

SMPC CORPORATION BHD. (79082 V)
(formerly known as SMPC Metal Industries Bhd)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 January 2003

Company No: 79082 V

SMPC CORPORATION BHD.
(formerly known as SMPC Metal Industries Bhd.)
(Incorporated in Malaysia)

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SMPC CORPORATION BHD.
(formerly known as SMPC Metal Industries Bhd.)
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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2003.

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 5 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year other than a subsidiary, SMPC Industries Sdn. Bhd., having commenced steel furniture manufacturing operation.

CHANGE OF NAME

On 10 July 2002, the Company changed its name from SMPC Metal Industries Bhd. to SMPC Corporation Bhd.

RESULTS

	Group RM	Company RM
Profit after taxation	6,026,437	977
Minority interests	<u>(223,525)</u>	<u>-</u>
Net profit for the year	<u>5,802,912</u>	<u>977</u>

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

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

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DIVIDEND

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

DIRECTORS

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

Machendran a/l Pitchai Chetty	
Ibrahim Hussain	
Dhanabalan a/l M. Pitchai Chetty	
Makhtar bin Mohamed	
Nagarajan a/l Thambiah	
Sanmarkan a/l T.S. Gananpathi	
Ramakrishnan a/l Thangasamy Chettiar (alternate to Machendran a/l Pitchai Chetty)	
Takatoshi Kaneko	(appointed on 19 December 2002)
Mustaffa Kamil bin Md. Ismail	(resigned on 13 September 2002)
Dato' Mohd Taufik bin Abdullah	(resigned on 25 September 2002)
Vijayan a/l O.M.V. Devan	(resigned on 19 December 2002)
Daisuke Kadono	(resigned on 19 December 2002)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Employees' Share Option Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 25 to the financial statements or fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

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

The Company	← Number of Ordinary Shares of RM1 Each →			
	1 February 2002	Bought	Sold	31 January 2003
Direct Interest				
Machendran a/l Pitchai Chetty	265,347	-	-	265,347
Makhtar bin Mohamed	257,350	-	(71,000)	186,350
Nagarajan a/l Thambiah	250,015	-	-	250,015
Indirect Interest				
Machendran a/l Pitchai Chetty*	13,706,529	-	-	13,706,529
Dhanabalan a/l M. Pitchai Chetty*	13,706,529	-	-	13,706,529
Ramakrishnan a/l Thangasamy Chettiar*	13,706,529	-	-	13,706,529

The Company	← Number of Warrants →			
	1 February 2002	Granted/ Bought	Exercised/ Sold	31 January 2003
Direct Interest				
Makhtar bin Mohamed	107,350	-	(107,000)	350
Ramakrishnan a/l Thangasamy Chettiar	95,000	-	-	95,000
Indirect Interest				
Machendran a/l Pitchai Chetty*	2,472,666	-	(1,148,000)	1,324,666
Dhanabalan a/l M. Pitchai Chetty*	2,472,666	-	(1,148,000)	1,324,666
Ramakrishnan a/l Thangasamy Chettiar*	2,472,666	-	(1,148,000)	1,324,666

The Company	← Number of Options over Ordinary Shares of RM1 Each →			
	1 February 2002	Granted	Exercised	31 January 2003
Machendran a/l Pitchai Chetty	500,000	-	-	500,000
Dhanabalan a/l M. Pitchai Chetty	400,000	-	-	400,000
Vijayan a/l O.M.V. Devan	400,000	-	-	400,000
Ramakrishnan a/l Thangasamy Chettiar	400,000	-	-	400,000

* By virtue of their interests in Kumpulan Pitchai Sdn. Bhd. (KPSB) and S.M. Pitchai Chettiar Sdn. Bhd. (SMPCSB), they 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.

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Machendran a/l Pitchai Chetty, Dhanabalan a/l M. Pitchai Chetty and Ramakrishnan a/l Thangasamy Chettiar by virtue of their interests in shares of the Company are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM54,576,965 to RM54,644,965 by way of the issuance of 68,000 ordinary shares of RM1.00 each at an issue price of RM1.00 per share for cash pursuant to the ESOS.

WARRANTS AND SHARE OPTIONS

No options were granted to any person to take up unissued shares of the Company during the year apart from the warrants and options granted pursuant to the Employees' Share Option Scheme ("ESOS").

The Company had on 28 August 2000 executed a Deed Poll in relation to the creation and issuance of up to 14,999,500 Warrants ("Warrants"), each of such warrant giving the Warrant Holder an option to subscribe for one (1) new ordinary share of RM1.00 in the share capital of the Company. The said Deed Poll contains an express provision to extend the exercise period of the warrants. The exercise price of Warrants is RM1.75 and is subject to adjustment under the terms and conditions as set out in the Deed Poll. The existing exercise period is 5 years commencing from and including the date of issue of the Warrants, i.e. 22 November 2000 and ending on and inclusive of 21 November 2005 and falling on a Market Day. At the end of the year, 14,999,500 warrants remained unexercised.

The Company's 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.

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The main features of the ESOS are as follows:

- (a) The option period is for five (5) calendar years commencing from 11 April 2001 and expiring on 10 April 2006.
- (b) 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 absolute discretion of the ESOS's Committee.
- (c) 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.
- (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.

As at 31 January 2003, the details of the share options are as follows:

Year granted	Option Price	Balance as at 1 February 2002	Granted	Exercised	Balance as at 31 January 2003
2002	RM1.00	4,552,000	-	(68,000)	4,484,000

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off for the Group and that adequate provision had been made for doubtful debts in the financial statements of the Group and no debts need to be written off as bad and that no provision for doubtful debts is required in the financial statements of the Company.
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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- (b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would:
 - (i) render the amount written off for bad debts or the amount 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 debt to be written off as bad debts or provided for as doubtful debts in the financial statements of the Company; and
 - (ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group or of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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AUDITORS

Our auditors, Arthur Andersen & Co. retire and do not seek re-appointment. A resolution to appoint Ernst & Young will be proposed at the forthcoming Annual General Meeting.

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

MACHENDRAN A/L PITCHAI CHETTY

IBRAHIM HUSSAIN

Penang, Malaysia
Date: 27 May 2003

Company No: 79082 V

SMPC CORPORATION BHD.
(formerly known as SMPC Metal Industries Bhd.)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, MACHENDRAN A/L PITCHAI CHETTY and IBRAHIM HUSSAIN, being two of the directors of SMPC CORPORATION BHD. (formerly known as SMPC Metal Industries Bhd.), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 53 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

MACHENDRAN A/L PITCHAI CHETTY

IBRAHIM HUSSAIN

Penang, Malaysia
Date: 27 May 2003

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, IBRAHIM HUSSAIN, being the Director primarily responsible for the financial management of SMPC CORPORATION BHD. (formerly known as SMPC Metal Industries Bhd.), do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 53 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed IBRAHIM HUSSAIN
at Butterworth in the State of Penang
on 27 May 2003

IBRAHIM HUSSAIN

Before me,

Company No: 79082 V

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SMPC CORPORATION BHD.
(formerly known as SMPC Metal Industries Bhd.)
(Incorporated in Malaysia)**

We have audited the accompanying financial statements set out on pages 11 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 applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 January 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SMPC CORPORATION BHD. (cont'd)
(formerly known as SMPC Metal Industries Bhd.)
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We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

Without qualifying our opinion, we draw attention to Note 13 to the financial statements regarding the restructuring of a term loan that had been due for repayment and Note 2(a) regarding the ability of the Group to continue as a going concern being dependent on the successful and timely completion of the restructuring of the term loan and generating adequate future cash flows.

ARTHUR ANDERSEN & CO.
AF: 0103
Chartered Accountants

Lim Foo Chew
No. 1748/01/04(J)
Partner

Penang, Malaysia
Date: 27 May 2003

SMPC CORPORATION BHD.
(formerly known as SMPC Metal Industries Bhd.)
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BALANCE SHEETS
AS AT 31 JANUARY 2003

	Note	Group		Company	
		2003	2002	2003	2002
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	112,807,199	106,412,388	33,568,488	34,507,363
Intangible asset	4	55,558	-	-	-
Investments in subsidiaries	5	-	-	19,939,646	19,939,646
Other investment	6	-	-	-	-
		<u>112,862,757</u>	<u>106,412,388</u>	<u>53,508,134</u>	<u>54,447,009</u>
CURRENT ASSETS					
Inventories	7	38,292,717	39,771,179	-	-
Trade receivables	8	74,252,869	74,504,189	2,651,832	957,305
Other receivables	9	9,100,813	7,910,709	22,170,580	22,183,468
Short term investment	10	135,762	147,804	-	-
Cash and bank balances	11	4,681,297	5,039,662	418,785	743,494
		<u>126,463,458</u>	<u>127,373,543</u>	<u>25,241,197</u>	<u>23,884,267</u>
CURRENT LIABILITIES					
Provision for liabilities Short term	12	6,334	-	-	-
borrowings	13	124,242,536	93,724,989	760,282	2,007,740
Trade payables	15	37,002,350	34,608,362	-	-
Other payables	16	7,746,071	4,620,988	378,984	177,774
Taxation		319,125	325,113	-	-
		<u>169,316,416</u>	<u>133,279,452</u>	<u>1,139,266</u>	<u>2,185,514</u>
NET CURRENT (LIABILITIES)/ ASSETS					
		<u>(42,852,958)</u>	<u>(5,905,909)</u>	<u>24,101,931</u>	<u>21,698,753</u>
		<u>70,009,799</u>	<u>100,506,479</u>	<u>77,610,065</u>	<u>76,145,762</u>

**BALANCE SHEETS (cont'd)
AS AT 31 JANUARY 2003**

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
FINANCED BY:					
Share capital	17	54,644,965	54,576,965	54,644,965	54,576,965
Reserves	18	<u>8,612,549</u>	<u>2,810,637</u>	<u>21,553,049</u>	<u>21,553,072</u>
Shareholders' equity		63,257,514	57,387,602	76,198,014	76,130,037
Minority interests		717,452	493,927	-	-
Reserve on consolidation	19	<u>138,969</u>	<u>548,586</u>	<u>-</u>	<u>-</u>
		<u>64,113,935</u>	<u>58,430,115</u>	<u>76,198,014</u>	<u>76,130,037</u>
Provision for liabilities	12	261,818	289,152	-	-
Long term borrowings	13	4,527,046	40,991,212	1,412,051	15,725
Deferred taxation	20	<u>1,107,000</u>	<u>796,000</u>	<u>-</u>	<u>-</u>
Non-current liabilities		<u>5,895,864</u>	<u>42,076,364</u>	<u>1,412,051</u>	<u>15,725</u>
		<u>70,009,799</u>	<u>100,506,479</u>	<u>77,610,065</u>	<u>76,145,762</u>

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

SMPC CORPORATION BHD.
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INCOME STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	21	238,842,644	218,411,373	3,505,432	2,353,832
Other operating income	22	1,398,627	1,270,910	-	-
Changes in inventories of work in progress, trading inventories and finished goods		(306,380)	3,358,173	-	-
Raw materials and consumables used		(93,870,581)	(86,032,638)	-	-
Trading goods purchased		(95,473,324)	(108,840,401)	-	-
Staff costs	23	(10,975,584)	(9,044,710)	(1,532,310)	(1,030,924)
Depreciation		(5,869,380)	(5,984,330)	(953,691)	(803,661)
Other operating expenses	24	<u>(17,008,992)</u>	<u>(17,649,021)</u>	<u>(1,226,742)</u>	<u>(20,237,698)</u>
Profit/(loss) from operations		16,737,030	(4,510,644)	(207,311)	(19,718,451)
Finance costs, net	26	<u>(9,991,039)</u>	<u>(10,248,128)</u>	<u>208,288</u>	<u>230,864</u>
Profit/(loss) before taxation		6,745,991	(14,758,772)	977	(19,487,587)
Taxation	27	<u>(719,554)</u>	<u>(369,017)</u>	<u>-</u>	<u>-</u>
Profit/(loss) after taxation		6,026,437	(15,127,789)	977	(19,487,587)
Minority interests		<u>(223,525)</u>	<u>(151,395)</u>	<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u>5,802,912</u>	<u>(15,279,184)</u>	<u>977</u>	<u>(19,487,587)</u>
Earnings/(loss) per share (sen)					
- Basic	28	<u>10.62</u>	(28.0)		
- Diluted	28		<u>(27.8)</u>		

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

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SMPC CORPORATION BHD.
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 JANUARY 2003**

	← Non-Distributable →					
	Share capital RM	Share premium RM	Revaluation reserve RM	Accumulated losses RM	Total reserves RM	Total RM
At 1 February 2001	54,576,965	24,149,658	8,004,601	(13,717,985)	18,436,274	73,013,239
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(346,453)	-	-	(346,453)	(346,453)
Net loss for the year	-	-	-	(15,279,184)	(15,279,184)	(15,279,184)
At 31 January 2002	<u>54,576,965</u>	<u>23,803,205</u>	<u>8,004,601</u>	<u>(28,997,169)</u>	<u>2,810,637</u>	<u>57,387,602</u>
At 1 February 2002	54,576,965	23,803,205	8,004,601	(28,997,169)	2,810,637	57,387,602
Issue of share capital (Note 17)	68,000	-	-	-	-	68,000
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(1,000)	-	-	(1,000)	(1,000)
Net profit for the year	-	-	-	5,802,912	5,802,912	5,802,912
At 31 January 2003	<u>54,644,965</u>	<u>23,802,205</u>	<u>8,004,601</u>	<u>(23,194,257)</u>	<u>8,612,549</u>	<u>63,257,514</u>

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

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**COMPANY STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 JANUARY 2003**

	← Non-Distributable →						
	Share capital RM	Share premium RM	Capital reserve (Note 18) RM	Revaluation reserve RM	Retained profits/ (Accumulated losses) RM	Total reserves RM	Total RM
At 1 February 2001	54,576,965	24,149,658	7,445,000	8,004,601	1,787,853	41,387,112	95,964,077
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(346,453)	-	-	-	(346,453)	(346,453)
Net loss for the year	-	-	-	-	(19,487,587)	(19,487,587)	(19,487,587)
At 1 February 2002	54,576,965	23,803,205	7,445,000	8,004,601	(17,699,734)	21,553,072	76,130,037
Issue of share capital (Note 17)	68,000	-	-	-	-	-	68,000
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(1,000)	-	-	-	(1,000)	(1,000)
Net loss for the year	-	-	-	-	977	977	977
At 31 January 2003	54,644,965	23,802,205	7,445,000	8,004,601	(17,698,757)	21,553,049	76,198,014

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

Company No: 79082 V

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2003

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	6,745,991	(14,758,772)	977	(19,487,587)
Adjustment for:				
Amortisation of intangible asset	24,442	50,272	-	-
Amortisation of goodwill on consolidation	386,763	690,591	-	-
Amortisation of reserve on consolidation	(796,380)	(796,380)	-	-
Bad debt written off	4,000	28,473	-	-
Depreciation	5,869,380	5,984,330	953,691	803,661
Gain on disposal of property, plant and equipment	(230,092)	(314,270)	-	-
Interest expense	9,443,878	9,920,289	149,639	175,637
Interest income	(16,379)	(89,043)	(364,220)	(411,031)
Impairment losses on property, plant and equipment	16,951	-	-	-
Inventories written down to net realisable value	43,842	91,308	-	-
Property, plant and equipment written off	-	2,406	-	-
Provision for diminution in value of investment	12,042	18,734	-	19,356,930
Provision for doubtful debts	1,385,127	828,935	-	-
Provision for doubtful debts written back	(26,357)	(2,787)	-	-
Provision for retirement benefits	-	28,480	-	-
Unrealised loss on foreign exchange	-	46,432	-	-
Unrealised gain on foreign exchange	(9,521)	-	-	-
Operating profit before working capital changes	22,853,687	1,728,998	740,087	437,610

**CASH FLOW STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 JANUARY 2003**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
(Increase)/decrease in receivables	(2,269,020)	2,695,408	(1,317,418)	(4,026,640)
Decrease in inventories	1,434,620	5,667,687	-	-
Increase/(decrease) in payables	<u>3,639,327</u>	<u>(4,421,477)</u>	<u>201,210</u>	<u>(1,235,599)</u>
Cash generated from/(used in) operations	25,658,614	5,670,616	(376,121)	(4,824,629)
Retirement benefits paid	(21,000)	(266,930)	-	-
Tax paid	<u>(447,076)</u>	<u>(576,140)</u>	<u>-</u>	<u>-</u>
Net cash generated from/ (used in) operating activities	<u>25,190,538</u>	<u>4,827,546</u>	<u>(376,121)</u>	<u>(4,824,629)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	16,379	89,043	-	7,871
Payment of license fee	(80,000)	-	-	-
Acquisition of property, plant and equipment	(10,542,985)	(2,767,419)	(14,816)	(812,720)
Purchase of short term investment	-	(1,001)	-	-
Proceeds from disposal of property, plant and equipment	<u>291,192</u>	<u>461,699</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(10,315,414)</u>	<u>(2,217,678)</u>	<u>(14,816)</u>	<u>(804,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(7,554,613)	(11,002,720)	(149,639)	(175,637)
Net changes in short term borrowings	(4,130,028)	5,960,496	-	-
Proceeds from issue of shares	68,000	-	68,000	-
Drawdown of term loans	2,335,000	-	2,335,000	-
Repayment of term loans	(2,079,210)	(8,827,091)	(194,583)	(6,818,980)
Repayment of hire purchase and lease financing	(790,668)	(549,729)	(20,187)	(20,187)
Corporate exercise expenses	<u>(1,000)</u>	<u>(346,453)</u>	<u>(1,000)</u>	<u>(346,453)</u>
Net cash (used in)/generated from financing activities	<u>(12,152,519)</u>	<u>(14,765,497)</u>	<u>2,037,591</u>	<u>(7,361,257)</u>

Company No: 79082 V

**CASH FLOW STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 JANUARY 2003**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	2,722,605	(12,155,629)	1,646,654	(12,990,735)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	<u>(16,257,033)</u>	<u>(4,101,404)</u>	<u>(1,227,869)</u>	<u>11,762,866</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	<u>(13,534,428)</u>	<u>(16,257,033)</u>	<u>418,785</u>	<u>(1,227,869)</u>

Cash and cash equivalents comprise:

	2003	2002	2003	2002
	RM	RM	RM	RM
Cash and bank balances (Note 11)	4,681,297	5,039,662	418,785	743,494
Bank overdrafts (Note 13)	<u>(18,215,725)</u>	<u>(21,296,695)</u>	<u>-</u>	<u>(1,971,363)</u>
Cash and cash equivalents	<u>(13,534,428)</u>	<u>(16,257,033)</u>	<u>418,785</u>	<u>(1,227,869)</u>

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

Company No: 79082 V

SMPC CORPORATION BHD.
(formerly known as SMPC Metal Industries Bhd.)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2003

1. CORPORATE INFORMATION

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 5.

There have been no significant changes in the nature of these principal activities during the financial year other than a subsidiary, SMPC Industries Sdn. Bhd., having commenced steel furniture manufacturing operation.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of Kuala Lumpur Stock Exchange. The principal place of business of the Company is located at 2521, Tingkat Perusahaan 6, Prai Industrial Estate, 13600 Prai, Penang.

On 10 July 2002, the Company changed its name from SMPC Metal Industries Bhd. to SMPC Corporation Bhd.

The number of employees in the Group and the Company at the end of the financial year were 427 (2001: 409) and 17 (2002: 9) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 May 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of certain properties.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

Company No: 79082 V

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern. For the year ended 31 January 2003, the Group's current liabilities exceeded its current assets by RM42,852,958 largely as a result of classification of a term loan from long term to current liabilities due to its maturity date. As disclosed in Note 13, the Group is currently in the process of finalising the repayment terms of a term loan to address the net current liabilities position. As a result of these factors, the ability of the Group to continue as a going concern is dependent on the successful and timely completion of the restructuring of the term loan and generating adequate future cash flows. The financial statements of the Group do not include any adjustment relating to the amounts and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

(b) Basis of Consolidation

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

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. Goodwill/Reserve on consolidation is stated at cost less accumulated amortisation and impairment losses and is amortised or credited on a straight-line basis over 10 years.

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

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

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(c) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which will expire in 2044 and 2045. Depreciation of other property, plant and equipment is provided for on a straight line basis calculated to write off the cost or valuation of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2%
Plant and machinery	5% to 15%
Fittings and equipment	15% to 25%
Office equipment	15%
Motor vehicles	20%
Renovation	2% to 33%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

The freehold land and short term leasehold land and buildings have not been revalued since they were first revalued in 1994 on an open market value basis. 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, these assets continue to be stated at their 1994 valuation less accumulated depreciation.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost for trading inventories of building materials, hardware items, mining requisites and scrap metals is determined on a weighted average basis. Cost for all other inventories is determined on the first-in first-out basis. Cost of raw materials and trading goods consist of purchase cost and other expenses incurred in bringing the inventories to its present location and condition. Cost of finished goods and work-in-progress includes materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

Equipments held for resale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis.

(f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Leases

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

(i) Hire purchase or finance leases

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

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

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

(ii) Operating leases

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

(h) Deferred Tax

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(i) Provision for liabilities

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

(j) Retirement Benefits

The Group operates an unfunded, defined Retirement Benefit Scheme for the employees of a subsidiary, SMPC Industries Sdn. Bhd. as provided under the agreement between the subsidiary and The Metal Industry Employee Union. Benefits are determined based on the length of service and last drawn wages and are payable to employees upon retirement.

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) Revenue Recognition

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

(i) Sale of goods

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards has been completed.

(ii) Tuition fees

Tuition fees are recognised on an accrual basis whereas non-refundable registration and enrolment fees are recognised when chargeable.

(iii) Rental income

Rental income is recognised when the right to receive is established.

(iv) Management consultancy fees

Revenue from management consultancy is recognised as and when the services are performed.

(l) Foreign Currencies

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement. The principal exchange rates for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2003	2002
	RM	RM
United States Dollar	3.80	3.80
Singapore Dollar	2.18	2.07

(m) Intangible Asset

Intangible asset consists of licence fee 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 amortised over a period of 3 years.

(n) Land Leased to a Third Party

Land leased to a third party is included as property in the financial statements in accordance with the policy as set out in Note 2(d) 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 period of the lease.

(o) Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of its assets, other than inventories, deferred tax assets and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(p) Financial Instruments

Financial instruments are recognised in the balance sheets when the Group and the Company have become a party to the contractual provisions of the instrument.

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in value of investments and is recognised as an expense in the year in which the decline occurred. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are credited or charged to the income statement. On disposal of marketable securities, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(iii) Receivables

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

(iv) Payables

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

(v) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are charged to the income statement as an expense in the year in which they are incurred.

(vi) Equity Instruments

Ordinary shares are classified as equity. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, renovation, and motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation						
At 1 February 2002	44,839,572	30,116,396	62,395,956	12,166,135	662,325	150,180,384
Additions	124,891	-	3,980,253	2,101,316	6,135,782	12,342,242
Disposals	-	-	(20,000)	(748,551)	-	(768,551)
Reclassification	-	-	495,280	3,683	(498,963)	-
At 31 January 2003	44,964,463	30,116,396	66,851,489	13,522,583	6,299,144	161,754,075
Representing:						
At cost	39,164,463	14,616,396	66,851,489	13,522,583	6,299,144	140,454,075
At valuation	5,800,000	15,500,000	-	-	-	21,300,000
	44,964,463	30,116,396	66,851,489	13,522,583	6,299,144	161,754,075
Accumulated Depreciation and Impairment Losses						
At 1 February 2002	1,894,139	4,309,493	29,847,558	7,716,806	-	43,767,996
Depreciation charge for the year	542,659	436,446	3,313,531	1,576,744	-	5,869,380
Disposals	-	-	(20,000)	(687,451)	-	(707,451)
Impairment losses	16,951	-	-	-	-	16,951
At 31 January 2003	2,453,749	4,745,939	33,141,089	8,606,099	-	48,946,876
Representing:						
At cost	2,453,749	2,533,499	33,141,089	8,606,099	-	46,734,436
At valuation	-	2,212,440	-	-	-	2,212,440
	2,453,749	4,745,939	33,141,089	8,606,099	-	48,946,876
Net Book Value						
At 31 January 2003						
At cost	36,710,714	12,082,897	33,710,400	4,916,484	6,299,144	93,719,639
At valuation	5,800,000	13,287,560	-	-	-	19,087,560
	42,510,714	25,370,457	33,710,400	4,916,484	6,299,144	112,807,199
At 31 January 2002						
At cost	37,145,433	12,261,010	32,548,398	4,449,329	662,325	87,066,495
At valuation	5,800,000	13,545,893	-	-	-	19,345,893
	42,945,433	25,806,903	32,548,398	4,449,329	662,325	106,412,388
Depreciation charge for 2002						
	490,978	515,039	3,548,134	1,430,179	-	5,984,330

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Company	Freehold land RM	Short term leasehold land and buildings RM	Fittings, equipment, renovation and motor vehicles RM	Total RM
Cost/Valuation				
At 1 February 2002	10,134,636	26,283,763	4,259,987	40,678,386
Additions	-	-	14,816	14,816
At 31 January 2003	<u>10,134,636</u>	<u>26,283,763</u>	<u>4,274,803</u>	<u>40,693,202</u>
Representing:				
At cost	10,134,636	10,783,763	4,274,803	25,193,202
At valuation	-	15,500,000	-	15,500,000
	<u>10,134,636</u>	<u>26,283,763</u>	<u>4,274,803</u>	<u>40,693,202</u>
Accumulated Depreciation and Impairment Losses				
At 1 February 2002	-	3,957,783	2,213,240	6,171,023
Depreciation charge for the year	-	438,386	515,305	953,691
At 31 January 2003	<u>-</u>	<u>4,396,169</u>	<u>2,728,545</u>	<u>7,124,714</u>
Representing:				
At cost	-	2,183,729	2,728,545	4,912,274
At valuation	-	2,212,440	-	2,212,440
	<u>-</u>	<u>4,396,169</u>	<u>2,728,545</u>	<u>7,124,714</u>
Net Book Value				
At 31 January 2003				
At cost	10,134,636	8,600,034	1,546,258	20,280,928
At valuation	-	13,287,560	-	13,287,560
	<u>10,134,636</u>	<u>21,887,594</u>	<u>1,546,258</u>	<u>33,568,488</u>
At 31 January 2002				
At cost	10,134,636	8,808,175	2,046,747	20,989,558
At valuation	-	13,517,805	-	13,517,805
	<u>10,134,636</u>	<u>22,325,980</u>	<u>2,046,747</u>	<u>34,507,363</u>
Depreciation charge for 2002	<u>-</u>	<u>438,386</u>	<u>365,275</u>	<u>803,661</u>

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- (a) Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Computer equipment	36,400	56,117	-	-
Motor vehicles	<u>2,157,190</u>	<u>996,039</u>	<u>55,226</u>	<u>73,100</u>
	<u>2,193,590</u>	<u>1,052,156</u>	<u>55,226</u>	<u>73,100</u>

- (b) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM12,342,242 (2002: RM3,281,307) and RM14,816 (2002: RM812,720) respectively of which RM1,799,257 (2002: RM513,888) of the Group was acquired by means of finance lease arrangements.

- (c) The net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to in Note 13 are as follows:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Freehold land and buildings	42,382,714	42,817,433	10,134,636	10,134,636
Plant and machinery	1,523,766	1,679,508	-	-
Fittings, equipment and motor vehicles	<u>229,609</u>	<u>214,019</u>	<u>-</u>	<u>-</u>
	<u>44,136,089</u>	<u>44,710,960</u>	<u>10,134,636</u>	<u>10,134,636</u>

- (d) Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use costing RM12,202,140 (2002: RM8,105,803) and RM1,957,552 (2002: RM1,075,659) respectively.

- (e) Included in plant and machinery of the Group are machineries with a net book value of RM4,446,470 (2002: Nil) retired from active use and held for disposal.

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- (f) Had the revalued freehold land, short term leasehold land and buildings been carried at historical cost less accumulated depreciation, the net book value that would have been included in the financial statements of the Group and of the Company as at 31 January 2003 would be as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Freehold land	4,865,381	4,865,381	-	-
Short term leasehold land and buildings	<u>4,987,917</u>	<u>5,134,900</u>	<u>4,987,917</u>	<u>5,134,900</u>
	<u>9,853,298</u>	<u>10,000,281</u>	<u>4,987,917</u>	<u>5,134,900</u>

- (g) Included in property, plant and equipment of the Group is a freehold land costing RM930,053 (2002: RM930,053) that has been leased to a third party as disclosed in Note 16.

4. INTANGIBLE ASSET

	Group	
	2003 RM	2002 RM
Licence fees		
At 1 February	152,800	152,800
Addition	80,000	-
Write off	<u>(152,800)</u>	<u>-</u>
	80,000	152,800
Less: Accumulated amortisation	<u>(24,442)</u>	<u>(152,800)</u>
	<u>55,558</u>	<u>-</u>

5. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 RM	2002 RM
Unquoted shares, at cost	39,296,576	39,296,576
Less: Accumulated impairment losses	<u>(19,356,930)</u>	<u>(19,356,930)</u>
	<u>19,939,646</u>	<u>19,939,646</u>

Details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

	Effective equity interest		Principal activities
	2003 %	2002 %	
SMPC Industries Sdn. Bhd.*	100	100	Metal sheet and coil processing centre with main services in shearing, down-shearing, slitting and steel strapping. The company commenced steel furniture manufacturing operation during the year.
Syarikat Perkilangan Besi Gaya Sdn. Bhd.*	100	100	Drawing, straightening and cutting of iron rods and wire related products.
SMPC Marketing Sdn. Bhd.	100	100	Trading in building materials, hardware items and mining requisites.
Progerex Sdn. Bhd. (wholly owned by SMPC Marketing Sdn. Bhd.)	100	100	Shredding, processing and trading of ferrous and non-ferrous scrap metals.
Edit Systems (M) Sdn. Bhd.*	70	70	Operation of an educational institution.
Besi Gaya (Klang) Sdn. Bhd. (a subsidiary of Syarikat Perkilangan Besi Gaya Sdn. Bhd.)	51	51	Manufacture of steel stirrups for the construction industry.
Duro Metal Industrial (M) Sdn. Bhd.**	100	100	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	70	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	100	Trading in steel roofing, construction material and provision of related services.

* The auditors' reports of the financial statements of these subsidiaries for the year ended 31 January 2003 contain emphasis of matter on uncertainties over their ability to continue as going concerns.

** Audited by affiliate of Arthur Andersen & Co.

6. OTHER INVESTMENT

	Group and Company	
	2003	2002
	RM	RM
Unquoted shares, at cost	299,838	299,838
Less: Provision for diminution in value	<u>(299,838)</u>	<u>(299,838)</u>
	<u>-</u>	<u>-</u>

7. INVENTORIES

	Group	
	2003	2002
	RM	RM
At cost:		
Raw materials	17,032,507	18,155,375
Work-in-progress	141,343	118,763
Finished goods	8,954,983	7,089,027
Trading goods	11,928,697	13,541,935
Consumables	<u>103,661</u>	<u>146,184</u>
	<u>38,161,191</u>	<u>39,051,284</u>
At net realisable value:		
Raw materials	-	36,406
Finished goods	-	533,693
Trading goods	<u>131,526</u>	<u>149,796</u>
	<u>131,526</u>	<u>719,895</u>
	<u>38,292,717</u>	<u>39,771,179</u>

The inventories of a subsidiary with a carrying value of RM2,963,136 (2002: RM4,010,538) have been charged to financial institutions as securities for bank borrowings obtained.

8. TRADE RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Subsidiaries	-	-	1,571,832	660,709
Related parties	10,865,042	15,274,517	1,080,000	296,596
Third parties	72,948,052	71,531,641	-	-
	<u>83,813,094</u>	<u>86,806,158</u>	<u>2,651,832</u>	<u>957,305</u>
Less: Provision for doubtful debts	<u>(9,560,225)</u>	<u>(12,301,969)</u>	<u>-</u>	<u>-</u>
	<u>74,252,869</u>	<u>74,504,189</u>	<u>2,651,832</u>	<u>957,305</u>
Due from related parties:				
Euro Dexon Sdn. Bhd.*	456	3,392,243	-	-
Pitchai Metal Sdn. Bhd.*	8,630,718	9,258,150	900,000	296,596
S.M. Pitchai Chettiar Sdn. Bhd.*	145,440	61,096	120,000	-
Kumpulan Pitchai Sdn. Bhd.**	85,000	-	60,000	-
Chuan Wooi Hardware Sdn. Bhd.***	165,441	-	-	-
Sin Yee Hup Construction Sdn. Bhd.****	351,030	2,563,028	-	-
Yee Hup Construction Co.*****	1,486,957	-	-	-
	<u>10,865,042</u>	<u>15,274,517</u>	<u>1,080,000</u>	<u>296,596</u>

* Companies in which the directors of the Company i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests.

** A corporate shareholder and a company in which the directors of the Company i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests.

*** A company related to Chuan Wooi Development and Engineering Sdn. Bhd., a corporate shareholder of a subsidiary.

**** A company/firm in which a director of a subsidiary i.e. Cheng Kien Wing has a substantial interest.

The Group's and the Company's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

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

9. OTHER RECEIVABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Due from subsidiaries	-	-	18,558,236	18,596,311
Deposits	360,108	403,749	57,057	55,657
Prepayments	765,857	667,816	-	-
Tax recoverable	2,307,548	2,248,460	84,385	84,385
Sundry receivables	<u>5,688,303</u>	<u>4,624,416</u>	<u>3,470,902</u>	<u>3,447,115</u>
	9,121,816	7,944,441	22,170,580	22,183,468
Less: Provision for doubtful debts	<u>(21,003)</u>	<u>(33,732)</u>	-	-
	<u>9,100,813</u>	<u>7,910,709</u>	<u>22,170,580</u>	<u>22,183,468</u>

The amounts due from subsidiaries bear an interest of 4% (2002: 4%) per annum, unsecured and have no fixed terms of repayment.

Included in sundry receivables of the Group and the Company is an amount of RM3,349,082 (2002: RM3,349,082) receivable from the previous shareholders (vendors) of Duro Metal Industrial (M) Sdn. Bhd. The amount receivable is secured and is in relation to the shortfall between the profit guaranteed by the vendors and the actual consolidated results of the subsidiary for the previous 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.

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

10. SHORT TERM INVESTMENT

	Group	
	2003	2002
	RM	RM
Quoted unit trust in Malaysia:	<u>135,762</u>	<u>147,804</u>
Market value of quoted unit trust	<u>135,762</u>	<u>147,804</u>

11. CASH AND BANK BALANCES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Cash on hand and at bank	3,296,519	3,747,695	83,285	743,494
Deposits with licensed banks	<u>1,384,778</u>	<u>1,291,967</u>	<u>335,500</u>	<u>-</u>
	<u>4,681,297</u>	<u>5,039,662</u>	<u>418,785</u>	<u>743,494</u>

Deposits with licensed banks of the Group and of the Company amounting to RM1,384,778 (2002: RM1,291,967) are pledged to banks for bank borrowings granted to certain subsidiaries as referred to in Note 13.

The average interest rate earned during the financial year and the average maturities of deposits as at 31 January 2003 were 3.2% and 30 to 90 days respectively.

12. PROVISION FOR LIABILITIES

	Group	
	2003	2002
	RM	RM
Retirement Benefits Scheme		
At 1 February	289,152	527,602
Charged to income statement	-	28,480
Utilised during the year	<u>(21,000)</u>	<u>(266,930)</u>
At 31 January	<u>268,152</u>	<u>289,152</u>
At 31 January		
Current	<u>6,334</u>	<u>-</u>
Non-current:		
Later than 1 year but not later than 2 years	23,192	7,776
Later than 2 years but not later than 5 years	32,572	36,010
Later than 5 years	<u>206,054</u>	<u>245,366</u>
	<u>261,818</u>	<u>289,152</u>
	<u>268,152</u>	<u>289,152</u>

The Group operates an unfunded, defined Retirement Benefits Scheme for its union employees. The Group's obligations under this scheme are determined based on triennial actuarial valuation using the projected unit credit method.

The Retirement Benefits Scheme was last revalued in 2001. As at that date, the valuation showed that the Group's provision for retirement benefit was sufficient to meet the actuarially determined value of vested benefits.

13. BORROWINGS

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Short Term Borrowings				
Secured:				
Bank overdrafts	12,210,826	13,467,270	-	-
Bankers' acceptances	27,250,938	26,465,186	-	-
Trust receipts	951,527	452,476	-	-
Term loans	53,487,814	17,723,285	737,958	-
Hire purchase and lease payables (Note 14)	<u>434,756</u>	<u>294,440</u>	<u>22,324</u>	<u>36,377</u>
	<u>94,335,861</u>	<u>58,402,657</u>	<u>760,282</u>	<u>36,377</u>
Unsecured:				
Bank overdrafts	6,004,899	7,829,425	-	1,971,363
Revolving credit	12,555,411	12,568,922	-	-
Bankers' acceptances	9,481,000	13,876,000	-	-
Trust receipts	<u>1,865,365</u>	<u>1,047,985</u>	<u>-</u>	<u>-</u>
	<u>29,906,675</u>	<u>35,322,332</u>	<u>-</u>	<u>1,971,363</u>
	<u>124,242,536</u>	<u>93,724,989</u>	<u>760,282</u>	<u>2,007,740</u>
Long Term Borrowings				
Secured:				
Term loans	3,186,413	40,502,466	1,402,459	-
Hire purchase and lease payables (Note 14)	<u>1,340,633</u>	<u>488,746</u>	<u>9,592</u>	<u>15,725</u>
	<u>4,527,046</u>	<u>40,991,212</u>	<u>1,412,051</u>	<u>15,725</u>
Total Borrowings				
Bank overdrafts	18,215,725	21,296,695	-	1,971,363
Revolving credit	12,555,411	12,568,922	-	-
Bankers' acceptances	36,731,938	40,341,186	-	-
Trust receipts	2,816,892	1,500,461	-	-
Term loans	<u>56,674,227</u>	<u>58,225,751</u>	<u>2,140,417</u>	<u>-</u>
	126,994,193	133,933,015	2,140,417	1,971,363
Hire purchase and lease payables (Note 14)	<u>1,775,389</u>	<u>783,186</u>	<u>31,916</u>	<u>52,102</u>
	<u>128,769,582</u>	<u>134,716,201</u>	<u>2,172,333</u>	<u>2,023,465</u>

Company No: 79082 V

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Maturity of borrowings (excluding hire purchase and finance lease payables):				
Within one year	123,807,780	93,430,549	737,958	1,971,363
More than 1 year and less than 2 years	2,195,563	8,513,182	800,399	-
More than 2 years and less than 5 years	990,850	23,520,779	602,060	-
5 years and more	-	8,468,505	-	-
	<u>126,994,193</u>	<u>133,933,015</u>	<u>2,140,417</u>	<u>1,971,363</u>

The borrowings, excluding hire purchase and finance lease payables, bear interest ranging from 3.43% to 8.40% (2002: 3.20% to 8.40%) per annum.

The secured bank borrowings of the Group and the Company are secured by:

- (a) Legal charges and deed of assignment over freehold land and buildings as referred in Note 3;
- (b) Existing negative pledge on all assets of the Company and a subsidiary;
- (c) Debenture on the fixed and floating charge on the present and future assets of a subsidiary; and
- (d) Joint and several guarantee from two directors of a subsidiary.

In addition, the bank borrowings of the subsidiaries are guaranteed by the Company. Term loans of a subsidiary amounting to RM1,873,569 (2002:RM2,558,196) are guaranteed by Kumpulan Pitchai Sdn. Bhd., a substantial corporate shareholder and certain directors of the subsidiary.

A term loan of approximately RM39 million and accrued interest of approximately RM3.3 million, as included in other payables, were due for repayment subsequent to financial year end. The Group is in the process of restructuring the repayment terms. Proposals currently include:

- (a) The repayment of RM2 million by 31 May 2003; and
- (b) The refinancing of RM18 million via another financial institution upon discharging and recharging a certain property.

The repayment terms of the remaining amount is currently being finalised.

14. HIRE PURCHASE AND LEASE PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Minimum lease payments:				
Not later than 1 year	572,347	351,323	24,948	24,948
Later than 1 year and not later than 2 years	522,499	237,791	14,507	24,948
Later than 2 years and not later than 5 years	899,979	338,938	-	14,506
Later than 5 years	118,598	32,714	-	-
	<u>2,113,423</u>	<u>960,766</u>	<u>39,455</u>	<u>64,402</u>
Less: Finance charges	<u>(338,034)</u>	<u>(177,580)</u>	<u>(7,539)</u>	<u>(12,300)</u>
Present value of hire purchase and finance lease liabilities	<u>1,775,389</u>	<u>783,186</u>	<u>31,916</u>	<u>52,102</u>
Present value of hire purchase and finance lease liabilities:				
Not later than 1 year	434,756	294,440	22,324	36,377
Later than 1 year and not later than 2 years	424,760	168,565	9,592	12,324
Later than 2 years and not later than 5 years	810,348	288,567	-	3,401
Later than 5 years	105,525	31,614	-	-
	<u>1,775,389</u>	<u>783,186</u>	<u>31,916</u>	<u>52,102</u>
Analysed as:				
Due within 12 months (Note 13)	434,756	294,440	22,324	36,377
Due after 12 months (Note 13)	<u>1,340,633</u>	<u>488,746</u>	<u>9,592</u>	<u>15,725</u>
	<u>1,775,389</u>	<u>783,186</u>	<u>31,916</u>	<u>52,102</u>

The hire purchase and lease liabilities bear interest of between 4.75% and 8.60% (2002: 4.75% and 8.60%) per annum.

15. TRADE PAYABLES

	Group	
	2003	2002
	RM	RM
Related parties	670,895	4,000
Third parties	36,331,455	34,604,362
	<u>37,002,350</u>	<u>34,608,362</u>
Due to related parties:		
Euro Dexon Sdn. Bhd.	-	4,000
Pitchai Metal Sdn. Bhd.	315	-
Chuan Wooi Hardware Sdn Bhd.	670,580	-
	<u>670,895</u>	<u>4,000</u>

The normal trade credit term granted to the Group ranges from 30 to 90 days.

16. OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Due to fellow subsidiaries	-	-	28,772	-
Prepayment of lease rental	1,347,878	1,408,226	-	-
Sundry payables	1,285,969	966,484	62,625	37,036
Accrued interest on bank borrowings	3,481,107	1,591,842	-	-
Other accruals	1,631,117	654,436	287,587	140,738
	<u>7,746,071</u>	<u>4,620,988</u>	<u>378,984</u>	<u>177,774</u>

The prepayment of lease rental is received from a third party, for lease of part of the freehold land as disclosed in Note 3(g).

	Group	
	2003	2002
	RM	RM
Included in the sundry payables are amounts due to:		
Euro Dexon Sdn. Bhd.	-	732
Pitchai Metal Sdn. Bhd.	103,543	-
S.M. Pitchai Chettiar Sdn. Bhd	-	500
Kumpulan Pitchai Sdn. Bhd.	41,769	-
	<u>145,312</u>	<u>1,232</u>

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

17. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2003	2002	2003 RM	2002 RM
Authorised	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
At 1 February	54,576,965	54,576,965	54,576,965	54,576,965
Shares issued pursuant to ESOS	<u>68,000</u>	<u>-</u>	<u>68,000</u>	<u>-</u>
At 31 January	<u>54,644,965</u>	<u>54,576,965</u>	<u>54,644,965</u>	<u>54,576,965</u>

18. RESERVES

Included in the reserves of the Company is a capital reserve amounting to RM7,445,000 (2002: RM7,445,000) representing the excess of sales consideration over the carrying amount of the net assets transferred to a subsidiary.

19. RESERVE ON CONSOLIDATION

	Group	
	2003 RM	2002 RM
Goodwill on consolidation	7,575,324	7,575,324
Less: Return of cost arising from profit guarantee	<u>(4,191,144)</u>	<u>(4,191,144)</u>
	3,384,180	3,384,180
Less: Accumulated amortisation	<u>(1,266,737)</u>	<u>(879,974)</u>
	<u>2,117,443</u>	<u>2,504,206</u>
Reserve on consolidation	(7,963,802)	(7,963,802)
Less: Accumulated amortisation	<u>5,707,390</u>	<u>4,911,010</u>
	<u>(2,256,412)</u>	<u>(3,052,792)</u>
Reserve on consolidation, net	<u>(138,969)</u>	<u>(548,586)</u>

20. DEFERRED TAXATION

	Group	
	2003	2002
	RM	RM
At 1 February	796,000	596,000
Transfer from income statement (Note 27)	311,000	200,000
At 31 January	<u>1,107,000</u>	<u>796,000</u>

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

Deferred taxation amounting to RM400,230 (2002: RM400,230) is not provided for 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.

21. REVENUE

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

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Sale of goods	236,966,484	217,528,024	-	-
Tuition fees	720,560	883,349	-	-
Rental of industrial and commercial assets	1,005,600	-	2,427,432	1,661,832
Management consultancy fees	150,000	-	1,078,000	692,000
	<u>238,842,644</u>	<u>218,411,373</u>	<u>3,505,432</u>	<u>2,353,832</u>

22. OTHER OPERATING INCOME

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Included in other operating income are:				
Amortisation of reserve on consolidation	796,380	796,380	-	-
Bad debt recovered	1,170	-	-	-
Gain on disposal of property, plant and equipment	230,092	314,270	-	-
Lease rental income	9,840	65,268	-	-
Other rental income	63,548	3,000	-	-
Provision for doubtful debts written back	26,357	2,787	-	-
Realised gain on foreign exchange	-	3,055	-	-
Unrealised gain on foreign exchange	9,521	-	-	-

23. STAFF COSTS

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,712,215 (2002: RM1,237,944) and RM1,085,600 (2002: RM562,260) respectively.

24. OTHER OPERATING EXPENSES

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Included in other operating expenses are:				
Amortisation of goodwill on consolidation	386,763	690,591	-	-
Amortisation of intangible asset	24,442	50,272	-	-
Auditors' remuneration				
- statutory audits	110,700	107,700	11,000	11,000
- underprovision in prior year	3,000	-	-	-
- other services	15,000	49,055	15,000	17,800
Bad debts written off	4,000	28,473	-	-
Directors' fees	44,666	79,000	44,666	79,000
Impairment losses on property, plant and equipment	16,951	-	-	-
Inventories written down to net realisable value	43,842	91,308	-	-
Provision for diminution in value of investments	12,042	18,734	-	19,356,930
Provision for doubtful debts	1,385,127	828,935	-	-
Provision for retirement benefits	-	28,480	-	-
Property, plant and equipment written off	-	2,406	-	-
Realised loss on foreign exchange	15,628	29,532	-	-
Rental expense				
- buildings	456,213	521,078	96,098	21,500
- other property, plant and equipment	810,071	727,433	-	-
Unrealised loss on foreign exchange	-	46,432	-	-

25. DIRECTORS' REMUNERATION

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,282,600	910,500	1,085,600	562,260
Bonus	-	-	-	-
Benefits-in-kind	-	34,900	-	-
	<u>1,282,600</u>	<u>945,400</u>	<u>1,085,600</u>	<u>562,260</u>
Non-executive:				
Fees	<u>44,666</u>	<u>79,000</u>	<u>44,666</u>	<u>79,000</u>
Other directors				
Executive:				
Salaries and other emoluments	429,615	307,444	-	-
Bonus	-	20,000	-	-
	<u>429,615</u>	<u>327,444</u>	<u>-</u>	<u>-</u>
Total	<u>1,756,881</u>	<u>1,351,844</u>	<u>1,130,266</u>	<u>641,260</u>
Total directors' remuneration excluding benefits-in-kind	<u>1,756,881</u>	<u>1,316,944</u>	<u>1,130,266</u>	<u>641,260</u>

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2003	2002
Executive directors:		
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	2	3
RM200,001 - RM250,000	2	1
RM450,001 - RM500,000	1	-
Non-executive directors:		
Below RM50,000	<u>6</u>	<u>5</u>

26. FINANCE COSTS, NET

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Included in finance cost are:				
Interest expense on borrowings	(9,443,878)	(9,920,289)	(149,639)	(175,637)
Interest income:				
- deposits	16,379	31,739	-	7,871
- subsidiaries	-	-	364,220	403,160
- others	-	57,304	-	-
	<u>-</u>	<u>57,304</u>	<u>-</u>	<u>-</u>

27. TAXATION

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Tax expense for the year	382,000	169,017	-	-
Transfer to deferred taxation (Note 20)	<u>311,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
	693,000	369,017	-	-
Tax expense of prior years	<u>26,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>719,554</u>	<u>369,017</u>	<u>-</u>	<u>-</u>

The effective tax rate of the Group is lower than the statutory rate of taxation due principally to tax savings arising from the utilisation of unutilised capital allowances brought forward and unabsorbed business losses brought forward.

There is no taxation charge for the Company due to utilisation of unabsorbed tax losses brought forward from previous year. The tax savings arising from utilisation of unabsorbed tax losses brought forward amount to RM245,000 (2002: Nil).

As at 31 January 2003, the Company has unabsorbed tax losses and unutilised capital allowances of approximately RM90,000 (2002: RM965,000) and RM6,021,000 (2002: RM5,282,000) respectively which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

As at 31 January 2003, the Company has a potential deferred tax benefit of approximately RM921,000 (2002: RM993,000) 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/(LOSS) PER SHARE

(a) Basic:

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

	Group	
	2003	2002
	RM	RM
Net profit/(loss) attributable to shareholders	5,802,912	(15,279,184)
Weighted average number of ordinary shares in issue	54,625,875	54,576,965
Basic earnings/(loss) per share (sen)	<u>10.62</u>	<u>(28.0)</u>

(b) Diluted:

Diluted earnings per share is calculated by dividing the adjusted net profit attributable to shareholders by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The Group has one category of dilutive potential ordinary shares, i.e. Employees' Share Option Scheme ("ESOS"). The basis for the maximum number of ordinary shares of RM1.00 each to be issued on the exercise of share options granted, the latest dates for exercise and their price are mentioned in the directors' report.

	Group	
	2003	2002
	RM	RM
Net profit/(loss) for the year	<u>5,802,912</u>	<u>(15,279,184)</u>
Weighted average number of ordinary shares in issue	54,625,875	54,576,965
Adjustment for assumed exercise of ESOS	<u>-</u>	<u>384,827</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>54,625,875</u>	<u>54,961,792</u>
Diluted loss per share (sen)		<u>(27.8)</u>

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

29. CAPITAL COMMITMENT

	Group	
	2003	2002
	RM	RM
Property, plant and equipment: Approved and contracted for	<u>-</u>	<u>234,000</u>

30. CONTINGENT LIABILITIES

Unsecured	2003	2002
	RM	RM
Group and Company		
Guarantee for loan facilities given to Vinanic Steel Processing Company (Vietnam), an investee company	1,014,000	1,014,000
Company		
Guarantee for banking facilities given to subsidiaries	122,040,042	125,867,226
Guarantee for trade facilities given to subsidiaries	<u>10,350,000</u>	<u>-</u>

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

Group	2003 RM	2002 RM
Sales to:		
- Pitchai Metal Sdn. Bhd.*	3,342,117	3,647,389
- Euro Dexon Sdn. Bhd.*	6,611	1,442,185
- Yee Hup Construction Co.**	4,874,467	2,495,921
- Chuan Wooi Development Sdn. Bhd.***	339,074	-
Purchases from:		
- Pitchai Metal Sdn. Bhd.*	991	-
- S.M. Pitchai Chettiar Sdn. Bhd.*	28,173	-
- Euro Dexon Sdn. Bhd.*	-	451,625
Purchase of plant and equipment from Euro Dexon Sdn. Bhd.*	3,451,621	-
Corporate service charges received from:		
- Pitchai Metal Sdn. Bhd.*	120,000	-
- S.M. Pitchai Chettiar Sdn. Bhd.*	120,000	-
- Kumpulan Pitchai Sdn. Bhd.****	60,000	-
Rental income received from Pitchai Metal Sdn. Bhd.*	780,000	-
Rental expense paid to:		
- Pitchai Metal Sdn. Bhd.*	720,000	950,500
- S.M. Pitchai Chettiar Sdn. Bhd.*	<u>6,000</u>	<u>223,500</u>

* 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.

** A firm in which a director of a subsidiary i.e. Cheng Kien Wing has a substantial interest.

*** A company related to Chuan Wooi Development and Engineering Sdn. Bhd., a corporate shareholder of a subsidiary.

**** A 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.

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Company	2003	2002
	RM	RM
Rental income received from:		
- subsidiaries	1,721,832	1,661,832
- related companies	780,000	-
Management consultancy fees received from:		
- subsidiaries	778,000	692,000
- related companies	<u>150,000</u>	<u>-</u>

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

32. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts, as the Group had no substantial long-term interest-bearing assets as at 31 January 2003. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

The Group is currently in the process of restructuring the repayments of certain borrowings in order to reduce its interest rate exposure.

The information on maturity periods and interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group is exposed mainly to United States Dollar and Singapore Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currency of the operating entities are kept to an acceptable level.

The net unhedged financial assets of the Group as at 31 January 2003 that are not denominated in its functional currency i.e. Ringgit Malaysia are as follows:

	RM
United States Dollar	251,174
Singapore Dollar	766,869
	<u>1,018,043</u>

(d) Liquidity Risk

As at balance sheet date, the Group's current liabilities exceeded its current assets by RM42,852,958. The Group is currently in the process of finalising the repayments of certain borrowings to improve on their liquidity position.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are monitored via the credit control function within the Group. Trade receivables are monitored on an ongoing basis via Group management report procedures.

The Group does not have any significant exposure to any individual customers or counterparty nor does it have any major concentration of credit risk related to any financial institutions.

(f) **Fair Values**

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company are represented as follows:

		Group		Company	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Liabilities					
Hire purchase	14	1,775,389	1,816,607	31,916	35,866

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

It is not practical to estimate the fair values of amounts due to/from subsidiaries and related parties due principally to a lack of fixed repayment term entered by the parties involved. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet to be significantly different from the values that would eventually be received or settled.

- (ii) Long Term Borrowings

The fair values of the borrowings other than hire purchase and lease payables approximate to the carrying value. The fair values of the hire purchase and lease payables are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending and borrowing arrangements.

33. COMPARATIVES

- (a) The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for the presentation and classification of items in the segment information (Note 34) of the previous financial year have been changed to comply with the requirements of MASB 22: Segment Reporting which was adopted during the year.
- (b) Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB 24 Financial Instruments: Disclosure and Presentation upon first applicable.

34. SEGMENTAL ANALYSIS

The Group is organised into three major business segments:

- (i) Manufacturing - manufacturing of metal related products;
- (ii) Trading - trading of metal related products; and
- (iii) Education - provision of information technology education.

Other business segments includes letting of industrial and commercial assets and provisions of management consultancy and corporate services.

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

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

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Segmental analysis (continues):

Analysis by activities:

	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE AND EXPENSES												
Revenue												
External sales	145,635,105	105,121,868	91,331,379	112,405,956	720,560	883,549	1,155,600	-	-	-	238,842,644	218,411,373
Inter-segment sales	6,505,714	18,014,099	1,303,115	641,830	-	-	2,349,832	2,353,832	(10,158,661)	(21,009,761)	-	-
Total revenue	152,140,819	123,135,967	92,634,494	113,047,786	720,560	883,549	3,505,432	2,353,832	(10,158,661)	(21,009,761)	238,842,644	218,411,373
Results												
Segment results	13,887,203	(6,880,606)	3,081,694	2,741,346	(24,555)	(9,867)	1,019,432	519,247			17,963,774	(3,629,880)
Unallocated corporate expenses											(1,226,744)	(880,764)
Profit/(loss) from operations											16,737,030	(4,510,644)
Finance costs, net											(9,991,039)	(10,248,128)
Taxation											(719,554)	(369,017)
Profit/(loss) after taxation											6,026,437	(15,127,789)
Minority interests											(223,525)	(151,395)
Net profit for the year											5,802,912	(15,279,184)

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	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
ASSETS AND LIABILITIES												
Segment assets, representing consolidated total assets	152,579,862	131,562,552	47,715,296	62,662,504	336,743	426,265	38,694,314	39,134,610			<u>239,326,215</u>	<u>233,785,931</u>
Segment liabilities	41,597,258	31,584,496	2,897,503	7,610,790	171,600	145,442	350,212	177,774			45,016,573	39,518,502
Unallocated corporate liabilities											<u>130,195,707</u>	<u>135,837,314</u>
Consolidated total liabilities											<u>175,212,280</u>	<u>175,355,816</u>
OTHER INFORMATION												
Capital expenditure	11,593,493	1,955,923	706,815	390,598	107,118	122,066	14,816	812,720			12,422,242	3,281,307
Depreciation	3,820,501	3,833,968	1,005,821	1,226,542	89,368	120,159	953,690	803,661			5,869,380	5,984,330
Amortisation	(23,943)	279,885	(385,674)	(385,674)	24,442	50,272	-	-			(385,175)	(55,517)
Impairment losses	16,951	-	-	-	-	-	-	-			16,951	-
Non-cash expenses other than depreciation, amortisation and impairment losses	717,119	258,865	449,806	439,091	12,116	29,755	-	-			1,179,041	727,711