SMPC CORPORATION BHD. (79082 V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 January 2006

79082 V

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 JANUARY 2006

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SMPC CORPORATION BHD.
(Incorporated in Malaysia)

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 2006.

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 12 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Loss after taxation	(22,433,660)	(13,990,760)
Minority interests	271,366	-
Net loss for the year	(22,162,294)	(13,990,760)

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, other than as disclosed in the notes to the financial statements.

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
Mohd Shahril Fitri Bin Hashim
Sanmarkan a/l T.S. Gananpathi
Ahmad Bin Darus
Sudesh a/l K.V. Sankara

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 the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the warrants and share options granted under the Employee Share Options Scheme.

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 6 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, except 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 over shares in the Company and its related corporations during the financial year were as follows:

	← Number of Ordinary Shares of RM1 Each →			
The Company	**1 February 2005**	**Bought**	**Sold**	**31 January 2006**
Direct Interest				
Machendran a/l Pitchai Chetty	265,347	-	-	265,347
Sudesh a/l K.V. Sankaran	2,000	-	-	2,000
Indirect Interest				
Machendran a/l Pitchai Chetty*	15,206,529	98,800	-	15,305,329
Dhanabalan a/l M. Pitchai Chetty*	15,206,529	98,800	-	15,305,329

DIRECTORS' INTERESTS (CONTD.)

The Company	1 February 2005	Bought	Sold/ Exercised	31 January 2006
	Number of Warrants			
Direct interest				
Machendran a/l Pitchai Chetty	95,000	-	-	95,000
Indirect Interest				
Machendran a/l Pitchai Chetty*	1,324,666	-	-	1,324,666
Ibrahim Hussain	-	353,150	-	353,150
Dhanabalan a/l M. Pitchai Chetty*	1,324,666	-	-	1,324,666

The Company	1 February 2005	Granted	Exercised	31 January 2006
	Number of Options over Ordinary Shares of RM1 Each			
Machendran a/l Pitchai Chetty	403,560	-	-	403,560
Ibrahim Hussain	358,720	-	-	358,720
Dhanabalan a/l M. Pitchai Chetty	358,720	-	-	358,720

* 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 that are held by KPSB and SMPCSB. Both companies are incorporated in Malaysia.

Machendran a/l Pitchai Chetty and Dhanabalan a/l M. Pitchai Chetty 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 over shares in the Company or its related corporations during the financial year.

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 under the Employee Share Options 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. On 28 July 2005, the expiry date of the warrants has been extended up to and including 21 November 2010.

WARRANTS AND SHARE OPTIONS (CONTD.)

As at 31 January 2006, the details of the warrants are as follows:

Year issued	Warrant Price	Balance as at 1 February 2005	Exercised	Balance as at 31 January 2006
2000	RM1.75	14,924,500	-	14,924,500

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 and amended in October 2003.

The main features of the ESOS are as follows:

(a) The ESOS shall be in force for a period of ten years from the date of the receipt of the last of the requisite approvals.

(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 total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS.

(d) The option shall be for a minimum of 1,000 ordinary shares and shall not exceed the maximum allowable allotment of 9% per employee of the total number of shares in the Company available under the ESOS.

(e) The option price shall be determined based on the 5-day weighted average market prices of the shares of the Company as shown in the Daily Official List issued by the Bursa Malaysia for the five (5) market days immediately preceding the Date of Offer or at par, whichever is higher.

(f) 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 2006, the details of the share options are as follows:

Year granted	Option Price	Balance as at 1 February 2005	Granted	Exercised	Balance as at 31 January 2006
2002	RM1.00	4,484,000	-	-	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 for the Group had been written off and that adequate provision had been made for doubtful debts in the financial statements of the Group and that all known bad debts of the Company had been written off and no provision for doubtful debts is required in the financial statements of the Company; and

(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.

(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 render:

(i) the amount written off for bad debts of the Group and of the Company or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent nor are they aware of any circumstances that would render it necessary to make any provision for doubtful debts in respect of the financial statements of the Company; and

(ii) 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 financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTD.)

(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.

OTHER SIGNIFICANT EVENTS

(a) On 17 May 2005, the Group acquired 10,000 shares in the capital of SMPC Industries (India) Private Limited ("SMPCI"), representing 100% of its issued and paid up capital of SMPCI from two of the Company's directors and a person related to a director of the Company, for a total cash consideration of Indian Rupee 100,000 (approximately RM10,000). The principal activity of SMPCI is manufacture of steel products.

(b) On 9 August 2005, the Group acquired 2 ordinary shares of Park Avenue Construction Sdn. Bhd. ("PACSB"), representing 100% of its equity interest for a total consideration of RM2. PACSB was dormant during the financial year.

(c) On 23 January 2006, the Group acquired 2 ordinary shares of SMPC Dexon Sdn. Bhd. ("SMPCD") (previously known as Sphinx Odyssey Sdn. Bhd.), representing 100% of its equity interest for a total consideration of RM2. SMPCD was dormant during the financial year.

SUBSEQUENT EVENT

The subsequent event is as disclosed in Note 32 to the financial statements.

AUDITORS

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

Signed in accordance with a resolution of the directors:

MACHENDRAN A/L PITCHAI CHETTY

IBRAHIM HUSSAIN

Penang, Malaysia
Date: 30 May 2006

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., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 59 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

MACHENDRAN A/L PITCHAI CHETTY IBRAHIM HUSSAIN

Penang, Malaysia
Date: 30 May 2006

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., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 59 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 Georgetown in the State of Penang
on 30 May 2006 : IBRAHIM HUSSAIN

Before me,

CHAI CHOON KIAT, PJM
(P.073)
Commissioner for Oaths

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REPORT OF THE AUDITORS TO THE MEMBERS OF SMPC CORPORATION BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 11 to 59. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:

    (i) the financial position of the Group and of the Company as at 31 January 2006 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

REPORT OF THE AUDITORS TO THE MEMBERS OF SMPC CORPORATION BHD. (CONTD.)
(Incorporated in Malaysia)

We have considered the financial statements and the auditors' report thereon of the subsidiary of which we have not acted as auditors as indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

ABRAHAM VERGHESE A/L T.V. ABRAHAM
No. 1664/10/06(J)
Partner

Penang, Malaysia
Date: 30 May 2006

SMPC CORPORATION BHD.
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INCOME STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006

	Note	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Revenue	3	260,027,963	299,727,129	3,778,113	4,803,577
Other operating income	4	2,004,809	2,517,513	-	-
Changes in inventories of work in progress, trading inventories and finished goods		(4,860,376)	4,537,415	-	-
Raw materials and consumables used		(106,511,695)	(102,887,494)	-	-
Trading goods purchased		(125,962,913)	(157,534,971)	-	-
Staff costs	5	(11,516,398)	(11,805,781)	(3,018,304)	(2,139,090)
Depreciation		(6,477,836)	(6,439,142)	(1,259,749)	(1,166,203)
Other operating expenses	7	(20,986,519)	(17,026,824)	(13,448,836)	(1,451,375)
(Loss)/profit from operations		(14,282,965)	11,087,845	(13,948,776)	46,909
Finance income		15,315	15,260	-	184,695
Finance costs		(8,091,557)	(8,415,706)	(86,810)	(156,057)
Net finance (costs)/income	8	(8,076,242)	(8,400,446)	(86,810)	28,638
(Loss)/profit before taxation		(22,359,207)	2,687,399	(14,035,586)	75,547
Taxation	9	(74,453)	265,354	44,826	(93,814)
(Loss)/profit after taxation		(22,433,660)	2,952,753	(13,990,760)	(18,267)
Minority interests		271,366	(407,372)	-	-
(Loss)/profit for the year		(22,162,294)	2,545,381	(13,990,760)	(18,267)
(Loss)/Earnings per share (sen)					
- Basic	10	(34.28)	3.94		
- Diluted	10	(34.28)	3.94		

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

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 JANUARY 2006

	Note	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	109,523,888	108,822,418	22,036,403	22,654,027
Investments in subsidiaries	12	-	-	34,327,545	44,656,611
Goodwill on consolidation	14	957,154	680,265	-	-
Other intangible asset	15	-	2,230	-	-
		110,481,042	109,504,913	56,363,948	67,310,638
CURRENT ASSETS					
Inventories	16	27,608,499	35,705,068	-	-
Trade receivables	17	47,851,436	78,388,284	7,937,186	13,810,622
Other receivables	18	17,988,528	9,111,601	13,354,001	8,449,144
Short term investments	19	162,322	236,780	-	-
Cash and bank balances	20	4,623,290	4,811,868	397,892	415,393
		98,234,075	128,253,601	21,689,079	22,675,159
CURRENT LIABILITIES					
Provision for liabilities	21	-	7,988	-	-
Borrowings	22	89,478,322	93,639,326	717,923	787,203
Trade payables	24	24,594,670	24,704,744	-	-
Other payables	25	5,068,294	3,934,332	3,581,850	1,093,342
Taxation		381,253	343,854	-	-
		119,522,539	122,630,244	4,299,773	1,880,545
NET CURRENT (LIABILITIES)/ASSETS		(21,288,464)	5,623,357	17,389,306	20,794,614
		89,192,578	115,128,270	73,753,254	88,105,252

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BALANCE SHEETS (CONTD.)
AS AT 31 JANUARY 2006

		GROUP		COMPANY	
	Note	2006	2005	2006	2005
		RM	RM	RM	RM
FINANCED BY:					
Share capital	26	64,644,965	64,644,965	64,644,965	64,644,965
Reserves	27	(7,518,804)	14,692,756	6,021,090	20,011,850
Shareholders' equity		57,126,161	79,337,721	70,666,055	84,656,815
Minority interests		1,048,186	1,319,552	-	-
		58,174,347	80,657,273	70,666,055	84,656,815
Provision for liabilities	21	161,968	138,399	-	-
Borrowings	22	15,551,944	18,190,268	1,748,647	2,065,059
Trade payable	24	13,256,557	14,106,552	-	-
Deferred tax liabilities	28	2,047,762	2,035,778	1,338,552	1,383,378
Non-current liabilities		31,018,231	34,470,997	3,087,199	3,448,437
		89,192,578	115,128,270	73,753,254	88,105,252

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

SMPC CORPORATION BHD.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2006

		← Non-Distributable	→				
		← Reserves			→		
GROUP	**Share Capital RM**	**Share Premium RM**	**Revaluation Reserve RM**	**Foreign Exchange Reserve RM**	**Accumulated Losses RM**	**Total Reserves RM**	**Total RM**
At 1 February 2004	64,644,965	23,751,705	5,763,313	-	(17,367,643)	12,147,375	76,792,340
Net profit for the year	-	-	-	-	2,545,381	2,545,381	2,545,381
At 31 January 2005	64,644,965	23,751,705	5,763,313	-	(14,822,262)	14,692,756	79,337,721
At 1 February 2005	64,644,965	23,751,705	5,763,313	-	(14,822,262)	14,692,756	79,337,721
Net loss for the year	-	-	-	-	(22,162,294)	(22,162,294)	(22,162,294)
Foreign exchange differences, representing net losses not recognised in income statement	-	-	-	(49,266)	-	(49,266)	(49,266)
At 31 January 2006	64,644,965	23,751,705	5,763,313	(49,266)	(36,984,556)	(7,518,804)	57,126,161

SMPC CORPORATION BHD.
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STATEMENTS OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2006

COMPANY	Share Capital	← Non-Distributable → Share Premium	Capital Reserve (Note 27)	Revaluation Reserve	Accumulated Losses	Total Reserves	Total
		← Reserves			→		
	RM	RM	RM	RM	RM	RM	RM
At 1 February 2004	64,644,965	23,751,705	7,445,000	5,763,313	(16,929,901)	20,030,117	84,675,082
Net loss for the year	-	-	-	-	(18,267)	(18,267)	(18,267)
At 31 January 2005	64,644,965	23,751,705	7,445,000	5,763,313	(16,948,168)	20,011,850	84,656,815
At 1 February 2005	64,644,965	23,751,705	7,445,000	5,763,313	(16,948,168)	20,011,850	84,656,815
Net loss for the year	-	-	-	-	(13,990,760)	(13,990,760)	(13,990,760)
At 31 January 2006	64,644,965	23,751,705	7,445,000	5,763,313	(30,938,928)	6,021,090	70,666,055

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

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2006

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(22,359,207)	2,687,399	(14,035,586)	75,547
Adjustments for:				
Amortisation of goodwill on consolidation	386,763	386,763	-	-
Amortisation of intangible asset	2,230	26,664	-	-
Bad debts written off	166,035	-	42,433	-
Depreciation	6,477,836	6,439,142	1,259,749	1,166,203
Deposits written off	5,000	-	-	-
Interest expense	8,091,557	8,415,706	86,810	156,057
Impairment loss on investments in subsidiaries	-	-	12,329,070	-
Impairment loss on property, plant and equipment	1,449,000	-	-	-
Loss/(gain) on disposal of property, plant and equipment	1,024,420	(85,015)	-	(9,637)
Pension costs - defined benefit plan	90,000	237,650	-	-
Property, plant and equipment written off	316,257	-	-	-
Provision for doubtful debts	4,040,620	6,041,156	-	-
Unrealised foreign exchange loss	91,507	-	-	-
Amortisation of negative goodwill	(663,652)	(796,380)	-	-
Interest income	(15,315)	(15,260)	-	(184,695)
Provision for doubtful debts written back	(60,295)	(3,975)	-	-
Operating (loss)/profit before working capital changes	(957,244)	23,333,850	(317,524)	1,203,475

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2006

	GROUP		COMPANY	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Decrease/(increase) in receivables	14,541,939	(14,304,215)	1,418,766	(2,155,339)
Decrease/(increase) in inventories	5,351,672	(6,576,145)	-	-
Increase in payables	1,300,268	1,611,223	2,488,508	816,174
Cash generated from/(used in) operations	20,236,635	4,064,713	3,589,750	(135,690)
Retirement benefits paid	(74,419)	(231,262)	-	-
Tax paid	(870,519)	(512,541)	(492,620)	(189,856)
Net cash generated from/(used in) operating activities	19,291,697	3,320,910	3,097,130	(325,546)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries (Note 12)	-	-	(10,004)	-
Acquisition of property, plant and equipment	(9,218,112)	(1,904,725)	(72,125)	(275,996)
Additional investment in subsidiaries	-	-	(1,990,000)	-
Interest received	15,315	15,260	-	184,695
Decrease/(increase) in short term investments	74,458	(70,596)	-	-
Proceeds from disposal of property, plant and equipment	3,623,968	3,670,398	-	34,003
Net cash (used in)/generated from investing activities	(5,504,371)	1,710,337	(2,072,129)	(57,298)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(8,007,658)	(7,352,267)	(86,810)	(156,057)
Net changes in short term borrowings	(2,599,066)	10,492,874	-	-
Drawdown of term loans	2,039,004	1,557,590	-	1,557,590
Repayment of term loans	(3,376,796)	(4,330,012)	(564,219)	(806,614)
Repayment of hire purchase financing	(1,740,723)	(1,449,857)	(391,473)	(214,521)
Net cash (used in)/generated from financing activities	(13,685,239)	(1,081,672)	(1,042,502)	380,398

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2006

	GROUP		COMPANY	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	102,087	3,949,575	(17,501)	(2,446)
EFFECT OF EXCHANGE RATE CHANGES	(49,266)	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	(12,095,273)	(16,044,848)	415,393	417,839
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	(12,042,452)	(12,095,273)	397,892	415,393

Cash and cash equivalents comprise:

	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Cash and bank balances (Note 20)	4,623,290	4,811,868	397,892	415,393
Bank overdrafts (Note 22)	(16,665,742)	(16,907,141)	-	-
Cash and cash equivalents	(12,042,452)	(12,095,273)	397,892	415,393

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

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2006

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 12.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 May 2006.

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 land and buildings included within property, plant and equipment.

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

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

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. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group 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.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Goodwill

Goodwill/Negative goodwill represents the difference between the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries at the date of acquisition. Goodwill/Negative goodwill is stated at cost less accumulated amortisation and impairment losses.

Goodwill/Negative goodwill is amortised or credited on a straight-line basis over 10 years.

(d) Investments in Subsidiaries

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

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) 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 recognised in 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.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost for trading inventories of building materials, hardware items and scrap metals is determined using the weighted average basis. Cost for all other inventories is determined using the first in, first out method. The costs of raw materials and trading goods comprise costs of purchase. The cost of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price on the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Cash and Cash Equivalents

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

(h) 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 in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

ii. Operating leases

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Income Tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(k) Employee Benefits

i. Short term benefits

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

ii. Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Employee Benefits (Contd.)

iii. Defined benefit plans

The Group operates an unfunded, defined Retirement Benefit Scheme ("the 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 Group's obligations under the Scheme, calculated using the Projected Unit Credit Method, are determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

iv. Equity compensation benefits

The Company's Employee Share Option Scheme ("ESOS") allows the Group's employees to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group 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.

ii. Tuition fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Revenue Recognition (Contd.)

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.

(m) 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 used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2006 RM	2005 RM
United States Dollar	3.70	3.80
Singapore Dollar	2.20	2.32
Indian Rupee	0.085	-

(n) 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 fee is amortised over a period of 3 years.

(o) 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(e) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Impairment of Assets

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

An impairment loss is recognised in 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.

(q) 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 recognised directly in 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 recognised in the income statement.

ii. Short term investments

Short term investments 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 short term investments are recognised in the income statement. On disposal of short term investments, the difference between the net disposal proceeds and the carrying amount is recognised in 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Financial Instruments (Contd.)

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 recognised as expense in the income statement in the year in which they are incurred.

vi. Equity Instruments

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

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.

3. REVENUE

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of goods	259,785,943	299,421,993	-	-
Tuition fees	242,020	305,136	-	-
Rental of industrial and commercial assets	-	-	118,113	963,577
Management consultancy fees	-	-	3,660,000	3,840,000
	260,027,963	299,727,129	3,778,113	4,803,577

4. OTHER OPERATING INCOME

Included in other operating income are:

	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Amortisation of negative goodwill	663,652	796,380	-	-
Gain on disposal of property, plant and equipment	-	85,015	-	9,637
Other rental income	71,648	80,512	-	-
Provision for doubtful debts written back	60,295	3,975	-	-

5. STAFF COSTS

	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Wages and salaries	9,280,949	9,407,580	2,188,569	1,833,566
Social security costs	135,657	59,633	8,703	7,931
Pension costs - defined contribution plans	652,561	714,395	222,088	240,707
Pension costs - defined benefit plan (Note 21)	90,000	237,650	-	-
Other staff related expenses	1,357,231	1,386,523	598,944	56,886
	11,516,398	11,805,781	3,018,304	2,139,090

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,775,382 (2005: RM1,638,560) and RM1,430,940 (2005: RM1,172,640) respectively as further disclosed in Note 6.

The number of employees in the Group and the Company at the end of the financial year was 377 (2005: 381) and 16 (2005: 12) respectively.

6. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,243,000	1,275,000	1,243,000	1,047,000
Bonus	51,500	-	51,500	-
Pension costs - defined contribution plans	136,440	153,000	136,440	125,640
	1,430,940	1,428,000	1,430,940	1,172,640
Non-executive:				
Fees	94,000	62,000	94,000	62,000
Other directors				
Executive:				
Salaries and other emoluments	288,000	144,000	-	-
Bonus	19,700	44,000	-	-
Pension costs - defined contribution plans	36,742	22,560	-	-
	344,442	210,560	-	-
Total	1,869,382	1,700,560	1,524,940	1,234,640
Analysed as:				
Total executive directors' remuneration (Note 5)	1,775,382	1,638,560	1,430,940	1,172,640
Total non-executive directors' remuneration (Note 7)	94,000	62,000	94,000	62,000
Total directors' remuneration	1,869,382	1,700,560	1,524,940	1,234,640

6. DIRECTORS' REMUNERATION (CONTD.)

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

	Number of Directors	
	2006	2005
Executive directors:		
Below RM50,000	1	1
RM400,001 - RM450,000	1	1
RM450,001 - RM500,000	1	1
RM500,001 - RM550,000	1	1
Non-executive directors:		
Below RM50,000	3	6

7. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Amortisation of goodwill on consolidation	386,763	386,763	-	-
Amortisation of other intangible asset	2,230	26,664	-	-
Auditors' remuneration				
- statutory audits	124,229	120,000	11,000	11,000
Bad debts written off	166,035	-	42,433	-
Deposits written off	5,000	-	-	-
Impairment losses on investments in subsidiaries	-	-	12,329,070	-
Impairment loss on property, plant and equipment	1,449,000	-	-	-
Loss on disposal of property, plant and equipment	1,024,420	-	-	-
Non-executive directors' remuneration (Note 6)	94,000	62,000	94,000	62,000
Property, plant and equipment written off	316,257	-	-	-
Provision for doubtful debts	4,040,620	6,041,156	-	-
Realised loss on foreign exchange	-	6,356	-	-
Rental expense				
- buildings	667,420	357,778	99,600	91,923
- other property, plant and equipment	847,889	361,683	96,417	-
Unrealised foreign exchange loss	91,507	-	-	-

8. NET FINANCE (COSTS)/INCOME

Included in net finance (costs)/income are:

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest expense on borrowings	(8,091,557)	(8,415,706)	(86,810)	(156,057)
Interest income:				
- deposits	15,315	15,260	-	-
- subsidiaries	-	-	-	184,695

9. TAXATION

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Income tax:				
Income tax expense for the year	59,252	650,421	-	124,711
Under/(over)provided of in prior years	3,217	(373,849)	-	13,929
	62,469	276,572	-	138,640
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	218,884	(317,771)	(44,826)	(44,826)
Overprovided in prior years	(206,900)	(224,155)	-	-
	11,984	(541,926)	(44,826)	(44,826)
	74,453	(265,354)	(44,826)	93,814

Domestic income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. TAXATION (CONTD.)

A reconciliation of the statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:

GROUP	2006 RM	2005 RM
(Loss)/profit before taxation	(22,359,207)	2,687,399
Taxation at statutory tax rate of 28% (2005: 28%)	(6,260,578)	752,472
Effect of income subject to tax rate of 20%	(23,753)	(42,972)
Income not subject to tax	(6,768)	(879,286)
Expenses not deductible for tax purposes	1,106,383	1,738,432
Effect of utilisation of previously unrecognised tax losses and capital allowances	(139)	(1,495,918)
Deferred tax assets not recognised during the year	5,462,991	259,922
Under/(over)provision of deferred tax in prior years	(206,900)	(224,155)
Under/(over)provision of income tax expense in prior years	3,217	(373,849)
Taxation for the year	74,453	(265,354)

COMPANY	2006 RM	2005 RM
(Loss)/profit before taxation	(14,035,586)	75,547
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	(3,929,964)	21,153
Expenses not deductible for tax purposes	231,028	58,732
Deferred tax assets not recognised during the year	3,654,110	-
Underprovision of income tax expense in prior years	-	13,929
Taxation for the year	(44,826)	93,814

Tax savings during the financial year arising from:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Utilisation of current year's tax losses	24,804	159,872	-	-
Utilisation of previously unrecognised tax losses	-	51,199	-	-

10. (LOSS)/EARNINGS PER SHARE

(a) Basic:

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

	GROUP 2006	GROUP 2005
Net (loss)/profit for the year (RM)	(22,162,294)	2,545,381
Weighted average number of ordinary shares in issue	64,644,695	64,644,695
Basic (loss)/earnings per share (sen)	(34.28)	3.94

(b) Diluted:

The effect on the basic (loss)/earnings per share arising from the assumed conversion of the warrants and options over shares are anti-dilutive. Accordingly, the diluted (loss)/earnings per share is presented as equal to basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Capital work-in-progress RM	Total RM
Cost/Valuation						
At 1 February 2005	50,123,326	30,319,798	69,260,811	15,206,520	937,224	165,847,679
Additions	4,507,021	-	7,121,401	1,748,930	215,599	13,592,951
Disposals/written-off	-	-	(8,808,110)	(2,127,322)	-	(10,935,432)
Reclassification	-	-	941,380	-	(941,380)	-
At 31 January 2006	54,630,347	30,319,798	68,515,482	14,828,128	211,443	168,505,198
Representing:						
At cost	48,830,347	14,819,798	68,515,482	14,828,128	211,443	147,205,198
At valuation	5,800,000	15,500,000	-	-	-	21,300,000
	54,630,347	30,319,798	68,515,482	14,828,128	211,443	168,505,198

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Capital work-in-progress RM	Total RM
Accumulated Depreciation and Impairment losses						
At 1 February 2005:						
Accumulated depreciation	2,890,003	5,622,221	37,141,756	10,952,481	-	56,606,461
Accumulated impairment losses	418,800	-	-	-	-	418,800
	3,308,803	5,622,221	37,141,756	10,952,481	-	57,025,261
Depreciation charge for the year	719,518	470,480	3,584,980	1,702,858	-	6,477,836
Impairment loss for the year	-	-	1,449,000	-	-	1,449,000
Disposals/written off	-	-	(4,600,523)	(1,370,264)	-	(5,970,787)
At 31 January 2006	4,028,321	6,092,701	37,575,213	11,285,075	-	58,981,310
Analysed as:						
Accumulated depreciation	3,609,521	6,092,701	36,126,213	11,285,075	-	57,113,510
Accumulated impairment losses	418,800	-	1,449,000	-	-	1,867,800
	4,028,321	6,092,701	37,575,213	11,285,075	-	58,981,310
Net Book Value						
At 31 January 2006						
At cost	44,802,026	11,546,680	30,940,269	3,543,053	211,443	91,043,471
At valuation	5,800,000	12,680,417	-	-	-	18,480,417
	50,602,026	24,227,097	30,940,269	3,543,053	211,443	109,523,888
At 31 January 2005						
At cost	41,014,523	11,726,671	32,119,055	4,254,039	937,224	90,051,512
At valuation	5,800,000	12,970,906	-	-	-	18,770,906
	46,814,523	24,697,577	32,119,055	4,254,039	937,224	108,822,418
Details at 1 February 2004						
Cost	54,420,447	30,116,396	69,303,099	15,416,496	528,893	169,785,331
Accumulated depreciation	3,017,563	5,182,385	34,467,179	9,828,737	-	52,495,864
Depreciation charge for 2005	709,354	439,836	3,488,932	1,801,020	-	6,439,142

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY	Short term leasehold land and buildings RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Total RM
Cost/Valuation			
At 1 February 2005	26,487,165	5,150,263	31,637,428
Additions	-	642,125	642,125
At 31 January 2006	26,487,165	5,792,388	32,279,553
Representing:			
At cost	10,987,165	5,792,388	16,779,553
At valuation	15,500,000	-	15,500,000
	26,487,165	5,792,388	32,279,553
Accumulated Depreciation			
At 1 February 2005	5,276,331	3,707,070	8,983,401
Depreciation charge for the year	472,420	787,329	1,259,749
At 31 January 2006	5,748,751	4,494,399	10,243,150
Net Book Value			
At 31 January 2006			
At cost	8,057,997	1,297,989	9,355,986
At valuation	12,680,417	-	12,680,417
	20,738,414	1,297,989	22,036,403
At 31 January 2005			
At cost	8,239,928	1,443,193	9,683,121
At valuation	12,970,906	-	12,970,906
	21,210,834	1,443,193	22,654,027
Details at 1 February 2004			
Cost	26,283,763	5,022,450	31,306,213
Accumulated depreciation	4,834,555	3,303,058	8,137,613
Depreciation charge for 2005	441,776	724,427	1,166,203

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) Certain land and buildings of the Group and of the Company were last revalued in 1994 by a professional valuer using the open market value basis.

Details of independent professional valuations of the properties of the Group and of the Company are as follows:

Year of valuation	Description of property	Valuation amount RM	Basis of valuation
1994	Freehold land at Bukit Minyak, Seberang Prai Selatan, Penang	5,800,000	Open market value
1994	Industrial leasehold land and buildings at Seberang Prai Tengah, Penang	15,500,000	Open market value
		21,300,000	

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 would be as follows:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Freehold land	4,865,381	4,865,381	-	-
Short term leasehold land and buildings	4,546,968	4,693,951	4,546,968	4,693,951
	9,412,349	9,559,332	4,546,968	4,693,951

(b) Included in property, plant and equipment of the Group and of the Company are motor vehicles with net book value of RM2,188,287 (2005: RM2,381,809) and RM1,114,186 (2005: RM839,581) held under hire-purchase arrangements.

(c) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM13,592,921 (2005: RM2,799,775) and RM642,125 (2005: RM675,996) respectively of which RM1,629,369 (2005: RM895,050) and RM570,000 (2005: RM400,000) respectively of the Group and the Company was acquired by means of hire purchase arrangements and RM2,745,470 (2005: RM Nil) was transferred from the inventories of the Group.

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(d) The net book values of property, plant and equipment pledged to financial institutions for bank borrowings as referred to in Note 22 are as follows:

	GROUP 2006 RM	GROUP 2005 RM
Freehold land and buildings	50,474,026	46,686,523
Short term leasehold land and buildings	24,227,097	24,697,577
	74,701,123	71,384,100

(e) Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use costing RM14,573,083 (2005: RM13,365,704) and RM2,833,505 (2005: RM1,714,129) respectively.

(f) Included in property, plant and equipment of the Group is a freehold land costing RM930,053 (2005: RM930,053) that has been leased to a third party as disclosed in Note 25.

12. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2006 RM	COMPANY 2005 RM
Unquoted shares, at cost	66,013,545	64,013,541
Accumulated impairment losses	(31,686,000)	(19,356,930)
	34,327,545	44,656,611

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest 2006 %	Effective equity interest 2005 %	Principal activities
SMPC Industries Sdn. Bhd.	Malaysia	100	100	Manufacture of steel furniture, and metal sheet and coil processing centre with main services in shearing, down-shearing, slitting and steel strapping.
Syarikat Perkilangan Besi Gaya Sdn. Bhd.*	Malaysia	100	100	Drawing, straightening and cutting of iron rods and wire related products. The company has temporarily ceased its operations.

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of subsidiaries	Country of incorporation	Effective equity interest 2006 %	Effective equity interest 2005 %	Principal activities
SMPC Marketing Sdn. Bhd.	Malaysia	100	100	Trading in steel furniture.
Progerex Sdn. Bhd. (wholly owned by SMPC Marketing Sdn. Bhd.)	Malaysia	100	100	Shredding, processing and trading of ferrous and non-ferrous scrap metals.
Edit Systems (M) Sdn. Bhd.*	Malaysia	70	70	Operation of an educational institution.
Besi Gaya (Klang) Sdn. Bhd. (a subsidiary of Syarikat Perkilangan Besi Gaya Sdn. Bhd.)	Malaysia	51	51	Manufacture of steel stirrups for the construction industry.
Duro Metal Industrial (M) Sdn. Bhd.	Malaysia	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.)	Malaysia	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.)	Malaysia	100	100	Trading in steel roofing, construction material and provision of related services.
SMPC Industries (India) Private Limited **	India	100	-	Manufacture of steel products.
Park Avenue Construction Sdn. Bhd.	Malaysia	100	-	Dormant.
SMPC Dexon Sdn. Bhd. (formerly known as Sphinx Odyssey Sdn. Bhd.)	Malaysia	100	-	Dormant.

* The auditors' reports of the financial statements of these subsidiaries for the year ended 31 January 2006 contain emphasis of matter on uncertainties over their ability to continue as going concerns.

** Audited by firm of auditors other than Ernst & Young.

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Acquisition of Subsidiaries

On 17 May 2005, the Group acquired 10,000 shares in the capital of SMPC Industries (India) Private Limited ("SMPCI"), representing 100% of its issued and paid up capital of SMPCI from two of the Company's directors and a person related to a director of the Company, for a total cash consideration of Indian Rupee 100,000 (approximately RM10,000). The principal activities of SMPCI is manufacture of steel products.

On 9 August 2005, the Group acquired 2 ordinary shares of Park Avenue Construction Sdn. Bhd. ("PACSB"), representing 100% of its equity interest for a total consideration of RM2. PACSB was dormant during the financial year.

On 23 January 2006, the Group acquired 2 ordinary shares of SMPC Dexon Sdn. Bhd. ("SMPCD") (previously known as Sphinx Odyssey Sdn. Bhd.), representing 100% of its equity interest for a total consideration of RM2. SMPCD was dormant during the financial year.

The acquisitions had the following effect on the Group's financial results for the year:

	2006 RM
Revenue	45,941
Loss from operations	(931,799)
Net loss for the year	(971,567)

The acquisitions had the following effect on the financial position of the Group as at end of the year:

	2006 RM
Property, plant and equipment	3,645,085
Trade and other receivables	968,889
Cash and bank balances	68,686
Trade and other payables	(3,592,036)
Borrowings	(111,457)
Group's share of net assets	979,167

12. INVESTMENTS IN SUBSIDIARIES (CONTD.)

The fair values of the assets acquired from the acquisitions of the subsidiaries were as follows:

	2006 RM
Cash and bank balances	10,004
Less: Minority interests	-
Group's share of net assets	10,004
Goodwill on consolidation	-
Costs of acquisitions	10,004
Purchase considerations satisfied by cash	10,004
Cash outflow arising on acquisitions:	
Purchase considerations satisfied by cash	10,004
Cash and cash equivalents of subsidiaries acquired	(10,004)
Net cash outflow of the Group	-

There were no acquisitions in the previous financial year ended 31 January 2005.

13. OTHER INVESTMENT

	GROUP AND COMPANY 2006 RM	2005 RM
Unquoted shares, at cost	299,838	299,838
Provision for diminution in value	(299,838)	(299,838)
	-	-

14. GOODWILL ON CONSOLIDATION

	GROUP 2006 RM	2005 RM
Goodwill on consolidation	7,575,324	7,575,324
Return of cost arising from profit guarantee	(4,191,144)	(4,191,144)
	3,384,180	3,384,180
Accumulated amortisation	(2,427,026)	(2,040,263)
	957,154	1,343,917

14. GOODWILL ON CONSOLIDATION (CONTD.)

	GROUP	
	2006	2005
	RM	RM
Negative goodwill on consolidation	(7,963,802)	(7,963,802)
Accumulated amortisation	7,963,802	7,300,150
	-	(663,652)
Goodwill on consolidation, net	957,154	680,265

15. OTHER INTANGIBLE ASSET

	GROUP	
	2006	2005
	RM	RM
Licence fee		
At cost	-	80,000
Accumulated amortisation	-	(77,770)
	-	2,230

16. INVENTORIES

	GROUP	
	2006	2005
	RM	RM
At cost:		
Raw materials	9,205,091	11,312,322
Work-in-progress	242,947	18,032
Finished goods	8,702,974	13,467,609
Trading goods	9,457,444	8,161,635
Consumables	43	-
Equipment held for resale	-	2,745,470
	27,608,499	35,705,068

During the current financial year, the equipment held for resale of the Group with a carrying amount of RM2,745,470 was transferred to the property, plant and equipment as the equipment is now in use by the Group.

The inventories of a subsidiary with a carrying value of RM4,873,867 (2005: RM5,166,573) have been charged to financial institutions as securities for bank borrowings obtained.

17. TRADE RECEIVABLES

	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Due from:				
Subsidiaries	-	-	7,874,786	12,732,307
Related parties	11,276,979	20,322,127	62,400	1,078,315
Third parties	52,902,109	76,049,478	-	-
	64,179,088	96,371,605	7,937,186	13,810,622
Provision for doubtful debts	(16,327,652)	(17,983,321)	-	-
	47,851,436	78,388,284	7,937,186	13,810,622

Due from related parties:

	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Pitchai Metal Sdn. Bhd.*	10,415,724	18,654,830	2,400	900,000
S.M. Pitchai Chettiar Sdn. Bhd.*	16,200	176,891	-	118,315
Kumpulan Pitchai Sdn. Bhd.**	60,000	109,000	60,000	60,000
Chuan Wooi Hardware Sdn. Bhd.***	-	57,100	-	-
Sin Yee Hup Construction Sdn. Bhd.****	189,988	225,394	-	-
Yee Hup Construction Co.****	595,067	1,098,912	-	-
	11,276,979	20,322,127	62,400	1,078,315

* Companies in which the directors of the Company i.e. Machendran a/l Pitchai Chetty 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 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 former director of a subsidiary i.e. Cheng Kien Wing has a substantial interest.

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

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, other than the amounts due from related parties and subsidiaries as disclosed above.

18. OTHER RECEIVABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Due from subsidiaries	-	-	1,985,342	2,222,954
Deposits	10,700,569	2,567,387	9,437,096	2,428,758
Prepayments	2,621,577	1,561,488	-	302,329
Tax recoverable	1,158,390	397,717	492,620	-
Sundry receivables	3,723,762	4,679,154	1,438,943	3,495,103
	18,204,298	9,205,746	13,354,001	8,449,144
Provision for doubtful debts	(215,770)	(94,145)	-	-
	17,988,528	9,111,601	13,354,001	8,449,144

The amounts due from subsidiaries are unsecured, interest-free (2005: 4% per annum) and have no fixed terms of repayment.

Included in the deposits of the Group and of the Company is a deposit amounting to RM380,000 (2005: RM380,000) held by a lender as security for a term loan as referred to in Note 22 and share application monies amounting to RM9,000,000 (2005: RM1,785,259).

Included in sundry receivables of the Group and of the Company is an amount of RM1,319,435 (2005: 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 prior financial year. The vendors 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 and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors, other than as disclosed above.

19. SHORT TERM INVESTMENTS

	GROUP	
	2006	2005
	RM	RM
Quoted:		
Unit trusts in Malaysia	128,322	163,980
Shares in Malaysia	34,000	72,800
	162,322	236,780
Market value of quoted investments	162,322	236,780

20. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Cash on hand and at banks	2,937,017	3,026,443	62,392	79,893
Deposits with licensed banks	1,686,273	1,785,425	335,500	335,500
Cash and bank balances	4,623,290	4,811,868	397,892	415,393

Deposits with licensed banks of the Group and of the Company amounting to RM1,440,419 (2005: RM1,007,274) and RM335,000 (2005: RM335,000) respectively, are pledged to banks for bank borrowings granted to certain subsidiaries as referred to in Note 22.

The average interest rate earned during the financial year and the average maturities of deposits as at balance sheet date were 3.1% (2005: 3.0%) per annum and 30 to 90 days (2005: 30 to 90 days) respectively.

21. PROVISION FOR LIABILITIES

The Group operates an unfunded, defined Retirement Benefits Scheme for its union employees. The Group's obligations under this scheme, calculated using the Projected Unit Credit Method, are determined based on actuarial computations.

	GROUP	
	2006	**2005**
	RM	**RM**
Retirement Benefits Scheme		
At beginning of year	146,387	139,999
Recognised in income statement (Note 5)	90,000	237,650
Utilised during the year	(74,419)	(231,262)
At end of year	161,968	146,387
At 31 January		
Current	-	7,988
Non-current:		
Later than 1 year but not later than 2 years	26,885	-
Later than 2 years but not later than 5 years	26,885	26,885
Later than 5 years	108,198	111,514
	161,968	138,399
	161,968	146,387

21. PROVISION FOR LIABILITIES (CONTD.)

The amounts recognised in the income statement are as follows:

	2006 RM	2005 RM
Current service cost	34,930	18,236
Interest cost	30,284	9,102
Net actuarial losses recognised during the year	24,786	210,312
Total, included in staff costs (Note 5)	90,000	237,650

Principal actuarial assumptions used:

	2006 %	2005 %
Discount rate	6.5	7.0
Expected rate of salary increases	5.0	5.0

22. BORROWINGS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	16,665,742	12,929,470	-	-
Bankers' acceptances	43,118,860	38,076,506	-	-
Revolving credits	12,250,000	-	-	-
Trust receipts	3,358,013	3,955,253	-	-
Term loans	12,703,198	12,695,432	395,095	564,219
Hire purchase payables (Note 23)	1,382,509	1,304,993	322,828	222,984
	89,478,322	68,961,654	717,923	787,203
Unsecured:				
Bank overdrafts	-	3,977,672	-	-
Revolving credits	-	12,250,000	-	-
Bankers' acceptances	-	8,450,000	-	-
	-	24,677,672	-	-
	89,478,322	93,639,326	717,923	787,203
Long Term Borrowings				
Secured:				
Term loans	13,926,444	16,371,910	1,162,495	1,557,590
Hire purchase payables (Note 23)	1,625,500	1,818,358	586,152	507,469
	15,551,944	18,190,268	1,748,647	2,065,059

22. BORROWINGS (CONTD.)

	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Total Borrowings				
Bank overdrafts	16,665,742	16,907,142	-	-
Revolving credits	12,250,000	12,250,000	-	-
Bankers' acceptances	43,118,860	46,526,506	-	-
Trust receipts	3,358,013	3,955,253	-	-
Term loans	26,629,642	29,067,342	1,557,590	2,121,809
	102,022,257	108,706,243	1,557,590	2,121,809
Hire purchase payables (Note 23)	3,008,009	3,123,351	908,980	730,453
	105,030,266	111,829,594	2,466,570	2,852,262
Maturity of borrowings (excluding hire purchase payables):				
Within one year	88,095,813	92,334,333	395,095	564,219
More than 1 year and less than 2 years	13,926,444	2,703,199	395,095	395,096
More than 2 years and less than 5 years	-	9,301,151	767,400	1,162,494
5 years and more	-	4,367,560	-	-
	102,022,257	108,706,243	1,557,590	2,121,809

The borrowings, excluding hire purchase payables, bear interest ranging from 2.89% to 8.40% (2005: 2.89% to 8.40%) per annum.

The term loans are repayable over 60 to 84 monthly instalments ranging from RM170,000 to RM284,153 per month.

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

(a) Legal charges and deed of assignment over freehold and leasehold land and buildings as referred in Note 11;
(b) Negative pledge on all assets of the Company and certain subsidiaries;
(c) Debenture on the fixed and floating charge on the present and future assets of a subsidiary;
(d) A deposit of RM380,000 held in trust by a lender as referred in Note 18;
(e) Corporate guarantee of the Company and its subsidiaries;
(f) Corporate guarantee of a former shareholder corporation for banking facilities of a subsidiary; and
(g) Joint and several guarantee from two former directors of a subsidiary.

In addition, the bank borrowings of the subsidiaries are also secured by corporate guarantee of the Company.

23. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Minimum hire purchase payments:				
Not later than 1 year	1,504,094	1,483,594	363,924	261,324
Later than 1 year and not later than 2 years	917,296	1,071,205	270,273	261,324
Later than 2 years and not later than 5 years	857,719	867,485	358,388	286,680
Later than 5 years	-	11,535	-	-
	3,279,109	3,433,819	992,585	809,328
Finance charges	(271,100)	(310,468)	(83,605)	(78,875)
Present value of hire purchase liabilities	3,008,009	3,123,351	908,980	730,453
Present value of hire purchase liabilities:				
Not later than 1 year	1,382,509	1,304,993	322,828	222,984
Later than 1 year and not later than 2 years	837,482	978,720	246,535	237,608
Later than 2 years and not later than 5 years	788,018	828,304	339,617	269,861
Later than 5 years	-	11,334	-	-
	3,008,009	3,123,351	908,980	730,453
Analysed as:				
Due within 12 months (Note 22)	1,382,509	1,304,993	322,828	222,984
Due after 12 months (Note 22)	1,625,500	1,818,358	586,152	507,469
	3,008,009	3,123,351	908,980	730,453

The hire purchase liabilities bear interest of between 2.50% and 5.35% (2005: 2.88% and 6.13%) per annum.

24. TRADE PAYABLES/ LONG-TERM PAYABLE

	GROUP	
	2006	2005
	RM	RM
Due to:		
Related parties	-	24,506
Third parties	37,851,227	38,786,790
	37,851,227	38,811,296
Due after 12 months, disclosed as long term payable in balance sheet	(13,256,557)	(14,106,552)
	24,594,670	24,704,744

24. TRADE PAYABLES/ LONG-TERM PAYABLE (CONTD.)

The normal trade credit terms granted to the Group range from 30 to 90 days.

Included in trade payables of the Group in previous year was an amount due to a related party, Chuan Wooi Hardware Sdn. Bhd., amounting to RM24,506.

In addition, included in trade payables of the Group is an amount of RM15,296,557 (2005: RM16,146,552) in which the repayment terms have been rescheduled to 60 equal monthly instalments of RM170,000 and a final instalment of RM5,946,557. This amount bears interest of 5.37% to 7.64% (2005: 3.05% to 3.72) per annum and is secured by corporate guarantee given by the Company.

25. OTHER PAYABLES

	GROUP		COMPANY	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Due to fellow subsidiaries	-	-	3,318,405	879,192
Prepayment of lease rental	1,166,837	1,227,182	-	-
Accrued interest on bank borrowings	891,991	808,092	-	-
Other accruals	1,093,429	1,372,632	204,995	85,068
Sundry payables	1,916,037	526,426	58,450	129,082
	5,068,294	3,934,332	3,581,850	1,093,342

The prepayment of lease rental is received from a third party, for lease of part of the freehold land as disclosed in Note 11(f).

	GROUP	
	2006	**2005**
	RM	**RM**
Included in the sundry payables are amounts due to:		
S.M. Pitchai Chettiar Sdn. Bhd. *	63,416	-

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

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

26. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each 2006	2005	Amount 2006 RM	2005 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	64,644,965	64,644,965	64,644,965	64,644,965

The Company's Employee 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 and amended in October 2003.

The main features of the ESOS are as follows:

(i) The ESOS shall be in force for a period of ten years from the date of the receipt of the last of the requisite approvals.

(ii) 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.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS.

(iv) The option shall be for a minimum of 1,000 ordinary shares and shall not exceed the maximum allowable allotment of 9% of the shares in the Company available under the ESOS.

(v) The option price shall be determined based on the 5-day weighted average market prices of the shares of the Company as shown in the Daily Official List issued by the Bursa Malaysia for the five (5) market days immediately preceding the Date of Offer or at par, whichever is higher.

(vi) 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.

Information in respect of the number of options granted under the ESOS is as follows:

	Number of Share Options 2006	2005
At beginning of financial year	4,484,000	4,484,000
Exercised	-	-
At end of financial year	4,484,000	4,484,000

27. RESERVES

Included in the reserves of the Company is a capital reserve amounting to RM7,445,000 (2005: RM7,445,000) representing the excess of sales consideration over the carrying amount of the net assets transferred to a subsidiary.

28. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At beginning of financial year	2,035,778	2,577,704	1,383,378	1,428,204
Recognised in the income statements (Note 9)	11,984	(541,926)	(44,826)	(44,826)
At end of financial year	2,047,762	2,035,778	1,338,552	1,383,378

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

Deferred Tax Liabilities of the Group:

	Accelerated capital allowances RM	Revaluation of land and buildings RM	Others RM	Total RM
At 1 February 2005	2,187,551	1,822,378	5,178	4,015,107
Recognised in the income statements	(32,590)	(44,826)	(8,695)	(86,111)
At 31 January 2006	2,154,961	1,777,552	(3,517)	3,928,996
At 1 February 2004	2,810,651	1,867,204	5,178	4,683,033
Recognised in the income statements	(623,100)	(44,826)	-	(667,926)
At 31 January 2005	2,187,551	1,822,378	5,178	4,015,107

28. DEFERRED TAX LIABILITIES (CONTD.)

Deferred Tax Assets of the Group:

	Provisions for doubtful debts and liabilities RM	Tax losses and unabsorbed capital allowances RM	Other payables RM	Total RM
At 1 February 2005	(859,167)	(1,054,000)	(66,162)	(1,979,329)
Recognised in the income statements	98,095	-	-	98,095
At 31 January 2006	(761,072)	(1,054,000)	(66,162)	(1,881,234)
At 1 February 2004	(899,167)	(1,140,000)	(66,162)	(2,105,329)
Recognised in the income statements	40,000	86,000	-	126,000
At 31 January 2005	(859,167)	(1,054,000)	(66,162)	(1,979,329)

Deferred Tax Liabilities of the Company:

	Accelerated capital allowances RM	Revaluation of leasehold land RM	Total RM
At 1 February 2005	734,000	1,703,378	2,437,378
Recognised in the income statements	-	(44,826)	(44,826)
At 31 January 2006	734,000	1,658,552	2,392,552
At 1 February 2004	820,000	1,748,204	2,568,204
Recognised in the income statements	(86,000)	(44,826)	(130,826)
At 31 January 2005	734,000	1,703,378	2,437,378

Deferred Tax Assets of the Company:

	Unabsorbed capital allowances RM
At 1 February 2005	(1,054,000)
Recognised in the income statements	-
At 31 January 2006	(1,054,000)
At 1 February 2004	(1,140,000)
Recognised in the income statements	86,000
At 31 January 2005	(1,054,000)

28. DEFERRED TAX LIABILITIES (CONTD.)

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

	GROUP	
	2006	2005
	RM	RM
Unused tax losses	81,409,578	60,645,615
Unabsorbed capital allowances	16,376,112	13,347,541
Deductible temporary differences	3,404,400	7,686,252
	101,190,090	81,679,408

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the companies incorporated in Malaysia are subject to no substantial changes in shareholdings of the companies under Section 44 (5A) & (5B) of Income Tax Act, 1967.

29. CAPITAL COMMITMENT

	GROUP	
	2006	2005
	RM	RM
Property, plant and equipment:		
Approved and contracted for	-	77,840

30. CONTINGENT LIABILITIES (UNSECURED)

	2006	2005
	RM	RM
GROUP AND COMPANY		
Guarantee for loan facilities given to Vinanic Steel Processing Company (Vietnam), an investee company	987,000	1,014,000
COMPANY		
Guarantee for banking facilities given to subsidiaries	90,768,756	95,731,082
Guarantee for trade payable given to a subsidiary	16,146,557	16,146,552
Guarantee for trade facilities given to subsidiaries	14,000,000	10,350,000

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

GROUP	2006 RM	2005 RM
Sales to Pitchai Metal Sdn. Bhd.*	-	5,647,005
Sale of machinery to Pitchai Metal Sdn. Bhd.*	-	16,200
Rental expense paid to Pitchai Metal Sdn. Bhd.*	360,000	360,000

* Companies in which certain directors i.e. Machendran a/l Pitchai Chetty and Dhanabalan a/l M. Pitchai Chetty have substantial interests.

COMPANY	2006 RM	2005 RM
Rental income from subsidiaries	118,113	929,580
Interest income from a subsidiary	-	184,695
Management consultancy fees received from subsidiaries	3,660,000	3,840,000

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. SUBSEQUENT EVENT

On 1 February 2006, the Company has completed the acquisition of 500,000 ordinary shares of RM1.00 each, representing 100% of its issued and paid-up capital of Metal Perforators (Malaysia) Sdn. Bhd. ("MPM") for a total cash consideration of RM9.0 million. The principal activity of MPM is manufacturing and marketing of perforated screen plates, perforate materials, g-loc splices and industrial chains.

33. 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 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 balance sheet date. 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 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, Singapore Dollar and Indian Rupee. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

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

	Net Financial Assets Held in Non-Functional Currency		
Functional Currency of Group Companies	**United States Dollar RM**	**Singapore Dollar RM**	**Total RM**
At 31 January 2006			
Ringgit Malaysia	4,273,269	389,049	4,662,318
At 31 January 2005			
Ringgit Malaysia	2,459,414	386,643	2,846,057

(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met.

33. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, are 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. Known bad debts are written off and specific provision for doubtful debts is made for any debts considered to be doubtful of collection, based on the recommendation by the credit controller and approved by the Board of Directors. In addition, a general provision for doubtful debts is made to cover possible losses which are not specifically identified.

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, other than as disclosed in Notes 17 and 18.

(f) Fair Values

The carrying amounts of financial liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

		GROUP		COMPANY	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Liabilities					
At 31 January 2006:					
Hire purchase payables	23	3,008,009	3,001,180	908,980	906,428
At 31 January 2005:					
Hire purchase payables	23	3,123,351	3,283,769	730,453	778,191

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at the end of the financial year are:

		GROUP		COMPANY	
	Note	Nominal/ Notional Amount RM	Net Fair Value RM	Nominal/ Notional Amount RM	Net Fair Value RM
At 31 January 2006:					
Contingent liabilities	30	987,000	*	120,915,313	*
At 31 January 2005:					
Contingent liabilities	30	1,014,000	*	122,227,634	*

* It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

33. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values (Contd.)

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

34. SEGMENTAL ANALYSIS

(a) Business Segments

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 include letting of industrial and commercial assets and provisions of management consultancy and corporate services, none of which are of a sufficient size to be reported separately.

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.

34. SEGMENTAL ANALYSIS (CONTD.)

Analysis by activities:

	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
REVENUE AND EXPENSES												
Revenue												
External sales	144,650,915	146,237,234	115,135,028	153,184,759	242,020	305,136	-	-	-	-	260,027,963	299,727,129
Inter-segment sales	1,946,784	1,306,100	-	48,332	-	-	3,778,113	4,797,578	(5,724,897)	(6,152,010)	-	-
Total revenue	146,597,699	147,543,334	115,135,028	153,233,091	242,020	305,136	3,778,113	4,797,578	(5,724,897)	(6,152,010)	260,027,963	299,727,129
Results												
Segment results	(8,775,523)	8,620,010	(3,318,373)	2,550,950	(282,726)	(130,024)	(545,252)	1,376,542			(12,921,874)	12,417,478
Unallocated corporate expenses											(1,361,091)	(1,329,633)
(Loss)/profit from operations											(14,282,965)	11,087,845
Finance income											15,315	15,260
Finance costs											(8,091,557)	(8,415,706)
Taxation											(74,453)	265,354
(Loss)/profit after taxation											(22,433,660)	2,952,753
Minority interests											271,366	(407,372)
Net (loss)/ profit for the year											(22,162,294)	2,545,381

34. SEGMENTAL ANALYSIS (CONTD.)

	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
ASSETS AND LIABILITIES												
Segment assets	136,780,846	165,221,738	38,065,700	42,050,204	3,217	112,647	33,865,354	30,373,925	-	-	208,715,117	237,758,514
Consolidated total assets											208,715,117	237,758,514
Segment liabilities	39,703,948	39,411,976	2,774,395	3,015,865	339,701	205,198	263,445	258,976	-	-	43,081,489	42,892,015
Unallocated corporate liabilities											107,459,281	114,209,226
Consolidated total liabilities											150,540,770	157,101,241
OTHER INFORMATION												
Capital expenditure	9,109,904	1,337,297	3,818,890	780,473	22,032	6,009	642,125	675,996	-	-	13,592,951	2,799,775
Depreciation	3,750,626	4,301,307	1,447,513	936,357	19,948	35,274	1,259,749	1,166,204	-	-	6,477,836	6,439,142
Amortisation	(276,889)	(23,943)	-	(385,674)	2,230	26,664	-	-	-	-	(274,659)	(382,953)
Impairment losses	1,449,000	-	-	-	-	-	-	-	-	-	1,449,000	-
Non-cash expenses other than depreciation, amortisation and impairment losses	2,343,497	3,868,126	2,434,380	2,169,055	(261,186)	-	42,433	-	-	-	4,559,124	6,037,181

34. SEGMENTAL ANALYSIS (CONTD.)

(b) Geographical Segments

The Group's business segments are operated in two main geographical areas of the world. In Malaysia, its home country, the Group's areas of operation are principally manufacture and trading of metal related products and provision of information technology education.

During the year, the Group commenced its operations in India and is principally involved in manufacturing of metal related products.

	Revenue from external customers		Segment assets		Capital expenditure	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Malaysia	259,982,022	299,727,129	204,032,458	237,758,514	9,899,933	2,799,775
India	45,941	-	4,682,659	-	3,693,018	-
	260,027,963	299,727,129	208,715,117	237,758,514	13,592,951	2,799,775