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SM Summit says piracy measures will boost sales

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COMPACT disc and cassette manufacturer SM Summit Holdings Bhd believes that the recent measures announced by the Government to check intellectual property piracy will translate into better business volumes for the group. On Monday, Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia will be limiting sales of information technology equipment which has the capability of reproducing CD-ROM software. As such, the Government will decide who can purchase these high technology products and legal actions will be taken by those who violate intellectual property regulations. Speaking at a press conference following the signing of an underwriting agreement yesterday, SM Summit's managing director Mr Peter Gun Seong Thean said with the steps to be taken by the Government, the industry will be properly regulated.

En route for a listing on the second board of the Kuala Lumpur Stock Exchange, SM Summit signed the agreement with its adviser and managing underwriter Perdana Merchant Bankers Bhd and HLG Securities Sdn Bhd. Signing on behalf of the group was Gun, while acting chief executive officer for Perdana Merchant Mr Yap Fatt and Encik Omar Zolkifli representing HLG, were the other signatories.

As for the impact of piracy on the group's operations, Gun added that no direct impact is felt as SM Summit is a manufacturer.

An investment holding company, SM Summit has subsidiaries that are engaged mainly in manufacturing audio and video compact discs (VCD) as well as cassette tapes for the entertainment industry.

Among the group's customers are international household names like EMI, Warner Music, Sony Music, Universal, Polygram, Rock Records and many others.

The group also has VCD customers such as Berjaya HVN and Speedy Video. SM Summit will be the first company from the industry to be listed on the stock market.

For the flotation of the group, a public issue of 3.93 million new ordinary shares will be made available at an issue price of RM1.60 each. The eventual issued and paid-up capital of the company will be RM30 million comprising 30 million RM1 shares apiece.

Out of the total proceeds of some RM9 million arising from the listing, SM Summit will utilise them to part-finance the purchase of a CD glass-mastering machine, retire existing borrowings as well as for working capital.

The CD glass-mastering machine is an important front end function required to produce CDs that will increase the self sufficiency of the group. Currently, it depends on its related company SM Summit Holdings Ltd, Singapore for its CD mastering needs.

Acquiring the machine would enhance the quality of service and product provided by the group to its customers as time is an important factor in the entertainment industry.

"By centralising our production in Malaysia, we will have cost savings of some RM1.5 million per year," Gun said.

At present, audio and video CDs as well as cassettes are the main contributors to the group's bottomline. SM Summit commands a 65 per cent and 55 per cent market share of the audio CD and cassette industry, respectively.

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