options granted to employees.

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

		Group	
		2003	2002
		RM'000	RM'000
Net profit attributable to shareholders	(RM'000)	18,621	18,515
Weighted average number of ordinary shares in issue	('000)	60,216	60,101
Adjustment for share options	('000)	197	441
Weighted average number of ordinary shares for diluted earnings per share	('000)	60,413	60,542
Diluted earnings per share	(sen)	30.8	30.6

11 DIVIDENDS

Dividends declared or proposed in respect of the financial year ended 31 December 2003 are as follows:

	Group and Company	
	2003	2002
	RM'000	RM'000
Proposed final dividends of:		
13 sen per share less income tax at 28% (2002: 13 sen per share less income tax at 28%)	5,646	5,632
3 sen per share tax exempt (2002: 3 sen per share tax exempt)	1,810	1,805
	7,456	7,437

The financial statements do not reflect the proposed final dividends for the financial year ended 31 December 2003, which will only be accrued as a liability in the financial year ending 31 December 2004 after approval by the shareholders.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
Group								
2003								
Cost/Valuation								
At 1 January 2003	3,874	11,059	620	26,373	4,594	17,710	2,311	66,541
Additions	-	-	-	-	-	3,179	3,547	6,726
Assets written off	-	-	-	-	-	(3)	-	(3)
Transfers	-	-	5,858	-	-	-	(5,858)	-
At 31 December 2003	3,874	11,059	6,478	26,373	4,594	20,886	-	73,264
Accumulated depreciation								
At 1 January 2003	-	-	36	5,277	2,158	12,194	-	19,665
Charge for the financial year	-	-	42	528	705	2,842	-	4,117
Assets written off	-	-	-	-	-	(3)	-	(3)
At 31 December 2003	-	-	78	5,805	2,863	15,033	-	23,779
Net book value								
At 31 December 2003	3,874	11,059	6,400	20,568	1,731	5,853	-	49,485

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
Group								
2002								
Cost/Valuation								
At 1 January 2002	3,874	11,059	620	26,373	4,339	18,101	750	65,116
Additions	-	-	-	-	341	2,571	1,561	4,473
Assets written off	-	-	-	-	(86)	(2,962)	-	(3,048)
At 31 December 2002	3,874	11,059	620	26,373	4,594	17,710	2,311	66,541
Accumulated depreciation								
At 1 January 2002	-	-	24	4,749	1,538	12,759	-	19,070
Charge for the financial year	-	-	12	528	706	2,389	-	3,635
Assets written off	-	-	-	-	(86)	(2,954)	-	(3,040)
At 31 December 2002	-	-	36	5,277	2,158	12,194	-	19,665
Net book value								
At 31 December 2002	3,874	11,059	584	21,096	2,436	5,516	2,311	46,876

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
Company								
2003								
Cost/Valuation								
At 1 January 2003	3,874	11,059	620	26,373	4,594	16,720	2,311	65,551
Additions	-	-	-	-	-	3,150	3,547	6,697
Assets written off	-	-	-	-	-	(3)	-	(3)
Transfers	-	-	5,858	-	-	-	(5,858)	-
At 31 December 2003	3,874	11,059	6,478	26,373	4,594	19,867	-	72,245
Accumulated depreciation								
At 1 January 2003	-	-	36	5,277	2,158	11,356	-	18,827
Charge for the financial year	-	-	42	528	705	2,743	-	4,018
Assets written off	-	-	-	-	-	(3)	-	(3)
At 31 December 2003	-	-	78	5,805	2,863	14,096	-	22,842
Net book value								
At 31 December 2003	3,874	11,059	6,400	20,568	1,731	5,771	-	49,403

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land, at cost RM'000	Freehold land, at valuation RM'000	Building, at cost RM'000	Building, at valuation RM'000	Machines, at cost RM'000	Office equipment, furniture and fittings, at cost RM'000	Capital work-in- progress RM'000	Total RM'000
Company								
2002								
Cost/Valuation								
At 1 January 2002	3,874	11,059	620	26,373	4,339	17,100	750	64,115
Additions	-	-	-	-	341	2,541	1,561	4,443
Assets written off	-	-	-	-	(86)	(2,921)	-	(3,007)
At 31 December 2002	3,874	11,059	620	26,373	4,594	16,720	2,311	65,551
Accumulated depreciation								
At 1 January 2002	-	-	24	4,749	1,538	11,982	-	18,293
Charge for the financial year	-	-	12	528	706	2,287	-	3,533
Assets written off	-	-	-	-	(86)	(2,913)	-	(2,999)
At 31 December 2002	-	-	36	5,277	2,158	11,356	-	18,827
Net book value								
At 31 December 2002	3,874	11,059	584	21,096	2,436	5,364	2,311	46,724

12 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Freehold land and buildings were last revalued on 19 August 1999 by CH Williams, Talhar and Wong using the comparison method to reflect fair value.

The book values of freehold land and buildings were adjusted to reflect the revaluations and the resultant surpluses were credited to revaluation reserve.

The net book values of the revalued freehold land and building had these assets been carried at cost less accumulated depreciation is as follows:

	Group and Company	
	2003	2002
	RM'000	RM'000
Freehold land	3,805	3,805
Freehold building	20,269	20,790

Included in property, plant and equipment of the Group and Company are machines acquired under finance lease agreements, with net book value of RM295,000 (2002: RM455,000).

13 SUBSIDIARIES

	Group	
	2003	2002
	RM'000	RM'000
Unquoted shares, at cost	1,780	1,790
Accumulated impairment losses	(650)	(650)
	1,130	1,140

The shares of all subsidiaries are held directly by the Company.

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

Name of company	Principal activities	Group's effective interest	
		2003	2002
		%	%
Mesiniaga Techniques Sdn. Bhd.	Provision of human resources to the holding company	100	100
Mesiniaga Services Sdn. Bhd. (formerly known as Secure Online Transactions Sdn. Bhd)	Provision of outsourcing services	100	100
VA Dynamics Sdn. Bhd.	Sales of networking cables and related products	51	51
Mesiniaga SCS Sdn. Bhd.	Provision of management training and consulting services	60	70
Mesiniaga MSC Sdn. Bhd.	Provision of human resources to the holding company	100	100

All the above subsidiaries are audited by PricewaterhouseCoopers, Malaysia.

14 ASSOCIATES

	Group	
	2003 RM'000	2002 RM'000
Share of net assets other than goodwill of associates	2,934	2,859
Goodwill on acquisition	3,404	3,611
	6,338	6,470

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	6,785	6,785
Accumulated impairment losses	(150)	(150)
	6,635	6,635

The details of the associates, all of which are incorporated in Malaysia, are as follows:

Name of company	Principal activities	Group's effective interest	
		2003 %	2002 %
PWR Powerlan (Malaysia) Sdn Bhd. #	Development and sale of computer software and equipment	30	30
Advantage Systems Sdn. Bhd. #	Provision of data connectivity and communication services	30	30
SJA-Infotech Sdn. Bhd.	Development and maintenance of web-site	35	35

Not audited by PricewaterhouseCoopers, Malaysia.

15 DEFERRED TAX

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deferred tax assets	237	234	-	-
Deferred tax liabilities:				
- subject to income tax	(1,080)	(1,163)	(1,080)	(1,163)
- subject to capital gains tax	(447)	(454)	(447)	(454)
	(1,527)	(1,617)	(1,527)	(1,617)
	(1,290)	(1,383)	(1,527)	(1,617)

15 DEFERRED TAX

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At 1 January	(1,383)	(1,098)	(1,617)	(1,285)
(Charged)/credited to income statement:				
- property, plant and equipment	69	21	78	15
- accruals	(89)	(343)	(86)	(347)
- post employment benefit	98	-	98	-
- others	15	37	-	-
	93	(285)	90	(332)
At 31 December	(1,290)	(1,383)	(1,527)	(1,617)
Subject to income tax				
Deferred tax assets (before offsetting)				
- post employment benefit obligations	345	247	345	247
- allowances	116	96	-	-
- tax losses	98	110	-	-
- accruals	7	96	6	92
- others	28	26	-	-
	594	575	351	339
Offsetting	(357)	(341)	(351)	(339)
Deferred tax assets (after offsetting)	237	234	-	-
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	(1,884)	(1,958)	(1,878)	(1,956)
Offsetting	357	341	351	339
Deferred tax liabilities (after offsetting)	(1,527)	(1,617)	(1,527)	(1,617)
Subject to capital gains tax				
Deferred tax liabilities				
- Revaluation of land	(447)	(454)	(447)	(454)

16 INVENTORIES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost:				
Equipment	23,093	1,143	23,093	1,143
Spare parts	551	579	551	579
Supplies	369	213	369	141
Cables	984	3,917	-	2192
	24,997	5,852	24,013	4,055
At net realisable value:				
Equipment	489	346	489	346
Spare parts	136	116	136	116
Supplies	10	13	10	13
Cables	919	598	-	172
	1,554	1,073	635	647
	26,551	6,925	24,648	4,702

17 RECEIVABLES

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	134,817	83,756	130,832	79,219
Allowance for doubtful debts	(1,042)	(1,066)	(917)	(926)
	133,775	82,690	129,915	78,293
Other receivables	1,806	1,807	1,746	1,801
Deposits and prepayments	176	187	166	177
Amounts due from subsidiaries	-	-	1,437	517
Allowance for doubtful debts	-	-	(467)	(467)
	-	-	970	50
Amounts due from associates	921	1,628	921	1,628
Allowance for doubtful debts	(478)	(478)	(478)	(478)
	443	1,150	443	1,150
	136,200	85,834	133,240	81,471

The currency exposure profile of trade receivables is as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Ringgit Malaysia	133,755	82,681	129,915	78,293
Brunei Dollar	11	-	-	-
US Dollar	9	9	-	-
	133,775	82,690	129,915	78,293

Credit terms of trade receivables ranged from payment in advance to 60 days.

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

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances	4,859	5,736	3,257	4,244
Deposits with a licensed bank	-	8,295	-	8,295
Deposits with a licensed finance company	-	6,319	-	6,319
Deposits with a licensed financial institution	4,958	-	3,650	-
	9,817	20,350	6,907	18,858

The weighted average interest rates of deposits that were effective at the end of the financial year were as follows:

	Group and Company	
	2003 %	2002 %
Deposits with a licensed bank	-	3.18
Deposits with a licensed finance company	-	3.25
Deposits with a licensed financial institution	3.18	-

18 CASH AND CASH EQUIVALENTS (CONT'D)

Bank balances are deposits at call with banks and earn no interest.

Deposits of the Group and Company as at 31 December 2003 are time deposits and have no fixed terms of maturity. Deposits of the Group and the Company in the previous financial year have an average maturity of 3 months.

19 PAYABLES

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade payables	70,150	22,063	69,191	20,646
Payroll liabilities	2,131	2,224	2,067	2,123
Accruals	5,149	1,138	5,094	1,032
Finance lease liabilities (Note 21)	115	220	115	220
Amounts due to subsidiaries	-	-	595	233
Amounts due to associates	35	-	35	-
	77,580	25,645	77,097	24,254

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	68,080	20,537	68,044	20,346
US Dollar	2,070	1,526	1,147	300
	70,150	22,063	69,191	20,646

Credit terms of trade payables range from 7 days to 90 days.

Amounts due to subsidiaries and associates are unsecured, interest free and have no fixed terms of repayment.

20 POST-EMPLOYMENT BENEFIT OBLIGATIONS

(a) Defined contribution plan

The Company and its subsidiaries, which are all incorporated in Malaysia, contribute to the Employees Provident Fund, the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Defined benefit plan

The Company operates a funded defined benefit plan, which is an approved defined benefit plan under Section 150 of the Income Tax Act, 1967. The liability of the defined benefit plan is determined using the Projected Unit Credit method by an actuarial valuation carried out every two years by a qualified actuary.

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
At 1 January	882	882	882	882
Charged to the income statement	498	42	498	42
Contributions and benefits paid	(89)	(42)	(89)	(42)
At 31 December	1,291	882	1,291	882

20 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Defined benefit plan (Cont'd)

The amounts recognised in the balance sheets may be analysed as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At 31 December				
Present value of funded obligations	3,060	2,789	3,060	2,789
Fair value of plan assets	(850)	(758)	(850)	(758)
Status of funded plan	2,210	2,031	2,210	2,031
Unrecognised transitional liability	(919)	(1,149)	(919)	(1,149)
Liability in the balance sheets	1,291	882	1,291	882

The expense recognised in the income statements may be analysed as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current service cost	140	140	140	140
Interest cost	179	163	179	163
Expected return on plan assets	(51)	(49)	(51)	(49)
Actuarial gain recognised	-	(212)	-	(212)
Amortisation of transitional liability	230	-	230	-
Total defined benefit retirement plan	498	42	498	42
Defined contribution retirement plan	3,153	2,941	3,047	2,863
Total included in staff cost (Note 6)	3,651	2,983	3,545	2,905

The principle actuarial assumptions used in respect of the Company's defined benefit plan were as follows:

	Company	
	2003 %	2002 %
At 31 December		
Discount rates	7	7
Expected return on plan assets	7	7
Expected rate of salary increases	6 to 10	6 to 10
	RM'000	RM'000
Actual return on plan assets	235	92

21 FINANCE LEASE LIABILITY

This represents future instalments, under finance lease agreements, repayable as follows:

	Group and Company	
	2003	2002
	RM'000	RM'000
Minimum lease payments:		
Repayable within 12 months	115	242
Repayable after 12 months		
- between 1 and 2 years	58	131
- between 2 and 5 years	-	43
Future finance charges on finance leases	173 (20)	416 (43)
Present value of the finance lease liability	153	373
Current (Note 19)	115	220
Non-current	38	153
	153	373

The finance lease liability is effectively secured as the rights to the leased assets revert to the lessor in the event of default.

22 SHARE CAPITAL

	Group and Company	
	2003	2002
	RM'000	RM'000
Ordinary shares of RM1.00 each:		
Authorised	100,000	100,000
Issued and fully paid:		
At 1 January	60,168	60,000
Issuance of ordinary shares of RM1.00 each under the Employees' Share Option Scheme	155	168
At 31 December	60,323	60,168

During the financial year, 155,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at the following issue prices:

Issue price	Number of ordinary shares
RM	of RM1.00 each
	'000
4.65	50
4.25	43
3.69	62
	155

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

22 SHARE CAPITAL (CONT'D)

(a) Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders on 17 September 1999 and became effective on 7 February 2001 for a period of five years.

The main features of the ESOS are as follows:

- The total number of ordinary shares to be issued by the Company under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company.
- The option price under the ESOS is set at a discount of not more than ten (10) percent on the weighted average market price of the shares of the Company for the five (5) market days immediately preceding the Date of Offer. The Exercise Price per new share shall in no event be less than its par value.
- Eligible participants of the ESOS are full-time and confirmed employees of the Group who have served the Group for one (1) continuous year on or prior to the Date of Offer. An Executive Director of the Company shall only be eligible to participate in the Scheme if he is holding a full-time executive position and the specific allotment to be made to the Executive Director has been approved by the Company in a members' general meeting.
- No Eligible Employee shall at any one point in time participate or be eligible to participate in more than one (1) employees' share option scheme implemented by any company within the Group.

During the financial year, 843,000 options were granted at an exercise price of RM3.69 per share.

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

Option price RM per share '000	Number of options over ordinary shares of RM1.00 each					
	At 1.1.2003 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2003	Expiry date
	4.65	3,386	-	(50)	(132)	3,204
4.25	1,196	-	(43)	(136)	1,017	6.2.2006
3.69	-	843	(62)	(53)	728	6.2.2006
	4,582	843	(155)	(321)	4,949	

	2003 RM'000	2002 RM'000
Number of share options vested at balance sheet date	3,817	2,953

22 SHARE CAPITAL (CONT'D)

(a) Employees' Share Option Scheme (Cont'd)

Details relating to options exercised during the year are as follows:

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued	
			2003 '000	2002 '000
March 2002	4.50 - 5.30	4.65	-	4
April 2002	5.00 - 5.85	4.25 - 4.65	-	56
May 2002	5.30 - 6.15	4.25 - 4.65	-	40
June 2002	5.00 - 5.60	4.65	-	35
July 2002	5.00 - 5.55	4.25 - 4.65	-	15
August 2002	5.20 - 5.45	4.65	-	2
September 2002	4.78 - 5.50	4.25 - 4.65	-	10
October 2002	4.48 - 5.05	4.25 - 4.65	-	2
November 2002	4.50 - 4.92	4.65	-	2
December 2002	4.40 - 4.64	4.25	-	2
June 2003	4.50 - 4.98	3.69 - 4.25	14	-
July 2003	4.02 - 5.20	3.69 - 4.65	22	-
August 2003	4.72 - 5.20	3.69 - 4.65	10	-
September 2003	4.82 - 5.10	3.69 - 4.25	11	-
October 2003	4.98 - 5.25	3.69 - 4.65	20	-
November 2003	4.82 - 5.40	3.69 - 4.65	58	-
December 2003	4.74 - 5.15	3.69 - 4.65	20	-
			155	168
			2003 RM'000	2002 RM'000
Ordinary share capital - at par			155	168
Share premium			488	600
Proceeds received on exercise of share options			643	768
Fair value at exercise date of shares issued			769	907

The fair value of shares issued on the exercise of options is the mean market price at which the Company's share were traded on the Kuala Lumpur Stock Exchange on the day prior to the exercise of the options.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this Report the names of the persons to whom options have been granted during the year and details of their holdings pursuant to Section 169 (11) of the Companies Act, 1965 except for information of employees who were granted options of 50,000 shares and above.

The list of employees of the Company and its subsidiaries who were granted options of 50,000 shares and above during the year are as follows:

Name	Option price	Number of options over ordinary shares of RM1.00 each at the option price of RM3.69 per share			At 31.12.2003
		Granted during the year	Exercised	Lapsed	
Zuraida Jamaluddin	3.69	127	-	-	127
Noorizan Ali	3.69	52	-	-	52

23 CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group adopted certain new MASB standards as mentioned in Note 2 to the financial statements. As a result, the Group has changed some of its accounting policies to comply with the new MASB standards. With the exception of the adoption of MASB 25 on Income Taxes and MASB 29 on Employee Benefits, there are no changes in accounting policy that affect the net profit attributable to shareholders or shareholders' equity as the Group was already following the recognition and measurement principles in those standards. However, certain comparatives have been adjusted or extended to take into account the requirements of the new MASB standards.

a) Deferred taxation

In previous years, deferred tax was recognised for timing differences except when there was reasonable evidence that such timing differences would not reverse in the foreseeable future. The tax effect of timing differences that resulted in a debit balance or a debit to the deferred tax balance was not carried forward unless there was a reasonable expectation of its realisation.

The potential tax savings relating to a tax loss carried forward was only recognised if there was assurance beyond any reasonable doubt that future taxable income would be sufficient for the benefit of the loss to be realised.

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

The Group has now changed its accounting policy to recognise deferred tax on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying values in the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences or unused tax losses can be utilised.

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

This change in accounting policy has been accounted for retrospectively.

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

	As previously reported RM'000	Effects of change in policy RM'000	As restated RM'000
Group			
At 31 December 2001:			
Revaluation reserve	6,800	(454)	6,346
Retained earnings	49,514	1,877	51,391
Year ended 31 December 2002:			
Taxation	7,302	288	7,590
At 31 December 2002:			
Deferred tax assets	-	234	234
Deferred tax liabilities	2,563	(946)	1,617
Revaluation reserve	6,800	(454)	6,346
Retained earnings	61,407	1,580	62,987
Minority interests	3,232	54	3,286

23 CHANGES IN ACCOUNTING POLICIES (CONT'D)

a) Deferred taxation (Cont'd)

	As previously reported RM'000	Effects of change in policy RM'000	As restated RM'000
Company			
At 31 December 2001:			
Revaluation reserve	6,800	(454)	6,346
Retained earnings	48,318	1,719	50,037
Year ended 31 December 2002:			
Taxation	6,987	332	7,319
At 31 December 2002:			
Deferred tax liabilities	2,550	(933)	1,617
Revaluation reserve	6,800	(454)	6,346
Retained earnings	59,215	1,387	60,602

(b) Employee benefits

The deficit arising in respect of post-employment benefit obligations on first adoption of MASB 29 on 1 January 2003 is recognised as an expense on a straight line basis over 5 years in accordance with the transitional provision of the standard. The amounts charged to the income statements of the Group and Company for the year is RM230,000 (Note 20). Unrecognised transitional liability of the Group and Company at 31 December 2003 amounted to RM919,000 (Note 20).

24 FINANCIAL INSTRUMENTS

(a) Fair values

There is no disclosure of fair values for investments in subsidiaries and associates as they are excluded from MASB Standard 24 "Financial Instruments: Disclosure and Presentation".

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

(b) The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

(i) Trade and other receivables and payables

The historical cost carrying amounts of trade receivables and trade payables subject to normal trade credit terms approximate their fair values. The carrying amounts of other receivables and other payables are reasonable estimates of fair value because of their short maturity.

(ii) Deposits, cash and bank balances

The carrying amounts of deposits, cash and bank balances approximate their fair values due to the relatively short term maturity of these instruments.

25 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) A general mandate has been obtained from shareholders vide a Circular dated 25 April 2003 for recurrent related party transactions with the following related parties:

- (i) IBM World Trade Corporation, a corporate shareholder
- (ii) IBM Malaysia Sdn Bhd, a subsidiary of IBM World Trade Corporation

25 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

- (b) The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties.

The significant related party transactions are as follows:

Related party	Relationship	2003 RM'000	2002 RM'000
Purchase of goods from:			
- IBM Malaysia Sdn. Bhd.	Subsidiary of a corporate shareholder, IBM World Trade Corporation	87,440	76,743
- Advantage System Sdn. Bhd.	An associate of the company	1,135	1,427
Sales of goods/services to:			
- IBM Malaysia Sdn. Bhd.	Subsidiary of a corporate shareholder, IBM World Trade Corporation	633	1,220

Individually significant outstanding balances arising from the sale/purchase of goods and services during the financial year are as follows:

Related party	Type of transaction	2003 RM'000	2002 RM'000
Payables:			
- IBM Malaysia Sdn. Bhd.	Purchase of goods	6,344	3,730
- Advantage System Sdn. Bhd.	Purchase of goods	97,576	4,550
Receivables:			
- IBM Malaysia Sdn. Bhd.	Sales of goods/services	187	650

26 SEGMENTAL REPORTING

The Group is primarily engaged in one business segment, namely the sales and service of information technology products in Malaysia. Accordingly, there are no differing risks and returns in the sales of products and provision of services by its business segment.

27 CONTINGENT LIABILITIES (UNSECURED)

As at 31 December 2003, the contingent liabilities arising in the ordinary course of business of the Group and Company are as follows:

	Group and Company	
	2003 RM'000	2002 RM'000
Bank guarantees for contracts undertaken by the Company	27,773	17,014

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 6 April 2004.

Properties owned by the group

as at 31st December 2003

<i>Address</i>	<i>Description</i>	<i>Usage</i>	<i>Tenure</i>	<i>Terms of Tenant's leases or under leases</i>	<i>Approximate age</i>	<i>Present Capital Value (RM'000)</i>
HS(D) 65056, PT 12204, Mukim Damansara, Daerah Petaling, Selangor (1A, Jalan SS16/1 47500 Subang Jaya)	Commercial Land comprising a 15-storey Office Building	Office Building	Freehold	Nil	Eleven (11) Years	31,627
4th Floor, Unit 08-04 Lot No. 8 Jalan 4/146 Bandar Tasik Selatan Wilayah Persekutuan Kuala Lumpur	Shoplot	Retention Store	99 Years Leasehold expiring on 29.06.2087	Nil	Four (4) Years	280
5th Floor, Unit 08-05 Lot No. 8 Jalan 4/146 Bandar Tasik Selatan Wilayah Persekutuan Kuala Lumpur	Shoplot	Retention Store	99 Years Leasehold expiring on 29.06.2087	Nil	Four (4) Years	290
Lot 1047, Sek. 13 Daerah Timur Laut Georgetown Pulau Pinang (Mutiara Mesiniaga No. 56, Jalan Larut 10050 Georgetown Pulau Pinang)	Commercial Land comprising a 4-storey Office Building	Office Building	Freehold	Nil	Four (4) Years	9,704

Shareholding statistics

SHAREHOLDING STRUCTURE

as at 31st March 2004

Authorised Share Capital : RM 100,000,000
 Issued & Paid-up Capital : RM 60,381,000
 Class of Shares : There is only one class of shares, namely Ordinary Shares of RM 1.00 each

ANALYSIS OF SHAREHOLDINGS

as at 31st March 2004

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	9	0.37	297	0.00
100 – 1,000	1,433	59.63	1,407,650	2.33
1,001 – 10,000	834	34.71	2,877,453	4.76
10,001 – 100,000	85	3.54	2,497,829	4.14
100,001 and above	37	1.54	28,159,140	46.64
5% and above of issued shares	5	0.21	25,438,631	42.13
Total	2,403	100.00	60,381,00	100.00

SUBSTANTIAL SHAREHOLDERS (Excluding Bare Trustee)

as at 31st March 2004

No.	Names	Direct Shareholdings	Indirect Shareholdings	%
1	Ismail bin Sulaiman	5,298,468	5,000,000 ¹	17.06
2	Amanah Raya Nominees (Tempatan) Sdn Bhd <A/c For Skim Amanah Saham Bumiputera>	7,229,823		11.97
3	Hor Yee @ Ho Cheong Fatt	4,328,940		7.17
4	Wan Mohamed Fusil bin Wan Mahmood	2,375,940	1,600,000 ²	6.58
5	Employees Provident Fund Board	3,581,400	262,200 ³	6.37
6	Mohd Puzi bin Ahamad	1,299,201	2,181,000 ⁴	5.76

DIRECTORS DIRECT & DEEMED INTERESTS

as at 31st March 2004

No.	Names	Direct Shareholdings	Deemed Interest	%
1	Dato' Dr. Mohamad Zawawi Ismail	0	0	0
2	Wan Mohd. Fusil Wan Mahmood	2,375,940	1,600,000 ⁵	6.58
3	Mohd. Puzi Ahamad	1,299,201	2,181,000 ⁶	5.76
4	Ramli Amat	264,963	700,000 ⁷	1.60
5	Dato' Wan Abdullah Mohamad	28,000	0	0.05
6	Nor Hayati Mohd. Kasim	28,000	0	0.05
7	Chung Thian Sinn	0	0	0
8	Voon Seng Chuan	0	0	0
9	Zaiton Mohd. Hassan	0	0	0
10	Fathil Sulaiman Ismail	130,000	10,298,468 ⁸	17.27
11	Joseph Tan Jeok Siak (Alternate to Voon Seng Chuan)	0	0	0

¹ Interest held under his nominee account with Bumiputra-Commerce Trustee Berhad

² Interest held under his nominee accounts with Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd, Alliancegroup Nominees (Tempatan) Sdn Bhd and Citicorp Nominees (Tempatan) Sdn Bhd

³ Interest held under its nominee account with HSBC Nominees (Tempatan) Sdn Bhd

⁴ Interest held under nominee account with Bumiputra-Commerce Trustee Berhad and Citicorp Nominees (Tempatan) Sdn Bhd

⁵ Interest held under nominee accounts with Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd, Alliancegroup Nominees (Tempatan) Sdn Bhd and Citicorp Nominees (Tempatan) Sdn Bhd

⁶ Interest held under his nominee account with Bumiputra Commerce Trustee Berhad and Citicorp Nominees (Tempatan) Sdn Bhd

⁷ Interest held under his nominee account with Bumiputra Commerce Nominees (T) Sdn. Bhd and Citicorp Nominees (Tempatan) Sdn Bhd

⁸ Deemed interested by virtue of relationship to Ismail Sulaiman, a substantial shareholder of the Company

**30 Largest Shareholders
as at 31st March 2004**

No	Name	Holdings	(%)
1	Amanah Raya Nominees (Tempatan) Sdn Bhd <A/c For Skim Amanah Saham Bumiputera>	7,229,823	11.97
2	Ismail bin Sulaiman	5,298,468	8.78
3	Bumiputera-Commerce Trustee Berhad <A/c For Ismail Sulaiman>	5,000,000	8.28
4	Hor Yee @ Ho Cheong Fatt	4,328,940	7.17
5	Employees Provident Fund Board	3,581,400	5.93
6	IBM World Trade Corporation	3,013,400	4.99
7	Permodalan Nasional Berhad	2,884,626	4.78
8	Malaysian Assurance Alliance Berhad (As Beneficial Owner)	2,424,000	4.01
9	Wan Mohamed Fusil Wan Mahmood	2,375,940	3.93
10	Bumiputera-Commerce Trustee Berhad <A/c For Mohd. Puzi Ahamad>	2,000,000	3.31
11	Amanah Raya Nominees (Tempatan) Sdn. Bhd <A/c for Amanah Saham Wawasan 2020>	1,952,000	3.23
12	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Amanah Saham Didik)	1,721,000	2.85
13	Amanah Raya Nominees (Tempatan) Sdn. Bhd <A/c for Amanah Saham Malaysia>	1,641,800	2.72
14	Mohd. Puzi Ahamad	1,299,201	2.15
15	Bumiputera-Commerce Nominees (Tempatan) Sdn Bhd <A/c For Wan Mohamed Fusil Wan Mahmood >	1,000,000	1.66
16	HSBC Nominees (Tempatan) Sdn. Bhd. (OSK-UOB Small Cap Opportunity Unit Trust)	700,000	1.16
17	Bumiputera-Commerce Trustee Berhad <A/c For Ramli Amat>	500,000	0.83
18	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Mayban Dana Yakin)	494,700	0.82
19	AMMB Nominees (Tempatan) Sdn. Bhd. (A/c for SBB Dana Al-Ihsan)	431,600	0.71
20	Low Kong Boo	417,000	0.69
21	Alliancegroup Nominees (Tempatan) Sdn Bhd <A/c For Wan Mohamed Fusil Wan Mahmood >	400,000	0.66
22	Pharida Sulaiman @ Philomena Sulaiman	371,000	0.61
23	John Hancock Life Assurance (Malaysia) Berhad	318,000	0.53
24	Amanah Raya Nominees (T) Sdn. Bhd. (A/c for Mayban Dana Ikhlas)	300,000	0.50
25	Mayban Securities Nominees (Tempatan) Sdn Bhd <A/c For Noor Azman @ Noor Hizam bin Mohd Nordin>	300,000	0.50
26	Ramli Amat	264,963	0.44
27	HSBC Nominees (Tempatan) Sdn. Bhd. <A/c For Employees Provident Fund Board>	262,200	0.43
28	Wong Ta Nooy @ Wong Keng Yong	248,000	0.41
29	Citicorp Nominees (Tempatan) Sdn Bhd <A/c For Datin Nor Hayati Binti Abd Malik>	227,000	0.38
30	Safiah Sulaiman Ismail	200,000	0.33
	Total	51,185,061	84.76

Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of the Company will be held at The Auditorium, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Monday, 31st May 2004 at 2.30 p.m. for the following purposes:

Agenda

1. To receive and adopt the Audited Accounts for the year ended 31st December 2003 together with the Reports of Directors and Auditors thereon. **Resolution 1**
2. To approve a First and Final Gross Dividend of 13% less tax and 3% tax exempt, for the year ended 31st December 2003. **Resolution 2**
3. To approve Directors' Fees for the year ended 31st December 2003. **Resolution 3**
4. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:
 - i. Dato' Dr. Mohamad Zawawi Ismail **Resolution 4**
 - ii. Zaiton Mohd. Hassan **Resolution 5**
 - iii. Dato' Wan Abdullah Mohamad **Resolution 6**
5. To re-appoint Messrs. PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**
6. As Special Business, to consider and, if thought fit, to pass the following Ordinary Resolution:

"THAT pursuant to Section 132D of the Companies Act, 1965 the Directors be and are hereby authorised to 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, deem fit including but not limited to such shares as may be issued pursuant to the Employees' Share Option Scheme of the Company provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the Issued Share Capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies for such issue and allotment."

Resolution 8

BY ORDER OF THE BOARD
JASNI ABDUL JALIL (MACS 01359)
LEE LOONG FOOK (MAICSA 0767097)
Company Secretaries
Subang Jaya
7th May 2004

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.
3. All forms of proxy should be deposited at the Company's Share Registrar's Office at Malaysian Share Registration Services Sdn. Bhd. Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
4. The proposed Ordinary Resolution No. 8 under item 6 if passed, will authorised the Directors of the Company to allot and issue up to ten per cent (10%) of the issued capital of the Company for time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting will expire at the next Annual General Meeting of the Company.

Additional statements

1. As stated in the Notice of Annual General Meeting on page 62 of this Annual Report, the Directors standing for re-election are:

Pursuant to Article 104 of the Company's Articles of Association:

- i. Dato' Dr. Mohamad Zawawi Ismail
- ii. Zaiton Mohd. Hassan
- iii. Dato' Wan Abdullah Mohamad

Details of the Directors standing for re-election are as stated in the Directors' profile column in pages 8 to 9.

2. Securities holdings of all Directors in the Company is as stated in page 60.
3. Details of Board Meetings and the attendance of Directors at those meetings are as stated on page 12.
4. The Twenty Second Annual General Meeting of the Company will be held at The Auditorium, Menara Mesiniaga, 1A, Jalan SS16/1, 47500 Subang Jaya on Monday, 31st May 2004 at 2.30 p.m.

Notice of book closure

NOTICE IS ALSO HEREBY GIVEN that the Register of members will be closed on 4th June 2004 to determine shareholders' entitlement to the dividend payment.

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

- a. Shares transferred into the Depositor's Securities account before 4.00 p.m. on 3rd June 2004 in respect of ordinary shares.
- b. Shares bought on the Bursa Malaysia on a cum entitlement basis according to the rules of Bursa Malaysia.

The final dividend, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on 24th June 2004 to shareholders whose names appear in the Record of Depositors on 4th June 2004.

BY ORDER OF THE BOARD
JASNI ABDUL JALIL (MACS 01359)
LEE LOONG FOOK (MAICSA 0767097)
Company Secretaries
Subang Jaya
7th May 2004

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Mesiniaga

I/We _____

of _____

being a member of the abovementioned Company, hereby appoint _____

of _____

or failing him _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty Second Annual General Meeting of the Company, to be held on Monday, 31st May 2004 at 2.30 p.m. and at any adjournment thereof. The proxy is to vote on the resolutions set out in the Notice of Meeting as indicated, with an "X" in the appropriate space. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

Resolution	For	Against
1		
2		
3		
4		
5		
6		
7		
8		

Signature of Shareholder _____

No. of Shares held

Note :

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney.

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STAMP

MALAYSIAN SHARE REGISTRATION SERVICES SDN. BHD.
LEVEL 26, MENARA MULTI PURPOSE, CAPITAL SQUARE
NO. 8, JALAN MUNSHI ABDULLAH
50100 KUALA LUMPUR

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MESINIAGA BERHAD
79244V

Menara Mesiniaga

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Selangor Darul Ehsan

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