



2005 ANNUAL

REPORT

» technology | innovation | quality

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.

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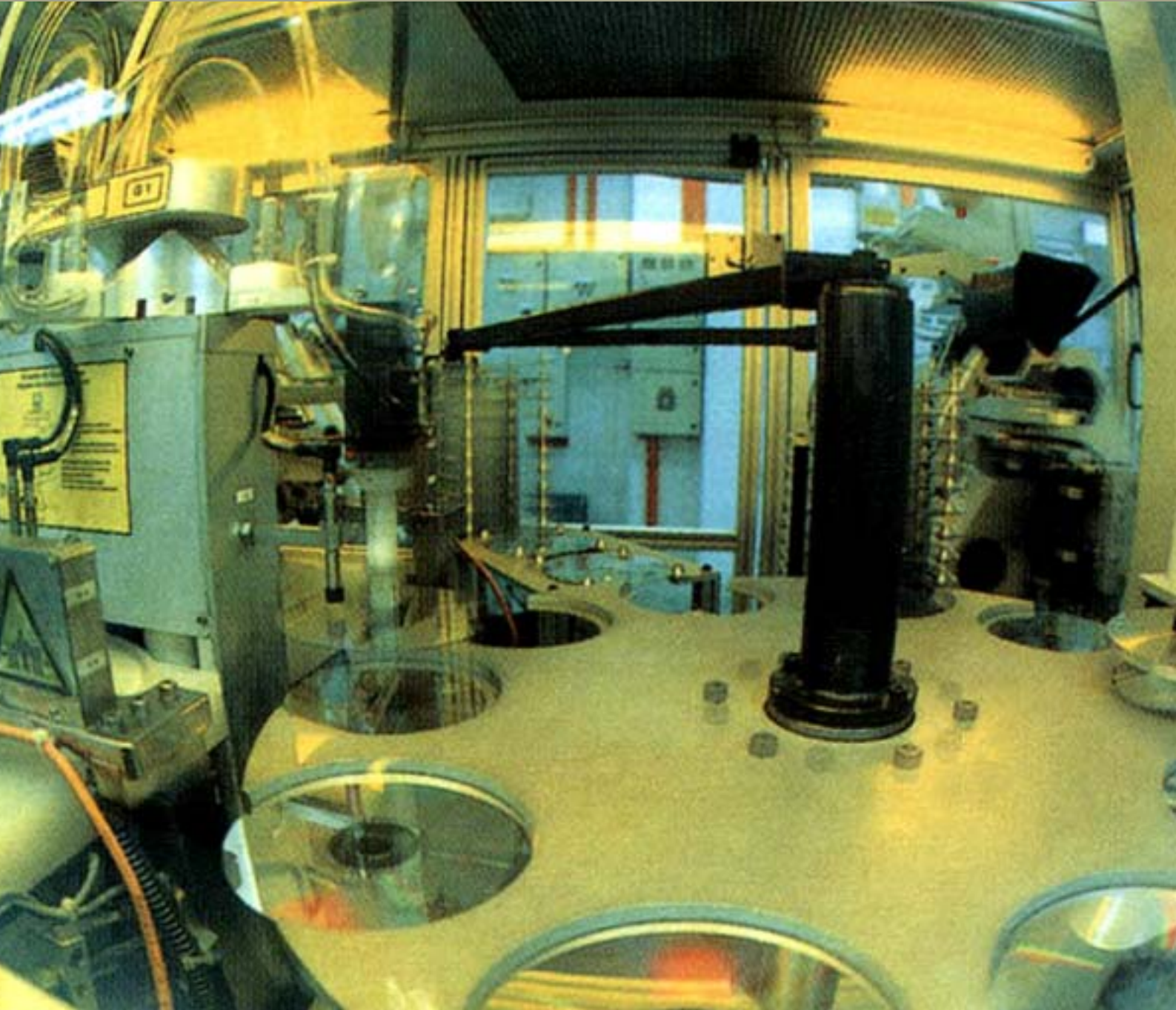
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ISO 14001 ENVIRONMENTAL
MANAGEMENT SYSTEM
CERTIFICATION

...we are able to produce the highest quality products using a management system that doesn't harm the environment.

Chairman's Statement



We remain committed.

Dear Valued Shareholders,

Very often, we hear about change and we become concerned. At SM Summit, however, change is not a word we view with dread. Positively utilised, change is a powerful force that helps create strong and dynamic organisations. The organisation, of course, must itself be ready. Many years of prudent and forward-thinking management has helped build SM Summit into a resilient and agile corporation. Such characteristics were critical in aiding your Company to meet its challenges successfully.

The year under review indeed presented stiff challenges. The positive news of Malaysia's economic growth of 6-7 percent (as reported during Budget 2005), mostly driven by the export sector and domestic activities such as manufacturing and domestic consumption, was largely overshadowed by uncertainties on the international front, not least the jump in oil prices above the critical US\$60-a-barrel mark. The drastic rise in world oil prices had a tremendous impact on the cost of raw materials for our production lines - where the old price was US\$2.10, the new price shot to US\$3.50. Polystyrene (GPPS) price increased from USD1,000 to USD1,500 per tons during the year.

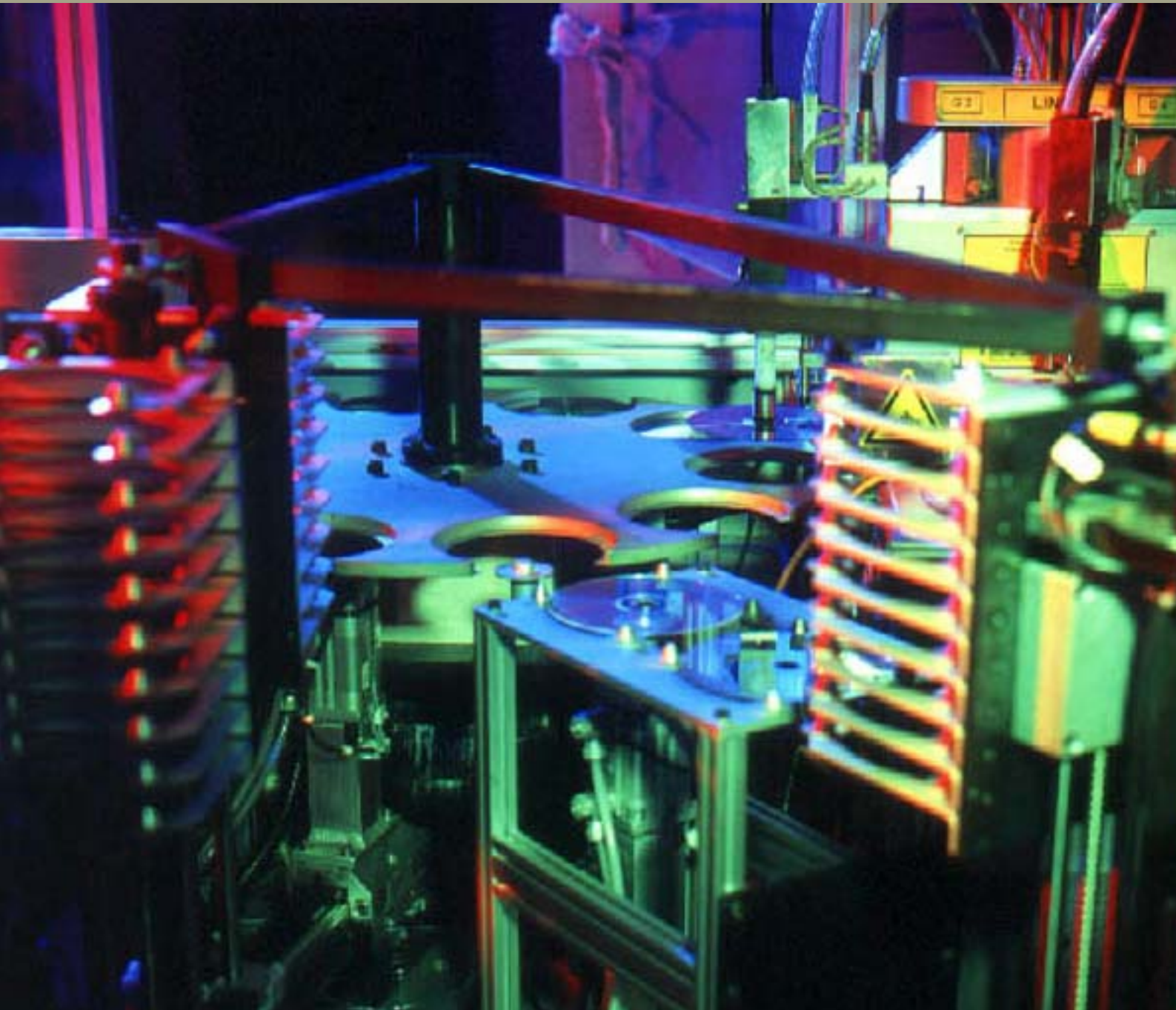
Our business faces increasing threats from many sides. Third generation (3G) mobile technology from telecommunication companies has increased handphone usage, e.g. it is now possible to download movies with 3G technology. There is greater incidence of Internet downloading and thumb drive usage, although these are perhaps better described as the process of change at work - just as the Internet download is a threat to the Compact Disc (CD) business, so the advent of the CD was itself a threat to paper-based printing.

This contributed, but was not totally responsible for, a drop in volume of 40% for our CD business. That shortfall is mostly attributable to unfulfilled expectations from a major Hong Kong-based customer with an international export market. The customer's projected order would have been substantial but it did not materialise and, as it turned out, his 2003 contract was worth more than his realised 2004 contract. Similarly, much was expected in 2004 from the Malaysian government's school programme. But, beset with various problems, the Education Ministry suspended the programme temporary. The multimedia education programme remains of vital importance to the Ministry and it is to be reassessed in 2005 with a view to resolving other inherent problems such as the need not only for laptops but projectors, etc., which are also needed to complete the pack. Once revived, the programme will again hold immense potential for SM Summit.

The year in review also saw declines in cassette volumes and music CD volumes, a result of worldwide market shrinkage for music in CD format and also the manner in which music is "sold" today. While this trend doesn't directly threaten SM Summit, it does threaten the business of our customers. More significant is the threat of piracy, with pirate DVDs flooding the market and Malaysia reportedly the world's number one exporter of piracy, according to the 2005 National Trade Estimate Report on Foreign Trade Barriers by the US Trade Representative's office.

The Malaysian government has taken strong action - more illegal plants have already been closed - and we recognise that we too have a role to play. We stand as a role model for the industry, contributing indirectly by demonstrating that we can still maintain our number one position without resorting to illegal production. It's an important role and one that was recognised with an official visit by the Ketua Setiausaha Negara, the nation's top government official, to the SM Summit plant.

Aside from its corporate significance, this recognition is a vital encouragement to us. From the beginning, we have been committed to doing the right thing and the many strategies we have put in place over the years have helped us meet our challenges without compromising our beliefs.



Years of prudent and forward-thinking management has helped build SM Summit into a resilient and agile corporation.



THERE WAS MORE
LEADERSHIP, MORE
EFFICIENCY, MORE
ACCOUNTABILITY AND
RESPONSIBILITY ALL ROUND.

The year under review put our convictions to the test but we stayed strong and came through, managing change by making well-considered, if sometimes painful, decisions. Events at our Johor casing process line were a case in point. Volume here saw a deliberate drop as, while 2003 output was higher than 2004, most of these pieces were of lower quality. Your Company made the decision to restructure Johor operations and put in place a new work culture and many improvements. In mid-2004, management cut monthly output from 5-6 million pieces of differing quality to just 3.5 million, but each one a Grade A piece. Machines were also repaired and reconfigured specifically to produce only top grade products.

The end result was an enhanced bottomline. Johor plant cut its operating losses and much unnecessary costs and wastages. Cost consciousness spread through all staff and the plant is confident it can control cost to be, at worst, just break-even. There was more leadership, more efficiency, more accountability and responsibility all round. With better moulds, people and organisation now in place, the plant is able to target 5.5 million Grade A pieces monthly for 2005 and there is confidence that Johor will be back in the black then.

This is a fair reflection of your Company's emphasis in 2004 where it concentrated much effort on the audit of its system of operation. Greater security with the deployment of more security cameras, upgrade to production lines and plant infrastructure, the Management Information System, Occupational Health and Safety Management System plus a more positive culture with better organisation and more qualified people were some of the features.

The ISO 14001 Environmental Management System certification is perhaps the most important of these. An achievement that we managed to obtain in 1 June 2005 was an approval by BM Trada for Summit CD Manufacture (M) Sdn Bhd Environmental Management System. It means we are able to produce the highest quality products using a management system that doesn't harm the environment. Among its considerations are scheduled waste disposal methods, upgrades to exhaust and ventilation systems to be more environmental-friendly, use of raw materials with no toxic content like glass and nickel pallets and more.

With environment-consciousness taking its hold on global business, the ISO 14001 provides very important advantages. To illustrate, all Japanese multinational corporations are committed to a Green Partner programme worldwide that ensures only environmental-friendly materials are used in production. Our ISO 14001 enables us to totally comply with this requirement and reap the benefits. BenQ, for example, enquired if we used certain non-environment compliance materials in our production line. Our ability to say "no" gave us a distinct headstart in winning their, and other, worldwide business.

There is yet more evidence to strengthen our resolve. SM Summit has been steadily gearing toward expanding its CD-ROM business. We know that this business requires a longer lead time, especially when it comes to closing the deal, but we remain committed. For example, the CD has now become an integral part of Canon cameras. Canon is itself committed to a zero tolerance programme for its three main production facilities in China, Japan and at Shah Alam, Malaysia. The entire supply base for these three locations is linked by computer. As we are part of that network, it means we have established credentials in China and Japan. This, in turn, provides us great opportunities in these two important countries to leverage business from brands outside of the Canon group and to also become their supplier.

The latter part of 2004 saw the beginnings of the successful realisation of this potential with the coming aboard of the BenQ and Vodafone businesses. This was an important achievement for us. As globalisation continues its relentless march, it is vital that we build the SM Summit brand to be competitive worldwide. We have had to grit our teeth and make painful decisions. We have stayed focused and brought in changes that have allowed your Company to become more aggressive and better meet its customer requirements. There has been much improvement and still much more to come. SM Summit is today ready to compete in the worldwide arena and we will continue to strive for the excellence which will keep our future bright.

Finally, I'd like to acknowledge all the good work of so many people during the year under review. 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



GEARING TOWARD EXPANDING ITS CD-ROM BUSINESS

As globalisation continues its relentless march, it is vital that we build the SM Summit brand to be competitive worldwide

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

Rick Loh Lap Sang

Khoo Chee Kong

Loy Kwee Keow

Mohd Fazillah Bin Mohd Ali

Liaw Boo Lai @ Leow Bong Lai

Audit Committee

Yip Soon Chee
Chairman,
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

Board of Directors and Profile



Nazir bin Mansor
Chairman, Non-Independent,
Non-Executive Director



Lee Kerk Chong
Vice Chairman, Non-Independent,
Non-Executive Director



Gun Seong Thean
Managing Director, Non-Independent,
Executive Director



Yip Soon Chee
Independent,
Non-Executive Director



Yap Kiam Beng
Non-Independent,
Executive Director



Soo Yoke Mun
Non-Independent,
Non-Executive Director



Rick Loh Lap Sang
Independent,
Non-Executive Director



Khoo Chee Kong
Independent,
Non-Executive Director



Loy Kwee Keow
Independent,
Non-Executive Director



Mohd Fazillah Bin Mohd Ali
Independent,
Non-Executive Director



**Liaw Boo Lai @
Leow Bong Lai**
Independent,
Non-Executive Director

1. NAZIR BIN MANSOR

Chairman, aged 53, 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 54, 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 ("SSHL"), 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 SSHL to its present size since the beginning in Singapore in 1981.

3. GUN SEONG THEAN

Managing Director, aged 58, 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 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 50, 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 director 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 40, 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 55, 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. RICK LOH LAP SANG

Aged 54, 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 and Sony Publishing Sdn Bhd from 1985 to 2002. He was also previously the Chairman of the Recording Industry Association of Malaysia ("RIM") and Public Performance (M) Sdn Bhd ("PPM").

He is currently a director of Kian Joo Can Factory Bhd, a Main Board Public Listed Company.

8. KHOO CHEE KONG

Aged 44, a Malaysian citizen and was appointed to the Board on 24th May 2005. He is an independent, non-executive director of the Group.

He is a fellowship of Associate of Chartered Certified Accountant. He was a Financial Accountant in 1984 in Kopennda Holdings Sdn Bhd, Finance Manager in Innovest Hart Engineering Sdn Bhd in 1988, Head of Corporate Finance and Business Development Department in Lyman Group of Indonesia 1990.

He is also one of the founder of Kyros Kebab. He is currently holding the directorship at CAB Cakaran Corporation Berhad, a Second Board Public Listed Company.

9. LOY KWEE KEOW

Aged 46, a Malaysian citizen and was appointed to the Board on 24th May 2005. He is an independent, non-executive director of the Group.

He is a member of Chartered Institute Management Accountants ("CIMA") and Malaysia Institute of Accountants ("MIA"). He was an Accountant of Lian Seng Properties Group of Companies and IOI Properties Bhd for the period from 1983 to 1986 and 1988 to 1993 respectively. In 1986 to 1987, he was a Finance Manager in Tan Yew Lai Development Sdn. Bhd. He was the Group Financial Controller in Press Metal Industries Bhd in 1993.

He is a Safety and Health Officer who registered with Department of Occupational Safety And Health, Ministry

of Labour. He is also the competent person for hygiene Tech 1 and 2 which registered with DOSH, Ministry of Labour. Currently, he is a Project Director cum Senior Consultant in HSE Management Sdn Bhd.

10. MOHD FAZILLAH BIN MOHD ALI

Aged 47, a Malaysian citizen and was appointed to the Board on 31st May 2005. He is an independent, non-executive director of the Group.

He graduated with a Diploma in Architecture in University Technology Malaysia. He also obtained AA Diploma from School of Architecture, Royal Institute of British Architects (RIBA I & II), London. He was an architect in Benson and Forsyth of London and John Kok Chartered Architects of Kuala Lumpur. He is also a lecturer in MARA Institute of Technology in relation to his expertise. Currently, he is the Managing Director of Arkitek FAA Sdn Bhd, a director of the affiliate company in Australia known as AFAA Pty Ltd. He is also an Executive Chairman of Fazillah Ali Associates Sdn Bhd.

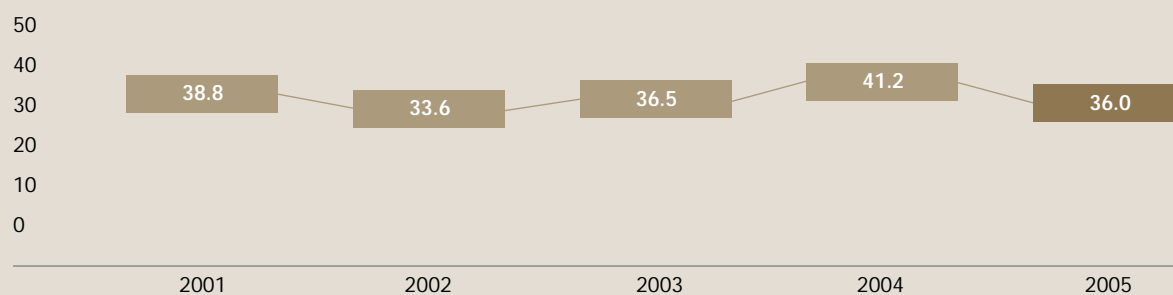
11. LIAW BOO LAI @ LEOW BONG LAI

Aged 63, a Malaysian citizen and was appointed to the Board on 31st May 2005. He is an independent, non-executive director of the Group.

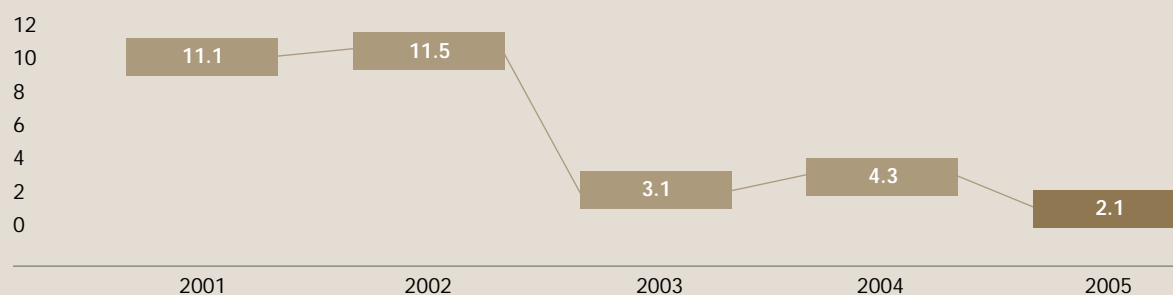
He graduated with a degree in Mechanical Engineering. He is also a member of Professional Engineer, Malaysia. He was an Engineer in Lee Wah Engine Work Pte Ltd in year 1970 until 1974. In year 1975 he hold the post as a Manager in Euco Metal Sdn. Bhd. He was a Director of Sun Engineering And Construction Sdn Bhd for more than 22 years until 2001. Currently he is the Treasurer of Malaysia Aquaculture Development Association and also a committee member of Persatuan I-Ching, Malaysia and a Director of Kg. Chennah Agro Resorts Sdn Bhd.

5 Years' Financial Highlights

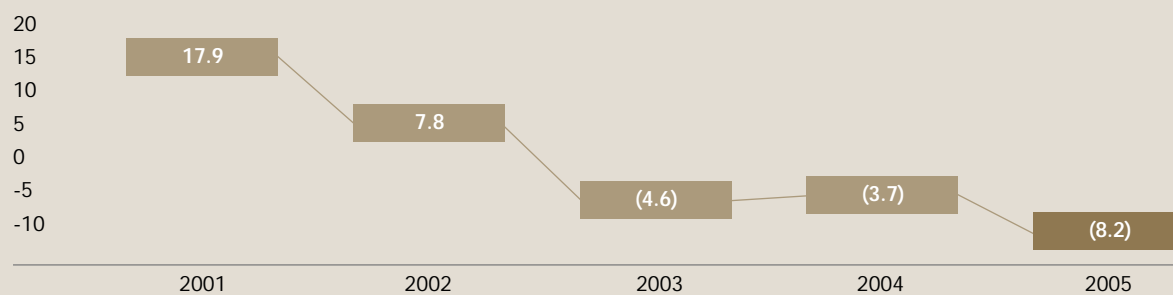
GROUP TURNOVER / RINGGIT IN MILLION



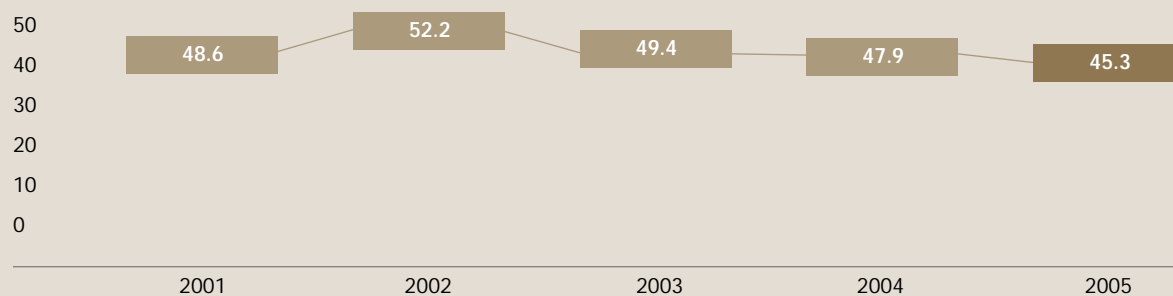
EARNINGS BEFORE INTEREST AND DEPRECIATION / RINGGIT IN MILLION



NET EARNINGS PER SHARE / SEN



NET TANGIBLE ASSETS / RINGGIT IN MILLION



Corporate Governance Statement

The Board of Directors ("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 eleven (11) members, a Non-Executive Chairman, a Managing Director, one (1) Executive Director with two (2) Non-Independent Non-Executive Directors and six (6) 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 11 to 13 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, 9 out of 11 Board members, are non-executive directors, 6 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 2005, the Board met a total of 6 times. Details of the Director's attendance record are presented as below:-

Directors	Numbers of Meetings Held**	Number of Meetings Attended
Nazir bin Mansor	6	6
Lee Kerk Chong	6	4
Gun Seong Thean	6	6
Yip Soon Chee	6	3
Yap Kiam Beng	6	6
Soo Yoke Mun	6	6
Frances Augustine Peter (Resigned as a director with effect from 6th June 2005)	6	5
Loh Lap Sang	6	5
Khoo Chee Kong (Appointed as a director with effect from 24th May 2005)	0	0
Loy Kwee Keow (Appointed as a director with effect from 24th May 2005)	0	0
Mohd Fazillah Bin Mohd Ali (Appointed as a director with effect from 31st May 2005)	0	0
Liaw Boo Lai @ Leow Bong Lai (Appointed as a director with effect from 31st May 2005)	0	0

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

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 20 to 22 of the Annual Report.

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 have 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

Bursatra Sdn Bhd. 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.

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 follows:-

Category	Fees (RM'000)	Salaries & Other	
		Emoluments (RM'000)	Benefit in Kind (RM'000)
Executive Director	10	456	39
Non-Executive Director	84	12	-

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

Executive Director	Number
RM 100,000 to RM 150,000	1
RM 300,000 to RM 350,000	1
Non-Executive Director	Number
RM 1 to RM 50,000	6

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 20 to 22 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 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 29th August 2005.

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 the Bursa Malaysia Securities Berhad ("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 MASB 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 29th August 2005.

Audit Committee Report

The Audit Committee comprises the following directors:-

Members

Mr. Yip Soon Chee

- Chairman, 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 three (3) members two (2) 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 2005 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 Certificate 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 2005 and the attendance record is as follows:-

Directors	Numbers of Meetings Held**	Number of Meetings Attended
Mr. Yip Soon Chee	6	4
Mr. Frances Augustine Peter (Resigned as a director with effect from 6th June 2005)	6	5
Mr. Yap Kiam Beng	6	6
Mr. Loh Lap Sang	6	5

**Refer to the number of meeting held during the time the director in office

The Audit Committee Report was made in accordance with a resolution of the Audit Committee dated 29th August 2005.

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 18th July 2005.

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 37 of the Annual Report.

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 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

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

RESULTS

	Group RM	Company RM
Net loss for the year	(3,261,512)	(1,284,044)

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

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

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	
Loh Lap Sang	
Khoo Chee Kong	(Appointed on 24 May 2005)
Loy Kwee Keow	(Appointed on 24 May 2005)
Mohd Fazillah Bin Mohd Ali	(Appointed on 31 May 2005)
Liaw Boo Lai @ Leow Bong Lai	(Appointed on 31 May 2005)
Frances Augustine Peter	(Resigned on 6 June 2005)

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 the director has a substantial financial interest, other than as disclosed in Note 31 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 1.4.2004	Bought	Sold	At 31.3.2005
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	4,079,333	-	-	4,079,333
Yap Kiam Beng	28,000	-	-	28,000
Indirect Interest				
Soo Yoke Mun	1,430,000	-	-	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
 - (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.

OTHER STATUTORY INFORMATION (CONT'D)

- (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 or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability 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 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 as and 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.

AUDITORS

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

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



Nazir bin Mansor



Gur Seong Thean

Kuala Lumpur, Malaysia
18 July 2005

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 31 to 60 are drawn up in accordance with applicable MASB 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 2005 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
18 July 2005

Statutory Declaration

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

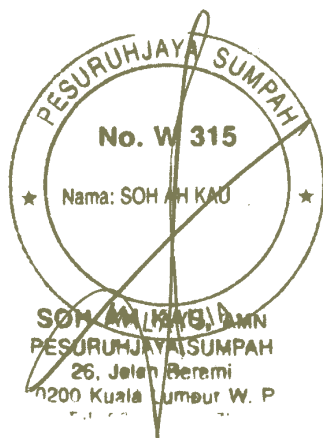
I, Yap Kiam Beng, being the director primarily responsible for the financial management of SM Summit Holdings Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 60 are in my opinion, correct, and I make this solemn declaration conscientiously believing 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 18 July 2005



Yap Kiam Beng

Before me,



Report of the Auditors

to the members of SM Summit Holdings Bhd.

We have audited the accompanying financial statements set out on pages 31 to 60. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2005 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
18 July 2005

Income Statements

for the year ended 31 March 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	35,958,675	41,161,015	-	126,000
Cost of sales	4	(32,006,394)	(34,893,419)	-	-
Gross profit		3,952,281	6,267,596	-	126,000
Other operating income		390,446	716,735	16,246	16,156
Selling and marketing expenses		(2,907,032)	(3,195,232)	-	-
Administrative expenses		(3,464,913)	(4,383,011)	(1,333,790)	(1,727,797)
Other operating expenses		(255,482)	(123,963)	-	-
Loss from operations	5	(2,284,700)	(717,875)	(1,317,544)	(1,585,641)
Finance costs	8	(342,654)	(533,992)	-	-
Loss before taxation		(2,627,354)	(1,251,867)	(1,317,544)	(1,585,641)
Taxation	9	(634,158)	(233,529)	33,500	(36,732)
Net loss for the year		(3,261,512)	(1,485,396)	(1,284,044)	(1,622,373)
Loss per share					
Basic (sen)	10	(8.2)	(3.7)		

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

Balance Sheets

as at 31 March 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	32,017,948	35,258,173	-	-
Investment in subsidiaries	12	-	-	13,542,057	14,652,057
Due from a subsidiary	13	-	-	1,964,816	1,964,816
Other investment	14	16,000	16,000	-	-
Goodwill on consolidation	15	802,456	878,880	-	-
		32,836,404	36,153,053	15,506,873	16,616,873
CURRENT ASSETS					
Inventories	16	6,321,974	2,511,364	-	-
Trade receivables	17	10,772,214	12,983,450	-	-
Other receivables	18	1,020,501	1,501,757	-	333
Tax recoverable		775,720	676,513	5,300	-
Due from subsidiaries	19	-	-	23,774,217	23,899,905
Cash and cash equivalents	20	8,814,555	10,177,267	667,663	789,195
		27,704,964	27,850,351	24,447,180	24,689,433
CURRENT LIABILITIES					
Borrowings	21	3,492,473	2,589,497	-	-
Trade payables	22	5,263,539	5,982,208	-	-
Other payables	23	1,533,131	2,533,922	145,699	180,808
Taxation		465,500	33,100	-	33,100
		10,754,643	11,138,727	145,699	213,908
NET CURRENT ASSETS					
		16,950,321	16,711,624	24,301,481	24,475,525
		49,786,725	52,864,677	39,808,354	41,092,398
Financed by:					
SHARE CAPITAL AND RESERVES					
Share capital	24	40,000,000	40,000,000	40,000,000	40,000,000
Reserves	25	6,098,842	8,822,312	(191,646)	1,092,398
Shareholders' funds		46,098,842	48,822,312	39,808,354	41,092,398
NON-CURRENT LIABILITIES					
Hire purchase payables	27	457,473	1,025,065	-	-
Deferred tax liabilities	28	3,230,410	3,017,300	-	-
		3,687,883	4,042,365	-	-
		49,786,725	52,864,677	39,808,354	41,092,398

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

Statements of Changes in Equity

for the year ended 31 March 2005

	Share capital RM	Distributable retained profits/ (accumulated losses) RM	Non-Distributable Share premium RM	Revaluation reserve RM	Total RM
GROUP					
At 1 April 2003	40,000,000	8,649,584	939,803	718,321	50,307,708
Net loss for the year	-	(1,485,396)	-	-	(1,485,396)
At 31 March 2004	40,000,000	7,164,188	939,803	718,321	48,822,312
Net loss for the year	-	(3,261,512)	-	-	(3,261,512)
Revaluation of property, plant and equipment (Note 26)	-	-	-	538,042	538,042
At 31 March 2005	40,000,000	3,902,676	939,803	1,256,363	46,098,842
COMPANY					
At 1 April 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
Net loss for the year	-	(1,284,044)	-	-	(1,284,044)
At 31 March 2005	40,000,000	(2,858,044)	939,803	1,726,595	39,808,354

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

Cash Flow Statements

for the year ended 31 March 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(2,627,354)	(1,251,867)	(1,317,544)	(1,585,641)
Adjustments for:				
Bad debts written off	411,743	-	333	-
Depreciation of property, plant and equipment	4,938,423	4,968,654	-	-
Net gain on disposals of property, plant and equipment	(18,134)	(33,645)	-	-
Amortisation of goodwill	76,424	76,424	-	-
Interest expense	342,654	533,992	-	-
Provision for doubtful debts	293,726	1,096,406	-	-
Impairment of investments in subsidiary companies	-	-	1,110,000	1,310,000
Impairment loss on property, plant and equipment	75,565	-	-	-
Write back of provision for doubtful debts	(250,080)	(674,422)	-	-
Interest income	(281,544)	(259,165)	(16,246)	(16,156)
Unrealised exchange loss	37,042	-	-	-
Operating profit/(loss) before changes in working capital	2,998,465	4,456,377	(223,457)	(291,797)
Changes in working capital:				
Inventories	(3,810,610)	249,049	-	-
Receivables	2,200,061	(902,447)	-	149,667
Payables	(1,719,460)	(495,022)	(35,109)	(3,250)
Inter-company balances	-	-	125,688	177,540
Cash (used in)/generated from operations	(331,544)	3,307,957	(132,878)	32,160
Interest paid	(342,654)	(533,992)	-	-
Taxes paid	(296,965)	(56,336)	(4,900)	(3,332)
Net cash (used in)/generated from operating activities	(971,163)	2,717,629	(137,778)	28,828
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,121,227)	(625,001)	-	-
Proceeds from disposal of property, plant and equipment	112,750	105,545	-	-
Interest received	281,544	259,165	16,246	16,156
Net cash (used in)/generated from investing activities	(726,933)	(260,291)	16,246	16,156

Cash Flow Statements

for the year ended 31 March 2005 (Cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of short term borrowings	2,955,073	-	-	-
Repayment of short term borrowings	(1,384,000)	(1,179,861)	-	-
Payments of hire purchase payables	(1,235,689)	(1,154,401)	-	-
Release of deposits pledged as collateral	-	308,817	-	-
Net cash generated from/(used in) financing activities	335,384	(2,025,445)	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,362,712)	431,893	(121,532)	44,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,177,267	9,745,374	789,195	744,211
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,814,555	10,177,267	667,663	789,195

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

Notes to the Financial Statements

31 March 2005

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 12 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 18 July 2005.

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 MASB Approved Accounting Standards in Malaysia except for the revaluation of freehold and leasehold land and buildings included in property, plant and equipment.

(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 12 to the financial statements.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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) Investment 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 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 loss 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 non-distributable reserve.

(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 freehold and leasehold land and buildings will be conducted at intervals of at least once in every five years. The last valuation was in 2004. 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:

Freehold and 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%
Renovations	10%
Electrical installation	10%

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

(i) Employee Benefits

(i) Short term benefits

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 Group. 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 contribution plans

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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) Interest income

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

(iii) 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:

	2005 RM	2004 RM
One Australia Dollar	2.900	2.890
One Singapore Dollar	2.280	2.263
One US Dollar	3.800	3.800

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 Group'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 purposes of the cash flow statements, 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial Instruments (Cont'd)

(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	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of goods	35,958,675	41,161,015	-	-
Management fees	-	-	-	126,000
	35,958,675	41,161,015	-	126,000

4. COST OF SALES

Cost of sales represents cost of goods sold.

5. LOSS FROM OPERATIONS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Loss from operations is stated after charging/(crediting):				
Amortisation of goodwill	76,424	76,424	-	-
Auditors' remuneration				
- current year	48,000	48,000	20,000	20,000
- underprovision in prior year	-	600	-	-
- other services	35,000	50,000	-	50,000
Bad debts written off	411,743	-	333	-
Depreciation of property, plant and equipment	4,938,423	4,968,654	-	-
Rental of land and building	219,488	197,900	-	-
Net gain on disposals of property, plant and equipment	(18,134)	(33,645)	-	-
Impairment of investments in a subsidiary company	-	-	1,110,000	1,310,000
Impairment loss on property, plant and equipment	75,565	-	-	-
Professional fees paid to a firm in which a director is a member	-	12,500	-	-
Provision for doubtful debts	293,726	1,096,406	-	-
Management fees receivable from subsidiaries	-	-	-	(120,000)
Interest income	(281,544)	(259,165)	(16,246)	(16,156)
Write back of provision for doubtful debts	(250,080)	(674,422)	-	-
Net foreign exchange losses/(gains):				
- Unrealised	37,042	-	-	-
- Realised	(50,137)	28,504	-	-

6. STAFF COSTS

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Wages, salaries and bonus	3,915,916	4,320,856	-	54,595
Social security costs	48,114	51,591	-	205
Pension costs - defined contribution plans	423,713	366,097	-	6,588
	4,387,743	4,738,544	-	61,388
Number of employees at end of year	193	216	-	2

7. DIRECTORS' REMUNERATION

Included in staff costs were directors' remuneration as follows:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Non-executive directors				
Fees	84,000	60,000	84,000	60,000
Other emoluments	12,000	-	8,000	-
	96,000	60,000	92,000	60,000

7. DIRECTORS' REMUNERATION (CONT'D)

Included in staff costs were directors' remuneration as follows: (Cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Executive directors:				
Fees	10,000	10,000	10,000	10,000
Salaries	456,192	439,942	-	109,985
Other emoluments	-	15,840	-	4,062
	466,192	465,782	10,000	124,047
Total	562,192	525,782	102,000	184,047

The estimated monetary value of benefits-in-kind provided to directors of the Group during the financial year amounted to RM39,441 (2004: RM45,341).

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

	Number of Directors	
	2005 RM	2004 RM
Executive directors		
RM100,001 - RM150,000	1	1
RM300,001 - RM350,000	1	1
Non-Executive directors		
RM1 - RM50,000	6	5

8. FINANCE COSTS

	Group	
	2005 RM	2004 RM
Interest expense		
- Hire purchase	219,129	379,122
- Short terms borrowings	109,640	153,162
- Bank overdrafts	13,885	1,708
	342,654	533,992

9. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Tax expense for the year:				
Malaysian income tax				
- current	248,500	530,000	4,500	38,000
- (over)/under provision in respect of prior year	(83,842)	1,529	(38,000)	(1,268)
- underprovision in respect of prior years (Note 32)	465,500	-	-	-
	630,158	531,529	(33,500)	36,732
Deferred tax (Note 28)				
- relating to origination and reversal of temporary differences	(586,100)	(298,000)	-	-
- overprovision of deferred tax assets recognised	590,100	-	-	-
	4,000	(298,000)	-	-
	634,158	233,529	(33,500)	36,732

Domestic income tax is calculated at the Malaysian statutory rate of 28% (2004: 28%) of the estimated assessable profit for the year. The subsidiaries qualify for the reduced statutory tax rate of 20% on the first RM500,000 (2004: RM500,000) estimated assessable profit during the year.

A reconciliation of income tax applicable to the loss before taxation at the statutory income tax rate to income tax at the effective income tax rate of the Group and of the Company is as follows:

	2005 RM	2004 RM
Group		
Loss before taxation	(2,627,354)	(1,251,867)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	(735,659)	(350,523)
Expenses not deductible for tax purposes	220,332	274,408
Deferred tax assets not recognised during the year	347,787	522,414
Effects of reduced statutory tax rate for subsidiaries on the first RM500,000 (2004: RM500,000) assessable profits	(72,385)	(58,000)
Deferred tax assets recognised on reinvestment tax allowances	(97,675)	(30,859)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	-	(125,440)
Overprovision of deferred tax assets recognised in prior years	590,100	-
(Over)/underprovided in prior year	(83,842)	1,529
Underprovided in prior years	465,500	-
Tax expense for the year	634,158	233,529
Tax savings recognised 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

9. TAXATION (CONT'D)

	2005 RM	2004 RM
Company		
Loss before taxation	(1,317,544)	(1,585,641)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	(368,912)	(443,979)
Expenses not deductible for tax purposes	327,591	481,979
Deferred tax assets not recognised during the year	45,821	-
Overprovided in prior years	(38,000)	(1,268)
Tax (benefit)/expense for the year	(33,500)	36,732

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net profit for the year by the number of ordinary shares during the financial year.

	2005	Group 2004
Net loss for the year (RM)	(3,261,512)	(1,485,396)
Weighted average number of ordinary shares in issue	40,000,000	40,000,000
Basic loss per share (sen)	(8.2)	(3.7)

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

Group	Long term leasehold land	Freehold and leasehold land and buildings	Plant, machinery and audio equipment	Office equipment	Motor vehicles	Furniture, fixtures and fittings	Renovations	Electrical installation	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Net Book Value									
At 31 March 2005									
At cost	5,316,791	-	17,622,879	3,686	64,379	745,044	46,929	138,240	23,937,948
At valuation	-	8,080,000	-	-	-	-	-	-	8,080,000
	5,316,791	8,080,000	17,622,879	3,686	64,379	745,044	46,929	138,240	32,017,948
At 31 March 2004									
At cost	5,425,297	93,207	21,187,306	5,186	206,483	602,206	78,729	172,680	27,771,094
At valuation	-	7,487,079	-	-	-	-	-	-	7,487,079
	5,425,297	7,580,286	21,187,306	5,186	206,483	602,206	78,729	172,680	35,258,173
Details at 1 April 2003									
Cost	5,425,097	-	43,926,046	206,820	1,234,671	2,058,549	299,331	358,240	53,508,754
Valuation	-	8,499,647	-	-	-	-	-	-	8,499,647
Accumulated depreciation	-	(844,375)	(18,699,669)	(193,469)	(955,380)	(1,320,283)	(204,690)	(166,809)	(22,384,675)
Depreciation charge for 2004									
	-	168,964	4,377,296	9,065	156,117	189,099	36,558	31,555	4,968,654

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

- (a) The freehold and leasehold land and buildings were revalued in 2004 by the directors based on valuations carried out by CH Williams Talhar & Wong Sdn Bhd, a member of the Institution of Surveyors, Malaysia. Valuations were made on the basis of open market values on existing use basis.

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

	2005 RM	2004 RM
Freehold and leasehold land and buildings	4,011,193	4,110,030

- (b) Included in plant and machinery are machineries with a carrying amount of RM41,400 (2004: RM147,600) which have yet to be commissioned at the balance sheet date. Depreciation on these machineries will be provided upon their commissioning.
- (c) Included in plant and equipment are fully depreciated assets which are still in use costing RM1,383,145 (2004: RM42,091).
- (d) Acquisitions of property, plant and equipment during the year were financed by:

	Group	
	2005 RM	2004 RM
Total property, plant and equipment acquired	1,121,227	675,001
Less: financed by hire purchase	-	(50,000)
Net cash outflow	1,121,227	625,001

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

	Group	
	2005 RM	2004 RM
Plant and machinery	1,776,799	6,191,838
Motor vehicles	-	56,718
	1,776,799	6,248,556

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2005 RM	2004 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	(3,458,000)	(2,348,000)
	13,542,057	14,652,057

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of Subsidiary Companies	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
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.

13. 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.

14. OTHER INVESTMENT

	Group	
	2005	2004
	RM	RM
At cost:		
Investment in club memberships	30,030	30,030
Less: Accumulated impairment losses	(14,030)	(14,030)
	16,000	16,000

15. GOODWILL ON CONSOLIDATION

	Group	
	2005	2004
	RM	RM
At 1 April	1,097,584	1,097,584
Less: Accumulated amortisation	(295,128)	(218,704)
At 31 March	802,456	878,880

16. INVENTORIES

	Group	
	2005	2004
	RM	RM
At cost:		
Raw materials	4,326,686	1,604,544
Work-in-progress	86,768	121,134
Finished goods	1,861,337	468,989
	6,274,791	2,194,667
At net realisable value:		
Finished goods	47,183	316,697
	6,321,974	2,511,364

17. TRADE RECEIVABLES

	Group	
	2005	2004
	RM	RM
Trade receivables	11,450,971	14,351,210
Due from affiliated corporations	793,405	1,283,795
Less: Provision for doubtful debts	(1,472,162)	(2,651,555)
	10,772,214	12,983,450
Provision for doubtful debts is analysed as follows:		
At 1 April	2,651,555	2,239,635
Add: Provision made during the year	293,726	1,096,406
Less: Write back to income statement	(250,080)	(674,422)
Less: Write off against bad debts	(1,223,039)	(10,064)
At 31 March	1,472,162	2,651,555

Affiliated corporations are corporations in which a director of the Company, Lee Kerk Chong has interests. These amounts are unsecured, interest-free and have credit terms ranging from 30 to 90 (2004: 30 to 90) days.

The Group's normal trade credit term for trade receivables ranges from 30 to 120 (2004: 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.

18. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits	167,335	167,958	-	-
Prepayments	84,774	245,411	-	-
Due from affiliated corporations	3,424	20,064	-	-
Sundry receivables	764,968	1,106,774	-	333
	1,020,501	1,540,207	-	333
Less: Provision for doubtful debts	-	(38,450)	-	-
	1,020,501	1,501,757	-	333

The amounts due from affiliated corporations 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.

19. DUE FROM SUBSIDIARIES

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

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	767,293	1,581,931	113,081	250,859
Deposits with:				
- licensed banks	7,687,181	6,521,144	554,582	538,336
- licensed finance companies	950,784	2,106,884	-	-
Cash and bank balances	9,405,258	10,209,959	667,663	789,195
Less: Bank overdrafts	(590,703)	(32,692)	-	-
Cash and cash equivalents	8,814,555	10,177,267	667,663	789,195

The weighted average effective interest rates of the deposits at balance sheet date were 3.0% (2004: 3.0%) per annum.

The average maturities of deposits as at the end of the financial year were 30 (2004: 30) days.

The bank overdrafts are secured by corporate guarantees provided by the Company and bore interest at a rate of 8.20% (2004: 8.20%) per annum during the financial year.

21. BORROWINGS

	Group	
	2005	2004
	RM	RM
Short Term Borrowings, excluding bank overdrafts		
Unsecured:		
Bankers' acceptances	2,955,073	1,384,000
Hire purchase payables (Note 27)	537,400	1,205,497
	3,492,473	2,589,497
Long Term Borrowings		
Unsecured:		
Hire purchase payables (Note 27)	457,473	1,025,065
Total borrowings, excluding bank overdrafts		
Bankers' acceptances	2,955,073	1,384,000
Hire purchase payables (Note 27)	994,873	2,230,562
	3,949,946	3,614,562

The bankers' acceptance are secured by corporate guarantees provided by the Company and bore interest at a rate of 4.39% (2004: 3.15%) per annum during the financial year.

22. TRADE PAYABLES

	Group	
	2005	2004
	RM	RM
Trade payables	4,715,556	5,155,144
Due to affiliated corporations	547,983	827,064
	5,263,539	5,982,208

The amounts due to affiliated corporations are unsecured, interest-free and have credit terms ranging from 30 to 90 (2004: 30 to 90) days.

The normal trade credit term granted to the Group and the Company ranges from 30 to 90 (2004: 14 to 90) days.

23. OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Due to an affiliated corporation	108,225	40,860	-	-
Accruals	867,395	1,361,633	145,699	180,808
Sundry payables	557,511	1,131,429	-	-
	1,533,131	2,533,922	145,699	180,808

The amount due to an affiliated corporation is unsecured, interest-free and has no fixed term of repayment.

24. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2005 Number	2004 Number	2005 RM	2004 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/31 March	40,000,000	40,000,000	40,000,000	40,000,000

25. RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Retained profits/(accumulated losses)	3,902,676	7,164,188	(2,858,044)	(1,574,000)
Share premium	939,803	939,803	939,803	939,803
Revaluation reserve (Note 26)	1,256,363	718,321	1,726,595	1,726,595
	6,098,842	8,822,312	(191,646)	1,092,398

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.

26. REVALUATION RESERVE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 April	718,321	718,321	1,726,595	1,726,595
Revaluation surplus on property, plant and equipment	747,152	-	-	-
Less : Deferred taxation (Note 28)	(209,110)	-	-	-
	538,042	-	-	-
At 31 March	1,256,363	718,321	1,726,595	1,726,595

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.

27. HIRE PURCHASE PAYABLES

	Group	
	2005	2004
	RM	RM
Minimum lease payments:		
Not later than 1 year	641,256	1,419,919
Later than 1 year and not later than 2 years	496,206	655,416
Later than 2 year and not later than 5 years	48,856	565,082
	1,186,318	2,640,417
Less: Future finance charges	(191,445)	(409,855)
	994,873	2,230,562
Present value of finance lease liabilities:		
Not later than 1 year	537,400	1,205,497
Later than 1 year and not later than 2 years	416,333	549,910
Later than 2 years and not later than 5 years	41,140	475,155
	994,873	2,230,562
Analysed as:		
Due within 12 months (Note 21)	537,400	1,205,497
Due after 12 months (Note 21)	457,473	1,025,065
	994,873	2,230,562

The hire purchase liabilities bore interest of 4.82% (2004: 4.58%) per annum during the financial year.

28. DEFERRED TAX LIABILITIES

	Group	
	2005	2004
	RM	RM
At 1 April	3,017,300	3,315,300
Transfer from income statement (Note 9)	4,000	(298,000)
Transfer from revaluation reserve (Note 26)	209,110	-
At 31 March	3,230,410	3,017,300
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	(590,100)
Deferred tax liabilities	3,230,410	3,607,400
	3,230,410	3,017,300

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 freehold and 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
Recognised in the income statement	-	(586,100)	(586,100)
Recognised in equity	209,110	-	209,110
At 31 March 2005	488,110	2,742,300	3,230,410

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)
Overprovided in prior years	-	590,100	590,100
At 31 March 2005	-	-	-

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

	Group	
	2005 RM	2004 RM
Unutilised tax losses carried forward	2,206,000	2,008,000
Unabsorbed capital allowances	6,215,000	4,252,000
Unutilised reinvestment allowances	8,160,000	7,444,000
	16,581,000	13,704,000

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.

29. COMMITMENTS

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

	Group	
	2005 RM	2004 RM
Not later than 1 year	180,000	194,400
Later than 1 year and not later than 2 years	180,000	-
	360,000	194,400

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

30. CONTINGENT LIABILITIES

	Company	
	2005 RM	2004 RM
Guarantee of banking facilities granted to subsidiary (unsecured)	3,858,000	3,680,000

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2005 RM	2004 RM
Transactions with affiliated corporations		
Purchases from Summit CD Manufacture Pte Ltd	3,515,206	1,689,375
Purchases from Summit Technology Australia Pty Ltd	-	3,127
Sales to Summit CD Manufacture Pte Ltd	(3,201,623)	(2,463,570)
Sales to Summit Technology Australia Pty Ltd	(1,559,899)	(2,902,163)
Sales to Gate Cosmos Investment Ltd	(627,852)	-

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.

32. SIGNIFICANT TAX MATTERS

During the financial year, the Inland Revenue Board ("IRB") conducted a tax investigation in respect of the Group's accounting records for the financial years ended 1992 to 1999. The Group has appointed a firm of professional tax consultants to assist the Group in dealing with the tax investigation. On 6 July 2005, the IRB has notified the professional tax consultants that the additional tax liabilities imposed to the Group including tax penalties in respect of their tax investigation amounting to RM465,500. Accordingly, the Group has provided these additional tax liabilities for the financial year ended 31 March 2005.

33. 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.

(a) Business Segments

	Replication of Compact Discs RM	Duplication of Audio Cassette RM	Plastic Fabricated Parts RM	Others RM	Group RM
31 March 2005					
Sales					
Total sales	18,851,604	2,423,944	15,781,845	605,563	37,662,956
Intersegment sales	(549,474)	-	(1,154,807)	-	(1,704,281)
External sales	18,302,130	2,423,944	14,627,038	605,563	35,958,675
Results					
Segment result (external)	(1,369,828)	182,373	(777,910)	(319,335)	(2,284,700)
Finance costs	-	-	(342,654)	-	(342,654)
(Loss)/Profit from ordinary activities before taxation	(1,369,828)	182,373	(1,120,564)	(319,335)	(2,627,354)
Taxation					(634,158)
Loss for the year					(3,261,512)
Assets					
Segment assets	36,226,435	8,677,739	13,612,147	1,037,573	59,553,894
Unallocated corporate assets					1,578,177
					61,132,071
Liabilities					
Segment liabilities	2,898,277	464,562	6,825,451	154,155	10,342,445
Unallocated corporate liabilities					4,690,784
					15,033,229
Other Information					
Capital expenditure	1,097,290	-	23,937	-	1,121,227
Impairment loss	-	75,565	-	-	75,565
Depreciation and amortisation of goodwill on consolidation	3,104,625	284,244	1,548,054	77,924	5,014,847

33. 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 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 from 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

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 11).

(b) Geographical Segments

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

34. 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.

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 2005:

Functional currency in Ringgit Malaysia	Sterling Pound RM	Australian Dollar RM	United States Dollar RM	Singapore Dollar RM	Total RM
Receivables	239,351	618,909	3,402,210	898,635	5,159,105
Payables	-	-	(2,829,017)	(355,386)	(3,184,403)

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	4,965,789
Payables	-	(2,229,004)	(941,526)	(3,170,530)

34. FINANCIAL INSTRUMENTS (CONT'D)**(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 or 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.

(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.

List of Properties

as at 31st March 2005

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 2005 (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	28/09/04	Freehold (age is approx 9 years)	79.25	125,000
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	21/09/04	Leasehold 99 years expiring on 11.09.2082 (age is approx 9 years)	1,041.00	3,300,000
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	23/09/04	Leasehold 99 years expiring on 11.09.2082 (age is approx 13 years)	95.00	130,000
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	21/09/04	Leasehold 99 years expiring on 2082 (age is approx 19 years)	278.71	800,000
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	28/09/04	Freehold (age is Approx 9 years)	79.62	125,000

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 2005 (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	21/09/04	Leasehold 99 years expiring on 11.09.2082 (age is approx 9 years)	1,041.00	3,200,000
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	21/09/04	Leasehold 99 years expiring on 11.09.2082 (age is approx 13 years)	95.00	130,000
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	22/09/04	Freehold (age is approx 6 years)	195.93	270,000
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 19 years)	6,861.00	5,316,791
Total				9,766.51	13,396,791

Statistics of Shareholdings

as at 29 July 2005

Financial Year End : 31st March 2005
 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 29th July 2005

Size of the Shareholdings	No. of Shares	% over Total Shares	No. of Holders	% over Total Shareholders
1 – 99	9,687	0.02	230	10.12
100 – 1,000	78,399	0.20	109	4.80
1,001 – 10,000	5,393,899	13.48	1,637	72.02
10,001 – 100,000	6,819,849	17.05	270	11.88
100,001 – 1,999,999	7,545,500	18.86	23	1.01
2,000,000 & above	20,152,666	50.39	4	0.17
Total	40,000,000	100.00	2,273	100.00

Thirty Largest Shareholders as at 29th July 2005 (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	MEGA BAYUMAS SDN BHD	1,154,700	2.89
7	MEGA BAYUMAS SDN BHD	785,100	1.96
8	WONG KONG MENG	384,000	0.96
9	CHOW SECK KAI	380,300	0.95
10	SING KONG WEY	314,667	0.79
11	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NA BON TIAM (REM 622)	292,000	0.73
12	BHLB TRUSTEE BERHAD LEE CHIAH CHEANG	285,300	0.71
13	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AW SEN LOI	276,700	0.69
14	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR LIM KIM SOW (SFC)	270,000	0.68
15	YAP WIN SENG	264,000	0.66
16	TAN SING CHOO @ TEN SING CHOO	230,000	0.58
17	SEAW BOEY KOK	221,400	0.55
18	RICHARD LIEW HENG CHEONG	165,700	0.41
19	TEO KEE BOCK	146,667	0.37
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GAN BENG TONG	140,000	0.35

Thirty Largest Shareholders as at 29th July 2005 (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	CITICORP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TIOU CHONG (473301)	120,000	0.30
23	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE TECK HOE	116,000	0.29
24	TAN SU LOKE	116,000	0.29
25	ANG WING FAH	114,600	0.29
26	NGU KEE LENG	109,333	0.27
27	TAM CHUI CHUI	104,400	0.26
28	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP NAM HUAT	100,000	0.25
29	RHB NOMINEES (ASING) SDN BHD GK GOH SPL FOR CHONG AH KONG (20/207125)	100,000	0.25
30	CHEE HIAN BOON @ CHEE AH DECK	97,333	0.24
	Total Shares	27,995,499	69.99

Substantial Shareholders as at 29th July 2005
(As per the Register of Substantial Shareholders as at 29th July 2005)

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 29th July 2005)

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 **	3.58
5. Yap Kiam Beng	28,000	0.07	-	-
6. Yip Soon Chee	-	-	-	-
7. Loh Lap Sang	-	-	-	-
8. Khoo Chee Kong	-	-	-	-
9. Loy Kwee Keow	-	-	-	-
10. Mohd Fazillah Bin Mohd Ali	-	-	-	-
11. Liaw Boo Lai @ Leow Bong Lai	-	-	-	-

* 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 Twelfth 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 Wednesday, 28 September 2005 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 31 March 2005 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 31 March 2005. | Ordinary Resolution 2 |
| 3. To re-elect Mr Gun Seong Thean who retires in accordance with Article 82 of the Company's Articles of Association. | Ordinary Resolution 3 |
| 4. To re-elect Mr Soo Yoke Mun who retires in accordance with Article 82 of the Company's Articles of Association. | Ordinary Resolution 4 |
| 5. To re-elect Mr Khoo Chee Kong who retires in accordance with Article 89 of the Company's Articles of Association. | Ordinary Resolution 5 |
| 6. To re-elect Mr Loy Kwee Keow who retires in accordance with Article 89 of the Company's Articles of Association. | Ordinary Resolution 6 |
| 7. To re-elect Encik Mohd Fazillah Bin Mohd Ali who retires in accordance with Article 89 of the Company's Articles of Association. | Ordinary Resolution 7 |
| 8. To re-elect Mr Liaw Boo Lai @ Leow Bong Lai who retires in accordance with Article 89 of the Company's Articles of Association. | Ordinary Resolution 8 |
| 9. 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 9 |
| 10. 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 10 |
| <i>"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."</i> | |
| (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") | |
| <i>"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 2 to 6) of the Circular to Shareholders dated 6 September 2005 which shall be considered and approved as separate mandates:-</i> | |
| <i>(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.</i> | Ordinary Resolution 11 |
| <i>(ii) Transaction to be entered into by the Company's subsidiary, namely Summit CD Manufacture (M) Sdn Bhd with KL Graphic and Art Supply.</i> | Ordinary Resolution 12 |

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 11 and 12."*

11. 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
6 September 2005

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 10, 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 11 and 12, if passed, will empower the Directors from the date of the Twelfth 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 Twelfth Annual General Meeting of the Company are as follows:

- Mr Gun Seong Thean
- Mr Soo Yoke Mun
- Mr Khoo Chee Kong
- Mr Loy Kwee Keow
- Encik Mohd Fazillah Bin Mohd Ali
- Mr Liaw Boo Lai @ Leow Bong Lai

The profiles and interests in shares of the abovementioned Directors are set out on pages 11 to 13 and on page 27 respectively.

2. Board Meetings

Six (6) Board Meetings were held during the financial year ended 31 March 2005.

Mr Gun Seong Thean and Mr Soo Yoke Mun attended all the Board Meetings held during the financial year ended 31 March 2005.

The following Directors were appointed after the financial year ended 31 March 2005; they did not attend all Board Meetings held during the said financial year:-

Name of Directors	Date of Appointment
Mr Khoo Chee Kong	24 May 2005
Mr Loy Kwee Keow	24 May 2005
Encik Mohd Fazillah Bin Mohd Ali	31 May 2005
Mr Liaw Boo Lai @ Leow Bong Lai	31 May 2005

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

Date : 28 September 2005

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 Twelfth Annual General Meeting of the Company, to be held at
No 9 Jalan 3/91A Taman Shamelin Perkasa Cheras 56100 Kuala Lumpur on Wednesday, the 28th day of September 2005
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 Mr Gun Seong Thean		
Ordinary Resolution 4	Re-election of Mr Soo Yoke Mun		
Ordinary Resolution 5	Re-election of Mr Khoo Chee Kong		
Ordinary Resolution 6	Re-election of Mr Loy Kwee Keow		
Ordinary Resolution 7	Re-election of Encik Mohd Fazillah Bin Mohd Ali		
Ordinary Resolution 8	Re-election of Mr Liaw Boo Lai @ Leow Bong Lai		
Ordinary Resolution 9	Re-appointment of Messrs Ernst & Young as Auditors		
Ordinary Resolution 10	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
Ordinary Resolution 11	Renewal of shareholders' mandate to enter into recurrent related party transactions with SM Summit Holdings Ltd and its subsidiaries		
Ordinary Resolution 12	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	%
	<hr/>
	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 _____ 2005

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

REGISTERED OFFICE

22nd Floor, Wisma Cyclecarri

288, Jalan Raja Laut

50350 Kuala Lumpur

Tel: 03-2694 8788 Fax: 03-2693 9137