

ANNUAL REPORT 2004

Strengthening our position,
SUSTAINING GROWTH



SM SUMMIT HOLDINGS BHD
(287036-X)

REGISTERED OFFICE

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vision

To be a leading provider in storage media serving the needs of Leisure, Entertainment and Software industries.

mission

To maintain leadership in optical storage media manufacturing by providing a one-stop manufacturing solution and delivering the highest quality products and services to our customers in the most efficient manner.

MALAYSIA (Subsidiaries)

SUMMIT AUDIO INDUSTRIES (M) SDN. BHD.
SUMMIT CD MANUFACTURE (M) SDN. BHD.
SM DIGITAL MEDIA SDN. BHD.
No. 9, Jalan 3/91A Taman Shamelin Perkasa
Cheras 56100, Kuala Lumpur, Malaysia
Tel: (03) 9281 1188
Fax: (03) 9287 9959
Website: www.smsummit.com

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

SINGAPORE (Affiliates)

SM SUMMIT HOLDINGS LIMITED
SUMMIT CD MANUFACTURE PTE LTD
SUMMIT HI-TECH PTE LTD
45 Ubi Road 1 Summit Building
Singapore 408696
Tel: (65) 6745 3288
Fax: (65) 6748 9612
Website: www.smsummit.com.sg

WOW VISION PTE LTD
45 Ubi Road 1
#05-03 Summit Building
Singapore 408696
Tel: (65) 6745 7798
Fax: (65) 6749 7728
Website: www.wow-vision.com

AUSTRALIA (Affiliates)

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



Corporate information

Board of Directors

Nazir bin Mansor

Chairman

Lee Kerk Chong

Vice Chairman

Gun Seong Thean

Managing Director

Yip Soon Chee**Yap Kiam Beng****Soo Yoke Mun****Frances Augustine Peter****Rick Loh Lap Sang**

Audit Committee

Yip Soon Chee

Chairman,
Independent Non-Executive Director

Frances Augustine Peter

Independent Non-Executive Director

Yap Kiam Beng

Executive Director

Rick Loh Lap Sang

Independent Non-Executive Director

Company Secretaries

Chu Kum Yoon

Leong Shiak Wan

Registered Office

22nd Floor, Wisma Cyclecarri

288, Jalan Raja Laut

50350 Kuala Lumpur

Tel: 03-2694 8788

Fax: 03-2693 9137

Auditor

Ernst & Young

Level 23A Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

Registrar Office

Tenaga Koperat Sdn Bhd

20th Floor, Plaza Permata

Jalan Kampar off Jalan Tun Razak

50400 Kuala Lumpur

Tel: 03-4041 6522

Fax: 03-4042 6352

Chairman's statement



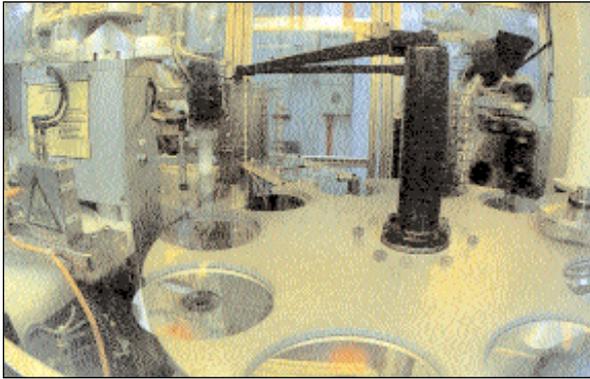
Dear Valued Shareholder,

I am pleased to present the SM Summit Annual Report and Audited Financial Statements for the financial year ended 31st March 2004. Last year, as it has been for the past years, proved to be yet another challenging year. The fact that your Company weathered the storm is testimony to the culture of quality and passion to perform that runs through so much of the organisation. It's a reflection of your Company's strength in depth. A reflection of its ability to pull together, to bring the power of teamwork to make its many elements work cohesively as one.

Last year, we concentrated on cutting the fat and developing new markets for our products. Considering the very tough environment, we have done our best but now it is time to move on to a higher level. To put into place the elements that will ensure our continued progress in an increasingly competitive arena. There is no question of resting on past laurels. There is no time for reflection. In building on past experiences, SM Summit knows it must also look far ahead.



... Strengthening our position AND SUSTAINING GROWTH



We will take further steps in the right direction, combining lessons learnt from the past with the requirements to meet fresh challenges. We are Strengthening Our Position and Sustaining Growth, creating the resources and corporate energy to deliver the growth and promise that will help us soar.

On the national front, Malaysia continued on its road to recovery, with Gross Domestic Product for 2003 posting an encouraging 5.3% growth (2002: 4.2% growth). Total exports also showed progress with 6.3% growth, of which export of manufactured goods in 2003 contributed some RM326.9 billion (2002: RM302 billion), according to Bank Negara's website at www.bnm.gov.my. Together with other positive indicators, in particular the landslide victory of our new Prime Minister's government and its many implications for unity and political stability, it all augurs well for the days to come.

On our own home front, your Company has made good progress over this year under review in spite of difficult conditions. Overall group turnover continued its annual upward trend, increasing from RM36.5 million in the previous year to a new high of RM41.2 million in this year under review. Other similarly healthy indicators are our rise in export sales, up 22% from the previous year, and also an increase in production volume, up 41% from the previous year.

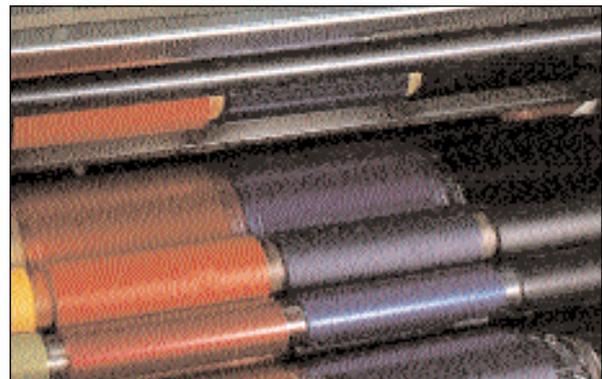
These gains reflect a trend of constant improvement and are the result of many deliberate strategies put in

place over the years. Your management is constantly accessing the performance of all aspects of your company, making the necessary adjustments as required to keep us on our progressive track. We continue to emphasise prudent management, carefully weighing our options before we make any decision. We continue to emphasise technology and production efficiency so that we may become even better prepared and able to enhance our potential to compete in the globalized market that is today's world.

In this respect, the substantial increase in our Compact Disc (CD) business is very significant. It reflects the successful application of our considered strategies - in this year under review; for example, production was up 41% from 16 million to 22.5 million pieces. This was especially satisfactory as the gain was achieved using only existing capacity. It means we are maximising our returns, utilising our resources better and getting more efficient.

Credit goes to many factors, chief among them productivity gains and our deliberate sales maximisation policy. The increased economies of scale we now enjoy have helped us manage our costs better and played a significant role in our increased production volumes. We have maintained all our production lines and ensured that each individual one produced more than ever before, thanks to the improved system that we now have and the benefits from our ISO system procedure.

... Opportunity to CONTRIBUTE TO NATION-BUILDING



Your company's performance in the year under review has also been enhanced by the acquisition of some major CD-business line customers, reflecting also a strategic shift in focus. As in all we do, prudence is the watchword here and we believe our decision to trade-off lower margins per piece with increased volumes will bring significant advantages for a more stable long-term potential.

One very important customer will be the nation's school system. With IT such an all-pervasive force in today's world, the government has been quick to highlight the importance of the knowledge economy. It recognises the need for the nation to build its knowledge resources and has committed to the path of e-learning to ensure both present and future generations will develop the skills required to compete in this critical arena of tomorrow. The use of CD-ROMs as an educational tool has accordingly been emphasised by the Malaysian school system and it is here that we now have the capability to play a

significant role. Your company views this development as an opportunity to contribute to nation-building and to fulfil its corporate responsibility by helping Malaysians progress to higher levels of achievement. We are proud indeed that we have and will continue to play our part in improving the nation's stock of value in such a critical, human context.

The shift in our CD business from its previous audio and video emphasis to our new market, i.e. the computer side, is indeed deliberate. This is today's growth market and one that we had been watching closely. By keeping our organisation flexible and staying in tune with changing market dynamics, we have been able to take advantage of the opportunities in this sector – from an initial volume of 900,000 pieces; we are now producing some 6 million pieces of CD-ROM annually.

The nature of our business is such however that we cannot concentrate on growth business to the



Chairman's statement

... Ever poised and

READY TO MAKE OUR MARK

exclusion of all else. While the cassette business is an old market, we have our commitments to existing customers that we must honour and thus need to continue servicing. In this light, our cassette business recorded a fair performance, returning figures of positive RM464,000 in the year under review versus negative RM650,000 in the previous year. Increasingly difficult conditions and on-going streamlining of costs between cassette and CD lines will continue to depress performance here and we recognise that this line of business will not represent a way forward for us.

Similarly, despite the challenging business environment during the year, our casing business has improved slightly – its loss of RM1.895 million in the year under review is still better than its loss of RM3.049 million in the previous year. This outcome is largely the result of past losses from bad debts. There has not been enough time to recover this loss, especially with raw material prices steadily and significantly climbing and on-going fine tuning of production lines hindering progress. This is, however, balanced by some positives, among them the recent restructuring that has led to improvements in casing costs and sales, the plans to improve our plant machinery efficiency and the way our quality levels keep on improving. Importantly, our strategic shift in focus to low risk potentials like the Australian market will prove more viable over the long term. In these markets, however, there will be more competition and higher quality expectations and, even though our quality products will stand up to the test, it will still take some time for us to establish our networking and product acceptance.

We adopt the same cautious approach in thinking about the DVD business. In spite of its seeming popularity, the Malaysian market is still not mature enough and, with insufficient current volume, we need to still keep it under assessment. There is no doubt that it will be the format of the future but, for the moment, we leave it as a future option and keep ourselves ever poised and ready to make our mark in this sector.

On the whole, your company's outlook is very positive. Going forward, the volume of our CD-ROM

business will continue its upward trend as the country's education system will require an increasing volume. There are also further export orders coming, in particular from a world-renown multinational corporation with whom our data storage potential continues to grow and grow. Indeed, we are coming up close to the maximum production capacity we have but, importantly, we are selling everything we make. This is very encouraging and, depending on governmental approvals and other such procedures, we have firm plans to upgrade all our lines and increase our plant capacity in the near future.

In our unending quest for excellence, we will also, in the coming year, be putting in place the mechanisms that will help us bring all our quality standards to yet higher levels. These improved systems include the Environmental, Occupational Health and Safety Management Systems (ISO 14001 and OHSAS 18001) respectively. We will, in addition, be incorporating in our operations a Copyright Verification System certified under International Recording Media Association ("IRMA") program to help us further minimise risk.

In the days to come, we will face many more challenges, from rising raw material prices to the threat of removable storage devices and downloading direct from the Internet. We will be alert to these threats and move to protect your Company from them. Committed to growth and progress, we will strive to fulfill our very best potential, for both ourselves and our company.

Finally, let me extend my sincere gratitude to my colleagues on the Board for their insights and contributions. My thanks also go to our shareholders, customers, bankers, business associates and government authorities for their continued confidence and support. Last but not least, my warm appreciation to all the employees of the Group whose untiring efforts and dedication have been crucial to our growth and progress these many years.

Nazir bin Mansor
Chairman

Board of directors and profile



1. NAZIR BIN MANSOR,

Chairman, aged 52, a Malaysian citizen and currently the Chairman of the Group was appointed to the Board on 7th February 1994. He is a non-independent, non-executive director of the Group. He is a graduate with a Diploma in Management from the Malaysian Institute of Management.

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



2. LEE KERK CHONG,

Vice Chairman, aged 53, a Singaporean citizen, was appointed to the Board on 7th February 1994. He is currently the Vice Chairman of the Group and sits as the Chairman of the Executive Committee of the Board. He is a non-independent, non-executive director of the Group.

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



3. GUN SEONG THEAN,

Managing Director, aged 57, a Singaporean citizen was appointed to the Board on 7th February 1994. He is currently the Managing Director of the Group and sits as a member in



Board of directors and profile

the Executive Committee of the Board. He is an executive, non-independent director of the Group.

Prior to joining SM Summit Group, he was with Amateur Photo Store Pte Ltd, a reputable consumer electrical product distribution agency from 1971 to 1985 with the last position held as the Sales Manager. He later joined Summit Audio Enterprise Pte Ltd ("SAE") which in subsequent years became SM Summit Holdings Limited, a Main Board public listed company in the Singapore Stock Exchange, as its General Manager from 1986 to 1988. In view of his experience and expertise, he was offered by SAE to set up a business of similar nature in Malaysia. He became the Managing Director of Summit Audio Industries Sdn Bhd ("SAI") and Summit CD Manufacture (M) Sdn Bhd ("SCD") upon their incorporation in 1988 and 1991 respectively. He set up an investment holding arm, SM Summit Holdings Bhd in 1994 which became the SM Summit Group taking into its fold both SAI and SCD and in later years, list the whole Group on the Second Board of Kuala Lumpur Stock Exchange. He was made the Managing Director of the Group in 1994.

4. YIP SOON CHEE,

aged 49, a Malaysian citizen was appointed to the Board on 18th January 2000 and is the Chairman of the Audit Committee of the Board. He is an independent, non-executive of the Group.

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

5. YAP KIAM BENG,

aged 39, a Malaysian citizen and currently the Executive Director of the Group, was appointed to the Board and a member of the Audit Committee on 3rd November 1999. He is also a member of the Executive Committee of the Board. He is an executive, non-independent director of the Group.

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

6. SOO YOKE MUN,

aged 54, a Malaysian citizen and a Public Accountant by profession, was appointed to the Board on 7th February 1994. He is a graduate with a degree in Bachelor of Economics from University of Malaya and a member of the Malaysian Institute of Accountants. He is a non-independent, non-executive director of the Group.

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

7. FRANCES AUGUSTINE PETER,

aged 46, a Malaysian citizen and an advocate and solicitor by profession, was appointed to the Board and member of the Audit Committee on

25th July 2001. He is an independent, non-executive director of the Group.

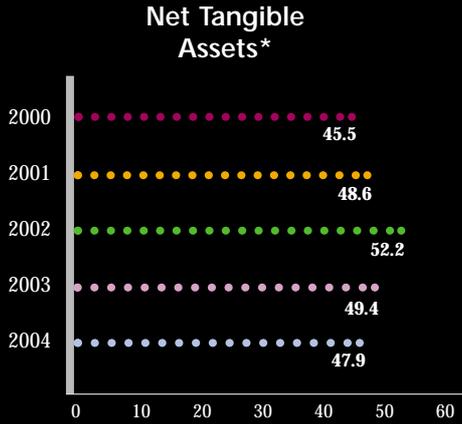
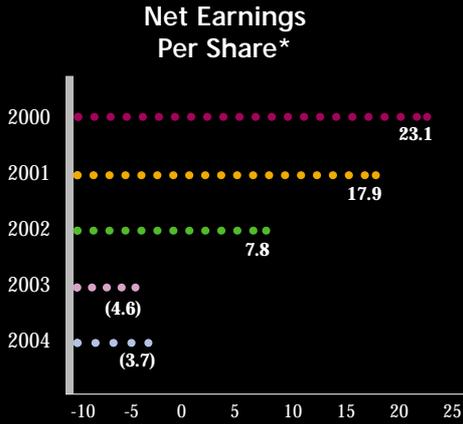
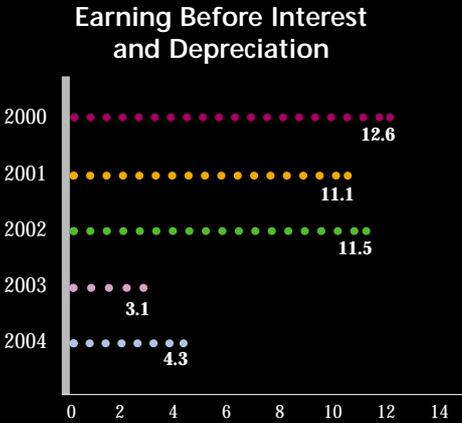
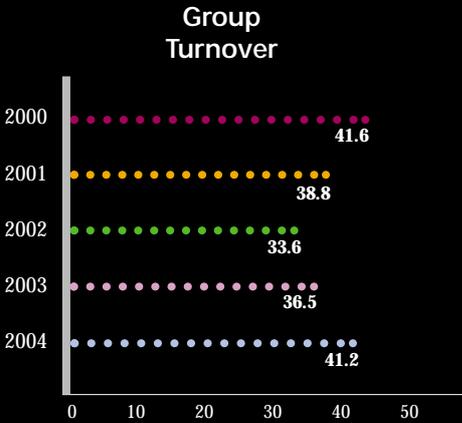
He is a graduate with a degree in Bachelor of Arts (Hons) from University Sains Malaysia and holds an LLB (Hons) London and CLP (Malaysia). He is currently a partner of the legal firm, Messrs. Syed Mubarak, Frances, Zainal & Partners and prior to this, he was an Executive Director of Intellectual Property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

8. RICK LOH LAP SANG,

aged 53, a Malaysian citizen, was appointed to the Board and member of the Audit Committee on 23rd June 2003. He is an independent, non-executive director of the Group.

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

5 Years' financial highlights



* Year 2003 and prior results were restated due to deferred taxation prior year adjustment.



Corporate governance statement

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

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

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

Principles Statement

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

A) THE BOARD OF DIRECTORS

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

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

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

Board Balance

The existing Board members consists of eight (8) members, a Non-Executive Chairman, a Managing Director, one (1) Executive Director with two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. The present Board composition complied with Paragraph 15.02 of the Listing Requirements that stipulates at least two

(2) directors or one third of the Board of the Company, whichever is higher, are independent directors. A brief profile of each director is presented on pages 6 to 7 in this Annual Report.

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

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

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

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

Board Meeting

During the financial year ended 31st March 2004, the Board met a total of 6 times. Details of the Director's attendance record are presented on page 10.

Board Committees

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

The Audit Committee is chaired by an independent non-executive director whom reports the outcomes of Audit Committee Meetings to the Board. Its prime duties include the review of financial statements, quarterly results, accounting policies, appointment of external auditors, review of audit plan and the auditors' remuneration. Fuller details of the Audit Committee terms of reference and its activities during the year are stated in pages 13 to 14 of the Annual Report.

| <i>Directors</i> | <i>Number of Meetings Held**</i> | <i>Number of Meetings Attended</i> |
|-------------------------|----------------------------------|------------------------------------|
| Nazir bin Mansor | 6 | 6 |
| Lee Kerk Chong | 6 | 3 |
| Gun Seong Thean | 6 | 6 |
| Yip Soon Chee | 6 | 6 |
| Yap Kiam Beng | 6 | 6 |
| Soo Yoke Mun | 6 | 5 |
| Frances Augustine Peter | 6 | 6 |
| Loh Lap Sang | 5 | 5 |

** Refers to the number of meetings held during the time the director in office.

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

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

Supply of Information

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

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

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports, prior to releasing of the announcement to the Bursa Malaysia Securities Berhad ("BMSB").

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

Appointment to the Board

The Code endorses as good practice, a formal procedure for appointments to the Board, with a

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

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

Directors' Training

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

Re-election of Directors'

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

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



Corporate governance statement

| <i>Category</i> | <i>Fees (RM'000)</i> | <i>Salaries & Other Emoluments (RM'000)</i> | <i>Benefit in Kind (RM'000)</i> |
|------------------------|--------------------------|---|-------------------------------------|
| Executive Director | 10 | 466 | 45 |
| Non-Executive Director | 60 | - | - |

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

| <i>Executive Director</i> | <i>Number</i> |
|---------------------------|---------------|
| RM100,000 to RM150,000 | 1 |
| RM300,000 to RM350,000 | 1 |

| <i>Non-Executive Director</i> | <i>Number</i> |
|-------------------------------|---------------|
| RM1 to RM50,000 | 5 |

B) DIRECTORS' REMUNERATION

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

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

C) SHAREHOLDERS AND INVESTORS

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

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

D) ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

Internal Control

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

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

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

Relationship with the Auditors

The Board has established that the Audit Committee play the role of maintaining the appropriate relationship with the Company and Group auditors as stated on pages 13 to 14 of the Annual Report. The good relationship with the Company and Group auditors has always prevail and maintained on a transparent and professional basis.

Compliance Statement

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

- a) Appointment of a senior independent non-executive Director to whom concerns may be conveyed has not been made as the Chairman normally encourages participation by all directors during meetings. Nevertheless, the Board is actively looking into this matter and will consider the relevant steps to comply with this practice.
- b) Establishment of a Nominating Committee has not been carried out, as the Board believes that the present number of Directors is deemed optimal considering the size of the Group and the nature of its operations. The Board as a whole assumes the responsibilities, though not formally, of assessing the effectiveness of the Board, its committee and individual director as well as candidates for all directorships.
- c) There was no formal review done on the present members of the Board of Directors, as the mix of experience and expertise of the current number of Directors, in the opinion of the Board, are considered sufficient and optimum in addressing the issues affecting the Group.
- d) Pursuant to Best Practice Provision AA XIII of the Code on training to new recruits to the Board, the Company does not have a formal training programme for its new Directors since it is the Board's policy to recruit only individual of sufficient calibre and experience to carry out the necessary duties of a director. Nevertheless, the Board will review the necessity for a formal orientation programme for its new directors from time to time.
- e) The Board has not developed position description for the Board and the Managing Director nor any formal schedule of matters specifically reserved to it for decision. The Board is of the view that the current set up of the Board and the Board Committees that is in place are sufficient to effectively handle and facilitate the smooth functioning of the Group.
- f) The Board does not have any agreed procedure for directors, whether as a full Board or in their individual capacity, in furtherance of their duties to take independent professional advice at the

Company's expense, if necessary. Any need for professional advice normally comes under the purview of the Board who will deliberate on a consensual basis.

- g) Establishment of a Remuneration Committee has not been undertaken as the Board is of the view that remuneration of Directors has been expeditiously handled by the Board as a whole.
- h) The Board, through the Executive Directors and the Audit Committee, has been able to identify business risks of the Group and will ensure that implementation of appropriate measures be taken to manage these risks. Nevertheless, the Board is considering to formalize its existing risk management process to better identify, monitor and manage the business risks affecting the Group.

This statement was made in accordance with a resolution of the Board dated 27th August 2004.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE ANNUAL AUDITED ACCOUNTS

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

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

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

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

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

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

This statement was made in accordance with a resolution of the Board dated 27th August 2004.



Audit committee

The Audit Committee comprises the following directors:-

Members

Mr. Yip Soon Chee

- Chairman, Independent Non-Executive Director

Mr. Frances Augustine Peter

- Independent Non-Executive Director

Mr. Loh Lap Sang

- Independent Non-Executive Director

Mr. Yap Kiam Beng

- Executive Director

TERMS OF REFERENCE

The Board of Directors of the Company has set up a Board of Audit Committee in accordance with the requirements by the BMSB.

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

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

OBJECTIVES

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

MEMBERSHIP

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

- a) Not less than three (3) members of whom a majority shall be independent non-executive directors to be appointed by the Board; and

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

AUTHORITY

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

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

FUNCTIONS AND RESPONSIBILITIES

The duties and functions of the Committee shall be:-

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

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

AUDIT COMMITTEE REPORT

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

- a) Reviewing the audited accounts for financial year ended 31st March 2004 and unaudited quarterly financial results announcements of the Group and making recommendations to the Board.
- b) Discussing and reviewing the external auditors' scope of works and the audit planning memorandum, the results of their examination, their auditors' report and management letters in relation to the audit and accounting issues arising from the audit.

- c) Reviewed and discussed the major findings of the internal audit investigation and management's responses and ensure that appropriate actions are taken on the recommendation of the internal audit function.
- d) Discussion and updating on new developments of accounting standards issued by the Malaysian Accounting Standards Board.

INTERNAL AUDIT FUNCTION

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

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

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

In addition, for a key operational business, an annual independent audit on operational procedures in line with the ISO 9001 Certification Programme is carried out to provide further assurance of adequacy and integrity of the internal controls applied in the Group.

AUDIT COMMITTEE ATTENDANCE RECORD

The Audit Committee met six (6) times during the financial year ended 31st March 2004 and the attendance record is as follows:-

| <i>Directors</i> | <i>Number of Meetings Held**</i> | <i>Number of Meetings Attended</i> |
|-----------------------------|----------------------------------|------------------------------------|
| Mr. Yip Soon Chee | 6 | 6 |
| Mr. Frances Augustine Peter | 6 | 6 |
| Mr. Yap Kiam Beng | 6 | 6 |
| Mr. Loh Lap Sang | 5 | 5 |

** Refers to the number of meetings held during the time the director in office.

The Audit Committee Report was made in accordance with a resolution of the Audit Committee dated 27th August 2004.



Statement of internal control

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

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

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

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

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

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

1. The Management structure is well defined, with clear line of responsibilities and delegation of authorities and appropriate segregation of duties.
2. Policies and procedures of key subsidiary are clearly established and documented and communicated to all staff members.
3. Key risks areas are reviewed and assessed by the Board and the Audit Committee. The internal audit function is outsourced and performed by an external professional accounting firm.
4. Financial results are reviewed quarterly by the Board and the Audit Committee.
5. Executive Directors and head of departments meet regularly to discuss operational, corporate, financial and key management issues.
6. For key operational areas, annual independent audit on operational procedures of a key subsidiary is continue to be carried out in line with the ISO 9001 Certification Programmes.
7. Effective reporting system established to ensure timely generation of financial information for management and the Board of Directors review.
8. The Top Management demonstrated a "hands-on" approach to the operational activities in the Group.
9. The Group reporting structure continues to improve during the year to assist in effective monitoring of key activities in the Group.

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

This statement was made in accordance with a resolution of the Board dated 19th July 2004.

Other information

CONFLICT OF INTEREST

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

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

CONVICTIONS FOR OFFENCES

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

UTILIZATION OF PROCEEDS

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

SHARE BUYBACKS

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

AMERICAN DEPOSITORY RECEIPT (“ADR”) OR GLOBAL DEPOSITORY RECEIPT (“GDR”) PROGRAMME

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

IMPOSITION OF SANCTIONS/PENALTIES

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

NON-AUDIT FEES

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

PROFIT ESTIMATE, FORECAST OR PROJECTION

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

PROFIT GUARANTEES

There was no profit guarantee given to the Company by any shareholder during the year.

MATERIAL CONTRACTS

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

CONTRACTS RELATING TO LOANS

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

REVALUATION OF LANDED PROPERTIES

The revaluation policy on landed properties is stated in page 33 of the Annual Report.



financial statements

| | | | |
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Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

| | Group RM | Company RM |
|-----------------------|-------------|---------------|
| Net loss for the year | (1,485,396) | (1,622,373) |

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

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

DIVIDEND

No dividend has been declared by the Company since the end of the previous financial year.

The directors do not recommend any final dividend to be paid in respect of the current financial year.

DIRECTORS

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

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



Directors' report

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might 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 benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which he has a substantial financial interest, other than as disclosed in Note 33 to the financial statements.

DIRECTORS' INTERESTS

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

| | Number of ordinary shares of RM1 each | | | |
|--------------------------|---------------------------------------|-----------|-------------|-----------------|
| | At 1.4.2003 | Bought | Sold | At 31.3.2004 |
| The Company | | | | |
| Direct Interest | | | | |
| Nazir bin Mansor | 3,372,000 | - | - | 3,372,000 |
| Gun Seong Thean | 4,653,333 | - | - | 4,653,333 |
| Soo Yoke Mun | 72,000 | - | - | 72,000 |
| Lee Kerk Chong | 2,637,333 | 1,442,000 | - | 4,079,333 |
| Yap Kiam Beng | 28,000 | - | - | 28,000 |
| Indirect Interest | | | | |
| Soo Yoke Mun | 2,872,000 | - | (1,442,000) | 1,430,000 |
| Lee Kerk Chong | 8,048,000 | - | - | 8,048,000 |

By virtue of his interest in the Company, Lee Kerk Chong is also deemed interested in shares in the subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

OTHER STATUTORY INFORMATION (CONT'D)

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps: (Cont'd)
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.



Directors' report

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors

Nazir bin Mansor

Gun Seong Thean

Kuala Lumpur, Malaysia
19 July 2004

Statement by directors

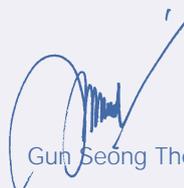
pursuant to Section 169(15) of the Companies Act, 1965

We, Nazir bin Mansor and Gun Seong Thean, being two of the directors of SM Summit Holdings Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 24 to 60 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors



Nazir bin Mansor



Gun Seong Thean

Kuala Lumpur, Malaysia
19 July 2004

Statutory declaration

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

I, Yap Kiam Beng, being the director primarily responsible for the financial management of SM Summit Holdings Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 24 to 60 are in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Yap Kiam Beng at
Kuala Lumpur in the Federal Territory
on

19 JUL 2004

Before me,



Yap Kiam Beng



Report of the auditors

to the members of SM Summit Holdings Bhd.

We have audited the accompanying financial statements set out on pages 24 to 60. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its 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 financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choo Kai
No. 2030/03/06(J)
Partner

Kuala Lumpur, Malaysia
19 July 2004

Income statements

for the year ended 31st March 2004

| | Note | Group | | Company | |
|---------------------------------------|------|--------------|--------------|-------------|------------|
| | | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Revenue | 3 | 41,161,015 | 36,485,935 | 126,000 | 10,428,000 |
| Cost of sales | 4 | (34,893,419) | (31,751,151) | - | - |
| Gross profit | | 6,267,596 | 4,734,784 | 126,000 | 10,428,000 |
| Other operating income | | 716,735 | 524,713 | 16,156 | 16,381 |
| Selling and marketing expenses | | (3,195,232) | (2,605,115) | - | - |
| Administration expenses | | (4,383,011) | (4,379,016) | (1,727,797) | (307,801) |
| Other operating expenses | | (123,963) | (228,349) | - | - |
| (Loss)/Profit from operations | 5 | (717,875) | (1,952,983) | (1,585,641) | 10,136,580 |
| Finance costs | 8 | (533,992) | (552,154) | - | - |
| (Loss)/Profit before taxation | | (1,251,867) | (2,505,137) | (1,585,641) | 10,136,580 |
| Taxation | 9 | (233,529) | 650,487 | (36,732) | (398,324) |
| Net (Loss)/Profit for the year | | (1,485,396) | (1,854,650) | (1,622,373) | 9,738,256 |
| Loss per share (sen) | | | | | |
| Basic | 10 | (3.7) | (4.6) | | |
| Net dividend per ordinary share (sen) | 11 | - | 3.0 | | |

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



Balance sheets

as at 31st March 2004

| | Note | Group | | Company | |
|-------------------------------|------|------------|------------|------------|------------|
| | | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 12 | 35,258,173 | 39,623,726 | - | - |
| Investments in subsidiaries | 13 | - | - | 14,652,057 | 15,962,057 |
| Due from a subsidiary | 14 | - | - | 1,964,816 | 1,964,816 |
| Other investments | 15 | 16,000 | 16,000 | - | - |
| Goodwill on consolidation | 16 | 878,880 | 955,304 | - | - |
| | | 36,153,053 | 40,595,030 | 16,616,873 | 17,926,873 |
| CURRENT ASSETS | | | | | |
| Inventories | 17 | 2,511,364 | 2,760,413 | - | - |
| Trade receivables | 18 | 12,983,450 | 12,745,057 | - | - |
| Other receivables | 19 | 1,501,757 | 1,259,687 | 333 | 150,000 |
| Tax recoverable | | 676,513 | 1,118,606 | - | 300 |
| Due from subsidiaries | 20 | - | - | 23,899,905 | 24,077,445 |
| Cash and bank balances | 21 | 10,209,959 | 10,054,191 | 789,195 | 744,211 |
| | | 27,883,043 | 27,937,954 | 24,689,433 | 24,971,956 |
| CURRENT LIABILITIES | | | | | |
| Bank overdrafts (unsecured) | 22 | 32,692 | - | - | - |
| Borrowings | 22 | 2,589,497 | 4,492,619 | - | - |
| Trade payables | 23 | 5,982,208 | 6,664,139 | - | - |
| Other payables | 24 | 2,533,922 | 2,347,013 | 180,808 | 184,058 |
| Taxation | | 33,100 | - | 33,100 | - |
| | | 11,171,419 | 13,503,771 | 213,908 | 184,058 |
| NET CURRENT ASSETS | | | | | |
| | | 16,711,624 | 14,434,183 | 24,475,525 | 24,787,898 |
| | | 52,864,677 | 55,029,213 | 41,092,398 | 42,714,771 |

Balance sheets

as at 31st March 2004 (Cont'd)

| | | Group | | Company | |
|-----------------------------------|------|------------|------------|------------|------------|
| | Note | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Financed by: | | | | | |
| SHARE CAPITAL AND RESERVES | | | | | |
| Share capital | 25 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 |
| Reserves | 26 | 8,822,312 | 10,307,708 | 1,092,398 | 2,714,771 |
| Shareholders' funds | | 48,822,312 | 50,307,708 | 41,092,398 | 42,714,771 |
| NON-CURRENT LIABILITIES | | | | | |
| Hire purchase payables | 27 | 1,025,065 | 1,406,205 | - | - |
| Deferred tax liabilities | 28 | 3,017,300 | 3,315,300 | - | - |
| | | 4,042,365 | 4,721,505 | - | - |
| | | 52,864,677 | 55,029,213 | 41,092,398 | 42,714,771 |

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



Consolidated statement of changes in equity

for the year ended 31st March 2004

| | Note | Share capital RM | Distributable retained profits RM | Non-Distributable Share premium RM | Revaluation reserve RM | Total RM |
|---|------|--------------------------|--------------------------------------|---------------------------------------|---------------------------|-----------------|
| At 1 April 2002 | | | | | | |
| As previously stated | | 30,000,000 | 22,135,534 | 1,023,943 | 1,097,321 | 54,256,798 |
| Prior year adjustment | | - | (731,300) | - | (279,000) | (1,010,300) |
| At 1 April 2002 (restated) | | | | | | |
| Issue of bonus shares | 25 | 30,000,000 10,000,000 | 21,404,234 (10,000,000) | 1,023,943 - | 818,321 - | 53,246,498 - |
| Share issue costs | | - | - | (84,140) | - | (84,140) |
| Impairment losses | | - | - | - | (100,000) | (100,000) |
| Net loss not recognised in income statement | | - | - | (84,140) | (100,000) | (184,140) |
| Net loss for the year | | - | (1,854,650) | - | - | (1,854,650) |
| Dividend | 11 | - | (900,000) | - | - | (900,000) |
| At 31 March 2003 | | | | | | |
| | | 40,000,000 | 8,649,584 | 939,803 | 718,321 | 50,307,708 |
| At 1 April 2003 | | | | | | |
| As previously stated | | 40,000,000 | 9,107,584 | 939,803 | 997,321 | 51,044,708 |
| Prior year adjustment | | - | (458,000) | - | (279,000) | (737,000) |
| At 1 April 2003 (restated) | | | | | | |
| Net loss for the year | | 40,000,000 | 8,649,584 | 939,803 | 718,321 | 50,307,708 |
| | | - | (1,485,396) | - | - | (1,485,396) |
| At 31 March 2004 | | | | | | |
| | | 40,000,000 | 7,164,188 | 939,803 | 718,321 | 48,822,312 |

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

Statement of changes in equity

for the year ended 31st March 2004

| | Note | Share capital RM | Retained profits/ (Accumulated losses) RM | Non-Distributable Share premium RM | Revaluation reserve RM | Total RM |
|--|------|---------------------|---|--|------------------------------|-------------|
| At 1 April 2002 | | 30,000,000 | 1,210,117 | 1,023,943 | 2,764,595 | 34,998,655 |
| Issue of bonus shares | 25 | 10,000,000 | (10,000,000) | - | - | - |
| Share issue costs | | - | - | (84,140) | - | (84,140) |
| Impairment losses | | - | - | - | (1,038,000) | (1,038,000) |
| Net loss not recognised in income statement | | - | - | (84,140) | (1,038,000) | (1,122,140) |
| Net profit for the year | | - | 9,738,256 | - | - | 9,738,256 |
| Dividend | 11 | - | (900,000) | - | - | (900,000) |
| At 31 March 2003 | | 40,000,000 | 48,373 | 939,803 | 1,726,595 | 42,714,771 |
| Net loss for the year | | - | (1,622,373) | - | - | (1,622,373) |
| At 31 March 2004 | | 40,000,000 | (1,574,000) | 939,803 | 1,726,595 | 41,092,398 |

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



Cash flow statements

for the year ended 31st March 2004

| | Group | | Company | |
|--|-------------|-------------|-------------|--------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| (Loss)/Profit before taxation | (1,251,867) | (2,505,137) | (1,585,641) | 10,136,580 |
| Adjustments for: | | | | |
| Bad debts written off | - | 157,725 | - | 100,000 |
| Depreciation of property, plant and equipment | 4,968,654 | 5,017,894 | - | - |
| (Gain)/Loss on disposal of property, plant and equipment | (33,645) | 347 | - | - |
| Amortisation of goodwill | 76,424 | 76,424 | - | - |
| Interest expense | 533,992 | 552,154 | - | - |
| Provision for doubtful debts | 1,096,406 | 967,347 | - | - |
| Impairment of investments in subsidiary companies | - | - | 1,310,000 | - |
| Write down of inventories | - | 69,865 | - | - |
| Impairment of investment | - | 14,030 | - | - |
| Write back of provision for doubtful debts | (674,422) | - | - | - |
| Interest income | (259,165) | (309,576) | (16,156) | (16,381) |
| Unrealised exchange gain | - | (15,350) | - | - |
| Dividend income | - | - | - | (10,428,000) |
| Operating profit/(loss) before changes in working capital | 4,456,377 | 4,025,723 | (291,797) | (207,801) |
| Changes in working capital: | | | | |
| Inventories | 249,049 | 743,057 | - | - |
| Receivables | (902,447) | (83,759) | 149,667 | - |
| Payables | (495,022) | 1,918,535 | (3,250) | (18,185) |
| Inter-company balances | - | - | 177,540 | 496,974 |
| Cash generated from operations | 3,307,957 | 6,603,556 | 32,160 | 270,988 |
| Interest paid | (533,992) | (552,154) | - | - |
| Taxes paid | (56,336) | (1,080,714) | (3,332) | (8,683) |
| Net cash flow generated from operating activities | 2,717,629 | 4,970,688 | 28,828 | 262,305 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment (Note 12) | (625,001) | (1,208,198) | - | - |
| Proceeds from disposal of property, plant and equipment | 105,545 | 110,507 | - | - |
| Interest received | 259,165 | 307,737 | 16,156 | 16,381 |
| Dividends received | - | - | - | 900,000 |
| Net cash flow (used in)/generated from investing activities | (260,291) | (789,954) | 16,156 | 916,381 |

Cash flow statements

for the year ended 31st March 2004 (Cont'd)

| | Group | | Company | |
|---|-------------|-------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Drawdown of short term borrowings | - | 6,937,276 | - | - |
| Repayment of short term borrowings | (1,179,861) | (9,343,461) | - | - |
| Payments of hire purchase payables | (1,154,401) | (1,623,428) | - | - |
| Release of deposits pledged as collateral | 308,817 | - | - | - |
| Bonus issue expenses | - | (84,140) | - | (84,140) |
| Dividend paid | - | (900,000) | - | (900,000) |
| Net cash flow used in financing activities | (2,025,445) | (5,013,753) | - | (984,140) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 431,893 | (833,019) | 44,984 | 194,546 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 9,745,374 | 10,578,393 | 744,211 | 549,665 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 29) | 10,177,267 | 9,745,374 | 789,195 | 744,211 |

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



Notes to the financial statements

31st March 2004

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the second board of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 22nd Floor, Wisma Cyclecarri, 288, Jalan Raja Laut, 50350 Kuala Lumpur. The principal place of business of the Company is located at 9, Jalan 3/91A, Taman Shamelin Perkasa, Cheras, 56100 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 July 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia except for the revaluation of certain property, plant and equipment.

During the financial year ended 31 March 2004, the Group and the Company adopted the following Malaysian Accounting Standards Board ("MASB") Standards for the first time:

MASB 25 Income Taxes
MASB 29 Employee Benefits

The above standards which require retrospective application became effective during the financial year and have resulted in extended disclosures in policy notes disclosed in Notes 2(h) and 2(i). The adoption of MASB 25 has given rise to a prior year adjustment. The effects are summarised in the Statements of Changes in Equity and further information is disclosed in Note 30 to the financial statements. The adoption of MASB 29 has not given rise to any adjustments to the opening balances of the retained profits of the prior and current years or to changes in comparatives.

(b) Basis of Consolidation

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

Subsidiaries are consolidated using the acquisition method of accounting except for certain subsidiaries which are consolidated using merger method of accounting in accordance with MASB 21: Business combinations as disclosed in Note 13 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

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

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

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Goodwill is amortised on a straight-line basis over its estimated useful life of 15 years.

(d) Investments in Subsidiaries

Investment in subsidiaries is stated at directors' valuation based on net tangibles assets of the subsidiaries. Acquisitions after valuations date are stated at cost. A valuation will be conducted at intervals of at least once in every five years. The last valuation was in 1999. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

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

On disposal of such investments, amounts in revaluation reserve relating to those subsidiaries are transferred to income statement.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment and Depreciation

Land and buildings are stated at directors' valuation based on valuation by an independent professional valuers using the open market basis, with subsequent additions at cost less accumulated depreciation and impairment loss. Revaluation of land and buildings will be conducted at intervals of at least once in every five years. The last valuation was in 1999. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l). The cost of other property, plant and equipment comprises their purchase cost and any incidental costs of acquisition.

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

Depreciation of property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

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

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

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate proportion of production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Provisions for Liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Prior to the adoption of MASB 25 Income Taxes on 1 April 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 30.

(i) Employee Benefits

(i) Short term

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(j) Revenue Recognition

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



Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Revenue Recognition (Cont'd)

(i) Sales of goods

Revenue relating to sale of goods is recognised at the fair value of consideration receivable and is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Dividend income

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

(iii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Management fee

Management fee is recognised upon completion of performance of services.

(k) Foreign Currencies

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

All exchange rate differences are taken to the income statement.

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

| | 2004 RM | 2003 RM |
|--------------------|------------|------------|
| 1 Australia Dollar | 2.89 | - |
| 1 Euro Dollar | - | 4.11 |
| 1 Singapore Dollar | 2.26 | 2.20 |
| 1 Sterling Pound | - | 5.99 |
| 1 US Dollar | 3.80 | 3.80 |
| 100 Japanese Yen | - | 3.18 |

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of Assets

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

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(m) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

(ii) Operating leases

Operating lease payments are recognised as an expenses in the income statement on a straight line basis over the term of the relevant lease.

(n) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.



2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial Instruments

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

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

(i) Non-current investments

Non-current investments are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

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

(ii) Receivables

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

(iii) Payables

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

(iv) Interest bearing borrowings

Interest bearing borrowings are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity instruments

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

3. REVENUE

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

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Sales of goods | 41,161,015 | 36,485,935 | - | - |
| Management fees | - | - | 126,000 | - |
| Gross dividends from subsidiaries | - | - | - | 10,428,000 |
| | 41,161,015 | 36,485,935 | 126,000 | 10,428,000 |

4. COST OF SALES

Cost of sales represents cost of goods sold.

5. (LOSS)/PROFIT FROM OPERATIONS

| | Group | | Company | |
|---|------------|------------|------------|--------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| (Loss)/Profit from operations is stated after charging/(crediting): | | | | |
| Amortisation of goodwill | 76,424 | 76,424 | - | - |
| Provision for doubtful debts | 1,096,406 | 967,347 | - | - |
| Auditors' remuneration | | | | |
| - current year | 48,000 | 53,500 | 20,000 | 23,000 |
| - underprovision in prior year | 600 | - | - | - |
| - other services | 50,000 | 50,000 | 50,000 | 50,000 |
| Bad debts written off | - | 157,725 | - | 100,000 |
| Depreciation of property, plant and equipment | 4,968,654 | 5,017,894 | - | - |
| Rental of land and building | 197,900 | 258,000 | - | - |
| (Gain)/loss on disposal of property, plant and equipment | (33,645) | 347 | - | - |
| Write down of inventories | - | 69,865 | - | - |
| Impairment of investments in subsidiary companies | - | - | 1,310,000 | - |
| Impairment of investment | - | 14,030 | - | - |
| Impairment on property, plant and equipment | - | 100,000 | - | - |
| Professional fees paid to a firm in which a director is a member | 12,500 | 12,500 | - | - |
| Gross dividends | | | | |
| income from subsidiaries | - | - | - | (10,428,000) |
| Management fees receivable from subsidiaries | - | - | (120,000) | - |
| Interest income | (259,165) | (309,576) | (16,156) | (16,381) |
| Write back of provision for doubtful debts | (674,422) | - | - | - |
| Unrealised exchange gain | - | (15,350) | - | - |
| Realised exchange loss/(gain) | 28,504 | (167,524) | - | - |



Notes to the financial statements

6. STAFF COSTS

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Wages, salaries and bonus | 4,320,856 | 4,015,547 | 54,595 | - |
| Social security costs | 51,591 | 48,375 | 205 | - |
| Pension costs - defined contribution plan | 366,097 | 440,251 | 6,588 | - |
| | 4,738,544 | 4,504,173 | 61,388 | - |
| Number of employees at end of year | 216 | 221 | 2 | - |

7. DIRECTORS' REMUNERATION

Included in staff costs were directors' remuneration as follows:

| | Group | | Company | |
|--------------------------------|------------|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Non-executive directors | | | | |
| Fees | 60,000 | 60,000 | 60,000 | 60,000 |
| Executive directors | | | | |
| Fees | 10,000 | 10,000 | 10,000 | 10,000 |
| Salaries | 439,942 | 445,192 | 109,985 | - |
| Other emoluments | 15,840 | 175,600 | 4,062 | - |
| | 465,782 | 630,792 | 124,047 | 10,000 |
| Total | 525,782 | 690,792 | 184,047 | 70,000 |

The estimated monetary value of benefits-in-kind provided to directors of the Group during the financial year amounted to RM45,341 (2003: RM42,441).

The number of directors of the Company whose total remuneration during the years fall within the following bands is as follows:

| | Number of Directors | |
|-------------------------|---------------------|------------|
| | 2004 RM | 2003 RM |
| Executive directors | | |
| RM1 - RM50,000 | 1 | - |
| RM100,001 - RM150,000 | - | 1 |
| RM300,001 - RM350,000 | 1 | - |
| RM350,001 - RM400,000 | - | 1 |
| Non-Executive directors | | |
| RM1 - RM50,000 | 5 | 5 |

8. FINANCE COSTS

| | Group | |
|--------------------------|---------|---------|
| | 2004 | 2003 |
| | RM | RM |
| Interest expense | | |
| - Term loans | - | 67,782 |
| - Hire purchase | 379,122 | 352,426 |
| - Short terms borrowings | 153,162 | 129,171 |
| - Bank overdrafts | 1,708 | 2,775 |
| | 533,992 | 552,154 |

9. TAXATION

| | Group | | Company | |
|---|-----------|-----------|---------|----------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Tax expense for the year: | | | | |
| Malaysian income tax | | | | |
| - current | 530,000 | 74,626 | 38,000 | 432,600 |
| - under/(over)provision in respect of prior years | 1,529 | (417,681) | (1,268) | (34,276) |
| | 531,529 | (343,055) | 36,732 | 398,324 |
| Deferred tax (Note 28) | (298,000) | (307,432) | - | - |
| | 233,529 | (650,487) | 36,732 | 398,324 |

Domestic income tax is calculated at the Malaysian statutory rate of 28% (2003: 28%) of the estimated assessable profit for the year.



Notes to the financial statements

9. TAXATION (CONT'D)

A reconciliation of income tax expenses/(unrecognised income tax benefits) applicable to the profit/(loss) before taxation at the statutory income tax rate to income tax expenses/(unrecognised income tax benefits) at the effective income tax rate of the Group and of the Company is as follows:

| | 2004 | 2003 |
|---|----------------|------------------|
| | RM | RM |
| Group | | |
| Loss before taxation | (1,251,867) | (2,505,137) |
| Taxation at Malaysian statutory tax rate of 28% (2003: 28%) | (350,523) | (701,438) |
| Expenses not deductible for tax purposes | 274,408 | 255,818 |
| Deferred tax assets not recognised during the year | 522,414 | 343,031 |
| Effects of reduced statutory tax rate on the first RM500,000 (2003: RM100,000) assessable profits | (58,000) | (12,070) |
| Deferred tax assets recognised on reinvestment tax allowances | (30,859) | (118,147) |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (125,440) | - |
| Overprovided in prior years | 1,529 | (417,681) |
| Tax expense/(benefit) for the year | 233,529 | (650,487) |
| Tax savings recognised during the year arising from: | | |
| - utilisation of tax losses brought forward from prior years | 7,000 | - |
| - utilisation of reinvestment tax allowances brought forward from prior years | 33,000 | - |
| - utilisation of unabsorbed capital allowances brought forward from prior years | 81,000 | - |
| Unutilised tax losses carried forward | 32,000 | 53,000 |
| Unutilised reinvestment tax allowances carried forward | 7,182,000 | 6,286,000 |
| Unabsorbed capital allowances carried forward | 3,102,000 | 1,848,000 |
| Company | | |
| (Loss)/Profit before taxation | (1,585,641) | 10,136,580 |
| Taxation at Malaysian statutory tax rate of 28% (2003: 28%) | (443,979) | 2,838,242 |
| Expenses not deductible for tax purposes | 481,979 | 86,358 |
| Tax exempt dividends | - | (2,492,000) |
| Overprovided in prior years | (1,268) | (34,276) |
| Tax expense for the year | 36,732 | 398,324 |

10. LOSS PER SHARE**(a) Basic**

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

| | Group | |
|---|-------------|-------------|
| | 2004 | 2003 |
| | RM | RM |
| Net loss for the year (RM) | (1,485,396) | (1,854,650) |
| Weighted average number of ordinary shares in issue | 40,000,000 | 40,000,000 |
| Basic loss per share (sen) | (3.7) | (4.6)* |

* Restated after effecting the prior year adjustment as disclosed in Note 30.

(b) Diluted

Diluted earning per share is not calculated as the Group does not have any financial instruments which would give rise to dilutive potential ordinary shares.

11. NET DIVIDEND PER SHARE

| | Amount | | Net Dividend per Share | |
|---|--------|---------|------------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Final tax exempt dividend of 3% on 30,000,000 ordinary shares of RM1 each in issue in respect of financial year ended 31 march 2002 | - | 900,000 | - | 3.0 |

The dividend was paid on 1 October 2002.

12. PROPERTY, PLANT AND EQUIPMENT

| | Long term leasehold land RM | Buildings RM | Plant, machinery and audio equipment RM | Office equipment RM | Motor vehicles RM | Furniture, fixtures and fittings RM | Renovation RM | Electrical installation RM | Total RM |
|-------------------------------------|--------------------------------------|-----------------|---|---------------------------|-------------------------|---|------------------|----------------------------------|--------------|
| Group Cost/Valuation | | | | | | | | | |
| At 1 April 2003 | 11,316,092 | 2,608,652 | 43,926,046 | 206,820 | 1,234,671 | 2,058,549 | 299,331 | 358,240 | 62,008,401 |
| Additions | 94,178 | - | 409,911 | 900 | 83,309 | 53,039 | 20,860 | 12,804 | 675,001 |
| Disposals/Written off | - | - | (182,671) | - | (45,238) | - | (1,980) | - | (229,889) |
| At 31 March 2004 | 11,410,270 | 2,608,652 | 44,153,286 | 207,720 | 1,272,742 | 2,111,588 | 318,211 | 371,044 | 62,453,513 |
| Accumulated Depreciation | | | | | | | | | |
| At 1 April 2003 | 500,134 | 344,241 | 18,699,669 | 193,469 | 955,380 | 1,320,283 | 204,690 | 166,809 | 22,384,675 |
| Depreciation charge for the year | 117,132 | 51,832 | 4,377,296 | 9,065 | 156,117 | 189,099 | 36,558 | 31,555 | 4,968,654 |
| Disposals/Written off | - | - | (110,985) | - | (45,238) | - | (1,766) | - | (157,989) |
| At 31 March 2004 | 617,266 | 396,073 | 22,965,980 | 202,534 | 1,066,259 | 1,509,382 | 239,482 | 198,364 | 27,195,340 |
| Net Book Value | | | | | | | | | |
| At 31 March 2004 | 10,793,004 | 2,212,579 | 21,187,306 | 5,186 | 206,483 | 602,206 | 78,729 | 172,680 | 35,258,173 |
| At 31 March 2003 | 10,815,958 | 2,264,411 | 25,226,377 | 13,351 | 279,291 | 738,266 | 94,641 | 191,431 | 39,623,726 |
| Depreciation charge for 2003 | | | | | | | | | |
| | 144,935 | 96,216 | 4,358,400 | 10,646 | 145,716 | 198,973 | 27,828 | 35,180 | 5,017,894 |
| Details at 1 April 2002 | | | | | | | | | |
| Cost | 5,423,697 | - | 41,018,919 | 200,211 | 1,234,671 | 2,003,360 | 273,516 | 350,001 | 50,504,375 |
| Valuation | 5,890,995 | 2,608,652 | - | - | - | - | - | - | 8,499,647 |
| Accumulated depreciation | (355,199) | (148,025) | (14,589,161) | (182,823) | (809,664) | (1,121,310) | (176,862) | (131,629) | (17,514,673) |
| | 10,959,493 | 2,460,627 | 26,429,758 | 17,388 | 425,007 | 882,050 | 96,654 | 218,372 | 41,489,349 |



12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) Except for certain leasehold land and buildings which are carried at valuation, all other property, plant and equipment are carried at cost. Analyses of cost and valuation for these properties are as follows:

| | Cost RM | Valuation RM | Net Book Value RM |
|--------------------------|------------|-----------------|-------------------------|
| At 31 March 2004 | | | |
| Long term leasehold land | 5,519,275 | 5,890,995 | 10,793,004 |
| Buildings | - | 2,608,652 | 2,212,579 |
| | 5,519,275 | 8,499,647 | 13,005,583 |
| At 31 March 2003 | | | |
| Long term leasehold land | 5,425,097 | 5,890,995 | 10,815,958 |
| Buildings | - | 2,608,652 | 2,264,411 |
| | 5,425,097 | 8,499,647 | 13,080,369 |

- (b) The land and buildings of the Group were revalued in 1999 by the directors based on valuations carried out by CH Williams Talhar & Wong, independent professional valuers, using the open market value basis.

Had the revalued land and buildings been carried at historical cost less accumulated depreciation, their net book value would have been as follows:

| | 2004 RM | 2003 RM |
|--------------------------|------------|------------|
| Long term leasehold land | 2,817,399 | 2,884,096 |
| Buildings | 1,292,631 | 1,324,771 |
| | 4,110,030 | 4,208,867 |

- (c) Included in plant and machinery are machineries with a carrying amount of RM147,600 (2003: RMNil) which have yet to be commissioned at the balance sheet date. Depreciation on these machineries will be provided upon their commissioning.

- (d) Included in plant and equipment are fully depreciated assets which are still in use costing RM42,091 (2003: RM84,181).

- (e) Acquisitions of property, plant and equipment during the year were financed by:

| | Group | |
|---|------------|-------------|
| | 2004 RM | 2003 RM |
| Total property, plant and equipment acquired: | 675,001 | 3,363,125 |
| Less: financed by hire purchase | (50,000) | (863,040) |
| Less: financed by payables | - | (1,291,887) |
| Net cash outflow | 625,001 | 1,208,198 |



Notes to the financial statements

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (f) Net book value of property, plant and equipment held under hire purchase arrangements as at balance sheet date is as follows:

| | Group | |
|---------------------|------------|------------|
| | 2004 RM | 2003 RM |
| Plant and machinery | 6,191,838 | 6,496,480 |
| Motor vehicles | 56,718 | - |
| | 6,248,556 | 6,496,480 |

13. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|-------------------------------------|-------------|-------------|
| | 2004 RM | 2003 RM |
| Unquoted investments | | |
| - at valuation | 14,445,057 | 14,445,057 |
| - at cost | 2,555,000 | 2,555,000 |
| | 17,000,057 | 17,000,057 |
| Less: Accumulated impairment losses | (2,348,000) | (1,038,000) |
| | 14,652,057 | 15,962,057 |

Details of the subsidiary companies are as follows:

| Name of Subsidiary Companies | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|---------------------------------------|--------------------------|--------------------------|------|--|
| | | 2004 | 2003 | |
| Summit Audio Industries (M) Sdn. Bhd. | Malaysia | 100 | 100 | Mechanical reproduction of sound and music |
| Summit CD Manufacture (M) Sdn. Bhd. | Malaysia | 100 | 100 | Manufacture of compact discs |
| Japantec Industries (M) Sdn. Bhd. | Malaysia | 100 | 100 | Manufacture of plastic fabricated parts |
| SM Digital Media Sdn. Bhd. | Malaysia | 100 | 100 | Trading of compact discs |

Summit Audio Industries (M) Sdn. Bhd. and Summit CD Manufacture (M) Sdn. Bhd. have been consolidated based on the merger principal of consolidation. All other subsidiaries are consolidated based on acquisition method of consolidation.

14. DUE FROM A SUBSIDIARY

Amount due from a subsidiary is unsecured, interest-free and is not expected to be repayable within the next 12 months.

15. OTHER INVESTMENTS

| | Group | |
|-------------------------------------|----------|----------|
| | 2004 | 2003 |
| | RM | RM |
| At cost: | | |
| Investment in club memberships | 30,030 | 30,030 |
| Less: Accumulated impairment losses | (14,030) | (14,030) |
| | 16,000 | 16,000 |

16. GOODWILL ON CONSOLIDATION

| | Group | |
|--------------------------------|-----------|-----------|
| | 2004 | 2003 |
| | RM | RM |
| At 1 January | 1,097,584 | 1,097,584 |
| Less: Accumulated amortisation | (218,704) | (142,280) |
| At 31 December | 878,880 | 955,304 |

17. INVENTORIES

| | Group | |
|--------------------------|-----------|-----------|
| | 2004 | 2003 |
| | RM | RM |
| At cost: | | |
| Raw materials | 1,604,544 | 1,929,831 |
| Work-in-progress | 121,134 | - |
| Finished goods | 468,989 | 830,582 |
| | 2,194,667 | 2,760,413 |
| At net realisable value: | | |
| Finished goods | 316,697 | - |
| | 2,511,364 | 2,760,413 |



Notes to the financial statements

18. TRADE RECEIVABLES

| | Group | |
|--|-------------|-------------|
| | 2004 RM | 2003 RM |
| Trade receivables | 15,635,005 | 14,984,692 |
| Less: Provision for doubtful debts | (2,651,555) | (2,239,635) |
| | 12,983,450 | 12,745,057 |
| Provision for doubtful debts is analysed as follows: | | |
| At 1 April | 2,239,635 | 1,328,824 |
| Add: Provision made during the year | 1,096,406 | 917,347 |
| Less: Write back to income statement | (674,422) | - |
| Less: Write off against bad debts | (10,064) | (6,536) |
| At 31 March | 2,651,555 | 2,239,635 |

Included in trade receivables are amounts due from affiliated corporations, Summit CD Manufacture Pte. Ltd. and Summit Technology Australia Pty. Ltd. of RM554,955 and RM728,840 (2003: RM398,821 and RM273,337) respectively. Affiliated corporations are corporations in which a director of the Company, Lee Kerk Chong has interests. These amounts are unsecured, interest-free and have no fixed terms of repayment.

The Group's normal trade credit term ranges from 30 to 120 (2003: 30 to 120) days. Other credit terms are assessed and approved on a case-by-case basis.

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

19. OTHER RECEIVABLES

| | Group | | Company | |
|------------------------------------|------------|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Deposits | 167,958 | 226,430 | - | - |
| Prepayments | 245,411 | 231,236 | - | - |
| Sundry receivables | 1,126,838 | 852,021 | 333 | 150,000 |
| | 1,540,207 | 1,309,687 | 333 | 150,000 |
| Less: Provision for doubtful debts | (38,450) | (50,000) | - | - |
| | 1,501,757 | 1,259,687 | 333 | 150,000 |

19. OTHER RECEIVABLES (CONT'D)

Included in sundry receivables are amounts due from affiliated corporations, SM Summit Holdings Ltd, Summit CD Manufacture (HK) Ltd, Summit CD Manufacture Pte. Ltd. and Summit Technology Australia Pty. Ltd of RM20,064 (2003: RM1,287). Affiliated corporations are corporations in which a director of the Company, Lee Kerk Chong has interests. These amounts are unsecured, interest-free and have no fixed terms of repayment.

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

20. DUE FROM SUBSIDIARIES

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

21. CASH AND BANK BALANCES

| | Group | | Company | |
|----------------------------------|------------|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Cash on hand and at banks | 1,581,931 | 1,363,420 | 250,859 | 222,031 |
| Deposits with: | | | | |
| - licensed banks | 6,521,144 | 7,366,487 | 538,336 | 522,180 |
| - licensed finance companies | 2,106,884 | 1,324,284 | - | - |
| Cash and bank balances (Note 29) | 10,209,959 | 10,054,191 | 789,195 | 744,211 |

The weighted average effective interest rates of the deposits at balance sheet date were 3.0% (2003: 3.2%).

The average maturities of deposits as at the end of the financial year were 30 days (2003: 30 days).

22. BORROWINGS

| | Group | |
|---|------------|------------|
| | 2004 RM | 2003 RM |
| Bank overdrafts (unsecured) | 32,692 | - |
| Short Term Borrowings, excluding bank overdrafts | | |
| Unsecured: | | |
| Trust receipts | - | 756,861 |
| Bankers' acceptances | 1,384,000 | 1,807,000 |
| Hire purchase payables (Note 27) | 1,205,497 | 1,928,758 |
| | 2,589,497 | 4,492,619 |



Notes to the financial statements

22. BORROWINGS (CONT'D)

| | Group | |
|--|------------|------------|
| | 2004 RM | 2003 RM |
| Long Term Borrowings | | |
| Unsecured: | | |
| Hire purchase payables (Note 27) | 1,025,065 | 1,406,205 |
| Total borrowings, excluding bank overdrafts | | |
| Trust receipts | - | 756,861 |
| Bankers' acceptances | 1,384,000 | 1,807,000 |
| Hire purchase payables (Note 27) | 2,230,562 | 3,334,963 |
| | 3,614,562 | 5,898,824 |

The weighted average effective interest rates during the financial year for borrowings, excluding hire purchase payables, were as follows:

| | Group | |
|----------------------|-----------|-----------|
| | 2004 % | 2003 % |
| Bank overdrafts | 8.20 | - |
| Trust receipts | - | 8.30 |
| Bankers' acceptances | 3.15 | 3.18 |

23. TRADE PAYABLES

Included in trade payables are amounts due to affiliated corporations, Summit CD Manufacture Pte. Ltd. and Summit Technology Australia Pty. Ltd. of RM823,937 and RM3,127 (2003: RM68,217 and RMNil) respectively. These amounts are unsecured, interest-free and have no fixed terms of repayment.

The normal trade credit term granted to the Group and the Company ranges from 14 to 90 (2003: 14 to 90) days.

24. OTHER PAYABLES

| | Group | | Company | |
|----------------------------------|------------|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Due to an affiliated corporation | 40,860 | - | - | - |
| Accruals | 1,361,633 | 711,792 | 180,808 | 184,058 |
| Sundry payables | 1,131,429 | 1,635,221 | - | - |
| | 2,533,922 | 2,347,013 | 180,808 | 184,058 |

The amount due to an affiliated corporation, Summit Technology Australia Pty. Ltd. of RM40,860 is unsecured, interest-free and has no fixed term of repayment.

25. SHARE CAPITAL

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|-----------------------------|--|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Authorised: | | | | |
| At 1 April/31 March | 50,000,000 | 50,000,000 | 50,000,000 | 50,000,000 |
| Issued and fully paid: | | | | |
| At 1 April | 40,000,000 | 30,000,000 | 40,000,000 | 30,000,000 |
| Bonus issue during the year | - | 10,000,000 | - | 10,000,000 |
| At 31 March | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 |

26. RESERVES

| | Group | | Company | |
|---------------------------------------|------------|------------|-------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Retained profits/(Accumulated losses) | 7,164,188 | 8,649,584 | (1,574,000) | 48,373 |
| Share premium (Note a) | 939,803 | 939,803 | 939,803 | 939,803 |
| Revaluation reserve (Note b) | 718,321 | 718,321 | 1,726,595 | 1,726,595 |
| | 8,822,312 | 10,307,708 | 1,092,398 | 2,714,771 |

(a) Share Premium

The share premium may be applied only for the purposes as specified in the Companies Act, 1965. The balance is not available for distribution of dividends except for in the form of shares.

(b) Revaluation Reserve

The Group revaluation reserve includes the cumulative net change, net of deferred tax effects, arising from the revaluation of long term leasehold land and buildings above their costs.

The Company revaluation reserve includes the cumulative net change arising from the revaluation of subsidiaries.



Notes to the financial statements

27. HIRE PURCHASE PAYABLES

| | Group | |
|--|------------|------------|
| | 2004 RM | 2003 RM |
| Minimum lease payments: | | |
| Not later than 1 year | 1,419,919 | 2,267,801 |
| Later than 1 year and not later than 2 years | 655,416 | 1,112,623 |
| Later than 2 year and not later than 5 years | 565,082 | 551,190 |
| | 2,640,417 | 3,931,614 |
| Less: Future finance charges | (409,855) | (596,651) |
| | 2,230,562 | 3,334,963 |
| Present value of finance lease liabilities: | | |
| Not later than 1 year | 1,205,496 | 1,928,758 |
| Later than 1 year and not later than 2 years | 549,910 | 946,159 |
| Later than 2 years and not later than 5 years | 475,156 | 460,046 |
| | 2,230,562 | 3,334,963 |
| Analysed as: | | |
| Due within 12 months (Note 22) | 1,205,497 | 1,928,758 |
| Due after 12 months (Note 22) | 1,025,065 | 1,406,205 |
| | 2,230,562 | 3,334,963 |

The hire purchase liabilities bear interest at the balance sheet date of 4.58% (2003: 5.27%) per annum.

28. DEFERRED TAX LIABILITIES

| | Group | |
|--|------------|------------|
| | 2004 RM | 2003 RM |
| At 1 April | 3,315,300 | 3,622,732 |
| Transfer from income statement (Note 9) | (298,000) | (307,432) |
| At 31 March | 3,017,300 | 3,315,300 |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | (590,100) | (826,921) |
| Deferred tax liabilities | 3,607,400 | 4,142,221 |
| | 3,017,300 | 3,315,300 |

28. DEFERRED TAX LIABILITIES (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

| | Revaluation of leasehold land and buildings RM | Accelerated capital allowances RM | Total RM |
|------------------------------------|--|--|-------------|
| At 1 April 2003 | 279,000 | 3,863,221 | 4,142,221 |
| Recognised in the income statement | - | (534,821) | (534,821) |
| At 31 March 2004 | 279,000 | 3,328,400 | 3,607,400 |

Deferred Tax Assets of the Group:

| | Tax losses, tax allowances and unabsorbed capital allowances RM | Provisions RM | Total RM |
|------------------------------------|---|------------------|-------------|
| At 1 April 2003 | (365,221) | (461,700) | (826,921) |
| Recognised in the income statement | 365,221 | (128,400) | 236,821 |
| At 31 March 2004 | - | (590,100) | (590,100) |

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|------------------------------------|------------|------------|
| | 2004 RM | 2003 RM |
| Unabsorbed capital allowances | 3,102,000 | 1,763,000 |
| Unutilised reinvestment allowances | 7,182,000 | 6,253,000 |
| | 10,284,000 | 8,016,000 |

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the respective subsidiary in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have recent history of losses.



Notes to the financial statements

29. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|--------------------------------------|------------|------------|------------|------------|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Cash and bank balances (Note 21) | 10,209,959 | 10,054,191 | 789,195 | 744,211 |
| Bank overdrafts (unsecured) | (32,692) | - | - | - |
| | 10,177,267 | 10,054,191 | 789,195 | 744,211 |
| Less: Deposits pledged as collateral | - | (308,817) | - | - |
| Cash and cash equivalents | 10,177,267 | 9,745,374 | 789,195 | 744,211 |

30. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS**(a) Changes in Accounting Policies**

During the financial year, the Group and the Company applied two new MASB Standards, which became effective from 1 January 2003, and have accordingly modified certain accounting policies. The changes in accounting policies which resulted in prior year adjustment are discussed below:

MASB 25: Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation. Furthermore, the Group and the Company are also required to recognise a deferred tax liability in respect of assets revaluations irrespective of management's intention for the assets.

(b) Prior Year Adjustments

The changes in accounting policies have been applied retrospectively and comparatives have been restated. The effects of changes in accounting policies are as follows:

| | Group | |
|-------------------------------------|------------|------------|
| | 2004 RM | 2003 RM |
| Effects on retained profits: | | |
| At 1 April, as previously stated | 9,107,584 | 22,135,534 |
| Effects of adopting MASB 25 | (458,000) | (731,300) |
| At 1 April, as restated | 8,649,584 | 21,404,234 |

30. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (CONT'D)**(b) Prior Year Adjustments (Cont'd)**

| | Group | |
|--|------------|-------------|
| | 2004 RM | 2003 RM |
| Effects on revaluation reserve | | |
| At 1 April, as previously stated | 997,321 | 1,097,321 |
| Effects of adopting MASB 25 | (279,000) | (279,000) |
| At 1 April, as restated | 718,321 | 818,321 |
| Effects on net profit for the year: | | |
| Net loss before changes in accounting policies | | (2,127,950) |
| Effects of adopting MASB 25 | | 273,300 |
| Net loss for the year | | (1,854,650) |

Comparatives amounts as at 31 March 2003 have been restated as follows:

| | Previously Stated | Adjustment | Restated |
|--------------------------|----------------------|------------|-----------|
| | RM | RM | RM |
| Income Statement | | | |
| Taxation, deferred tax | (34,132) | (273,300) | (307,432) |
| Balance Sheet | | | |
| Retained profits | 9,107,584 | (458,000) | 8,649,584 |
| Revaluation reserve | 997,321 | (279,000) | 718,321 |
| Deferred tax liabilities | 2,578,300 | 737,000 | 3,315,300 |
| Loss per share | 5.3 sen | (0.7 sen) | 4.6 sen |

31. COMMITMENTS

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

| | Group | |
|--|------------|------------|
| | 2004 RM | 2003 RM |
| Not later than 1 year | 194,400 | 194,400 |
| Later than 1 year and not later than 2 years | - | 194,400 |
| | 194,400 | 388,800 |

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



Notes to the financial statements

32. CONTINGENT LIABILITIES

| | Company | |
|---|----------------|-------------|
| | 2004 | 2003 |
| | RM | RM |
| Guarantee of banking facilities granted to subsidiary (unsecured) | 3,680,000 | 5,898,824 |

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | 2004 | 2003 |
|--|-------------|-------------|
| | RM | RM |
| Group - transactions with affiliated corporations | | |
| Purchases from Summit CD Manufacture Pte Ltd | 1,689,375 | - |
| Purchases from Summit Technology Australia Pty Ltd | 3,127 | - |
| Sales to Summit CD Manufacture Pte Ltd | (2,463,570) | (2,223,735) |
| Sales to Summit Technology Australia Pty Ltd | (2,902,163) | (3,016,903) |

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

34. SEGMENT REPORTING

The Group is organised into three main business segments:

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

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

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

34. SEGMENT REPORTING (CONT'D)

(a) Business Segments

| | Replication of Compact Discs RM | Duplication of Audio Cassette RM | Plastic Fabricated Parts RM | Others RM | Group RM |
|--|--|---|--------------------------------------|--------------|-------------|
| 31 March 2004 | | | | | |
| Sales | | | | | |
| Total sales | 20,976,173 | 3,781,818 | 18,204,998 | 866,141 | 43,829,130 |
| Intersegment sales | (578,958) | - | (1,963,157) | (126,000) | (2,668,115) |
| External sales | 20,397,215 | 3,781,818 | 16,241,841 | 740,141 | 41,161,015 |
| Results | | | | | |
| Segment result (external) | 464,202 | 512,764 | (1,361,417) | (333,424) | (717,875) |
| Finance costs | - | - | (533,992) | - | (533,992) |
| Profit/(Loss) from ordinary activities before taxation | 464,202 | 512,764 | (1,895,409) | (333,424) | (1,251,867) |
| Taxation | (179,792) | (17,005) | - | (36,732) | (233,529) |
| Loss for the year | | | | | (1,485,396) |
| Assets | | | | | |
| Segment assets | 39,684,369 | 8,072,839 | 13,251,811 | 1,471,684 | 62,480,703 |
| Unallocated corporate assets | | | | | 1,555,393 |
| | | | | | 64,036,096 |
| Liabilities | | | | | |
| Segment liabilities | 3,132,536 | 734,572 | 5,876,906 | 188,808 | 9,932,822 |
| Unallocated corporate liabilities | | | | | 5,280,962 |
| | | | | | 15,213,784 |
| Other Information | | | | | |
| Capital expenditure | 425,266 | 37,664 | 211,171 | 900 | 675,001 |
| Depreciation and amortisation of goodwill on consolidation | 2,953,903 | 444,733 | 1,568,576 | 77,866 | 5,045,078 |



Notes to the financial statements

34. SEGMENT REPORTING (CONT'D)

(a) Business Segments (Cont'd)

| | Replication of Compact Discs RM | Duplication of Audio Cassette RM | Plastic Fabricated Parts RM | Others RM | Group RM |
|--|--|---|--------------------------------------|--------------|--------------|
| 31 March 2003 | | | | | |
| Sales | | | | | |
| Total sales | 16,795,298 | 3,835,762 | 17,228,764 | 10,747,916 | 48,607,740 |
| Intersegment sales | (181,202) | - | (1,506,261) | (10,434,342) | (12,121,805) |
| External sales | 16,614,096 | 3,835,762 | 15,722,503 | 313,574 | 36,485,935 |
| Results | | | | | |
| Segment result (external) | 1,406,303 | (648,725) | (2,578,243) | (132,318) | (1,952,983) |
| Finance costs | (81,957) | - | (470,197) | - | (552,154) |
| Profit/(Loss) from ordinary activities before taxation | 1,324,346 | (648,725) | (3,048,440) | (132,318) | (2,505,137) |
| Taxation | 180,401 | 245,040 | 185,000 | 40,046 | 650,487 |
| Loss for the year | 1,504,747 | (403,685) | (2,863,440) | (92,272) | (1,854,650) |
| Assets | | | | | |
| Segment assets | 40,912,484 | 8,021,279 | 17,073,161 | 1,407,454 | 67,414,378 |
| Unallocated assets | | | | | 1,118,606 |
| | | | | | 68,532,984 |
| Liabilities | | | | | |
| Segment liabilities | (2,394,893) | (650,077) | (8,340,335) | (189,708) | (11,575,013) |
| Unallocated liabilities | | | | | (6,650,263) |
| | | | | | (18,225,276) |
| Other Information | | | | | |
| Capital expenditure | 718,245 | - | 2,638,271 | 6,609 | 3,363,125 |
| Depreciation and amortisation of goodwill on consolidation | 2,948,568 | 491,594 | 1,653,275 | 881 | 5,094,318 |
| Impairment loss | 100,000 | - | - | - | 100,000 |

34. SEGMENT REPORTING (CONT'D)

(a) Business Segments (Cont'd)

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

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

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

(b) Geographical Segments

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

35. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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

The Group does not trade in financial instruments.

(b) Foreign Currency Exchange Risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies. The Group does not hedge any of its foreign currency transactions but the Group's policy is to manage all its foreign financial assets and liabilities using the best available foreign currency exchange rates. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entity are kept to an acceptable level.

In addition, the Group would consider entering into foreign currency forward contracts for any material capital expenditure and raw materials purchase to limit its exposure to such risks, when necessary.



Notes to the financial statements

35. FINANCIAL INSTRUMENTS (CONT'D)**(b) Foreign Currency Exchange Risk (Cont'd)**

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

At 31 March 2004:

| Functional currency in Ringgit Malaysia | Australian Dollar RM | United States Dollar RM | Singapore Dollar RM | Total RM |
|---|-------------------------|----------------------------|------------------------|-------------|
| Receivables | 728,840 | 3,920,292 | 316,657 | 4,236,949 |
| Payables | - | (2,229,004) | (941,526) | (3,170,530) |

At 31 March 2003:

| Functional currency in Ringgit Malaysia | Euro Dollar RM | Sterling Pound RM | Singapore Dollar RM | Japanese Yen RM | United States Dollar RM | Total RM |
|---|-------------------|----------------------|------------------------|--------------------|----------------------------|-------------|
| Receivables | - | 207,238 | 737,437 | - | 2,974,737 | 3,919,412 |
| Payables | (25,468) | - | (131,301) | (1,188,348) | (3,357,496) | (4,702,613) |

(c) Credit Risk

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

Sales to customers are suspended when earlier amounts exceed the credit period or limit granted, unless assessed by the management where the risk of non-collection of amount exceeded credit period on limit is low.

(d) Market Risk

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

35. FINANCIAL INSTRUMENTS (CONT'D)

(e) Liquidity and Cash Flow Risk

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

(f) Fair Values

The carrying amounts of trade and other receivables, tax recoverable, cash and cash equivalents, borrowings, trade and other payables, and taxation approximate their fair values due to their short-term nature.

36. COMPARATIVE FIGURES

The comparatives have been audited by another firm of Chartered Accountants in Malaysia.



List of properties

as at 31st March 2004

| Registered Owner/ Location | Description | Date of Acquisition/ Revaluation | Tenure/ Age (years) | Total Land Area/ Built-up Area (sq metres) | Net Book Value as at 31st March 2004 (RM) |
|--|---|--|--|--|---|
| Summit Audio Industries (M) Sdn Bhd | | | | | |
| Parcel No.D-113 1st Floor, Block D Pandan Height, PT 34798 Mukim of Ampang District of Ulu Langat State of Selangor | Three (3) bedroom apartment for management | 31/10/98 | Freehold (age is approx 8 years) | 79.25 | 109,360 |
| Plot No. B29 Gateway 2020 Industrial Park, Phase 5 Taman Shamelin Perkasa PT 1604 and PT 1668 Mukim of Kuala Lumpur and Ampang respectively District of Kuala Lumpur. | Adjoining unit of semi-detached single storey factory with three storey office | 31/10/98 | Leasehold 99 years expiring on 11.09.2082 (age is approx 8 years) | 1,041.00 | 3,046,478 |
| Parcel No.1313 Storey No.3, Building 1 Taman Shamelin Perkasa PT 1604 Mukim of Kuala Lumpur District of Kuala Lumpur | Three (3) bedroom apartment for management | 31/10/98 | Leasehold 99 years expiring on 11.09.2082 (age is approx 12 years) | 95.00 | 114,735 |
| Summit CD Manufacture (M) Sdn Bhd | | | | | |
| Parcel No. 149 Taman Shamelin Perkasa Phase 1A, PT 1668 Mukim of Ampang District of Kuala Lumpur | One and a half storey intermediate terrace factory | 31/10/98 | Leasehold 99 years expiring on 2082 (age is approx 18 years) | 278.71 | 738,337 |
| Parcel No. D-107 1st Floor, Block D Pandan Height, PT 34798 Mukim of Ampang District of Ulu Langat State of Selangor | Three (3) bedroom apartment for management | 31/10/98 | Freehold (age is Approx 8 years) | 79.62 | 110,522 |

List of properties

as at 31st March 2004 (Cont'd)

| Registered Owner/ Location | Description | Date of Acquisition/ Revaluation | Tenure/ Age (years) | Total Land Area/ Built-up Area (sq metres) | Net Book Value as at 31st March 2004 (RM) |
|---|--|--|---|--|---|
| Summit CD Manufacture (M) Sdn Bhd (Cont'd) | | | | | |
| Plot No. B30 Gateway 2020 Industrial Park, Phase 5 Taman Shamelin Perkasa PT 1604 and PT 1668 Mukim of Kuala Lumpur and Ampang respectively District of Kuala Lumpur | Adjoining unit of semi-detached single storey factory with three storey office | 31/10/98 | Leasehold 99 years expiring on 11.09.2082 (age is approx 8 years) | 1,041.00 | 2,992,195 |
| Parcel No.1307 storey No. 3, Building 1 Taman Shamelin Perkasa PT 1604 Mukim of Kuala Lumpur District of Kuala Lumpur | Three (3) bedroom apartment for management | 31/10/98 | Leasehold 99 years expiring on 11.09.2082 (age is approx 12 years) | 95.00 | 114,984 |
| Parcel No. E-GP04 Block E, Phase 5 Pandan Perdana PT 4335 Mukim of Kuala Lumpur District of Kuala Lumpur | 5 + 1 bedroom apartment (Penthouse) for senior management accommodation | 31/10/98 | Freehold (age is approx 5 years) | 195.93 | 353,675 |
| Lot No. 31573-31578 & 31627, Desa Tun Razak PN 10174-10179 & 10228 Mukim Petaling, Daerah Wilayah Persekutuan Negeri Wilayah Persekutuan | Vacant industrial land | 15/09/00 | Leasehold 99 years expiring on 20.03.2085 (age is approx 18 years) | 6,861.00 | 5,425,297 |
| Total | | | | 9,766.51 | 13,005,583 |



Statistics of shareholdings

as at 30th July 2004

Financial Year End : 31st March 2004
 Class of Shares : Ordinary Shares of RM 1.00 each
 Voting Rights : One vote per ordinary share

Analysis of Shareholders by Range Groups as at 30th July 2004

| Size of the Shareholdings | No. of Shares | % over Total Shares | No. of Holders | % over Total Shareholders |
|---------------------------|-------------------|---------------------|----------------|---------------------------|
| 1 – 99 | 5,755 | 0.01 | 137 | 5.48 |
| 100 – 1,000 | 87,962 | 0.22 | 119 | 4.76 |
| 1,001 – 10,000 | 6,398,837 | 16.00 | 1,900 | 76.06 |
| 10,001 – 100,000 | 7,722,280 | 19.31 | 314 | 12.57 |
| 100,001 – 1,999,999 | 5,632,500 | 14.08 | 24 | 0.96 |
| 2,000,000 & above | 20,152,666 | 50.38 | 4 | 0.17 |
| Total | 40,000,000 | 100.00 | 2,498 | 100.00 |

Thirty Largest Shareholders as at 30th July 2004 (As per Record of Depositors)

| Name of Holders | No. of Shares | % |
|--|---------------|-------|
| 1. SM SUMMIT HOLDINGS LIMITED | 8,048,000 | 20.12 |
| 2. GUN SEONG THEAN | 4,653,333 | 11.63 |
| 3. LEE KERK CHONG | 4,079,333 | 10.20 |
| 4. NAZIR BIN MANSOR | 3,372,000 | 8.43 |
| 5. SHING KONG ENTERPRISE SDN BHD | 1,430,000 | 3.58 |
| 6. WONG KONG MENG | 384,000 | 0.96 |
| 7. SING KONG WEY | 314,667 | 0.79 |
| 8. CHOW SECK KAI | 307,000 | 0.77 |
| 9. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NA BON TIAM (REM 622)</i> | 292,000 | 0.73 |
| 10. YAP WIN SENG | 264,000 | 0.66 |
| 11. MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE CHIAH CHEANG (DLR 01B-MARGIN)</i> | 240,000 | 0.60 |
| 12. TAN SING CHOO @ TEN SING CHOO | 220,000 | 0.55 |
| 13. CITICORP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN TIOU CHONG (473301)</i> | 200,000 | 0.50 |
| 14. RHB NOMINEES (ASING) SDN BHD <i>GK GOH SPL FOR CHONG AH KONG (20/207125)</i> | 200,000 | 0.50 |
| 15. HONG LEONG FINANCE BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR HIAH MUI KIANG</i> | 167,100 | 0.42 |
| 16. TEO KEE BOCK | 146,667 | 0.37 |
| 17. ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR GAN BENG TONG</i> | 140,000 | 0.35 |
| 18. YEOH AH TU | 140,000 | 0.35 |
| 19. KE-ZAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TAN EE SENG</i> | 138,500 | 0.35 |
| 20. HONG LEONG FINANCE BERHAD <i>PLEDGED SECURITIES ACCOUNT FOR CHUA SEH LIANG</i> | 125,900 | 0.31 |

Statistics of shareholdings

as at 30th July 2004 (Cont'd)

Thirty Largest Shareholders as at 30th July 2004 (Cont'd) (As per Record of Depositors)

| | Name of Holders | No. of Shares | % |
|-----|--|-------------------|--------------|
| 21. | LEM LEE SIANG @ LIM LEE CHENG | 124,633 | 0.31 |
| 22. | RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR TEH KIAN LANG (CEB)</i> | 124,400 | 0.31 |
| 23. | NILE CAPITAL LIMITED | 124,000 | 0.31 |
| 24. | KENANGA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR FOR LEE TECK HOE</i> | 116,000 | 0.29 |
| 25. | TAN SU LOKE | 116,000 | 0.29 |
| 26. | NGU KEE LENG | 109,333 | 0.27 |
| 27. | TAM CHUI CHUI | 104,400 | 0.26 |
| 28. | SEAW BOEY KOK | 103,900 | 0.26 |
| 29. | AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR YAP NAM HUAT</i> | 100,000 | 0.25 |
| 30. | SIM SEONG LEE | 100,000 | 0.25 |
| | Total | 25,983,766 | 64.96 |

Substantial Shareholders as at 30th July 2004 (As per the Register of Substantial Shareholders as at 30th July 2004)

| Name of Shareholders | Direct | | Indirect | |
|---------------------------|---------------|-------|---------------|-------|
| | No. of Shares | % | No. of Shares | % |
| 1. SM Summit Holdings Ltd | 8,048,000 | 20.12 | - | - |
| 2. Gun Seong Thean | 4,653,333 | 11.63 | - | - |
| 3. Lee Kerk Chong | 4,079,333 | 10.20 | 8,048,000 * | 20.12 |
| 4. Nazir Bin Mansor | 3,372,000 | 8.43 | - | - |

* Deemed interest by virtue of his direct and indirect shareholding interest in SM Summit Holdings Ltd.

Directors' Shareholdings (As per the Register of Directors' Shareholdings as at 30th July 2004)

| Directors | Direct | | Indirect | |
|--------------------------------|---------------|-------|---------------|-------|
| | No. of Shares | % | No. of Shares | % |
| 1. Gun Seong Thean | 4,653,333 | 11.63 | - | - |
| 2. Lee Kerk Chong | 4,079,333 | 10.20 | 8,048,000 * | 20.12 |
| 3. Nazir Bin Mansor | 3,372,000 | 8.43 | - | - |
| 4. Soo Yoke Mun | 72,000 | 0.18 | 1,430,000 ** | 3.575 |
| 5. Yap Kiam Beng | 28,000 | 0.07 | - | - |
| 6. Yip Soon Chee | - | - | - | - |
| 7. Frances A/L Augustine Peter | - | - | - | - |
| 8. Loh Lap Sang | - | - | - | - |

* Deemed interest by virtue of his direct and indirect shareholding interest in SM Summit Holdings Ltd.

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



Notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be convened and held at No. 9 Jalan 3/91A Taman Shamelin Perkasa Cheras 56100 Kuala Lumpur on Monday, 27th September 2004 at 10.00 a.m. to transact the following items of business:

AGENDA

1. To receive and adopt the statutory financial statements for the year ended 31st March 2004 together with the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors' Fees amounting to RM82,000/- for the year ended 31st March 2004. **Ordinary Resolution 2**
3. To re-elect Encik Nazir Bin Mansor who retires in accordance with Article 82 of the Company's Articles of Association. **Ordinary Resolution 3**
4. To re-elect Mr Lee Kerk Chong who retires in accordance with Article 82 of the Company's Articles of Association. **Ordinary Resolution 4**
5. To re-elect Mr Frances Augustine Peter who retires in accordance with Article 82 of the Company's Articles of Association. **Ordinary Resolution 5**
6. To re-appoint Messrs Ernst & Young as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**
7. Special Business

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

- (i) Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965** **Ordinary Resolution 7**

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

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

"THAT subject to the provision of the Listing Requirements of Bursa Securities, mandate be given to the Company's subsidiaries to enter into, with interested director(s) or interested major shareholder(s), the following Related Party Transactions involving Recurrent Transactions of a revenue or trading nature which are necessary for its day to day operations as set out in Section 2.2 (pages 7 to 10) of the Circular to Shareholders dated 3rd September 2004 which shall be considered and approved as separate mandates:-

- (i) Transaction to be entered into by the Company's subsidiaries, namely Summit CD Manufacture (M) Sdn Bhd and Japantec Industries (M) Sdn Bhd with SM Summit Holdings Ltd and its subsidiaries.* **Ordinary Resolution 8**
- (ii) Transaction to be entered into by the Company's subsidiary, namely Summit CD Manufacture (M) Sdn Bhd with KL Graphic and Art Supply.* **Ordinary Resolution 9**

Notice of annual general meeting

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

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders.

(b) disclosure of the aggregate value of recurrent transactions conducted during the financial year will be disclosed in the Annual Report for the said financial year AND that such approval shall continue to be in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in an AGM or an Extraordinary General Meeting.

whichever is earlier.

(c) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including such documents as may be required) to give effect to the Proposal contemplated and/or authorised by these Ordinary Resolutions 8 and 9."

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

BY ORDER OF THE BOARD

CHU KUM YOON
LEONG SHIAK WAN
Company Secretaries

Kuala Lumpur
3rd September 2004

NOTES:

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



Statement accompanying notice of annual general meeting

pursuant to paragraph 8.28(2) of the listing requirements of Bursa Malaysia Securities Berhad

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

- Encik Nazir Bin Mansor
- Mr Lee Kerk Chong
- Mr Frances Augustine Peter

The profiles and interests in shares of the abovementioned Directors are set out on pages 6 to 7 of the Annual Report.

2. **Board Meetings**

Six (6) Board Meetings were held during the financial year ended 31st March 2004.

Mr Lee Kerk Chong attended four (3) out of six (6) Board Meetings held during the financial year ended 31st March 2004.

Both Encik Nazir Bin Mansor and Mr Frances Augustine Peter attended all the six (6) Board Meetings held during the financial year ended 31st March 2004.

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

Date : 27th September 2004

Time : 10.00 a.m.

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

4. **Other Information**

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

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

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Proxy Form

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

| |
|-----------------------------|
| No. of ordinary shares held |
| |

I/We, _____ of _____
_____ being a *Member/Members of **SM Summit Holdings Bhd**
hereby appoint *Chairman of the meeting or _____ of _____
_____ or failing him/her _____
of _____ as *my/our proxy/proxies
to attend and vote for *me/us and on *my/our behalf at the Eleventh Annual General Meeting of the Company, to
be held at No 9 Jalan 3/91A Taman Shamelin Perkasa Cheras 56100 Kuala Lumpur on Monday, the 27th day of
September 2004 at 10.00 a.m. and, at every adjournment thereof to vote as indicated below in respect of the
following Resolutions:

| | | For | Against |
|-----------------------|--|-----|---------|
| Ordinary Resolution 1 | Adoption of Financial Statements and Reports | | |
| Ordinary Resolution 2 | Approval of Directors' Fees of RM82,000/- | | |
| Ordinary Resolution 3 | Re-election of Encik Nazir Bin Mansor | | |
| Ordinary Resolution 4 | Re-election of Mr Lee Kerk Chong | | |
| Ordinary Resolution 5 | Re-election of Mr Frances Augustine Peter | | |
| Ordinary Resolution 6 | Re-appointment of Messrs Ernst & Young as Auditors | | |
| Ordinary Resolution 7 | Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 | | |
| Ordinary Resolution 8 | Renewal of shareholders' mandate to enter into recurrent related party transactions with SM Summit Holdings Ltd and its subsidiaries | | |
| Ordinary Resolution 9 | Renewal of shareholders' mandate to enter into recurrent related party transactions with KL Graphic and Art Supply | | |

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

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

| | |
|--------------------|------|
| First named Proxy | % |
| Second named Proxy | % |
| | 100% |

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

Dated this _____ day of _____ 2004

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

Notes:

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

* Strike out whichever is not valid