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CORPORATE INFORMATION

CHAIRMAN

DATO' MOHD TAUFIK BIN ABDULLAH

VICE-CHAIRMAN

DAISUKE KADONO

MANAGING DIRECTOR

MACHENDRAN A/L PITCHAI CHETTY

DIRECTORS

RAMAKRISHNAN A/L THANGASAMY CHETTIAR

DHANABALAN A/L M. PITCHAI CHETTY

VIJAYAN A/L O.M.V. DEVAN

MAKHTAR BIN MOHAMED

NAGARAJAN A/L THAMBIAH

TYE LEAN TEE @ TAN LEAN TEE

MUSTAFFA KAMIL BIN MD. ISMAIL

COMPANY SECRETARY

THUM SOOK FUN (MAICSA 7025619)

REGISTERED OFFICE

SUITE 18.05, MWE PLAZA

NO.8, LEBUH FARQUHAR, 10200 PENANG

TEL: 04-263 1966 / 261 4680 FAX: 04-262 8544

AUDITORS

ARTHUR ANDERSEN & CO.

PUBLIC ACCOUNTANTS

21ST FLOOR, MWE PLAZA

NO.8, LEBUH FARQUHAR, 10200 PENANG

PRINCIPAL BANKERS

BUMIPUTRA-COMMERCE BANK BERHAD

HSBC BANK MALAYSIA BERHAD

OVERSEAS UNION BANK LTD

RHB BANK BERHAD

SOUTHERN BANK BERHAD

BANK MUAMALAT BHD

SHARE REGISTRARS

SECURITIES SERVICES (HOLDINGS) SDN BHD (36869-T)

SUITE 18.05, MWE PLAZA

NO.8, LEBUH FARQUHAR, 10200 PENANG

TEL: 04-263 1966 / 261 4680 FAX: 04-262 8544

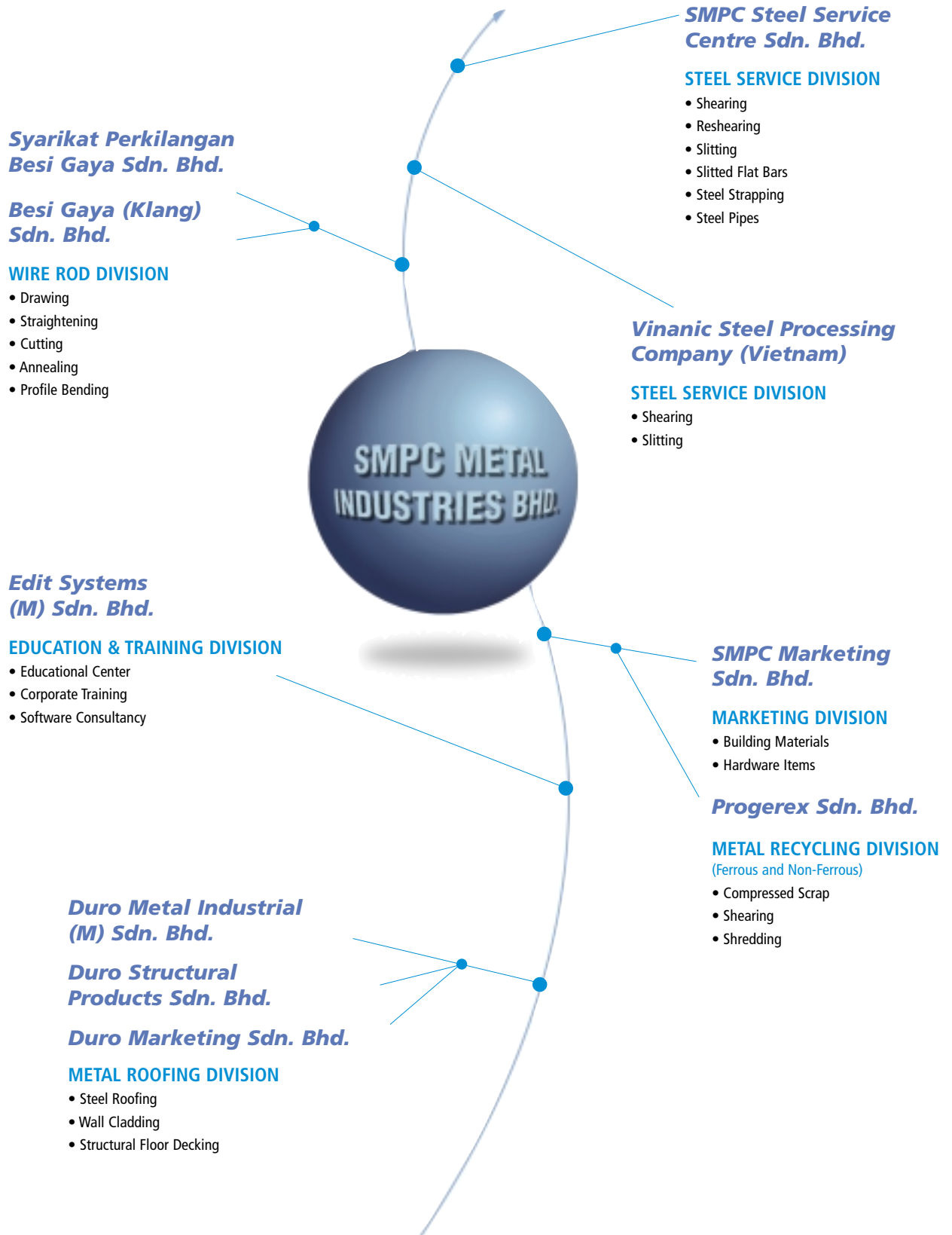
STOCK EXCHANGE

SECOND BOARD OF THE KUALA LUMPUR STOCK EXCHANGE

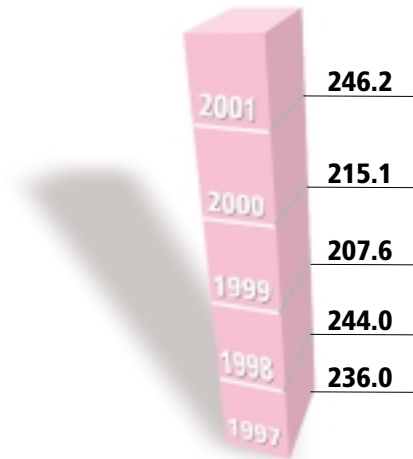
CORPORATE MISSION

- 1. To position SMPC as a leading growth-oriented company.**
- 2. To seek new business opportunities in the iron and steel industry and to create increased value for our shareholders.**
- 3. To purchase excellence and expertise with emphasis on quality products and superior customer service.**
- 4. To be seen as a good employer in bringing out the best in our employees.**
- 5. To be a good corporate citizen.**

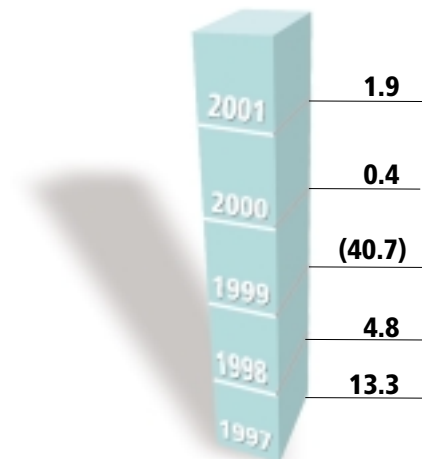
CORPORATE STRUCTURE



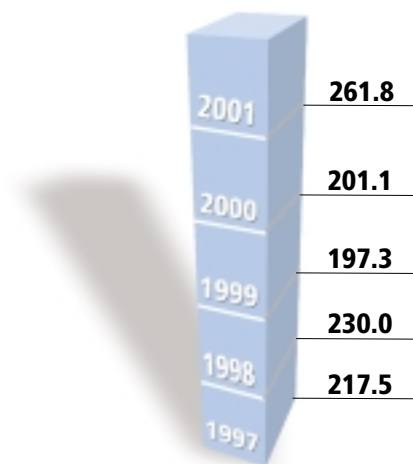
FINANCIAL HIGHLIGHTS



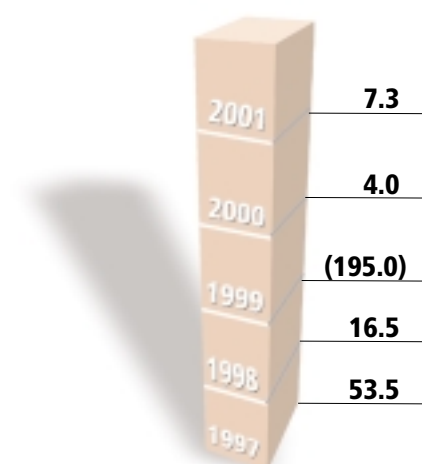
Turnover
(RM Million)



Profit / (Loss) Before
Tax (RM Million)



Total Assets
(RM Million)



Earnings / (Loss)
Per Share (Sen)

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of SMPC Metal Industries Bhd. for the financial year ended 31 January, 2001.

Financial Results

The group registered a turnover of RM246 million compared to RM215 million for the previous financial year. The Group also posted a higher pre-tax profit of RM2 million compared with RM412,000 for the previous period. The Group attributes the improved results to reduction in financial costs of the Group and also the consolidation of three months post acquisition profit of Duro Metal Industrial (M) Sdn. Bhd., a company acquired in November, 2000.

The total assets of the Group stood at RM262 million compared with RM201 million in the preceding year.

Corporate Exercise

All the corporate proposals approved by the Securities Commission were completed as at the date of this report and the issued and paid-up share capital of the Company increased to RM54,576,965 in tandem with the KLSE requirement for the second board companies.

Dividends

The Board of Directors has decided not to recommend any dividend payment for the financial year ended 31 January, 2001.

SECTORAL PERFORMANCE

Steel Service Division

SMPC Steel Service Centre Sdn. Bhd. incurred a pre-tax loss of RM582,000 on a turnover of RM91 million for the current financial year compared to a pre-tax profit of RM381,000 on a turnover of RM87 million for the financial year 2000. The loss is due to volatile fluctuations in the purchase costs of imported cold rolled coils and the drastic drop in demand for locally manufactured hot rolled coils because of its high price.

Wire Rod Division

Syarikat Perkilangan Besi Gaya Sdn. Bhd. registered a turnover of RM12 million compared with RM18 million for the previous period. The company and its subsidiary (Besi Gaya (Klang) Sdn. Bhd.), posted a pre-tax loss of RM564,000 against a pre-tax loss of RM641,000 for the previous period. The result of this operation was adversely affected due to weak performance of the construction industry.

CHAIRMAN'S STATEMENT

Marketing Division

SMPC Marketing Sdn. Bhd. posted a turnover of RM32 million for the financial year 2001 and 2000. The company registered a pre-tax profit of RM367,000 compared with RM522,000 for the preceding year.

Metal Recycling Division

Progerex Sdn. Bhd. posted a pre-tax profit of RM469,000 compared with RM1 million for the previous period. Turnover was registered at RM111 million as against RM88 million previously. The result of the company was affected due to provision of RM2.5 million for certain slow moving stocks.

Education & Training Division

Edit Systems (M) Sdn. Bhd. posted a pre-tax loss of RM43,000 compared with a pre-tax loss of RM300,000 in the previous period. Turnover increased to RM733,000 compared to RM400,000 in the preceding year. The intensive marketing efforts initiated by the management to increase students intake and also the increase derived from corporate training programmes resulted in improved performance.

Metal Roofing Division

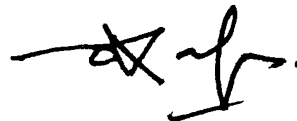
Duro Metal Industrial (M) Sdn. Bhd. posted a consolidated pre-tax profit of RM4 million on a turnover of RM36 million. The Duro group achieved a profit after tax and minority interest of RM3 million as against a forecast of RM4 million. The short fall was due to deferment of certain projects.

FUTURE OUTLOOK

Even though the country appears to be out of its economic doldrums, the recovery in certain sectors especially property development and steel industry has been relatively slow. Hence, there is an inherent risk that the Group's performance may be affected. Barring any unforeseen circumstances, the directors are of the opinion that the Group will be able to maintain its existing level of operations in view of the various measures undertaken by the government to counter the effects of the domestic economic slowdown.

APPRECIATION

On behalf of the Board of Directors, I wish to thank the management and staff for their diligence, dedication and commitment in their work and to extend my gratitude to the shareholders, customers, financial institutions and the government authorities for their continuing support and confidence in the Group.



DATU' MOHD TAUFIK BIN ABDULLAH

Chairman

PENYATA PENERUSI

Saya bagi pihak Lembaga Pengarah dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan SMPC Metal Industries Bhd. bagi tahun kewangan berakhir 31 Januari, 2001.

Hasil Kewangan

Kumpulan SMPC telah mencatatkan perolehan sebanyak RM246 juta berbanding dengan RM215 juta bagi tahun kewangan sebelumnya. Keuntungan sebelum cukai tahun ini telah meningkat ke RM2 juta daripada RM412,000. Peningkatan ini adalah disebabkan oleh penurunan kos kewangan Kumpulan dan juga daripada gabungan keuntungan yang disumbang oleh Duro Metal Industrial (M) Sdn. Bhd., syarikat yang telah diperolehi oleh Kumpulan pada November 2000.

Jumlah keseluruhan aset Kumpulan dicatatkan sebanyak RM262 juta berbanding RM201 juta pada tahun sebelumnya.

Perlaksanaan Korporat

Kesemua cadangan korporat yang diluluskan oleh Suruhanjaya Sekuriti telah dilaksanakan pada tarikh laporan ini dan saham diterbitkan dan dibayar penuh syarikat telah dinaikkan kepada RM54,576,965 sejurus dengan syarat BSKL bagi syarikat-syarikat yang disenaraikan di papan kedua.

Dividen

Lembaga Pengarah tidak mengisytiharkan sebarang bayaran dividen bagi tahun kewangan berakhir 31 Januari, 2001.

Bahagian Perkhidmatan Waja

SMPC Steel Service Centre Sdn. Bhd. telah mengalami kerugian sebelum cukai sebanyak RM582,000 atas perolehan sebanyak RM91 juta bagi tahun kewangan semasa berbanding dengan keuntungan sebelum cukai sebanyak RM381,000 dengan mencatatkan perolehan sebanyak RM87 juta bagi tahun kewangan berakhir 2000. Kerugian adalah disebabkan ketidakstabilan harga belian "cold rolled coils" yang diimport dan penurunan dalam permintaan bagi "hot rolled coils" pengeluaran tempatan kerana harganya yang lebih tinggi.

Bahagian Pendawaian

Syarikat Perkilangan Besi Gaya Sdn. Bhd. telah mencatatkan perolehan sebanyak RM12 juta berbanding dengan RM18 juta bagi tahun kewangan sebelumnya. Syarikat ini telah mengalami kerugian sebelum cukai sebanyak RM564,000 berbanding dengan kerugian sebelum cukai sebanyak RM641,000 bagi tahun kewangan sebelumnya. Keputusan yang tidak memberangsangkan adalah disebabkan oleh industri pembinaan yang masih lembap.

PENYATA PENERUSI

Bahagian Pemasaran

SMPC Marketing Sdn. Bhd. telah mengekalkan perolehan sebanyak RM32 juta untuk tahun kewangan 2001 dan 2000. Syarikat ini juga mencatatkan keuntungan sebelum cukai sebanyak RM367,000 berbanding dengan keuntungan sebelum cukai sebanyak RM522,000 bagi tahun sebelumnya.

Bahagian Kitar Semula Besi

Progerex Sdn. Bhd. mencatatkan keuntungan sebelum cukai sebanyak RM469,000 berbanding dengan RM1 juta bagi tahun sebelumnya. Perolehan adalah sebanyak RM111 juta berbanding dengan RM88 juta sebelumnya. Keputusan syarikat telah dipengaruhi oleh peruntukkan penggunaan stok yang lembap sebanyak RM2.5 juta.

Bahagian Pendidikan dan Latihan

Edit Systems (M) Sdn. Bhd. mencatatkan kerugian sebelum cukai sebanyak RM43,000 berbanding dengan kerugian sebelum cukai sebanyak RM300,000 bagi tahun sebelumnya. Perolehan adalah sebanyak RM733,000 berbanding dengan RM400,000 bagi tahun sebelumnya. Usaha pemasaran intensif yang telah dilaksanakan oleh pengurusan telah meningkatkan bilangan pelajar dan sumbangan daripada program latihan korporat.

Bahagian Bumbung Waja

Duro Metal Industrial (M) Sdn. Bhd. mencatat keuntungan sebelum cukai digabung sebanyak RM4 juta di atas perolehan RM36 juta. Kumpulan Duro mencapai keuntungan selepas cukai sebanyak RM 3 juta berbanding dengan keuntungan yang diramalkan sebanyak RM4 juta. Perbezaan ini disebabkan oleh penangguhan beberapa projek.

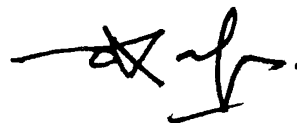
PANDANGAN MASA HADAPAN

Walaupun negara kita sedang pulih daripada kegawatan ekonomi, pemulihan dalam beberapa sektor terutamanya pembangunan harta milik dan industri waja masih lembab. Keadaan ini mungkin menjejaskan prestasi Kumpulan.

Tertakluk kepada sebarang keadaan yang tidak dijangka, para pengarah berpendapat bahawa Kumpulan dapat mengekalkan tahap operasi semasa dengan mengambil kira pelbagai langkah yang telah diambil oleh kerajaan untuk menangani kegawatan ekonomi.

PENGHARGAAN

Saya bagi pihak Lembaga Pengarah, ingin mengucapkan terima kasih kepada pihak pengurusan dan kakitangan-kakitangan bagi ketekunan, dedikasi dan komitmen dalam segala tugas mereka. Tidak ketinggalan juga ribuan terima kasih ditujukan kepada pemegang saham, pelanggan, institusi kewangan dan pihak berkuasa kerajaan kerana sokongan yang berterusan dan keyakinan yang diberi kepada Kumpulan.



DATO' MOHD TAUFIK BIN ABDULLAH

Pengerusi

AUDIT COMMITTEE

Members

Nagarajan a/l Thambiah (Chairman of the Committee, Independent Non-Executive Director)

Daisuke Kadono (Independent Non-Executive Vice-Chairman)

Tye Lean Tee @ Tan Lean Tee (Independent Non-Executive Director)

Machendran a/l Pitchai Chetty (Executive Director)

Vijayan a/l O.M.V. Devan (Executive Director)

Terms of Reference

The primary objective of the Audit Committee is to assure the shareholders of the Company that the Directors of the Company have complied with specified financial standards and required disclosure policies developed and administered by the KLSE.

Functions

The functions of the Committee shall be:

- i) to review with the external auditors the scope of their audit plan, the system of internal accounting controls, the audit reports and any findings and actions to be taken. The Committee should also select external auditors for appointment by the Board each year.
- (ii) to review the scope and results of the internal audit procedures.
- (iii) to review any related party transactions that may arise within the Group or Company .

Frequency of Meetings

Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider it necessary.

Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January, 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, letting of industrial and commercial assets and management consultancy.

The principal activities of the subsidiaries are described in Note 15 to the financial statements.

There were no significant changes in these activities during the financial year.

RESULTS

| | <u>Group</u> | <u>Company</u> |
|-------------------------|------------------|----------------|
| | RM | RM |
| Net profit for the year | <u>2,100,028</u> | <u>684,151</u> |

DIVIDEND

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

The directors do not recommend any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

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.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that 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:

- (i) all known bad debts had been written off and that adequate provision had been made for doubtful debts for the Group;
- (ii) there were no known bad debts and that no provision for doubtful debts is required for the Company.

At the date of this report, the directors are not aware of any circumstances which would render the amounts written off as bad debts or provided for as doubtful debts in the financial statements of the Group inadequate to any substantial extent nor are they aware of any circumstances that would require any amount to be written off as bad debts or provided for as doubtful debts in the financial statements of the Company.

DIRECTORS' REPORT

CURRENT ASSETS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- a) 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
- b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group or of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 29 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

During the financial year, the Company increased its authorised share capital from RM50,000,000 to RM100,000,000 by the creation of 50,000,000 ordinary shares of RM1.00 each and increased its issued and fully paid-up share capital from RM19,999,000 to RM54,576,965 by the issuance of 34,577,965 ordinary shares of RM1.00 each pursuant to the corporate exercise as disclosed in Note 29(a) to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME

The Company's Employees' Share Option Scheme ("ESOS") consisting of up to 4,552,000 share options with rights to subscribe for the same number of new ordinary shares of RM1.00 each was implemented in April, 2001. The main features of the ESOS are:

- a) The eligible persons are employees and executive directors of the Group having at least one (1) year of service with the Group. The eligibility for participation in the ESOS shall be at the absolute discretion of the ESOS's Committee.
- b) The option shall be for a minimum of 1,000 ordinary shares and shall not exceed the maximum allowable allotment of 500,000 ordinary shares.
- c) The option period is for five (5) calendar years commencing from 11 April, 2001 and expiring on 10 April, 2006.
- d) The option price shall be determined based on the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five (5) preceding market days prior to the Date of Offer or at par, whichever is higher.
- e) The shares to be allotted upon any exercise of the option will upon allotment, rank pari passu in all respects with the existing shares of the Company.

The share options were granted subsequent to year end and none of the share options have been exercised.

DIRECTORS

The directors who served since the date of the last report are:

Dato' Mohd Taufik bin Abdullah
Daisuke Kadono
Machendran a/l Pitchai Chetty
Ramakrishnan a/l Thangasamy Chettiar
Dhanabalan a/l M. Pitchai Chetty
Nagarajan a/l Thambiah
Tye Lean Tee @ Tan Lean Tee
Vijayan a/l O.M.V. Devan
Makhtar bin Mohamed
Mustaffa Kamil bin Md. Ismail - appointed on 3 May, 2001

In accordance with the Company's Articles of Association, Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar, Nagarajan a/l Thambiah and Mustaffa Kamil bin Md. Ismail retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for those benefits which may be deemed to have arisen by virtue of those transactions (either as a supplier, agent or customer) in respect of trading and other services entered into in the ordinary course of business between the Company and its subsidiaries and companies in which certain directors are deemed to have interests.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interests in shares and warrants in the Company or its related corporations during the financial year other than as follows:

| The Company | Number of ordinary shares of RM1 each | | | |
|---------------------------------------|---------------------------------------|---------------|-------------|----------------------------|
| | 1 February, <u>2000</u> | <u>Bought</u> | <u>Sold</u> | 31 January, <u>2001</u> |
| <u>Direct interest</u> | | | | |
| Dato' Mohd Taufik bin Abdullah | 250,000 | 1,000,000 | - | 1,250,000 |
| Makhtar bin Mohamed | - | 257,350 | - | 257,350 |
| Tye Lean Tee @ Tan Lean Tee | 14,000 | 12,000 | - | 26,000 |
| Nagarajan a/l Thambiah | 250,015 | - | - | 250,015 |
| Machendran a/l Pitchai Chetty | - | 965,347 | - | 965,347 |
| <u>Indirect interest</u> | | | | |
| Machendran a/l Pitchai Chetty * | 7,469,831 | 7,306,698 | - | 14,776,529 |
| Dhanabalan a/l M. Pitchai Chetty * | 7,469,831 | 7,306,698 | - | 14,776,529 |
| Ramakrishnan a/l Thangasamy Chettiar* | 7,469,831 | 7,306,698 | - | 14,776,529 |

DIRECTORS' REPORT

Number of warrants over ordinary shares of RM1 each

| The Company | 1 February, <u>2000</u> | <u>Granted</u> | <u>Excercised</u> | 31 January, <u>2001</u> |
|--|----------------------------|----------------|-------------------|----------------------------|
| <u>Direct interest</u> | | | | |
| Makhtar bin Mohamed | - | 107,350 | - | 107,350 |
| <u>Indirect interest</u> | | | | |
| Machendran a/l Pitchai Chetty * | - | 3,734,916 | - | 3,734,916 |
| Dhanabalan a/l M. Pitchai Chetty * | - | 3,734,916 | - | 3,734,916 |
| Ramakrishnan a/l Thangasamy Chettiar * | - | 3,734,916 | - | 3,734,916 |

Number of ordinary shares of RM1 each

| Subsidiary | 1 February, <u>2000</u> | <u>Bought</u> | <u>Sold</u> | 31 January, <u>2001</u> |
|--|----------------------------|---------------|-------------|----------------------------|
| SMPC Marketing Sdn. Bhd. | | | | |
| <u>Indirect interest</u> | | | | |
| Machendran a/l Pitchai Chetty** | 4 | - | 4 | - |
| Dhanabalan a/l M. Pitchai Chetty** | 4 | - | 4 | - |
| Ramakrishnan a/l Thangasamy Chettiar** | 4 | - | 4 | - |

* By virtue of their interests in Kumpulan Pitchai Sdn. Bhd. (KPSB) and S.M. Pitchai Chettiar Sdn. Bhd. (SMPCSB), the directors are deemed to have interests in the shares and warrants of the Company to the extent KPSB and SMPCSB have interests. Both companies are incorporated in Malaysia.

** By virtue of their interests in SMPCSB, the directors are deemed to have interests in the shares of the subsidiary to the extent that SMPCSB has an interest.

NUMBER OF EMPLOYEES AND PRINCIPAL PLACE OF BUSINESS

The number of employees in the Group and the Company at the end of the financial year were 348 (2000: 276) and 9 (2000: 7) respectively. The principal place of business of the Company is located at 2521, Tingkat Perusahaan 6, Prai Industrial Estate, 13600 Prai, Penang.

DIRECTORS' REPORT

AUDITORS

Arthur Andersen & Co. retire and have indicated their willingness to accept re-appointment.

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

MACHENDRAN A/L PITCHAI CHETTY

RAMAKRISHNAN A/L THANGASAMY CHETTIAR

Dated: 23 May, 2001
Penang

STATEMENT BY DIRECTORS

We, MACHENDRAN A/L PITCHAI CHETTY and RAMAKRISHNAN A/L THANGASAMY CHETTIAR, being two of the directors of SMPC METAL INDUSTRIES BHD., do hereby state that, in the opinion of the directors, the financial statements set out on pages 20 to 53 give a true and fair view of the state of affairs of the Group and of the Company as at 31 January, 2001 and of the results and cash flows of the Group and of the Company for the year then ended, and have been properly drawn up in accordance with applicable approved accounting standards in Malaysia.

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

.....
MACHENDRAN A/L PITCHAI CHETTY

.....
RAMAKRISHNAN A/L THANGASAMY CHETTIAR

Dated: 23 May, 2001
Penang

STATUTORY DECLARATION

I, MACHENDRAN A/L PITCHAI CHETTY, the director primarily responsible for the financial management of SMPC METAL INDUSTRIES BHD., do solemnly and sincerely declare that the financial statements set out on pages 20 to 53 are, to the best of my knowledge and belief, 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 MACHENDRAN A/L)
PITCHAI CHETTY at BUTTERWORTH)
in the State of Penang on 23 May, 2001) MACHENDRAN A/L PITCHAI CHETTY

Before me,

P. SATHASIVAM
No P036
Commissioner for Oaths
Butterworth, Penang

AUDITORS' REPORT

To the Shareholders of
SMPC METAL INDUSTRIES BHD.

We have audited the financial statements set out on pages 20 to 53. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 January, 2001 and of the results and 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;
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification or any adverse comment made under subsection (3) of section 174 of the Act.

Arthur Andersen & Co.
No. AF 0103
Public Accountants

Lim Foo Chew
No. 1748/01/02(J)
Partner of the Firm

Dated: 23 May, 2001
Penang

CONSOLIDATED BALANCE SHEET

31 JANUARY, 2001

| | <u>Note</u> | <u>2001</u> RM | <u>2000</u> RM |
|-------------------------------------|-------------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and bank balances | | 17,678,442 | 2,924,234 |
| Fixed deposits with licensed banks | 3 | 315,359 | 50,000 |
| Short term investment | 4 | 165,537 | - |
| Trade debtors | 5 | 77,337,907 | 53,930,987 |
| Other debtors and prepayments | 6 | 4,877,369 | 3,854,968 |
| Stocks | 7 | 45,530,174 | 36,258,036 |
| | | 145,904,788 | 97,018,225 |
| CURRENT LIABILITIES | | | |
| Bank borrowings | 9 | 93,001,647 | 136,493,579 |
| Trade creditors | 10 | 36,409,855 | 23,044,487 |
| Other creditors | 11 | 7,326,411 | 7,758,032 |
| Taxation | | 331,667 | 664,890 |
| | | 137,069,580 | 167,960,988 |
| NET CURRENT ASSETS/(LIABILITIES) | | 8,835,208 | (70,942,763) |
| FIXED ASSETS | 12 | 109,265,246 | 103,577,626 |
| INTANGIBLE ASSETS | 13 | 50,272 | 219,679 |
| GOODWILL/(RESERVE) ON CONSOLIDATION | 14 | 2,694,707 | (4,645,552) |
| OTHER UNQUOTED INVESTMENT | 16 | - | 299,838 |
| TERM LOANS | 17 | (44,596,473) | (10,981,797) |
| HIRE-PURCHASE CREDITORS | 18 | (256,496) | (429,706) |
| DEFERRED TAXATION | 19 | (596,000) | (511,000) |
| RETIREMENT BENEFITS | 20 | (527,602) | (504,279) |
| MINORITY INTERESTS | | (342,532) | (248,201) |
| | | 74,526,330 | 15,833,845 |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 21 | 54,576,965 | 19,999,000 |
| Reserves | | 19,949,365 | (4,165,155) |
| | | 74,526,330 | 15,833,845 |

The accompanying notes are an integral part of this balance sheet.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED
31 JANUARY, 2001

| | <u>Note</u> | <u>2001</u> RM | <u>2000</u> RM |
|--|-------------|-------------------|-------------------|
| Revenue | 22 | 246,249,661 | 215,128,189 |
| Other operating income | 23 | 8,984,002 | 2,100,990 |
| Changes in stocks of finished goods | | 3,414,353 | 572,239 |
| Raw materials and consumables used | | (102,136,822) | (65,478,821) |
| Trading goods purchased | | (109,695,288) | (109,430,141) |
| Staff costs | 24 | (7,790,984) | (6,082,104) |
| Depreciation | | (5,582,257) | (5,857,928) |
| Other operating expenses | 25 | (20,026,424) | (16,717,608) |
| Profit from operations | | 13,416,241 | 14,234,816 |
| Finance costs, net | 26 | (11,522,237) | (13,133,917) |
| Share of loss in an associated company | | - | (688,849) |
| Profit before taxation | | 1,894,004 | 412,050 |
| Taxation | 27 | 140,404 | 215,949 |
| Net profit after taxation | | 2,034,408 | 627,999 |
| Minority interests | | 65,620 | 185,580 |
| Net profit for the year | | <u>2,100,028</u> | <u>813,579</u> |
| Earnings per share (sen) | 28 | <u>7.30</u> | <u>4.00</u> |

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
31 JANUARY, 2001

← Non-Distributable →

| | Share capital RM | Share premium RM | Revaluation reserve RM | Accumulated losses RM | Total reserves RM | Total RM |
|---|------------------------|------------------------|------------------------------|-----------------------------|-------------------------|-------------|
| At 1.2.1999 | 19,999,000 | 2,135,166 | 8,004,601 | (15,118,501) | (4,978,734) | 15,020,266 |
| Net profit for the year | - | - | - | 813,579 | 813,579 | 813,579 |
| At 31.1.2000 | 19,999,000 | 2,135,166 | 8,004,601 | (14,304,922) | (4,165,155) | 15,833,845 |
| Net profit for the year | - | - | - | 2,100,028 | 2,100,028 | 2,100,028 |
| Special issue of shares | 10,000,000 | 5,500,000 | - | - | 5,500,000 | 15,500,000 |
| Rights issue of shares | 14,924,500 | 8,208,475 | - | - | 8,208,475 | 23,132,975 |
| Shares issued on acquisition of subsidiaries | 9,653,465 | 9,846,535 | - | - | 9,846,535 | 19,500,000 |
| Corporate exercise expenses | - | (1,540,518) | - | - | (1,540,518) | (1,540,518) |
| At 31.1.2001 | 54,576,965 | 24,149,658 | 8,004,601 | (12,204,894) | 19,949,365 | 74,526,330 |

The accompanying notes are an integral part of this statement.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED
31 JANUARY, 2001

| | <u>Note</u> | <u>2001</u> RM | <u>2000</u> RM |
|--|-------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 1,894,004 | 412,050 |
| Adjustments for: | | | |
| Amortisation of intangible assets | | 169,407 | 109,831 |
| Amortisation of goodwill on consolidation | | 189,383 | - |
| Depreciation | | 5,582,257 | 5,857,928 |
| Fixed assets written off | | 40,893 | - |
| Interest expense | | 11,358,087 | 12,858,452 |
| Provision for diminution in value of investment | | 299,838 | 469,160 |
| Bad and doubtful debts | | 2,443,757 | 1,360,276 |
| Provision for doubtful debts written back | | (481,154) | (806,629) |
| Provision for retirement benefits | | 129,095 | 60,325 |
| Stocks written down to net realisable value | | 2,744,890 | - |
| Write back of stocks to net realisable value | | - | (17,092) |
| Share of loss in an associated company | | - | 688,849 |
| Unrealised gain on foreign exchange | | (11,442) | - |
| Amortisation of reserve on consolidation | | (796,380) | (796,380) |
| Gain on disposal of fixed assets | | (299,999) | (383,006) |
| Interest income | | (286,195) | (260,904) |
| Debt waived by banks | | (7,123,735) | - |
| Operating profit before working capital changes | | 15,852,706 | 19,552,860 |
| (Increase)/Decrease in debtors | | (8,074,089) | 3,130,264 |
| Increase in stocks | | (6,064,390) | (10,184,100) |
| Increase in creditors | | 405,665 | 10,280,604 |
| Cash generated from operations | | 2,119,892 | 22,779,628 |
| Retirement benefits paid | | (105,772) | (8,796) |
| Tax paid | | (703,404) | (561,784) |
| Net cash generated from operating activities | | 1,310,716 | 22,209,048 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 286,195 | 260,904 |
| Decrease in fixed deposits | | 103,336 | - |
| Purchase of fixed assets | A | (2,535,619) | (2,887,492) |
| Cash arising from acquisition of Duro Metal Industrial (M) Sdn. Bhd. and its subsidiaries | B | 555,750 | - |
| Purchase of short term investment | | (150,537) | - |
| Proceeds from disposal of fixed assets | | 306,560 | 610,404 |
| Net cash used in investing activities | | (1,434,315) | (2,016,184) |

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED
31 JANUARY, 2001

| | <u>Note</u> | <u>2001</u> RM | <u>2000</u> RM |
|--|-------------|---------------------|---------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | | (4,815,865) | (10,346,483) |
| Net changes of short term borrowings | | 3,091,949 | (17,229,752) |
| Proceeds from issue of shares | | 38,632,975 | - |
| Repayment of term loans | | (2,460,935) | (3,568,060) |
| Repayment of hire-purchase creditors | | (662,087) | (1,280,862) |
| Corporate exercise expenses | | (1,540,518) | - |
| Net cash generated from/(used in) financing activities | | <u>32,245,519</u> | <u>(32,425,157)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 32,121,920 | (12,232,293) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | <u>(36,488,541)</u> | <u>(24,256,248)</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | C | <u>(4,366,621)</u> | <u>(36,488,541)</u> |

A. PURCHASE OF FIXED ASSETS

During the year, the Group acquired fixed assets with an aggregate cost of RM2,852,086 (2000: RM3,186,711) of which RM316,467 (2000: RM299,219) were paid by means of hire-purchase and RM2,535,619 (2000: RM2,887,492) by means of cash payments.

B. ACQUISITION OF DURO METAL INDUSTRIAL (M) SDN. BHD. AND ITS SUBSIDIARIES

| | <u>2001</u> RM |
|---|---------------------|
| Current assets | 23,991,295 |
| Current liabilities | (16,628,801) |
| Fixed assets | 8,465,245 |
| Hire-purchase creditors | (74,769) |
| Term loans | (3,371,088) |
| Deferred taxation | (294,000) |
| Minority interest | <u>(163,206)</u> |
| Net assets acquired | 11,924,676 |
| Goodwill on acquisition | <u>7,575,324</u> |
| Total purchase price | 19,500,000 |
| Less: Portion discharged by issuance of shares | <u>(19,500,000)</u> |
| | - |
| Net cash arising from acquisition of Duro Metal Industrial (M) Sdn. Bhd. and its subsidiaries | <u>555,570</u> |

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED
31 JANUARY, 2001

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

| | <u>2001</u> | <u>2000</u> |
|--|--------------------|---------------------|
| | RM | RM |
| Cash and bank balances | 17,678,442 | 2,924,234 |
| Fixed deposits with licensed banks (not pledged portion) | 50,142 | 50,000 |
| Bank overdrafts | (22,095,205) | (39,462,775) |
| | <u>(4,366,621)</u> | <u>(36,488,541)</u> |

The accompanying notes are an integral part of this statement.

BALANCE SHEET 31 JANUARY, 2001

| | <u>Note</u> | <u>2001</u> RM | <u>2000</u> RM |
|----------------------------------|-------------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and bank balances | | 14,820,110 | 19,282 |
| Trade debtors | 5 | 313,500 | 116,500 |
| Other debtors and prepayments | 6 | 948,232 | 434,401 |
| Due from subsidiaries | 8 | 14,100,159 | 92,620 |
| | | <u>30,182,001</u> | <u>662,803</u> |
| CURRENT LIABILITIES | | | |
| Bank borrowings | 9 | 9,876,224 | 7,334,442 |
| Other creditors | 11 | 1,429,292 | 990,298 |
| Taxation | | - | 313,072 |
| Due to subsidiaries | | - | 6,609,145 |
| | | <u>11,305,516</u> | <u>15,246,957</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | 18,876,485 | (14,584,154) |
| FIXED ASSETS | 12 | 34,498,304 | 34,010,169 |
| INVESTMENTS IN SUBSIDIARIES | 15 | 42,645,658 | 23,987,716 |
| OTHER UNQUOTED INVESTMENT | 16 | - | 299,838 |
| TERM LOANS | 17 | - | (5,026,100) |
| HIRE-PURCHASE CREDITOR | 18 | (56,370) | - |
| | | <u>95,964,077</u> | <u>38,687,469</u> |
| SHAREHOLDERS' FUNDS | | | |
| Share capital | 21 | 54,576,965 | 19,999,000 |
| Reserves | | 41,387,112 | 18,688,469 |
| | | <u>95,964,077</u> | <u>38,687,469</u> |

The accompanying notes are an integral part of this balance sheet.



INCOME STATEMENT

FOR THE YEAR ENDED
31 JANUARY, 2001

| | <u>Note</u> | <u>2001</u> RM | <u>2000</u> RM |
|--------------------------------|-------------|-------------------|-------------------|
| Revenue | 22 | 2,272,156 | 2,478,356 |
| Other operating income | 23 | 2,279,972 | 29,999 |
| Staff costs | 24 | (1,149,870) | (58,388) |
| Depreciation | | (803,321) | (770,171) |
| Other operating expenses | 25 | (1,449,836) | (2,571,089) |
| Profit/(Loss) from operations | | 1,149,101 | (891,293) |
| Finance costs, net | 26 | (778,022) | (1,271,266) |
| Profit/(Loss) before taxation | | 371,079 | (2,162,559) |
| Taxation | 27 | 313,072 | 372,278 |
| Net profit/(loss) for the year | | 684,151 | (1,790,281) |

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
31 JANUARY, 2001

| | ← Non-Distributable → | | | | Distributable | | <u>Total</u> RM |
|--|-----------------------|----------------------|------------------------|-----------------------------|--------------------------|-----------------------|--------------------|
| | <u>Share capital</u> | <u>Share premium</u> | <u>Capital reserve</u> | <u>Revaluation reserves</u> | <u>Retained earnings</u> | <u>Total reserves</u> | |
| | RM | RM | RM | RM | RM | RM | |
| At 1.2.1999 | 19,999,000 | 2,135,166 | 7,445,000 | 8,004,601 | 2,893,983 | 20,478,750 | 40,477,750 |
| Net loss for the year | - | - | - | - | (1,790,281) | (1,790,281) | (1,790,281) |
| At 31.1.2000 | 19,999,000 | 2,135,166 | 7,445,000 | 8,004,601 | 1,103,702 | 18,688,469 | 38,687,469 |
| Net profit for the year | - | - | - | - | 684,151 | 684,151 | 684,151 |
| Special issue of shares | 10,000,000 | 5,500,000 | - | - | - | 5,500,000 | 15,500,000 |
| Rights issue of shares | 14,924,500 | 8,208,475 | - | - | - | 8,208,475 | 23,132,975 |
| Shares issued on acquisition of subsidiaries | 9,653,465 | 9,846,535 | - | - | - | 9,846,535 | 19,500,000 |
| Corporate exercise expenses | - | (1,540,518) | - | - | - | (1,540,518) | (1,540,518) |
| At 31.1.2001 | 54,576,965 | 24,149,658 | 7,445,000 | 8,004,601 | 1,787,853 | 41,387,112 | 95,964,077 |

The accompanying notes are an integral part of this statement.

CASH FLOW STATEMENT

FOR THE YEAR ENDED
31 JANUARY, 2001

| | Note | <u>2001</u> RM | <u>2000</u> RM |
|--|------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(Loss) before taxation | | 371,079 | (2,162,559) |
| Adjustments for: | | | |
| Depreciation | | 803,321 | 770,171 |
| Interest expense | | 891,344 | 1,269,564 |
| Provision for diminution in value of investment | | 299,838 | 1,600,000 |
| Gain on disposal of fixed assets | | - | (29,999) |
| Debt waived by a bank | | (2,279,972) | - |
| Interest income | | (121,874) | - |
| Operating profit before working capital changes | | (36,264) | 1,447,177 |
| Decrease in debtors | | 215,616 | 92,085 |
| (Decrease)/Increase in creditors | | (388,813) | 516,903 |
| Cash (used in)/generated from operations | | (209,461) | 2,056,165 |
| Tax paid | | (84,385) | (54,000) |
| Net cash (used in)/generated from operating activities | | <u>(293,846)</u> | <u>2,002,165</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | A | (1,193,989) | (193,856) |
| Proceeds from disposal of fixed assets | | - | 30,000 |
| Interest received | | 121,874 | - |
| Net cash used in investing activities | | <u>(1,072,115)</u> | <u>(163,856)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 38,632,975 | - |
| Corporate exercise expenses | | (1,540,518) | - |
| Net change in related companies balances | | (20,616,684) | 1,228,239 |
| Repayment of term loans | | - | (1,273,000) |
| Repayment of hire-purchase creditor | | (60,724) | (313,799) |
| Interest paid | | (43,914) | (1,269,564) |
| Net cash generated from/(used in) financing activities | | <u>16,371,135</u> | <u>(1,628,124)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 15,005,174 | 210,185 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | <u>(3,242,308)</u> | <u>(3,452,493)</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | B | <u>11,762,866</u> | <u>(3,242,308)</u> |

CASH FLOW STATEMENT

FOR THE YEAR ENDED
31 JANUARY, 2001

A. PURCHASE OF FIXED ASSETS

During the year, the Company acquired fixed assets with an aggregate cost of RM1,291,456 (2000: RM193,856) of which RM97,467 (2000: RM Nil) were paid by means of hire-purchase and RM1,193,989 (2000: RM193,856) by means of cash payments.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

| | <u>2001</u> | <u>2000</u> |
|------------------------|-------------------|--------------------|
| | RM | RM |
| Cash and bank balances | 14,820,110 | 19,282 |
| Bank overdrafts | (3,057,244) | (3,261,590) |
| | <u>11,762,866</u> | <u>(3,242,308)</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, letting of industrial and commercial assets and management consultancy.

The principal activities of the subsidiaries are described in Note 15.

There were no significant changes in these activities during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain land and buildings and comply with applicable approved accounting standards in Malaysia.

(b) Revenue Recognition

- (i) Sales are recognised net of discounts when transfer of risks and rewards has been completed.
- (ii) Rental income and management consultancy fees are recognised when the right to receive has been established.
- (iii) Tuition fees are recognised as income over the period in which education services are rendered to the students.

(c) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies. Companies acquired or disposed during the financial year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Intragroup transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The excess or deficiency of the purchase price over the fair value of the net assets of subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. Goodwill or reserve arising on consolidation are amortised over 10 years.

(d) Investments

Investments in subsidiaries and other investments are stated at cost less any provision for permanent diminution in value.

Investment in quoted shares held on short term basis is stated at the lower of cost and market value on an aggregate basis.

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY, 2001

(e) Currency Conversion and Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

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

| | <u>2001</u> | <u>2000</u> |
|----------------------|-------------|-------------|
| | RM | RM |
| United States Dollar | 3.80 | 3.80 |
| Singapore Dollar | 2.18 | 2.22 |

(f) Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Freehold land and capital work-in-progress are not depreciated. Depreciation of other fixed assets is provided on a straight line basis calculated to write off the cost or valuation of each asset over its estimated useful life.

The principal annual rates of depreciation are:

| | |
|-----------------------------------|--------------------------------|
| Short term leasehold land | Over the remaining 44-45 years |
| Buildings | 2% |
| Plant and machinery | 5% to 15% |
| Computer weighbridge | 15% |
| Computer equipment | 25% |
| Cranes and forklifts | 15% |
| Electrical fittings and equipment | 15% |
| Furniture and fittings | 15% |
| Office equipment | 15% |
| Motor vehicles | 20% |
| Renovation | 2% to 33% |

The freehold land and short term leasehold land and buildings which are stated at valuation have not been revalued since they were first revalued in 1994. The directors have not adopted a policy of regular revaluations of such assets. As permitted under the transitional provisions of the International Accounting Standard No. 16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board, the land and buildings continued to be stated at their 1994 valuation less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

(g) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost for trading stocks of building materials, hardware items, mining requisites and scrap metals is determined on a weighted average basis. Cost for all other stocks is determined on the first-in first-out basis. Cost of raw materials and trading stocks consist of purchase cost and other expenses incurred in bringing the stocks to its present location and condition. Cost of finished goods include materials, labour and appropriate production overheads.

(h) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

(i) Hire-Purchase Assets

Fixed assets acquired under hire-purchase are capitalised in the financial statements and are depreciated in accordance with the policy as set out in (f) above. The corresponding outstanding obligations due under the hire-purchase after deducting finance expenses are included as liabilities in the financial statements. Finance expenses are charged to the income statement over the period of the respective agreements.

(j) Retirement Benefits

The Group operates an unfunded defined benefit plan for the employees of a subsidiary, SMPC Steel Service Centre Sdn. Bhd. as provided under the agreement between the subsidiary and The Metal Industry Employee Union. The benefit is determined based on length of service and last drawn wages and is payable to employees who have reached the normal retirement age of 55 years unless the employee retires on medical grounds.

The cost of retirement benefit is calculated using the projected unit credit method and is assessed by an independent actuary every three years. Past service cost and actuarial gains or losses are dealt with in the income statement in the year they arise. The latest actuarial assessment done was on 14 May, 2001.

(k) Intangible Assets

Intangible assets consist of licence fees charged by the proprietor of the NIIT trademark for the usage of the NIIT name, design, copyright, software and technical know-how in connection with the operation of the computer education institution. The fees are written off over a period of 3 years commencing from the year 1999.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances and fixed deposits at call, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

(m) Debtors

Debtors are carried at anticipated net realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year end.

(n) Land Leased to a Third Party

Land leased to a third party is capitalised in the financial statements in accordance with the policy as set out in (f) above.

The advance lease rental received under the lease is included as liabilities in the financial statements. Lease income is recognised in the income statement on a straight line basis over the lease term.

3. FIXED DEPOSITS WITH LICENSED BANKS

Group

Fixed deposits amounting to RM265,217 (2000: RM Nil) are pledged to the banks for bank guarantee facilities granted to the Group.

4. SHORT TERM INVESTMENT

| | <u>Group</u> | |
|--------------------------------|----------------|-------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Quoted unit trust in Malaysia: | | |
| At cost | <u>165,537</u> | <u>-</u> |
| Market value | <u>272,706</u> | <u>-</u> |

5. TRADE DEBTORS

| | <u>Group</u> | | <u>Company</u> | |
|---|-------------------|-------------------|----------------|----------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Related parties | 14,291,652 | 6,201,992 | 313,500 | 116,500 |
| Related company to a minority corporate shareholder of a subsidiary | 175,369 | 175,369 | - | - |
| Others | <u>74,361,377</u> | <u>56,172,663</u> | <u>-</u> | <u>-</u> |
| | 88,828,398 | 62,550,024 | 313,500 | 116,500 |
| Less: Provision for doubtful debts | (11,490,491) | (8,619,037) | - | - |
| | <u>77,337,907</u> | <u>53,930,987</u> | <u>313,500</u> | <u>116,500</u> |

NOTES TO THE FINANCIAL STATEMENTS

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The related parties refer to Euro Dexon Sdn. Bhd., Pitchai Metal Sdn. Bhd., PM Precision Sdn. Bhd. and SM Pitchai Chettiar Sdn. Bhd., companies in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests and Sin Yee Hup Construction Co. and Yee Hup Construction Co., companies in which a director of a subsidiary i.e. Cheng Kien Wing has substantial interests.

The minority corporate shareholder refers to Chuan Wooi Development and Engineering Sdn. Bhd. which holds 49% interest in a subsidiary i.e. Besi Gaya (Klang) Sdn. Bhd. The company related to the minority corporate shareholder refers to Chuan Wooi Development Sdn. Bhd.

6. OTHER DEBTORS AND PREPAYMENTS

| | <u>Group</u> | | <u>Company</u> | |
|------------------------------------|------------------|------------------|----------------|----------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Other debtors and prepayments | 4,911,101 | 3,926,168 | 948,232 | 434,401 |
| Less: Provision for doubtful debts | (33,732) | (71,200) | - | - |
| | <u>4,877,369</u> | <u>3,854,968</u> | <u>948,232</u> | <u>434,401</u> |

Included in other debtors of the Group and of the company is an amount of RM842,062 (2000: RM Nil) receivable from the previous shareholders (vendors) of Duro Metal Industrial (M) Sdn. Bhd., which was acquired during the year. The amount receivable is in relation to the short fall between the profit guaranteed by the vendors and the actual consolidated results of the subsidiary for the current financial year.

The vendors referred to above are Kumpulan Pitchai Sdn. Bhd., a substantial corporate shareholder of the Company; Machendran a/l Pitchai Chetty, a director and shareholder of the Company; and two other individuals.

7. STOCKS

| | <u>Group</u> | |
|----------------|-------------------|-------------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Raw materials | 27,359,104 | 18,847,771 |
| Finished goods | 4,563,001 | 4,101,292 |
| Trading goods | 13,504,408 | 13,296,654 |
| Consumables | 103,661 | 12,319 |
| | <u>45,530,174</u> | <u>36,258,036</u> |

Included in the above are stocks stated at net realisable value as follows:

| | <u>Group</u> | |
|----------------|------------------|------------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Finished goods | 4,250,283 | 3,612,966 |
| Trading goods | 3,247,176 | 441,462 |
| | <u>7,497,459</u> | <u>4,054,428</u> |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

8. DUE FROM SUBSIDIARIES

The amount due from subsidiaries carries an interest of 8.00% to 10.00% (2000: 12.00%) per annum, is unsecured and has no fixed term of repayment.

9. BANK BORROWINGS

| | <u>Group</u> | | <u>Company</u> | |
|--|-------------------|--------------------|-------------------|-------------------|
| | <u>2001</u> RM | <u>2000</u> RM | <u>2001</u> RM | <u>2000</u> RM |
| <u>Secured</u> | | | | |
| Bank overdrafts | 12,704,770 | 10,503,806 | 1,052,855 | 1,005,845 |
| Bankers' acceptances | 2,279,255 | 1,461,577 | - | - |
| Trust receipts | 1,569,826 | 6,599,236 | - | - |
| Term loans repayable within 12 months (Note 17) | 7,670,527 | 6,519,891 | 6,818,980 | 4,072,852 |
| | <u>24,224,378</u> | <u>25,084,510</u> | <u>7,871,835</u> | <u>5,078,697</u> |
| <u>Unsecured</u> | | | | |
| Revolving credits | 12,836,575 | 12,500,000 | - | - |
| Bank overdrafts | 9,390,435 | 28,958,969 | 2,004,389 | 2,255,745 |
| Bankers' acceptances | 31,897,713 | 50,908,100 | - | - |
| Short term loan | 13,452,546 | 17,142,000 | - | - |
| Term loans repayable within 12 months (Note 17) | 1,200,000 | 1,900,000 | - | - |
| | <u>68,777,269</u> | <u>111,409,069</u> | <u>2,004,389</u> | <u>2,255,745</u> |
| Total | <u>93,001,647</u> | <u>136,493,579</u> | <u>9,876,224</u> | <u>7,334,442</u> |

The secured bank borrowings of the Group and of the Company are secured by legal charges over freehold land and buildings as referred to in Note 12.

The bank borrowings bear interest ranging from 1.00% to 2.00% (2000: 1.00% to 2.50%) above the banks' base lending rates per annum.

10. TRADE CREDITORS

Included in trade creditors of the Group are balances amounting to RM610,079 (2000: RM852,891) due to Euro Dexon Sdn. Bhd., Pitchai Metal Sdn. Bhd. and PM Precision Sdn. Bhd., companies in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests.

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY, 2001

11. OTHER CREDITORS

| | <u>Group</u> | | <u>Company</u> | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2001</u> RM | <u>2000</u> RM | <u>2001</u> RM | <u>2000</u> RM |
| Hire-purchase creditors (Note 18) | 562,531 | 660,172 | 15,919 | 35,546 |
| Directors' fees accrued | 278,430 | 379,500 | 278,430 | 379,500 |
| Accrued interest on bank borrowings | 2,662,302 | 2,511,969 | 847,430 | - |
| Other creditors | 3,823,148 | 4,206,391 | 287,513 | 575,252 |
| | <u>7,326,411</u> | <u>7,758,032</u> | <u>1,429,292</u> | <u>990,298</u> |

Included in other creditors of the Group and of the Company are balances amounting to RM345,430 (2000: RM555,839) and RM117,774 (2000: RM97,620) respectively due to Pitchai Metal Sdn. Bhd., Eminent Euro Sdn. Bhd., Euro Dexon Sdn. Bhd., SM Pitchai Chettiar Sdn. Bhd., Kumpulan Pitchai Sdn. Bhd. and SMPC Kassoft Sdn. Bhd., companies in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests.

Included in other creditors of the Group is a prepayment of lease rental of RM1,468,574 (2000: RM1,528,922) received from a third party, for the lease of part of the freehold land as disclosed in Note 12.

12. FIXED ASSETS

| <u>Group</u> | Freehold land and <u>buildings</u> RM | Short term leasehold land and <u>buildings</u> RM | Plant and machinery, fittings, equipment, renovation and <u>vehicles</u> RM | Capital work-in- progress RM | <u>Total</u> RM |
|---------------------------------|---|---|--|---------------------------------------|--------------------|
| Valuation/Cost | | | | | |
| At 1.2.2000 | 37,707,523 | 30,116,396 | 65,500,573 | - | 133,324,492 |
| Additions | 228,201 | - | 1,488,878 | 1,135,007 | 2,852,086 |
| Disposals | - | - | (393,626) | - | (393,626) |
| Write offs | - | - | (103,707) | - | (103,707) |
| Assets of acquired subsidiaries | 6,794,009 | - | 5,207,351 | - | 12,001,360 |
| At 31.1.2001 | <u>44,729,733</u> | <u>30,116,396</u> | <u>71,699,469</u> | <u>1,135,007</u> | <u>147,680,605</u> |
| Representing: | | | | | |
| At valuation | 5,800,000 | 15,500,000 | - | - | 21,300,000 |
| At cost | 38,929,733 | 14,616,396 | 71,699,469 | 1,135,007 | 126,380,605 |
| | <u>44,729,733</u> | <u>30,116,396</u> | <u>71,699,469</u> | <u>1,135,007</u> | <u>147,680,605</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY, 2001

| | Freehold land and <u>buildings</u> RM | Short term leasehold land and <u>buildings</u> RM | Plant and machinery, fittings, equipment, renovation and <u>vehicles</u> RM | Capital work-in- <u>progress</u> RM | <u>Total</u> RM |
|---------------------------------|---|---|--|--|--------------------|
| Accumulated Depreciation | | | | | |
| At 1.2.2000 | 770,754 | 3,279,416 | 25,696,696 | - | 29,746,866 |
| Additions | 402,534 | 515,038 | 4,664,685 | - | 5,582,257 |
| Disposals | - | - | (387,065) | - | (387,065) |
| Write offs | - | - | (62,814) | - | (62,814) |
| Assets of acquired subsidiaries | 234,736 | - | 3,301,379 | - | 3,536,115 |
| At 31.1.2001 | 1,408,024 | 3,794,454 | 33,212,881 | - | 38,415,359 |
| Representing: | | | | | |
| At valuation | - | 1,695,774 | - | - | 1,695,774 |
| At cost | 1,408,024 | 2,098,680 | 33,212,881 | - | 36,719,585 |
| | 1,408,024 | 3,794,454 | 33,212,881 | - | 38,415,359 |
| Net Book Value | | | | | |
| At 31.1.2001 | | | | | |
| At valuation | 5,800,000 | 13,804,226 | - | - | 19,604,226 |
| At cost | 37,521,709 | 12,517,716 | 38,486,588 | 1,135,007 | 89,661,020 |
| | 43,321,709 | 26,321,942 | 38,486,588 | 1,135,007 | 109,265,246 |
| At 31.1.2000 | | | | | |
| At valuation | 5,800,000 | 14,062,559 | - | - | 19,862,559 |
| At cost | 31,136,769 | 12,774,421 | 39,803,877 | - | 83,715,067 |
| | 36,936,769 | 26,836,980 | 39,803,877 | - | 103,577,626 |
| Depreciation charge for 2000 | | | | | |
| | 432,239 | 438,199 | 4,987,490 | - | 5,857,928 |

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY, 2001

| <u>Company</u> | <u>Freehold land</u> RM | <u>Short term leasehold land and buildings</u> RM | <u>Fittings, equipment, and vehicles</u> RM | <u>Capital work-in- progress</u> RM | <u>Total</u> RM |
|-----------------------|--------------------------------|--|--|--|--------------------|
| Valuation/Cost | | | | | |
| At 1.2.2000 | 10,134,636 | 26,283,763 | 2,155,811 | - | 38,574,210 |
| Additions | - | - | 482,466 | 808,990 | 1,291,456 |
| At 31.1.2001 | 10,134,636 | 26,283,763 | 2,638,277 | 808,990 | 39,865,666 |
| Representing: | | | | | |
| At valuation | - | 15,500,000 | - | - | 15,500,000 |
| At cost | 10,134,636 | 10,783,763 | 2,638,277 | 808,990 | 24,365,666 |
| | 10,134,636 | 26,283,763 | 2,638,277 | 808,990 | 39,865,666 |

Accumulated Depreciation

| | | | | | |
|---------------|---|-----------|-----------|---|-----------|
| At 1.2.2000 | - | 3,081,012 | 1,483,029 | - | 4,564,041 |
| Additions | - | 438,385 | 364,936 | - | 803,321 |
| At 31.1.2001 | - | 3,519,397 | 1,847,965 | - | 5,367,362 |
| Representing: | | | | | |
| At valuation | - | 1,695,774 | - | - | 1,695,774 |
| At cost | - | 1,823,623 | 1,847,965 | - | 3,671,588 |
| | - | 3,519,397 | 1,847,965 | - | 5,367,362 |

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY, 2001

| <u>Company</u> | <u>Freehold land</u> RM | <u>Short term leasehold land and buildings</u> RM | <u>Fittings, equipment, and vehicles</u> RM | <u>Capital work-in- progress</u> RM | <u>Total</u> RM |
|---------------------------------|--------------------------------|--|--|--|--------------------|
| Net Book Value | | | | | |
| At 31.1.2001 | | | | | |
| At valuation | - | 13,804,226 | - | - | 13,804,226 |
| At cost | 10,134,636 | 8,960,140 | 790,312 | 808,990 | 20,694,078 |
| | <u>10,134,636</u> | <u>22,764,366</u> | <u>790,312</u> | <u>808,990</u> | <u>34,498,304</u> |
| At 31.1.2000 | | | | | |
| At valuation | - | 14,062,559 | - | - | 14,062,559 |
| At cost | 10,134,636 | 9,140,192 | 672,782 | - | 19,947,610 |
| | <u>10,134,636</u> | <u>23,202,751</u> | <u>672,782</u> | <u>-</u> | <u>34,010,169</u> |
| Depreciation charge for 2000 | - | 438,199 | 331,972 | - | 770,171 |

Freehold land and buildings of the Group and of the Company with carrying value amounting to RM43,143,200 (2000: RM36,936,769) and RM10,134,636 (2000: RM10,134,636) respectively, are pledged to banks for banking facilities granted to the Group and to the Company as referred to in Notes 9 and 17.

Included in fixed assets of the Group is a freehold land costing RM930,053 that has been leased to a third party as disclosed in Note 11.

Certain freehold land and short term leasehold land and buildings were revalued by an independent professional valuer in February, 1994 based on the open market value basis. The surplus arising on the revaluation has been included in the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

Had the revalued freehold land and short term leasehold land and buildings been carried at historical cost less depreciation, the net book value that would have been included in the financial statements as at the end of the financial year would be as follows:

| | <u>Group</u> | | <u>Company</u> | |
|---|-------------------|-------------------|------------------|------------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Freehold land | 4,865,381 | 4,865,381 | - | - |
| Short term leasehold land and buildings | 5,281,883 | 5,428,866 | 5,281,883 | 5,428,866 |
| | <u>10,147,264</u> | <u>10,294,247</u> | <u>5,281,883</u> | <u>5,428,866</u> |

Included in the fixed assets of the Group are certain plant and machinery with carrying value of RM5,132,713 (2000: RM Nil) which are in the process of being dismantled and upgraded. Accordingly, no depreciation has been provided during this period for these assets.

In addition, no depreciation has been provided for certain machinery of the Group costing RM2,830,416 (2000: RM5,761,282) as they were not in use during the financial year.

Assets Held Under Hire-Purchase Agreements

Included in the fixed assets are assets under hire-purchase as follows:

| <u>Group</u> | <u>Net Book Value</u> | |
|----------------------|-----------------------|------------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Cranes and forklifts | 564,307 | 833,402 |
| Motor vehicles | 832,499 | 1,142,402 |
| Computers | - | 375,184 |
| | <u>1,396,806</u> | <u>2,350,988</u> |
| <u>Company</u> | | |
| Computers | - | 375,184 |
| Motor vehicles | 94,218 | - |
| | <u>94,218</u> | <u>375,184</u> |

13. INTANGIBLE ASSETS

| | <u>Group</u> | |
|--------------------------------|----------------|----------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Pre-trading expenses | 530,127 | 530,127 |
| Licence fee | <u>152,800</u> | <u>152,800</u> |
| | 682,927 | 682,927 |
| Less: Accumulated amortisation | (632,655) | (463,248) |
| | <u>50,272</u> | <u>219,679</u> |

The pre-trading expenses were fully amortised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

14. GOODWILL/(RESERVE) ON CONSOLIDATION

| | <u>Group</u> | |
|--|--------------------|--------------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Goodwill on consolidation | 7,575,324 | - |
| Less: Accumulated amortisation | (189,383) | - |
| | <u>7,385,941</u> | - |
| Adjustment for shortfall in profit guarantee | (842,062) | - |
| | <u>6,543,879</u> | - |
| Reserve on consolidation | (7,963,802) | (7,963,802) |
| Less: Accumulated amortisation | 4,114,630 | 3,318,250 |
| | <u>(3,849,172)</u> | <u>(4,645,552)</u> |
| | <u>2,694,707</u> | <u>(4,645,552)</u> |

15. INVESTMENT IN SUBSIDIARIES

| | <u>2001</u> | <u>2000</u> |
|--------------------------|-------------------|-------------------|
| | RM | RM |
| Unquoted shares, at cost | <u>42,645,658</u> | <u>23,987,716</u> |

The following are the subsidiaries, all of which are incorporated in Malaysia.

| | <u>Effective interest</u> | | |
|--|---------------------------|-------------|---|
| | <u>2001</u> | <u>2000</u> | <u>Principal activities</u> |
| | % | % | |
| SMPC Steel Service Centre Sdn. Bhd. | 100.00 | 100.00 | Metal sheet and coil processing centre with main services in shearing, down-shearing, slitting and steel strapping. |
| Syarikat Perkilangan Besi Gaya Sdn. Bhd. | 100.00 | 100.00 | Drawing, straightening and cutting of iron rods and wire related products. |
| SMPC Marketing Sdn. Bhd. | 100.00 | 99.99 | Trading in building materials, hardware items and mining requisites. |
| Progerex Sdn. Bhd. (wholly owned by SMPC Marketing Sdn. Bhd.) | 100.00 | 99.99 | Shredding, processing and trading of ferrous and non-ferrous scrap metals. |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

| | Effective interest | | Principal activities |
|--|--------------------|------------------|--|
| | <u>2001</u> % | <u>2000</u> % | |
| Edit Systems (M) Sdn. Bhd. | 70.00 | 70.00 | Operation of an educational institution. |
| Besi Gaya (Klang) Sdn. Bhd. (a subsidiary of Syarikat Perkilangan Besi Gaya Sdn. Bhd.) | 51.00 | 51.00 | Manufacture of steel stirrups for the construction industry. |
| Duro Metal Industrial (M) Sdn. Bhd. | 100.00 | - | Manufacture of steel roofing, wall cladding sheets and other steel related products and provision of related services. |
| Duro Structural Products Sdn. Bhd. (a subsidiary of Duro Metal Industrial (M) Sdn. Bhd.) | 70.00 | - | Trading in steel roofing and manufacturing of floor decks and structures for steel roofing and wall cladding. |
| Duro Marketing Sdn. Bhd. (wholly owned by Duro Metal Industrial (M) Sdn. Bhd.) | 100.00 | - | Trading in steel roofing, construction material and provision of related services. |

All subsidiaries are audited by Arthur Andersen & Co.

16. OTHER UNQUOTED INVESTMENT

| <u>Group and Company</u> | <u>2001</u> RM | <u>2000</u> RM |
|---|-------------------|-------------------|
| Unquoted shares, at cost | 299,838 | 299,838 |
| Less: Provision for diminution in value | (299,838) | - |
| | - | 299,838 |

17. TERM LOANS

| <u>Secured</u> | <u>Group</u> | | <u>Company</u> | |
|---|-------------------|-------------------|-------------------|-------------------|
| | <u>2001</u> RM | <u>2000</u> RM | <u>2001</u> RM | <u>2000</u> RM |
| Term loan repayable by 72 monthly instalments commenced in May, 1995 | 201,200 | 933,800 | - | - |
| Term loan repayable by 60 monthly instalments commenced in June, 1995 | 399,202 | 399,202 | 399,202 | 399,202 |
| Term loan repayable by 72 monthly instalments commenced in January, 1996 | - | 1,232,500 | - | - |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

| | <u>Group</u> | | <u>Company</u> | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>2001</u> RM | <u>2000</u> RM | <u>2001</u> RM | <u>2000</u> RM |
| Term loan repayable by 60 monthly instalments commenced in June, 1996 | 6,419,778 | 8,699,750 | 6,419,778 | 8,699,750 |
| Term loan repayable by 36 monthly instalments commenced in December, 1997 | - | 181,839 | - | - |
| Term loan repayable by 60 monthly instalments commenced in January, 1998 | - | 2,454,597 | - | - |
| Term loan repayable by 12 monthly instalments of RM200,000 and 60 equal monthly instalments thereafter commencing in March, 2002 * | 38,814,207 | - | - | - |
| Term loan repayable by 84 monthly instalments commenced in December, 1999 ** | 1,660,196 | - | - | - |
| Term loan repayable by 84 monthly instalments commenced in September, 1998 ** | 762,211 | - | - | - |
| Term loan repayable by 60 monthly instalments commenced in December, 1999 ** | 810,206 | - | - | - |
| | 49,067,000 | 13,901,688 | 6,818,980 | 9,098,952 |
| Less: Repayable within 12 months (Note 9) | (7,670,527) | (6,519,891) | (6,818,980) | (4,072,852) |
| | <u>41,396,473</u> | <u>7,381,797</u> | <u>-</u> | <u>5,026,100</u> |
| <u>Unsecured</u> | | | | |
| Term loan repayable by 60 monthly instalments commenced in September, 1999 | 4,400,000 | 5,500,000 | - | - |
| Less: Repayable within 12 months (Note 9) | (1,200,000) | (1,900,000) | - | - |
| | <u>3,200,000</u> | <u>3,600,000</u> | <u>-</u> | <u>-</u> |
| Total | <u>44,596,473</u> | <u>10,981,797</u> | <u>-</u> | <u>5,026,100</u> |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

The securities for the secured term loan are disclosed in Notes 9 and 12. In addition, term loans of a subsidiary amounting to RM3,232,613 (2000: RM Nil) are guaranteed by Kumpulan Pitchai Sdn. Bhd., a substantial corporate shareholder and certain directors of the subsidiary.

* The loan was restructured pursuant to a loan restructuring scheme which was approved by the bank on 8 February, 2001 as disclosed in Note 29(b).

** Loans acquired due to acquisition of subsidiaries.

18. HIRE-PURCHASE CREDITORS

| | <u>Group</u> | | <u>Company</u> | |
|---|-------------------|-------------------|-------------------|-------------------|
| | <u>2001</u> RM | <u>2000</u> RM | <u>2001</u> RM | <u>2000</u> RM |
| Future minimum payments are as follows: | | | | |
| Payable within 1 year | 633,031 | 725,117 | 24,948 | 41,380 |
| Payable within 1 and 5 years | 390,444 | 626,987 | 64,402 | - |
| | <u>1,023,475</u> | <u>1,352,104</u> | <u>89,350</u> | <u>41,380</u> |
| Less: Finance charges | (204,448) | (262,226) | (17,061) | (5,834) |
| | <u>819,027</u> | <u>1,089,878</u> | <u>72,289</u> | <u>35,546</u> |
| Due within 12 months (Note 11) | 562,531 | 660,172 | 15,919 | 35,546 |
| Due after 12 months | 256,496 | 429,706 | 56,370 | - |
| | <u>819,027</u> | <u>1,089,878</u> | <u>72,289</u> | <u>35,546</u> |

19. DEFERRED TAXATION

| | <u>Group</u> | |
|--|-------------------|-------------------|
| | <u>2001</u> RM | <u>2000</u> RM |
| At beginning of year | 511,000 | 750,278 |
| Deferred taxation on acquisition of subsidiaries | 294,000 | - |
| Transfer to income statement (Note 27) | (209,000) | (239,278) |
| At end of year | <u>596,000</u> | <u>511,000</u> |

Deferred taxation is mainly in respect of the timing differences between depreciation and capital allowances.

Deferred taxation is not provided on the surplus arising from the revaluation of freehold land and leasehold land and buildings as it is not the intention of the directors to dispose these properties.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

20. RETIREMENT BENEFITS

| | <u>Group</u> | |
|-------------------------------------|-----------------------|-----------------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| At beginning of year | 504,279 | 452,750 |
| Provision made during the year | <u>129,095</u> | <u>60,325</u> |
| | 633,374 | 513,075 |
| Less: Payments made during the year | (105,772) | (8,796) |
| At end of year | <u><u>527,602</u></u> | <u><u>504,279</u></u> |

21. SHARE CAPITAL

| | <u>2001</u> | <u>2000</u> |
|---------------------------------------|---------------------------|--------------------------|
| | RM | RM |
| Ordinary shares of RM1 each: | | |
| Authorised: | | |
| At 1 February | 50,000,000 | 50,000,000 |
| Created during the year | 50,000,000 | - |
| At 31 January | <u><u>100,000,000</u></u> | <u><u>50,000,000</u></u> |
| Issued and fully paid: | | |
| At 1 February | 19,999,000 | 19,999,000 |
| Special issue | 10,000,000 | - |
| Rights issue | 14,924,500 | - |
| Issued on acquisition of subsidiaries | 9,653,465 | - |
| At 31 January | <u><u>54,576,965</u></u> | <u><u>19,999,000</u></u> |

The above issues of shares during the year were pursuant to the corporate exercise as disclosed in Note 29(a).

22. REVENUE

| | <u>Group</u> | | <u>Company</u> | |
|--|---------------------------|---------------------------|-------------------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Revenue comprise: | | | | |
| Sale of goods | 245,212,191 | 212,250,328 | - | - |
| Tuition fees | 717,670 | 399,505 | - | - |
| Rental of industrial and commercial assets | 216,000 | 1,860,356 | 1,714,356 | 1,860,356 |
| Management consultancy fees | 103,800 | 618,000 | 557,800 | 618,000 |
| | <u><u>246,249,661</u></u> | <u><u>215,128,189</u></u> | <u><u>2,272,156</u></u> | <u><u>2,478,356</u></u> |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

23. OTHER OPERATING INCOME

| | <u>Group</u> | | <u>Company</u> | |
|--|--------------|---------------|----------------|-------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Included in other operating income are: | | | | |
| Amortisation of reserve on consolidation | 796,380 | 796,380 | - | - |
| Debt waived by banks (Note 29(c)) | 7,123,735 | - | 2,279,972 | - |
| Gain on disposal of fixed assets | 299,999 | 383,006 | - | 29,999 |
| Lease rental income | 60,348 | 60,348 | - | - |
| Other rental income | 1,500 | - | - | - |
| Provision for doubtful debts written back | 481,154 | 806,629 | - | - |
| Realised gain on foreign exchange | 23,986 | - | - | - |
| Unrealised gain on foreign exchange | 11,442 | - | - | - |
| Write back of stocks to net realisable value | - | 17,092 | - | - |
| | <u>-</u> | <u>17,092</u> | <u>-</u> | <u>-</u> |

24. STAFF COSTS

Included in staff costs of the Group and of the Company are salaries paid to directors of the Group and of the Company amounting to RM597,669 (2000: RM143,185) and RM440,480 (2000: RM Nil) respectively.

25. OTHER OPERATING EXPENSES

| | <u>Group</u> | | <u>Company</u> | |
|---|------------------|-------------|----------------|-------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Included in other operating expenses are: | | | | |
| Amortisation of goodwill on consolidation | 189,383 | - | - | - |
| Amortisation of intangible assets | 169,407 | 109,831 | - | - |
| Auditors' remuneration | 93,125 | 84,000 | 11,000 | 11,000 |
| Bad and doubtful debts | 2,443,757 | 1,360,276 | - | - |
| Directors' fees | 174,000 | 379,500 | 174,000 | 379,500 |
| Fixed assets written off | 40,893 | - | - | - |
| Provision for diminution in value of investment | 299,838 | 469,160 | 299,838 | 1,600,000 |
| Realised loss on foreign exchange | 4,410 | 29,302 | - | - |
| Rental expense | | | | |
| - buildings | 460,201 | 396,315 | - | - |
| - other fixed assets | 12,608 | 2,160 | - | - |
| Stocks written down to net realisable value | <u>2,744,890</u> | <u>-</u> | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

26. FINANCE COSTS, NET

| | <u>Group</u> | | <u>Company</u> | |
|--------------------------------|----------------|----------------|----------------|-------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Included in finance costs are: | | | | |
| Interest expense | (11,358,087) | (12,858,452) | (891,344) | (1,269,564) |
| Interest income | <u>286,195</u> | <u>260,904</u> | <u>121,874</u> | <u>-</u> |

27. TAXATION

| | <u>Group</u> | | <u>Company</u> | |
|---|----------------|----------------|----------------|----------------|
| | <u>2001</u> | <u>2000</u> | <u>2001</u> | <u>2000</u> |
| | RM | RM | RM | RM |
| Corporate taxation | | | | |
| - current year's provision | (572,000) | (151,000) | - | - |
| - overprovision in respect of prior years | <u>503,404</u> | <u>127,671</u> | <u>313,072</u> | <u>-</u> |
| | (68,596) | (23,329) | 313,072 | - |
| Transfer from deferred taxation (Note 19) | 209,000 | 239,278 | - | 372,278 |
| | <u>140,404</u> | <u>215,949</u> | <u>313,072</u> | <u>372,278</u> |

There is no tax charge for the Company as the Company is in a tax loss position.

As at 31 January, 2001, the Company has unutilised capital allowances and unabsorbed losses brought forward of approximately RM2,022,000 (2000: RM1,589,000) and RM396,000 (2000: RM396,000) which can be used to offset future taxable profits subject to the agreement with the Inland Revenue Board.

The Company has sufficient tax exempt income and tax credit under Section 108(6) of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits as at 31 January, 2001. This is subject to agreement with the Inland Revenue Board.

As at 31 January, 2001, the Company has a potential deferred tax benefit of approximately RM166,000 (2000: RM38,000) arising principally from unabsorbed losses carried forward and unutilised capital allowances, the effects of which are not included in the financial statements as there is no assurance beyond reasonable doubt that future taxable income will be sufficient to allow the benefit to be realised.

28. EARNINGS PER SHARE

The earnings per share has been calculated based on the Group's profit after taxation and minority interests of RM2,100,028 (2000: RM813,579) and the weighted average number of ordinary shares in issue during the year of 28,774,439 (2000: 19,999,000).

The diluted earnings per share is not presented as the assumed conversion of potential ordinary shares are anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

29. SIGNIFICANT EVENTS

- (a) On 18 April, 2000, the Company obtained the approval of the Securities Commission for the following proposed corporate exercise:
- i) Special issue of 10,000,000 new ordinary shares of RM1.00 each to Bumiputra investors at an issue price of RM1.55 per share;
 - ii) Rights issue of 14,999,500 new ordinary shares of RM1.00 each with 14,999,500 new detachable warrants on the basis of one (1) new ordinary share with one (1) warrant attached for every two (2) existing ordinary shares after the Special Issue at an issue price of RM1.55 per share;
 - iii) Acquisition of 100% equity interest in Duro Metal Industrial (M) Sdn. Bhd. (Duro) for a purchase consideration of RM19,500,000 to be satisfied by the issuance of new ordinary shares of RM1.00 each in the Company at an issue price of RM2.02 per share. The vendors of Duro are Kumpulan Pitchai Sdn. Bhd. (a substantial corporate shareholder of the Company), Machendran a/l Pitchai Chetty (a director and shareholder of the Company) and two other individuals. The vendors of Duro have also undertaken to guarantee that the Profit After Tax and Minority Interest of Duro for the three (3) financial years ended/ending 31 December, 1999, 31 January, 2001 (13 months) and 31 January, 2002 shall be RM2,255,000, RM3,690,167 and RM3,997,250;
 - iv) Formulation of Employee's Share Option Scheme (ESOS) of up to 10% of issued and paid-up share capital of the Company; and
 - v) The listing and quotation on the Second Board of the Kuala Lumpur Stock Exchange of the new ordinary shares of RM1.00 and warrants of the Company after the completion of the Special Issue, Rights Issue, Acquisition of Duro and ESOS.

The above corporate exercise was successfully implemented during the financial year except for the following:

- (i) Under-issuance of Rights Issue of 75,000 new ordinary shares.
 - (ii) The above ESOS was implemented subsequent to the financial year.
- (b) On 8 February, 2001, a subsidiary accepted an offer to restructure certain bank borrowings into long term loan amounting to RM37,333,318 as at 30 June, 2000 plus interests accruing until the date of conversion. The bank borrowings were converted into long term loan on 24 February, 2001.
- (c) Under two separate debt settlement arrangements entered into between the Company and certain of its subsidiaries and their bankers during the year, the Company and certain of its subsidiaries were granted a total debt waiver amounting to RM2,279,972 and RM4,843,763 respectively.

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

30. ACQUISITION OF SUBSIDIARIES

On 31 October, 2000, the Company acquired Duro Metal Industrial (M) Sdn. Bhd. and its subsidiaries.

The effect of this acquisition on the financial statements of the Group are as follows:

| <u>Income Statement</u> | RM |
|--------------------------------------|-----------------------|
| Revenue | 8,228,463 |
| Other income | 379,743 |
| Operating costs | <u>(7,477,508)</u> |
| Profit from operations | 1,130,698 |
| Finance costs, net | <u>(159,853)</u> |
| Profit before taxation | 970,845 |
| Taxation | <u>(163,000)</u> |
| Net profit after taxation | 807,845 |
| Minority interest | (11,485) |
| | <hr/> |
| Net profit attributable to the Group | <u><u>796,360</u></u> |

| <u>Balance Sheet</u> | RM |
|------------------------------------|--------------------------|
| Cash and bank balances | 988,297 |
| Fixed deposits with licensed banks | 265,217 |
| Short term investment | 165,537 |
| Trade debtors | 14,786,535 |
| Other debtors and prepayments | 924,015 |
| Stocks | 5,705,130 |
| Bank borrowings | (3,232,987) |
| Trade creditors | (7,482,206) |
| Other creditors | (4,650,078) |
| Taxation | (34,667) |
| Fixed assets | 8,325,510 |
| Term loans | (2,582,266) |
| Hire-purchase creditors | (35,565) |
| Deferred taxation | (250,000) |
| Minority interest | (171,436) |
| | <hr/> |
| Net assets as at 31.1.2001 | <u><u>12,721,036</u></u> |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | <u>2001</u> | <u>Group</u> <u>2000</u> |
|---|-------------|-----------------------------|
| | RM | RM |
| Sales to: | | |
| - Pitchai Metal Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests | 11,653,844 | 12,149,553 |
| - Euro Dexon Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests | 2,361,193 | 1,154,712 |
| - Yee Hup Construction Co., a company in which a director of a subsidiary i.e. Cheng Kien Wing is a common director | 2,071,359 | - |
| - Chuan Wooi Development Sdn. Bhd., a company related to a corporate shareholder of a subsidiary | 135,293 | 386,878 |
| Purchases from: | | |
| - Pitchai Metal Sdn. Bhd. | 9,969,427 | 12,565,215 |
| - Eminent Euro Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests | 25,604 | - |
| - Euro Dexon Sdn. Bhd. | 3,684 | - |
| Corporate service charges received from: | | |
| - Pitchai Metal Sdn. Bhd. | 61,200 | - |
| - Euro Dexon Sdn. Bhd. | 30,600 | - |
| Rental income received from: | | |
| - Pitchai Metal Sdn. Bhd. | 198,000 | 192,000 |
| - SM Pitchai Chettiar Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests | 6,000 | 6,000 |
| - Kumpulan Pitchai Sdn. Bhd., a substantial corporate shareholder and a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests | 12,000 | 12,000 |
| - PM Precision Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests | - | 6,000 |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

| | <u>Group</u> | |
|---|---------------|---------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Rental expense paid to: | | |
| - SM Pitchai Chettiar Sdn. Bhd. | 282,000 | 256,980 |
| Software maintenance fees received from Pitchai Metal Sdn. Bhd. | <u>12,000</u> | <u>12,000</u> |

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a negotiated basis that are not materially different from that obtainable in transactions with unrelated parties.

32. CAPITAL COMMITMENT

| | <u>Company</u> | |
|-----------------------------|----------------|-------------|
| | <u>2001</u> | <u>2000</u> |
| | RM | RM |
| Capital expenditure: | | |
| Approved and contracted for | <u>791,010</u> | <u>-</u> |

33. CONTINGENT LIABILITIES

| <u>Unsecured</u> | <u>2001</u> | <u>2000</u> |
|--|---------------|---------------|
| <u>Group and Company</u> | | |
| Guarantee for loan facilities given to Vinanic Steel Processing Company (Vietnam), an investee company | USD266,833 | USD266,833 |
| <u>Company</u> | | |
| Guarantee for banking facilities given to subsidiaries | RM121,960,643 | RM135,114,834 |
| Guarantee for trade facilities given to subsidiaries | RM14,267,610 | - |

The directors are of the view that the likelihood that the above guarantees will be called upon is remote and as such no provision has been set aside.

34. SEGMENTAL ANALYSIS

| <u>2001</u> | <u>Turnover</u> | <u>Profit/(Loss)</u> before <u>taxation</u> | <u>Total assets</u> <u>employed</u> |
|---------------------------|--------------------|---|--|
| | RM | RM | RM |
| Investment holding | 2,272,156 | 371,079 | 107,325,963 |
| Manufacturing | 110,484,471 | (268,651) | 165,045,523 |
| Trading | 144,296,886 | 893,967 | 78,169,037 |
| Education | 732,670 | (43,339) | 454,739 |
| | <u>257,786,183</u> | <u>953,056</u> | <u>350,995,262</u> |
| Consolidation adjustments | (11,536,522) | 940,948 | (89,231,077) |
| | <u>246,249,661</u> | <u>1,894,004</u> | <u>261,764,185</u> |

NOTES TO THE FINANCIAL STATEMENTS 31 JANUARY, 2001

| | <u>Turnover</u> | Profit/(Loss) before <u>taxation</u> | Total assets <u>employed</u> |
|---------------------------|---------------------------|--|---------------------------------|
| <u>2000</u> | RM | RM | RM |
| Investment holding | 2,478,356 | (2,162,559) | 58,960,526 |
| Manufacturing | 104,549,979 | (949,048) | 131,110,892 |
| Trading | 119,991,366 | 1,559,405 | 72,208,060 |
| Education | 399,505 | (300,385) | 472,425 |
| | <u>227,419,206</u> | <u>(1,852,587)</u> | <u>262,751,903</u> |
| Consolidation adjustments | (12,261,017) | 2,264,637 | (61,636,535) |
| | <u><u>215,158,189</u></u> | <u><u>412,050</u></u> | <u><u>201,115,368</u></u> |

No segmental information is provided on a geographical basis as all the Group's operations are located in Malaysia.

35. CURRENCY

All amounts are stated in Ringgit Malaysia (RM), unless otherwise stated.

36. COMPARATIVE FIGURES

The presentation of the financial statements for the current year has been changed to adopt the format as prescribed by Malaysian Accounting Standards Board Standard 1: Presentation of Financial Statements. Comparative figures have been reclassified to conform with this presentation, where necessary.

PROPERTIES OWNED BY THE GROUP AS AT 31 JANUARY, 2001

| Location | Description | Tenure | Area | No. of Years Held | Age of Building | Net Book Value RM |
|---|------------------------|------------------------------|------------------|----------------------------------|----------------------------|----------------------------------|
| P.T. No. 1451 H.S. (D) No. 4696 Mukim 1, Province Wellesley Central Penang | Factory | 60 years lease to 2044 | 6.22247 acres | 18 | 15 | 14,524,935 |
| P.T. Nos. 1460 & 1444 H.S. (D) Nos. 2719 & 2706 Mukim 1, Province Wellesley Central Penang | Factory Office | 60 years lease to 2045 | 4.01338 acres | 5 | 10 | 11,847,516 |
| Lot 717, 5 1/2 Miles Jalan Kapar, Klang Selangor Darul Ehsan | Factory Office | Freehold | 8.16875 acres | 5 | 4 | 23,953,607 |
| Lot 1714, Mk 14 Kg. To' Suboh, Bukit Minyak 14100 Simpang Ampat Seberang Perai Selatan Penang | Warehouse Open Yard | Freehold | 21.8614 acres | 7 | 5 | 12,711,768 |
| Lot No. 113, Phase 3 Arab Malaysian Industrial Park Nilai, Negeri Sembilan | Factory | Freehold | 3.1 acres | 4 | 4 | 6,477,825 |
| Lot 176, Tempat Macang Kudung Mukim Jabi Daerah Pokok Sena Kedah | Vacant Land | Freehold | 2.257 acres | 1 | - | 128,000 |

SHAREHOLDING STATISTICS AS AT 26 APRIL, 2001

| | | |
|----------------------------------|---|---|
| Authorised Share Capital | : | RM100,000,000 |
| Issued and Fully Paid-up Capital | : | RM54,576,965 |
| Class of Shares | : | Ordinary shares of RM1.00 each fully paid |
| Voting Rights | : | One Vote Per Share |

BREAKDOWN OF SHAREHOLDINGS

| <u>Size of Shareholdings</u> | <u>Number of Shareholders</u> | <u>% of Total Shareholders</u> | <u>Number of Shares</u> | <u>% of Issued Share Capital</u> |
|------------------------------|-------------------------------|--------------------------------|-------------------------|----------------------------------|
| 1 - 1,000 | 894 | 41.814 | 787,795 | 1.443 |
| 1,001 - 5,000 | 911 | 42.610 | 2,522,726 | 4.622 |
| 5,001 - 10,000 | 178 | 8.326 | 1,374,600 | 2.519 |
| 10,001 and over | 155 | 7.250 | 49,891,844 | 91.416 |
| TOTAL | 2,138 | 100 | 54,576,965 | 100 |

LIST OF TOP TWENTY SHAREHOLDERS

| <u>Name</u> | <u>No. of Shares Held</u> | <u>% of Issued Capital</u> |
|--|---------------------------|----------------------------|
| 1. KUMPULAN PITCHAI SDN BHD | 14,763,734 | 27.051 |
| 2. PERBADANAN NASIONAL BERHAD | 13,381,500 | 24.519 |
| 3. UTAMA MERCHANT BANK BERHAD | 4,515,991 | 8.275 |
| 4. LIM ENG CHAI | 2,702,970 | 4.953 |
| 5. CHENG KIEN WING | 2,413,366 | 4.422 |
| 6. DATO' MOHD TAUFIK BIN ABDULLAH | 1,250,000 | 2.290 |
| 7. RAVENDRAN A/L SIVALINGAM | 1,139,000 | 2.087 |
| 8. NISSHO IWAI CORPORATION | 1,093,274 | 2.003 |
| 9. MACHENDRAN A/L PITCHAI CHETTY | 965,347 | 1.769 |
| 10. MIDF SISMA SECURITIES SDN BHD | 807,000 | 1.479 |
| 11. DALLAH AL BARAKA HOLDINGS SDN BHD | 750,000 | 1.374 |
| 12. JACOB RABINDRANATH A/L KRISHNAN | 740,000 | 1.356 |
| 13. ZANOR SDN BHD | 460,000 | 0.843 |
| 14. TOPVILLA SDN BHD | 265,517 | 0.487 |
| 15. MAKHTAR BIN MOHAMED | 257,350 | 0.472 |
| 16. NAGARAJAN A/L THAMBIAH | 250,015 | 0.458 |
| 17. YEO KOON LIAN | 219,000 | 0.401 |
| 18 (i). RUBBER INDUSTRY SMALLHOLDERS DEVELOPMENT AUTHORITY | 150,000 | 0.275 |
| 18 (ii). SUJANA JAYA SDN BHD | 150,000 | 0.275 |
| 20. SOVEREIGN PERDANA SDN BHD | 135,000 | 0.247 |

SUBSTANTIAL SHAREHOLDERS - AS PER REGISTER AS AT 26 APRIL, 2001

| <u>Name</u> | No. of Shares <u>Held</u> | % of Issued <u>Capital</u> |
|-----------------------------------|------------------------------|-------------------------------|
| 1. KUMPULAN PITCHAI SDN BHD | 14,763,734 | 27.051 |
| 2. PERBADANAN NASIONAL BERHAD | 13,381,500 | 24.519 |
| 3. UTAMA MERCHANT BANK BERHAD | 4,515,991 | 8.275 |
| 4. LIM ENG CHAI | 2,702,970 | 4.953 |
| 5. CHENG KIEN WING | 2,413,366 | 4.422 |
| 6. DATO' MOHD TAUFIK BIN ABDULLAH | 1,250,000 | 2.290 |
| 7. RAVENDRAN A/L SIVALINGAM | 1,139,000 | 2.087 |
| 8. NISSHO IWAI CORPORATION | 1,093,274 | 2.003 |

DIRECTORS' SHAREHOLDINGS - AS AT 21 FEBRUARY, 2001

| <u>Name of Directors</u> | <u>Number of ordinary shares of RM1 each</u> | |
|--------------------------------------|--|----------------------------|
| | <u>Direct Interest</u> | <u>Deemed Interest</u> |
| DATO' MOHD TAUFIK BIN ABDULLAH | 1,250,000 | - |
| DAISUKE KADONO | - | - |
| MACHENDRAN A/L PITCHAI CHETTY | 965,347 | 14,776,529* |
| RAMAKRISHNAN A/L THANGASAMY CHETTIAR | - | 14,776,529* |
| DHANABALAN A/L M. PITCHAI CHETTY | - | 14,776,529* |
| VIJAYAN A/L O.M.V. DEVAN | - | - |
| MAKHTAR BIN MOHAMED | 257,350 | - |
| NAGARAJAN A/L THAMBIAH | 250,015 | - |
| TYE LEAN TEE @ TAN LEAN TEE | 34,000 | - |

* By virtue of their interests in Kumpulan Pitchai Sdn. Bhd. and S.M. Pitchai Chettiar Sdn. Bhd., the directors are deemed to have interests in these shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of SMPC Metal Industries Bhd. (79082-V) will be held at Nyatoh Room, Level 2, Sunway Hotel Seberang Jaya, 11 Lebuhr Tenggiri 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Wednesday, 27 June, 2001 at 10.30 a.m. for the following purposes :

AS ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements as at 31 January, 2001 together with the Reports of the Directors and Auditors thereon; **(Resolution 1)**

2. To re-elect the following Directors who retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election:
 - (a) Machendran a/l Pitchai Chetty **(Resolution 2)**
 - (b) Ramakrishnan a/l Thangasamy Chettiar **(Resolution 3)**
 - (c) Nagarajan a/l Thambiah **(Resolution 4)**
 - (d) Mustaffa Kamil Bin Md. Ismail **(Resolution 5)**

3. To approve the payment of Directors' fees for the year ended 31 January, 2001; **(Resolution 6)**

4. To re-appoint Messrs Arthur Andersen & Co. as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration; **(Resolution 7)**

AS SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modifications the following ordinary resolution:

ORDINARY RESOLUTION - Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Kuala Lumpur Stock Exchange for the listing and quotation for the additional shares to be issued."

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

THUM SOOK FUN (MAICSA 7025619)
Secretary

Penang
Date: 30 May, 2001

Notes:

1. A proxy may but need not be a member of the Company. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
2. All proxy forms must be duly executed and deposited at the Registered Office of the Company at Suite 18.05, MWE Plaza, No. 8, Lebuhraya Farquhar, 10200 Penang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

Explanatory Note to Resolution 8 :

- Resolution pursuant to Section 132D of the Companies Act, 1965

The Ordinary Resolution proposed under resolution 8 above if passed will empower the Directors to issue shares in the Company up to 10% of the issued capital of the Company for the time being for such purposes as the Directors may consider to be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.



SMPC METAL INDUSTRIES BHD. (79082-V)

(Incorporated in Malaysia)

PROXY FORM

No. of Shares held

I/We _____ (BLOCK LETTERS)

of _____

being a member/members of **SMPC METAL INDUSTRIES BHD.** hereby appoint _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at Nyatoh Room, Level 2, Sunway Hotel Seberang Jaya, 11 Lebu Tenggiri 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Wednesday, 27 June 2001, at 10.30 a.m. and at any adjournment thereof.

My/Our Proxy to vote is as indicated below:

| Resolution | | For | Against |
|------------|---|-----|---------|
| No. 1 | Adoption of Audited Financial Statements | | |
| No. 2 | Re-election of Machendran a/l Pitchai Chetty as a Director | | |
| No. 3 | Re-election of Ramakrishnan a/l Thangasamy Chettiar as a Director | | |
| No. 4 | Re-election of Nagarajan a/l Thambiah as a Director | | |
| No. 5 | Re-election of Mustaffa Kamil Bin Md. Ismail as a Director | | |
| No. 6 | Payment of Directors' Fees | | |
| No. 7 | Re-appointment of Messrs Arthur Andersen & Co. as Auditors | | |
| No. 8 | Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965 | | |

(Please indicate with an "X" in the spaces provided 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).

Signed this _____ day of _____ 2001

Signature of Shareholder/Common Seal

Notes:

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Stamp

SMPC METAL INDUSTRIES BHD. (79082-V)

SUITE 18.05, MWE PLAZA, NO. 8, LEBUH FARQUHAR,
10200 PENANG, MALAYSIA

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