3. INTRODUCTION & DETAILS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 3 October 2003.

Approvals have been obtained from the KLSE and SC for the proposed listing of Scope. Approval has also been obtained from the KLSE for the admission of Scope to the Official List of the MESDAQ Market, and for the listing of and quotation for the entire issued and paid-up share capital of Scope including the Public Issue Shares which are the subject of this Prospectus. These Shares will be admitted to the Official List on the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. The KLSE and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiaries or of its Shares.

A copy of this Prospectus has been registered with the SC and lodged with the Registrar of Companies, who take no responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed the securities of the Company to be deposited with the MCD. In consequence thereof, the Public Issue Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the MCD.

An applicant for the Public Issue Shares should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The written consents of the Adviser, Sponsor, Joint Placement Agents, Joint Managing Underwriters, Underwriters, Company Secretary, Registrar, Principal Bankers, Solicitors for the Listing and Issuing House to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report, and their letter relating to the Proforma Consolidated Balance Sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by Scope. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 Purpose of the Public Issue

The purpose of the Public Issue are as follows:-

(i) To raise funds for the Group's continued operation and expansion, details of which are elaborated in Section 3.7 of this Prospectus;

(ii) To enable the Company to have access to the capital market for its future expansion and growth;

(iii) To provide an opportunity for investors, both local and international, eligible Directors and employees of the Group to participate in the equity growth of the Group; and

(iv) To obtain the listing of and quotation for the entire issued and paid-up capital of Scope on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Group.

3.3 Critical Dates for the Public Issue

The tentative timetable for the Public Issue is set out below:-

Event	Date
Date of this Prospectus / Opening date	3 October 2003
Closing date	16 October 2003
Tentative balloting date	22 October 2003
Tentative date for despatch of notice of allotment to successful applicants	5 November 2003
Tentative listing date	11 November 2003

The Public Issue will close at the date stated above or such later date as the Directors of Scope together with the Joint Managing Underwriters may in their absolute discretion mutually decide, subject to the approval of the KLSE.

3.4 Particulars of the Public Issue

	RM
Issued and Fully Paid-Up Share Capital:	
185,800,000 ordinary shares of RM0.10 each	18,580,000
To be Issued Pursuant to the Public Issue:	
64,200,000 ordinary shares of RM0.10 each	6,420,000
Enlarged Share Capital	
250,000,000 ordinary shares of RM0.10 each	25,000,000

There is only one class of shares in the Company, namely ordinary shares of RM0.10 each. The Public Issue Shares shall rank pari passu in all respects with the existing Shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of the Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of liquidation of the Company, such surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with its Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

The Public Issue of a total of 64,200,000 Shares at the Issue Price of RM0.20 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner:-

(i) 3,000,000 Shares to be made available for application by general public, both domestic and foreign, to be allocated via ballot, of which 30% is to be set aside for Bumiputera individual, companies, societies, co-operatives and institutions;

(ii) 3,800,000 Shares to be made available for application by eligible Directors and employees of the Group as follows:-

(a) 1,050,000 Shares have been reserved for the following Directors:-

Name of Directors	Pink Form Allocation
Too Ah Lake	500,000
Lee Chin Hwa	500,000
Lau Chin Wee	50,000

(b) 2,750,000 Shares have been reserved for 186 employees of the Group based on the following criteria as at the cut-off date of 4 July 2003:-

- Designation;
- Length of services; and
- Job performance.

The above allocation has been approved by the Board on 9 September 2003.

(iii) 22,000,000 Shares to be reserved for application by Bumiputera investors approved by MITI; and

(iv) 35,400,000 Shares to be made available for application under private placement to retail and institutional investors.

The Public Issue Shares in respect of paragraphs (i) and (ii) and 14,173,500 of the Public Issue Shares in respect of paragraph (iv) have been fully underwritten by the Underwriters. The remaining 21,226,500 of the Public Issue Shares in respect of paragraph (iv) are not underwritten as the respective placees have given their irrevocable undertakings to subscribe for their placement Shares.

In the event of an under-subscription in paragraphs (ii) and (iii) above, all Shares not subscribed for will be made available for subscription by the public under paragraph (i). Any further Shares not subscribed for will be made available for placement under paragraph (iv) above. Similarly, Shares not subscribed for under paragraph (iv) above will be made available for subscription by the public in paragraph (i). There is no minimum subscription rate for the Public Issue Shares as they are fully underwritten.

The basis of allocation to be determined shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market for the Shares.

In the event of an overall under-subscription of the Shares in paragraphs (i) and (iv), all the Shares not applied for will be made available for subscription by the Underwriters in proportions specified in the Underwriting Agreement dated 16 September 2003.

3.5 Pricing of the Public Issue

Prior to the offering, there has been no public market for the Shares. The Issue Price of RM0.20 per Share was agreed between the Company and the Joint Managing Underwriters. Among the factors considered in determining the Issue Price, in addition to prevailing market conditions, were the Group's estimates of its business growth potential and revenue prospects, an assessment of the Group's management and the consideration of the aforesaid factors in relation to market valuation of companies in related business.

The Issue price of RM0.20 per Share represents a premium of RM0.07 or approximately 54% over the Proforma Consolidated NTA of Scope upon listing, based on the Proforma Consolidated Balance Sheets of Scope as at 30 June 2003.

3.6 Underwriting

The Underwriters mentioned herein have agreed to underwrite 3,000,000 of the Public Issue Shares to be offered to Malaysia public, 3,800,000 of the Public Issue Shares to be offered to eligible Directors and employees of the Group and 14,173,500 of the Public Issue Shares which are placed out to selected investors.

The salient terms of the Underwriting Agreement dated 16 September 2003 entered into between the Company and the Underwriters stating events which may affect the underwriting arrangement are summarised as follows:-

"14. Termination

14.1 Notwithstanding anything contained in this Agreement, the Underwriters and/or the Joint Managing Underwriters (as the case may be) may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel and withdraw their Underwriting Commitment if:

14.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 11 (Representations, Warranties and Undertakings), which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to the Company; or

14.1.2 there is failure on the part of the Company to perform any of its obligations contained in this Agreement; or

14.1.3 there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Shares issued under the Public Issue; or

14.1.4 there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or

14.1.5 there shall have occurred, or happened any of the following circumstances:

14.1.5.1 any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

14.1.5.2 any change in law, regulation, directive, policy or ruling in any jurisdiction; or

14.1.5.3 any event or series of events beyond the reasonable control of the Underwriters including (without limitation) acts of government, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Issue or pursuant to the underwriting of the Underwritten Shares;

which, in the reasonable opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the listing of the Company on the MESDAQ Market or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

14.2 Upon any such notice(s) being given pursuant to Clause 14.1 (Termination), the Underwriters shall be released and discharged of their obligations without prejudice to their rights under this Agreement, and where the Underwriters have terminated or withdrawn their Underwriting Commitments pursuant to Clause 14.1 (Termination), this Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under Clause 11 (Representations, Warranties and Undertakings) and under Clause 12 (Costs and Expenses) for the payment of costs and expenses already incurred up to the date of or in connection with such termination and under Clause 8.3.2 (Prospectus and Listing) for the payment of any taxes, duties or levies, and for any antecedent breach."

3.7 Utilisation of Proceeds

The Company expects the gross proceeds of the Public Issue to amount to RM12.84 million. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on MESDAQ Market.

The proceeds from the Public Issue of RM12.84 million are proposed to be utilised for the following:-

Purpose	Notes	RM'000
Financing of the construction of a new factory building	(i)	5,000
Repayment of bank borrowings*	(ii)	1,500
Working capital	(iii)	4,840
Estimated listing expenses*	(iv)	1,500
TOTAL		**12,840**

Notes:-

* *Any variation in the actual repayment of bank borrowings and actual listing expenses from their estimated amount will be adjusted in the working capital.*

(i) *As part of its expansion plan to increase sales, the Group plans to build an additional factory. SMSB has on 22 February 2003 completed the Sales and Purchase Agreement with Aliran Akar Sdn Bhd to acquire a piece of land adjacent to Scope's current factory at Kawasan Perindustrian Parit Buntar and measuring approximately 8,096 square metres ("Land"). The purchase consideration for the said acquisition of approximately RM806,087 was financed by the Group's internally generated funds. A total of RM5.0 million of the proceeds is earmarked to finance the eventual construction of a new double-storey factory building on the Land. The estimated total construction cost of the factory is approximately RM5.0 million. It is expected that the construction of the new factory will commence in the 3rd quarter of financial year 2004 and will be completed in the 3rd quarter of financial year 2005.*

(ii) *The Group proposes to set aside a total of RM1.5 million of the proceeds for the repayment of the Group's bank borrowings. The Group will, upon receipt of the listing proceeds, repay the outstanding bank borrowings in the most appropriate way to maximise interest cost savings. As at 22 September 2003, the total borrowings of the Group were approximately RM2.966 million comprising the following:-.*

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Lender	***Type of Facility***	***Amount Outstanding as at 22 September 2003 RM'000***
RHB Bank Berhad ("RHB")	*Term loan 2*	*168*
RHB	*Term loan 3*	*483*
Malaysian Industrial Development Finance Bhd ("MIDF")	*Term loan 1*	*373*
MIDF	*Term loan 2*	*618*
Public Finance Bhd / Southern Finance Bhd / HSBC Bank Malaysia Berhad	*Hire purchase*	*1,324*
		**2,966*

Note:

* *As the Group is currently servicing/repaying its loan, the amount of bank borrowings outstanding upon listing may be lower. Any excess funds pursuant to the settlement of the bank borrowings will be adjusted in the working capital.*

The repayment of RM1.5 million of these borrowings is expected to result in an interest savings of approximately RM120,000 per annum to the Group, based on average interest rate of 8%.

(iii) As the Group is moving towards turnkey contract manufacturing, the Group would need more working capital to fund the purchase of raw materials and other operational expenses. The Group plans to set aside RM4.84 million of the proceeds for day-to-day working capital requirements. The proceeds may also be utilised to purchase new machineries as and when the need arises.

(iv) Details of the estimated listing expenses are set out in Section 3.8 below.

The proforma impact of the utilisation of proceeds on the Consolidated Balance Sheets of Scope as at 30 June 2003 is reflected in Section 13 of this Prospectus.

It is intended for the above-mentioned proceeds of RM12.84 million to be utilised within two (2) years from the listing date.

3.8 Brokerage, Underwriting & Listing Expenses

Underwriting commission (including management fee) is payable by the Company to the Joint Managing Underwriters and Underwriters at the rate of 3.0% and 1.0% of the Issue Price for 3,000,000 of the Public Issue Shares to be offered to the Malaysian public and 3,800,000 of the Public Issue Shares to be offered to eligible Directors and employees of the Group respectively. Underwriting commission (including management fee) is also payable by the Company to the Joint Managing Underwriters and Underwriters at the rate of 1.5% and 3.0% of the Issue Price for the 14,173,500 of the Public Issue Shares which are placed out to selected investors within three (3) days from the date of the Prospectus and three (3) days after the date of the Prospectus respectively.

Brokerage is payable by the Company at the rate of 1.0% of the Issue Price in respect of the successful applications for the Public Issue Shares which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

Listing expenses are estimated at RM1.5 million, with the following estimated breakdown:-

	RM'000
Professional fees	550
Fees of the authorities	50
Underwriting fee, placement and brokerage fees	100
Printing and advertising fees	300
Miscellaneous	500
Total	1,500

3.9 Future Financials

No profit forecast and projections are included in this Prospectus as it is difficult to forecast due to the uncertain nature and inherent risks of the business of the Group. Please refer to Section 4 "Risk Factors" of this Prospectus for further details.

4. RISK FACTORS

If you are unsure about any of the information contained in this section on "Risk Factors", you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the Shares offered by this Prospectus. The discussions in this Prospectus contain certain forward-looking statements that involve risks and uncertainties. Prospective investors are cautioned that such statements are only predictions and that actual results or events when materialised may differ materially from those disclosed in this Prospectus.

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors", "Financial Information" and " Business and Operational Overview", as well as those discussed elsewhere in this Prospectus.

4.1 No Prior Market for Scope's Shares and Possible Volatility of Share Price

There has been no prior public market for the Company's shares. The Issue Price was agreed between the Company and the Joint Managing Underwriters based upon several factors and may not be an indication of the market price of the Shares after the Public Issue. See Section 3.5 "Pricing of the Public Issue" for a discussion of the factors considered in determining the Issue Price.

There can be no assurance that an active public market in the Shares will be developed or be sustained after this Public Issue or that the market price of the Shares will not decline below the Issue Price. The Group believes that a variety of factors could cause the price of the Shares to fluctuate, including sales of substantial amounts of the Shares in the public market in the immediate future; announcements of developments relating to the Group's business; fluctuations in the Group's operating results and sales levels; general industry conditions or the world-wide economy.

4.2 Dependence on Directors and Key Personnel

The Group's future performance depends to a significant extent upon the continued efforts and abilities of its Directors and key management personnel, in particular, the Group's Managing Director, Lim Chiow Hoo. Although the Group has purchased key man insurances on Lim Chiow Hoo for a total sum insured of RM1.0 million, the loss of services of Lim Chiow Hoo as well as other key staff would materially and adversely affect the Group's operations. There can be no assurance that the Group can retain these individuals in its employment, or that it will successfully attract and retain additional or replacement personnel with the requisite experience and capabilities to enable the Group to effectively evaluate, develop and market the Group's production capabilities.

As a mitigating factor, the Group currently enjoys a cordial relationship with its employees. The Group has a large number of long servicing key personnel and low turnover of skilled personnel. The Group may also, in order to retain current employees and attract new employees, implement an employee share option scheme in the near future. The Group believes that by increasing its profile through the listing of the Company on the MESDAQ Market, the Group will be able to attract suitably qualified personnel to play an active role in the growth of the Group.

4.3 Business Risk

The Group is not insulated from general business risks as well as risks inherent in the manufacturing industry and those which are specific to the electronics industry. These may include constraints in labour supply; increase in cost of labour and operating costs; adverse changes in general economic, business and credit conditions; unfavourable changes in the Government's policies; and introduction of new technologies.

Although the Group seeks to limit these risks through, inter-alia, increasing automation to reduce dependency on labour; efficient cost control; increasing product range; and diversifying customers and suppliers base, no assurance can be given that a change in any of these factors will not have a material effect on the Group's business.

4.4 Competition

The electronics industry, whether internationally or locally, is very competitive. Electronic producers, particularly the MNC, generally impose stringent criteria in selecting their contract manufacturers/assemblers, which include proven track record in assembling high quality products, management capability, delivery dependability and competitive pricing. In this respect, the Group has always been able to meet the standards set by its customers and the Directors of Scope are confident that the Group will continue to remain competitive with strict quality control, low overheads and continuous R&D activities to achieve higher production and operational efficiency.

In addition, local electronics industry also faces the challenges of increasing regional competition, particularly with the emergence of cheaper production locations such as China and Vietnam. Although the Malaysian government has remained committed and has put in place favourable policies to ensure that Malaysia remains as a competitive investment location for MNC, any material adverse changes in the level of foreign investments in Malaysia will adversely impact local electronic companies that form the supply chain of these MNC.

4.5 Global Economic Conditions

On the whole, the electronics industry in Malaysia is largely dependent on global supply and demand conditions. The local electronics industry, hampered by a slowdown in the global demand and falling PCB prices, faced a very challenging market environment in 2001. The industry slowdown had resulted in an adverse impact on the performance of local electronic companies, including that of the Group.

Although the electronic sub-sector has turned around in 2002 after recording four consecutive months of positive growth since February 2002 and is envisaged to gain strength in 2003 *(Source: Economic Report 2002/2003)*, there can be no assurance that a similar slowdown in the electronics industry will not recur. The Group acknowledges that the volatility and cyclical nature of the electronics industry exposes the Group to competitive pressures. Nonetheless, the Board is confident that the risk of the Group with regards to the sensitivity of the electronics industry to the economic downturns is mitigated to a certain extent by the competitive strengths inherent in the Group, as set out in Section 5.9 "Competitive Advantages" of this Prospectus. In addition to the factors set out therein, the Group believes that the factors set out below will also help to sustain its ability to weather the effects of a slowdown in the electronics industry:-

- The Group operates its business on a "build-to-order" basis, whereby it assembles electronic components and products in response to electronic manufacturers' orders. As the Group does not market its products to end-users, the Group is dependent on the market ranking and reputation of its customers to ensure its continued success. The PCB assembly of the Group are presently undertaken for established brand names with regional/international markets such as "Yamaha", "Omni Precision", "Technical Concepts" and "Tamiya". Such reputed brands generally have stringent criteria in selecting their contract manufacturers, foremost of which are proven track record in producing high quality products, competitive pricing and delivery dependability. Further, to safeguard their reputation in the market place, it is unlikely for reputed brands to appoint any companies that do not have the required past experience as its suppliers. In this respect, the Group has always met with all the criteria imposed and as such, believes that the risk of it not being able to sustain its present job orders is minimal;

- The Group has the technology and resources to assemble a wide array of PCB and has undertaken the assembly of PCB for a range of electronic products such as audio hi-fi, telephone sets, computer peripherals, electronic toys and games etc. This diversity has help sustained the Group and enable the Group to deal with different product cycles; and

- The Group believes that its product mix will enable it to be more resilient to the slowdown in the electronics industry. The PCB assembly business of the Group focuses mainly on PCB for electronics products in high-growth industries like audio, telecommunications and computers. These products, characterised by rapid rates of technological changes, require their manufacturers to constantly undertake technology upgrades and advancement of their products in order to achieve competitive advantage. For example, the audio hi-fi of Yamaha has undergone several model improvements since 1996, resulting in the corresponding increase in the sophistication of the PCB assembled by the Group. The Group believes that the continuous improvements and technological developments underpinning growth in these market sectors will continue to drive the demand of its components, including PCB.

4.6 Dependence on Customers/Major Customer

As a contract manufacturer, the Group is dependent on its customers for continued orders as the Group is unable to market its products to end-users. In particular, approximately 52% of the Group's revenue for the financial year ended 30 June 2003 was derived from the sales to one single customer, i.e. Yamaha. The Group's relationship with Yamaha has spanned over 7 years, during which the Group has built a strong working relationship with Yamaha by proving its capability to produce competitive and quality products on time. Testament to this is Yamaha's repeat orders as well as the increase in the variety of PCB assembly undertaken by the Group for Yamaha over the years. Given these considerations, the Directors of Scope are of the view that any risk of withdrawal of the contracts given by Yamaha to the Group in the future is mitigated by the said established relationship.

The Group has taken efforts to constantly source for new customers as well as increase its product range. For the past two (2) years, the constraints in its manufacturing capacity had impeded the Group's ability to accept orders from new customers. In response to the increasing demand for its services, the Group has acquired the land adjacent to its current factory for the construction of a new factory. The Group expects that the commissioning of its second plant (estimated to be in the 3rd quarter of FYE 2005) will enable the Group to double its present production capacity, thus allowing the Group to add new customers and reduce its dependency on its major customers.

The Group has also recently undertaken the higher value added activity of an OBM by producing and marketing its own end products to the customers. As todate, the Group has successfully marketed its computer peripherals in local market as well as to overseas markets such as Thailand and Vietnam. Such undertaking, albeit not significant at present, will certainly provide the Group with an opportunity to further increase its customers base as well as product range.

4.7 Absence of Long Term Contracts

It is an industry norm for electronic producers not to enter into long-term contracts with their contract manufacturers. Presently, there are no long-term contracts between the Group and its customers. The failure to secure future orders due to the absence of long-term contracts would inevitably have a material adverse effect on the Group's future financial performance.

Nevertheless, the Group has a proven track record in delivering quality products at competitive prices on time. As an approved supplier, the Group has always satisfied the stringent demand imposed by its customers, thus enabling long-standing business relationships to continue. The said factor, coupled with the efforts taken by the Group to widen its customer base, as elaborated in Section 4.6 of this Prospectus, will serve to strengthen its ability to sustain its present job orders.

4.8 Technology and Machinery

There is a high degree of automation in the Group's production process and the Group currently uses the "through-hole" technology and SMT in its assembly of PCB. The Group faces the risks of machinery breakdown and future technological advancement, which may reduce its competitive advantage or introduce future machinery problems.

To avoid major breakdowns, the machineries are constantly monitored and maintained. Further, the Directors of Scope believe that the technologies adopted by the Group will continue to be used in the foreseeable future due to the high investment cost required to replace these technologies.

4.9 Foreign Exchange Fluctuations

The Group is also exposed to foreign exchange fluctuation risks. The Group presently transacts all transactions with overseas suppliers and buyers in USD. However, the current pegging of RM at RM3.80 : USD1.00 has also, to certain extent, stabilised the Group's risks to the fluctuation of foreign exchange. This, coupled with the fact that its exports and imports do not represent a material amount has enabled the Group to mitigate the risks of any material foreign exchange losses.

However, the Group may, due to customers' requirements, increase its imported raw materials in the future. The Group also has plans to further develop its foreign markets. In this respect, there can be no assurance that the existing currency pegging or currency controls will remain and that future foreign exchange fluctuations arising from the changes in the currency pegging or lifting of the currency controls will not adversely impact the Group.

4.10 Management of Growth

The Group plans to utilise part of the proceeds of the Public Issue to expand its business. Such anticipated expansion will likely place further demand on the Group's existing management and operations. The Group's future growth and profitability will depend, in part, on its ability to successfully manage its marketing activities and implement management and operating systems which react efficiently and timely to short and long-term trends or changes in its business. As a mitigating factor, the Group has experienced management and production personnel to support its expansion plans. However, there can be no assurance that the Group will be able to effectively manage any expansion of its business.

4.11 Need for Future Capital Injection

It is the Group's opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet its projected working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The issue of additional equity or other securities to non-shareholders will result in a further dilution in the interest of the shareholders of the Company.

The continued availability of credit lines has an important bearing on the operations and capital expenditure plans of the Group. As such, there can be no assurance that the creditors that have extended credit will continue to make available the funding facilities required. Furthermore, there is no assurance that the current assets of the Group will be realised on a timely basis, to meet the obligations of the Group as and when they fall due.

4.12 Acquisitions and Joint Ventures

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies, or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business, or to benefit from such acquisitions and joint ventures. Acquisitions and joint ventures may cause the Group to seek additional capital which may or may not be available on satisfactory terms.

4.13 Ownership and Control of the Company

Following the Public Issue, the Promoters, i.e. Lim Chiow Hoo and Lee Min Huat, will collectively hold approximately 51% of Scope's issued and paid-up share capital upon listing. As a result, these shareholders, acting together, will possess voting control over the Company, giving them the ability, amongst others, influence the appointment of the Board of Directors and certain corporate transactions. As a step towards good corporate governance, the Group has appointed independent Directors and an audit committee is also in place to ensure that all future transactions involving related parties, if any, are entered on arms-length terms.

4.14 Disclosure Regarding Forward-Looking Statements

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by Scope, Directors or employees acting on the Company's behalf, that are not statements of historical fact, constitute "forward-looking statement". Investors can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to the Company's revenue and profitability, cost measures, planned strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

4.15 Uncertainty in the 5-Year Business Development Plan

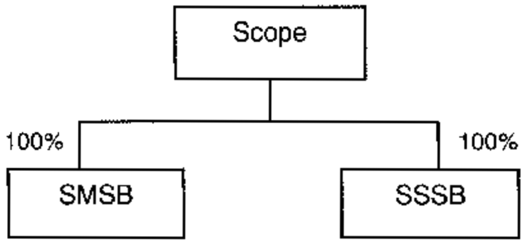
The Group's future plan and prospects will be dependent upon, among other things, the Group's ability to enter into strategic marketing or other arrangements on a timely basis and on favorable terms; hire and retain skilled management as well as financial, technical, marketing and other personnel; successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls); and obtain adequate financing as and when needed. As a mitigating factor, the Group has been in operations since 1991 and its management is experienced in the electronics industry. Nevertheless, there can be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or even deviation from its original plans. In addition, the actual results may deviate from the business plan due to rapid technological changes, market as well as competitive pressures.

5. BUSINESS AND OPERATIONAL OVERVIEW

5.1 History of the Group

Scope was incorporated in Malaysia on 2 September 2002 under the Act as a public company to facilitate the listing of Scope on the MESDAQ Market. Scope is principally an investment holding company with two (2) wholly-owned subsidiaries, namely SMSB and SSSB. Scope does not have any associate company.

The current group structure of the Group is as follows:-



The Group, via SMSB, is principally involved in the manufacturing and assembly of electronic components and products with specialisation in audio and telecommunication products. The activities undertaken by the Group include but not limited to the following:-

- PCB assembly for electronics products such as audio hi-fi equipments, computer peripherals, base telephone sets, automated hygiene system, electronic dart board and remote control for electronic toys and games; and

- Assembly of electronic products such as electric meter cover cassette and CD player.

The PCB assembly business of the Group was set up in November 1991. The Group initially operated in a 2-storey shop house at Pekan Baru, Parit Buntar, Perak with a production floor space of approximately 1,000 sq. ft. In 1995, the Group expanded its operations of assembling PCB for office and telecommunication equipments into 6 adjacent shop houses and its production floor space increased to approximately 6,000 sq. ft. In the same year, the Group automated its insertion processes with the purchase of 3 automated insertion machines. The Group also recorded a significant milestone in 1995 when it procured contracts from Yamaha, a local-based MNC, to assemble PCB for its audio hi-fi equipments. Due to the increasing demand in the PCB assembly business, the Group increased its automatic insertion machines from 3 to 6 in 1996. In 1998, the production floor space was more than tripled its previous space to 20,000 sq. ft. with 8 automatic insertion machines.

In 1999, continued growth and space constraints resulted in SMSB relocating to its current assembly plant at Kawasan Perindustrian Parit Buntar, Perak. The factory has an initial production space of 30,000 sq. ft. During the year, the Group ventured into applying SMT in its PCB assembly and increased its automatic insertion machines from 8 to 12 units. With the employment of SMT, the Group was able to undertake the assembly of more sophisticated PCB. In 2000, SMSB further increased its production floor space to approximately 58,000 sq. ft. with 4 SMT assembly lines and 16 automatic insertion machines for the PCB assembly. As at 22 September 2003, the Group has a total of 6 SMT assembly lines, 18 automatic insertion machines, 7 manual insertion assembly lines and 2 final assembly lines for assembly of PCB/electronics products. The total staff strength of the Group as at 22 September 2003 was 456 employees.

In December 2002, SSSB was incorporated as the sales and marketing arm of the Group to promote and distribute electronic products produced by the Group.

Details of the subsidiaries of Scope are set out in Section 5.3 of this Prospectus.

5.2 Share Capital And Changes In Share Capital

Scope's present authorised share capital is RM50,000,000 comprising 500,000,000 Shares.

The present issued and paid-up share capital of the Company is RM18,580,000 comprising 185,800,000 Shares. Upon completion of the Public Issue, the enlarged issued and paid-up share capital of Scope will be RM25,000,000 comprising 250,000,000 Shares.

The details of the changes in the Company's issued and paid-up share capital since its incorporation are set out below:-

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
02.09.2002	2	1.00	Subscribers' shares	2
03.07.2003	18,579,998	1.00	Acquisition of SMSB	18,580,000
08.07.2003	185,800,000	0.10	Share Split	18,580,000
Upon listing	64,200,000	0.10	Public Issue	25,000,000

5.3 Information on Subsidiaries

5.3.1 Information on SMSB

SMSB was incorporated in Malaysia on 20 November 1991 under the Act as a private limited company. SMSB is principally engaged in the manufacturing and assembling of electronics components and products.

SMSB's present authorised share capital is RM5,000,000 comprising 5,000,000 SMSB Shares. The present issued and paid-up share capital of SMSB is RM3,220,000 comprising 3,220,000 SMSB Shares.

SMSB is a wholly-owned subsidiary of Scope. SMSB does not have any subsidiary or associate company.

The changes in the issued and paid-up share capital of SMSB since its incorporation are as follows:-

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
20.11.1991	3	1.00	Subscribers' shares	3
20.12.1993	3,000	1.00	Cash @ RM1.00	3003
01.03.1994	16,997	1.00	Cash @ RM1.00	20,000
14.06.1994	80,000	1.00	Cash @ RM1.00	100,000
22.08.1994	100,000	1.00	Cash @ RM1.00	200,000
05.12.1997	400,000	1.00	Cash @ RM1.00	600,000
02.06.1999	1,400,000	1.00	Bonus Issue at the ratio 7:3	2,000,000
01.06.2000	520,000	1.00	Cash @ RM3.50	2,520,000
10.06.2003	700,000	1.00	Rights Issue at the ratio 5:18 @ RM1.00	3,220,000

5.3.2 Information on SSSB

SSSB was incorporated in Malaysia on 18 December 2002 under the Act as a private limited company. The principal activities of SSSB are that of marketing and sales of electronic products.

The present authorised share capital of SSSB is RM2 comprising 2 ordinary shares of RM1.00 each. The present issued and paid-up capital of SSSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

SSSB is a wholly-owned subsidiary of Scope. SSSB does not have any subsidiary or associate company.

The changes in the issued and paid-up share capital of SSSB since its incorporation are as follows:-

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
18.12.2002	2	1.00	Subscribers' shares	2

5.4 Nature of Business

The Group principally features as a contract manufacturer for electronic producers, both local and international. As a contract manufacturer, the Group undertakes the assembling of PCB, both on turnkey and consignment basis, upon receipt of firm orders from its customers. The arrangement is that the customers will supply the requisite electronic components (such as PCB, IC, transistor etc) to the Group, who then undertake the whole manufacturing processes of integrating these electronic components or devices onto the PCB based on specifications supplied by the customers. In instances where the Group undertakes the full turnkey of PCB assembly, the Group would source for the required raw materials. In addition, the Group also extends its scope of work to the integration of assembled PCB into finished products and the assembly (whether sub-assembly or final assembly) of final electronic products. The completed PCB/electronic products are eventually returned to the customers locally and re-exported to countries such the USA and countries in Asia and Europe.

The Group generally receive the contract manufacturing specifications from its customers 1-2 months in advance to allow the Group to plan its production schedule. Presently, consistent with the industry norm, there are no long-term contracts between the Group and its customers. However, the Group's relationships with its customers are regulated via annual sales and purchase agreements based on quality, pricing and timely delivery of the products. In the past, the Group has consistently met its customers' requirements in terms of quality, cost and delivery.

The Group has, however, moved on from engaging solely in contract manufacturing activities to becoming an OBM. In 2002, SSSB was established as the sales and marketing arm of the Group, to market and distribute the end products of the Group. The Group has successfully marketed its computer modem, under the brand name "Scope Surfnet", in Malaysia as well as in overseas markets such as Thailand and Vietnam.

5.5 Location and Production Facilities

The Group operates from its double-storey factory located at Lot 6181, Jalan Perusahaan 2, Kawasan Perindustrian Parit Buntar, 34200 Parit Buntar, Perak. The building is situated on a piece of leasehold land (expiring in year 2049) measuring approximately 65,340 sq. ft. with a built-up area of approximately 58,040 sq. ft.

The factory is equipped with integrated PCB/product assembly facilities and machines comprising the following:-

- **6 SMT Insertion Lines**
  - 5 units of glue dispensers
  - 4 units of solder paste printers
  - 20 units of surface mount device chips / integrated circuit mounters
  - 7 units of ovens

- **18 Automatic Insertion Machines**
  - 10 units for Radial Component (RH) insertion process
  - 4 units for Jumper Wire (JV) insertion process
  - 4 units for Axial Component (AX) insertion process

- **7 Manual Insertion Assembly Lines**
  - 6 units of chain conveyors
  - 4 units of belt conveyors
  - 6 units of automatic wave soldering machines
  - 2 units of flux sprayer machines

- **2 Final Assembly Lines**
  - 2 units of fully automated chain conveyor lines

- **8 Testing Equipments**
  - 7 units of in-circuit testers
  - 1 unit of function tester

The Group currently utilises an array of complimentary assembly techniques, including "through-hole" technology and SMT in the assembly of PCB. Depending on the PCB design or requirements (whether single, double or multi-layered PCB, and in either simple or complex configurations) the "through-hole" technology and/or SMT may be applied.

The factory is currently running on an 8-hour production shift for its manual insertion and final assembly lines while its SMT and automatic insertion lines operates 24 hours daily. The Group's annual production output and capacity for the financial year ended 30 June 2003 are as follows:-

	Production Output	**Production Capacity**
PCB Assembly ('000)	354,159 points	464,797 points
Completed Assembly ('000)	795 units	1,248 units

There have been no major disruptions in the operations of the plant in the past 12 months.

5.6 Major Customers and Principal Markets

The Group supplies to both local and multi-national electronic producers. The list of the Group's major customers as at 30 June 2003 (being the date of the latest available audited consolidated financial statements of Scope) is as follows:-

Customers	Length of relationship (Years)	End Product
(>10%)		
Yamaha	8	Audio hi-fi equipment
Omni Precision Sdn Bhd	1	Electric meter cover cassette
(>5-10%)		
Alif Manufacturing Sdn Bhd	2	Telephone set
Rapid Growth Technology Sdn Bhd ("RG")*	3	Automated hygiene system
Trans Industry Sdn Bhd	1	Power supply adapter

Note:-

* *The sales to RG is made pursuant to the manufacturing agreement between Technical Concepts, LP ("TC") and SMSB in relation to which Technical Concepts (Malaysia) Sdn Bhd will prepare and issue the work order to RG, SMSB and various parties involved. SMSB will then receive the purchase order to supply certain products mentioned in the work order from RG and the payment of such products will be invoiced by SMSB to RG. On 6 June 2003, SMSB acknowledged and consented to accept Technical Concepts, LLC as the contracting party under the manufacturing agreement in lieu of TC.*

A substantial proportion of the Group's turnover for the financial year ended 30 June 2003 is derived from its sales to Yamaha. Please refer to Section 4.6 of this Prospectus on the steps taken by the Group to mitigate its dependency on Yamaha.

5.7 Marketing and Method of Distribution

Owing to the nature of its business as a contract manufacturer, the Group supplies the assembled products (PCB/final products) directly to its customers, i.e. the electronic manufacturers. The Group does not carry out any retail business. The Group acknowledges that the establishment and maintenance of good rapport with customers are essential criteria in the successful marketing of the Group's production capabilities. Frequent visits are conducted with its existing customers. The Group also continues, on a regular basis, to forge relationships with new clients. In this respect, the Directors of Scope, namely Lim Chiow Hoo, Lee Min Huat and Tan Eng Siang, are responsible for the overall marketing initiatives of Scope. In servicing their customers, the Directors adopt a very proactive and hands-on approach to managing the business. They meet and deal with the customers personally, enabling them to have a good understanding of the customers' business as well as obtain immediate valuable feedback.

Further, being strategically located at Kawasan Perindustrian Parit Buntar, the Group is situated near its major customers, and can easily serve the customers located in the northern region of Peninsular Malaysia, such as Penang, Kedah and Perak.

With more than 10 years in the business, the Group has forged strong relationships with its customers by proving its capability to produce quality and competitive products on time. Nevertheless, due to the diverse end-users of PCB, the Group endeavors to increase its pool of customers. With PCB itself is a necessary electronic component in almost all electronic products, the Group is well positioned to increase its product range and increase its presence in the electronics industry, particularly in the high growth sectors such as telecommunications and information technology. Given this, it is within the Group's future plans to increase its marketing function by engaging external professional sales and marketing representatives to secure new business and service its customers.

5.8 Sources of Raw Materials and Major Suppliers

The raw materials required by the Group for the assembly of PCB and final products include electronic components (such as PCB, IC, transistors, resistors, inductors, capacitors, etc) and plastic components.

In the undertaking of PCB/final product assembly on a consignment basis, the requisite components or parts for the assembly of PCB/final products are provided by the customers. However, where the PCB/final product assembly is carried out on a turnkey basis, the Group will source for all the components or parts required. In this respect, the Group works closely with the customers to identify the appropriate parts and supplies to be used. As most of these components or parts are available locally, they are purchased from local suppliers. However, in certain circumstances, the customers may require the Group to source for the components from their approved vendors' list, which may include vendors based overseas. The Group's close relationships with its suppliers have ensured that the supplies required are priced competitively and delivered on time.

Details of the Group's major suppliers as at 30 June 2003 (being the date of the latest available audited consolidated financial statements of Scope) is as follows:-

Suppliers	**Length of Relationship**	**Components Purchased**
> 10%		
Omni Precision Sdn Bhd	1	Plastic casing, probe ring etc.
Alpha Omega Technologies	3	Inductor, transistor, crystal tuning fork etc.
>5-10%		
Trans Industry Sdn Bhd	1	Transformer

The Group is not dependent on any particular suppliers as it has been able to secure the materials required for its operations from various suppliers.

5.9 Competitive Advantages

The Group competes with other local PCB assemblers. Nevertheless, the Group believes it enjoys a competitive advantage over many others due to the following factors:-

- With more than 10 years in the electronics business, the Group has served both local and multinational electronic companies. The Group has always met the stringent demands of its customers by producing quality and competitive products on time and has therefore established long-standing relationships with its customers over the years.

- The Group has the infrastructure, financial and physical capability to support and meet the limit and quality demanded by its customers. Certified to the ISO9001:2000 system in 2001, its current plant is also equipped with sophisticated technologies and machineries to undertake low to high volume/end production. The use of SMT, for instance, has allowed the Group to undertake a faster, more precise and reliable high density mounting of PCB, such as those used in high-end audio hi-fi. Since its inception, the Group has invested more than RM17 million to purchase specialised machineries. The Group also has a strong financial position with low gearing. As at 30 June 2003, the Group has a shareholders' funds of some RM22.0 million and RM2.906 million of borrowings. The strong financial standing of the Group has provided the Group with the required working capital to undertake large orders/contracts from customers.

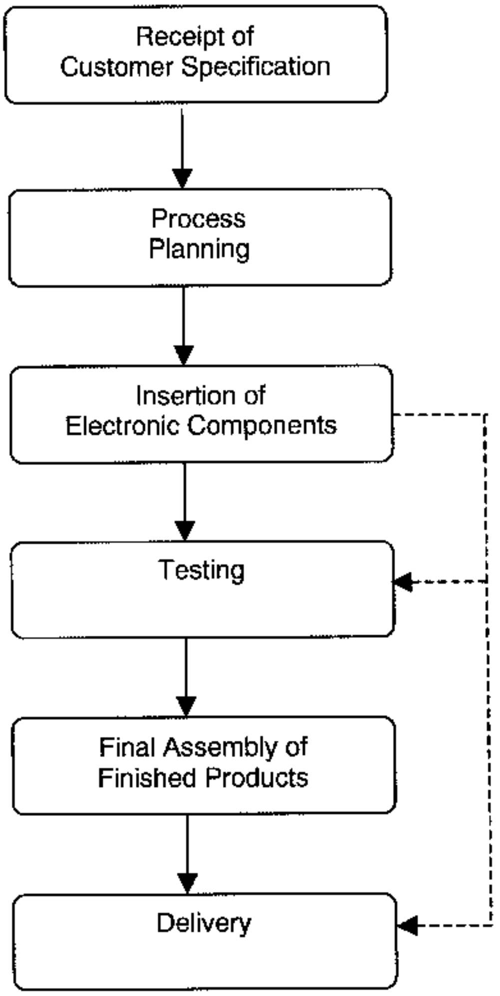
- The Group is led by Lim Chiow Hoo, the founder and Managing Director of Scope. Mr Lim has more than ten (10) years of invaluable years of operating experience in the electronics industry. In the day-to-day running of the Group, Mr Lim takes on a hands-on approach and is supported by a team of professional personnel who have extensive experience and expertise in the electronics industry.

- The Group has the required competency and capacity to render a spectrum of services and solutions to its customers, from the initial stage right up to the finished products. Its range of services includes PCB design and assembly, turnkey or consigned material procurement/management, testing capabilities etc. This has allowed the Group to create value for its customers, thereby allowing the Group to earn a margin of return which is higher than what the Group can achieve if it were to compete solely on price.

- The Group is currently embarking on an expansion program whereby the Group has committed a total of RM5.0 million of the Public Issue proceeds for the construction of a second factory building on the land adjacent to its current plant. With the increase in its capacity, the Group will be able to lower its operating costs, thus further increasing its competitiveness.

5.10 Production Process

The production processes involved in the assembly of PCB and final products are depicted as follows:-



(i) Receipt of Customer Specification

The specifications for the PCB are received from the customers 1-2 months in advance to allow the Group to align its production schedule with the requirements of the customers.

(ii) Process Planning

The specifications received are analysed by in-house engineers to determine the most cost effective and efficient method of assembly. Great emphasis is placed in enhancing the assembly processes of the PCB in order to minimise production cost as well as ensuring that the customers' specifications are complied with. The engineers will also consider the feasibility of the PCB design and requirement and the limitations of the resources available. The engineers will then determine the breakdown of the various stages of the assembly processes.

(iii) Insertion of Electronic Components

The electronic components (such as transistors, resistors, inductors, capacitors and IC) are then inserted onto the PCB using the automatic insertion machines and/or SMT lines.

The automatic insertion involves the use of "through-hole" technology in the production process wherein the electronic components are inserted into the through-holes of the PCB. Depending on the product design and requirement, the PCB may undergo three (3) different types of insertion processes, namely Jumper Insertion, Axial Insertion and Radial Insertion processes. Subsequently, these assembled PCB are soldered through the automated wave soldering machine that binds the electronic components onto the PCB.

The Group also uses SMT in its PCB assembly process. SMT is a method of assembling the PCBs wherein components are mounted onto the surface of the PCB using the solder paste printing and/or glue dispensing processes.

If required, the soldered PCB may also be hand-soldered with electronic components which are too sensitive or bulky to be put through the automated wave soldering machine, such as transformer and wire.

(iv) Testing

The QC personnel will initially perform visual dimensional and functional inspections on these PCB to inspect for any anomalies such as shorts, opens or other problems.

The assembled PCB will subsequently undergo a series of in-circuit and functional testing. The in-circuit tests are aimed at verifying the structural integrity of the PCB (both solder joints and components placement) while the functional tests are intended to verify the circuit performance and function of the PCB (i.e. frequency, setting, rating and sound) with power and stimulated inputs applied to the PCB, usually at speed. Outputs are then measured across the specification range and compared against expected values.

(v) Final Assembly of Finished Products

The final stage in the production process is the assembly of non-electronic components onto the PCB. This involves the assembly of plastic parts and casings for the finished products.

However, in instances where the Group does not assemble the PCB into end-products, this stage in the production process will not be applicable.

(vi) Delivery

Once the product has passed the QC testing, the product will be packed for delivery to customers.

5.11 Quality Assurance and R&D Capabilities

The Group is committed to achieving a high level of quality in all its products, in order to meet the increasing requirements and expectations of its customers. The quality objectives of the Group are achieved through the implementation of quality system procedures, which is regularly reviewed by the management, in the form of documents issued, authorised and controlled by the management. Its quality policy is also well communicated to its employees since their initial induction to the Group so that each employee may learn, understand and practice quality conformance as an integral part of their job functions.

The Group's commitment to quality is evidenced by the international accreditation received by SMSB from BM TRADA Certification Ltd in 2001 certifying that the quality system of SMSB meets the requirements of ISO 9001:2000 and the scope of registration covers "Assembly of Printed Circuit Board and Electronic Products". This endorsement signifies the standard of quality system adopted by SMSB and reflects the Group's continuous efforts to deliver high quality products to its customers. In 2003, SMSB was endorsed by Underwriters Laboratories Inc. ("UL") to use the UL Recognised Component Mark on its printed wiring assemblies whereby each assembly bearing such marking has been verified by UL to comply with either the Canadian or both the US and Canadian safety requirement.

The Group's R&D/QC division consists of a team of four (4) experienced personnel. The activities carried out by this division are mainly concentrated towards the implementation and improvement of QC procedures. Throughout the operations, inspections and testing stages are implemented and any feedback to the assembly processes are immediately conveyed to the production personnel to ensure a quick response to process deviations/improvements is achieved. The Group has also invested in high-end test equipments such as those used in in-circuit test in order to obtain faster and more effective results.

Apart from the above, this division also carries out R&D activities, focusing on process and product development. Presently, the R&D team carries out the redesigning of the PCB in collaboration with the customers' technical advisers, with the objective of achieving a more sophisticated PCB with added functionality at existing cost level. Amongst others, the R&D team is involved in the study of the viability of incorporating new electronic components and assembly technology; construction of prototypes of new or modified PCB; trial production and monitoring of the production cycle; analysis of actual results against plans; and implementation of changes to the products or processes for productivity and quality improvements. In the past years, any expenditure spent on R&D activities has been included as part of the production cost of the Group. For the financial year ended 30 June 2003, the Group recorded an R&D expenditure of approximately RM45,000.

In addition to undertaking the above, the R&D objectives of the Group for the next five (5) years includes the following:-

- To enhance its PCB and overall product design capabilities, in co-operation with the customers' design team, with focus on products with higher-end PCB, such as built-up board and flex-rigid circuit board;
- To research into the application of "lead free" production processes in the assembly of PCB; and
- To develop proprietary designs, process layouts and test procedures for new products.

To achieve its R&D objectives, the following strategies will be adopted by the Group over time:-

- The formation of a dedicated R&D team, i.e. having full time staff dedicated to R&D works;
- The employment of the relevant experts, as and when required, depending on their specialisation and project requirements;
- The allocation of a total funding of RM300,000 per annum for its R&D activities. Subject to the Group's profitability, such funding is expected to be increased in the future;
- The upgrading of the Group's production capabilities through investment in higher precision assembly, design and testing equipments; and
- The upgrading of engineering and technical skills through continuous training or exposure in PCB technology, through the implementation of technology exchange programs for its engineers, including the seconding of its engineers to the customers' operations to collaborate in their R&D activities.

5.12 Employees

As at 22 September 2003, the Group has 456 full-time local employees in the following categories:-

Category	No. of Employees	Average Length of Service (Years)
Managerial and professional	25	7
Technical and supervisory	65	5
Clerical and related occupations	12	4
General workers	10	4
Skilled factory operators	344	4
Total	**456**	

The factory operators are provided with in-house training before they are put on the job. Due to the divergence of products/PCB types and requirements, the Group uses a method of cross-training the employees in the production area to provide the flexibility required to complete a task in accordance with the requirements of the customers. The management, on the other hand, keeps abreast with latest technical developments through working closely with the customers.

The employees are not members of any labour unions and enjoy cordial relationships with the management. There have not been any industrial disputes in the past between the employees and the management.

5.13 Summary of Landed Properties

Details of the property owned by the Group as at 22 September 2003, are as shown below:-

Registered Owner/ Location	Postal Addresss	Description/ Existing Use	Age of Building (Years)	Land Area (Sq. ft.)	Built-Up Area (Sq. ft.)	Tenure and Expiry Date	Cost (RM'000)	Net Book Value as at 30.6.2003 (RM'000)	Note
SMSB/ 65340/174267 portion* of PN 42984, Lot 6181, Mukim Parit Buntar, Kerian, Perak	Lot 6181, Jalan Perusahaan 2, Kawasan Perindustrian Parit Buntar, 34200 Parit Buntar, Perak	Industrial Land/ double storey office with annexed single storey factory building for use as head office and factory	5	65,340	58,040	Leasehold for 60 years (expiring on 16.02.2049)	5,366	4,993	1a to 1d
SMSB/ HS(D) 2841, PT 1803, Mukim Parit Buntar, District of Kerian, Perak	-	Industrial land/ vacant	-	87,120	-	Leasehold for 60 years (expiring on 13.03.2039)	866	844	2

Notes:-

1a *SMSB has applied to Pejabat Daerah Dan Tanah Kerian to subdivide the 65340/174267 portion of the land which is owned by SMSB. The decision of the land office is pending as at 22 September 2003.*

1b *The double storey office together with the annexed single storey factory building and its extensions have been issued certificates of fitness by Majlis Daerah Kerian, Perak on 15 February 2000 and 2 July 2001.*

1c *The land and buildings are currently charged to RHB Bank Berhad for financing facilities granted to SMSB.*

1d *The land cannot be transferred in any way, subleased, charged or encumbered except to one or more persons approved in writing by the Menteri Besar Perak. This condition is exempted as long as the land is owned by Perbadanan Kemajuan Negeri Perak.*

2 *The land cannot be transferred, leased, charged or encumbered without the prior approval of the Menteri Besar Perak. This restriction is exempted as long as the land is owned by Perbadanan Kemajuan Negeri Perak.*

5.14 Approvals, Licences and Permits Obtained

The details of approvals, major licences and permits obtained by SMSB as at 22 September 2003 are as follows: -

Authority	Date of Licence / Registration	Validity of Licence	Nature of Licence / Registration	Equity Condition
MITI	17.05.2001	from 31.03.01[1]	Manufacturing Licence for PCB Assembly	Nil
MITI	19.09.2001	from 16.07.01[1]	Manufacturing Licence for Hi-fi System, Telephone Sets and Computer Peripherals	Nil
MITI	28.06.2003	from 08.05.2003[1]	Manufacturing Licence for Water Heaters, Vacuum Cleaners and Electric Kettles	Nil
Royal Malaysian Customs	03.05.2002	01.05.2003-30.04.2005	Manufacturing Warehouse Licence[2]	Nil
Royal Malaysian Customs	03.05.2002	01.05.2003-30.04.2005	Warehouse Licence[2]	Nil

Notes:-

1 *These licences do not have any expiry date.*

2 *These licences enables SMSB to manufacture and warehouse in its premises, goods liable to customs duty (i.e. PCB, audio hi-fi, telephone, computer parts, controller board, modem, water heater, vacuum cleaner and electric kettle) subject to, amongst others, the conditions that 80% (in terms of value) of the final product are exported and 20% of the final product are sold in the local market.*

5.15 Intellectual Property

The Group's computer modem are marketed and sold under the brand name "Scope Surfnet". The Group has on 5 February 2003 submitted an application to Trade Mark Registry to register the said brand name. The decision of the said application is pending as at 22 September 2003.