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CORPORATE INFORMATION

Chairman	Machendran a/l Pitchai Chetty
Managing Director	Ibrahim Hussain
Directors	Dhanabalan a/l M. Pitchai Chetty Makhtar Bin Mohamed Nagarajan a/l Thambiah Sanmarkan a/l T S Ganapathi Takatoshi Kaneko Ramakrishnan a/l Thangasamy Chettiar (Alternate Director to Machendran a/l Pitchai Chetty)
Company Secretary	Thum Sook Fun (MAICSA 7025619)
Registered Office	Suite 18.05 MWE Plaza No. 8 Lebuh Farquhar, 10200 Penang. Tel: 604-2631966 / 2614680 Fax: 604-2628544
Auditors	Arthur Andersen & Co. Chartered Accountants 21st Floor MWE Plaza No. 8 Lebuh Farquhar, 10200 Penang
Principal Bankers*	Bumiputra-Commerce Bank Berhad RHB Bank Berhad Affin Bank Berhad Southern Bank Berhad United Overseas Bank (Malaysia) Bhd HSBC Bank Malaysia Berhad Malayan Banking Berhad
Share Registrars	Securities Services (Holdings) Sdn Bhd (36869 T) Suite 18.05 MWE Plaza No. 8 Lebuh Farquhar 10200 Penang. Tel: 04-2631966 / 2614680 Fax: 04-2628544
Stock Exchange	The Second Board Of The Kuala Lumpur Stock Exchange

CORPORATE STRUCTURE



SMPC INDUSTRIES SDN. BHD.
(formerly known as SMPC Steel Service Centre Sdn. Bhd.)

STEEL SERVICE DIVISION

Shearing • Reshearing • Slitting • Slitted Flat Bars
• Steel Strapping • Steel Pipes • Trading • Office Furniture

PROGEREX SDN. BHD.

METAL RECYCLING DIVISION (Ferrous And Non-ferrous)
Compressed Scrap • Shearing • Shredding

EDIT SYSTEMS (M) SDN. BHD.

EDUCATION & TRAINING DIVISION
Educational Center • Corporate Training • Software Consultancy

SMPC CORPORATION BHD

(formerly known as SMPC Metal Industries Bhd)

SMPC MARKETING SDN. BHD.

MARKETING DIVISION
Building Materials • Hardware Items

SYARIKAT PERKILANGAN BESI GAYA SDN. BHD.

BESI GAYA (KLANG) SDN. BHD.

WIRE ROD DIVISION
Drawing • Straightening • Cutting • Annealing • Profile Bending

VINANIC STEEL PROCESSING COMPANY (VIETNAM)

STEEL SERVICE DIVISION

Shearing • Slitting

DURO METAL INDUSTRIAL (M) SDN. BHD.

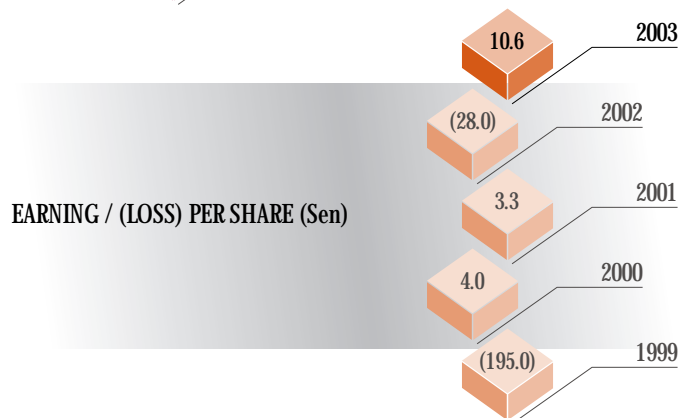
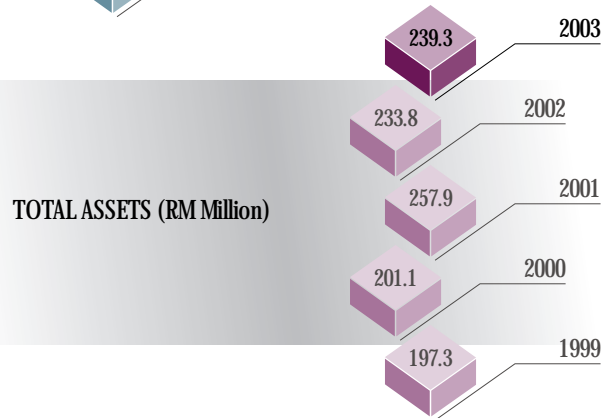
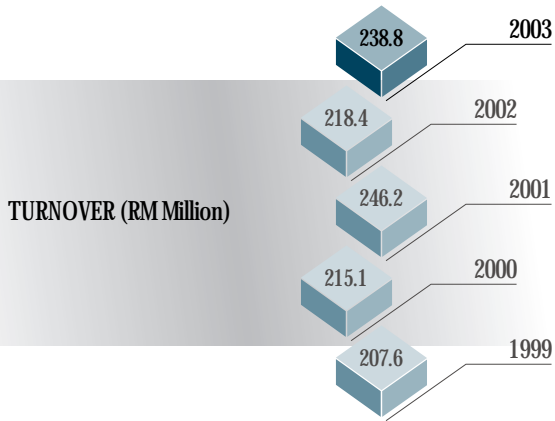
DURO STRUCTURAL PRODUCTS SDN. BHD.

DURO MARKETING SDN. BHD.

METAL ROOFING DIVISION

Steel Roofing • Wall Cladding • Structural Floor Decking

FINANCIAL HIGHLIGHTS



PROFILE OF THE BOARD OF DIRECTORS

MACHENDRAN A/L PITCHAI CHETTY Chairman

Machendran a/l Pitchai Chetty, aged 44, a Malaysian citizen, was appointed to the Board of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) (SMPC) on 14 December 1981. He has been redesignated from Vice-Chairman to Chairman of SMPC.

He started his career with SMPC and has a wide knowledge and experience in the steel business. He keeps abreast of the latest developments in the iron and steel industry and under his guidance the production efficiency of the Group has improved tremendously.

He is a major shareholder of SMPC by virtue of his deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd in SMPC. He is also brother to Mr. Dhanabalan a/l M. Pitchai Chetty, who is an Executive Director of the Company and brother-in-law to Mr. Ramakrishnan a/l Thangasamy Chettiar, who is his alternate Director in the Company.

Save as above disclosed relationship, he has no family relationship with other director and / or major shareholder of the Company nor any conflict of interests with the Company.

He has attended all the Board Meetings held in the financial year ended 31 January 2003.

IBRAHIM HUSSAIN Managing Director

Ibrahim Hussain, aged 39, a British citizen, is the Managing Director of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) (SMPC). He was appointed to the Board of SMPC on 27 September 2001. He is also a member of the Nomination Committee.

He started his career in 1986 with Arthur Andersen & Co. as a trainee Chartered Accountant specialising in tax after graduating from the University of Birmingham with a Bachelor in Commerce (Accounting) (Hons). In 1989 he became a member of the Association of Chartered Accountant of England and Wales and in the same year, he was promoted as Manager of Banking / Finance and Tax division of Arthur Andersen & Co. During his tenure of service with Arthur Andersen & Co., he has gained vast experience in Corporate Finance.

In 1991, he joined Sterling Devereux Financial Services Ltd as its Managing Director and in 1997 he incorporated Alpha Resources Technologies Sdn Bhd which was renamed Alpha Resource Capital Sdn Bhd for providing corporate advisory services.

He has no family relationship with any director and / or major shareholder of the Company, nor any conflict of interests with the Company.

He has attended all of the Board Meetings held in the financial year ended 31 January 2003.

PROFILE OF THE BOARD OF DIRECTORS (continued)

DHANABALAN A/L M. PITCHAI CHETTY Executive Director

Dhanabalan a/l M. Pitchai Chetty, aged 35, a Malaysian citizen, was appointed to the Board of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd (SMPC) on 12 March 1989.

After completing his secondary education he joined SMPC. Apart from overseeing the operations at Kapar, he also coordinates the material procurement for the Group.

He is a major shareholder of SMPC by virtue of his deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd in SMPC. He is also brother to Mr. Machendran a/l Pitchai Chetty, who is the Chairman of the Company and brother-in-law to Mr. Ramakrishnan a/l Thangasamy Chettiar, who is the alternate Director to Mr. Machendran a/l Pitchai Chetty in the Company.

Save as above disclosed relationship, he has no family relationship with other director and / or major shareholder of the Company, nor any conflict of interests with the Company.

He has attended all of the Board Meetings held in the financial year ended 31 January 2003.

MAKHTAR BIN MOHAMED Executive Director

Makhtar Bin Mohamed, aged 50, a Malaysian citizen, is an Executive Director of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) (SMPC). He was appointed to the Board of SMPC on 26 April 2000.

He graduated from University of Malaya in 1977 with a degree in Economics majoring in Accounting and completed the post-graduate diploma in Accounting from the University of Malaya. He joined Bank Bumiputra (M) Berhad as an Officer in March 1977 and in July 1979 he joined South Kelantan Land Development Authority (KESEDAR) as an Accountant. In August 1980, he became the Finance Manager of Kelantan State Land Development and Rehabilitation Corporation (TAKDIR) and in May 1983, he joined University Sains Malaysia as Deputy Treasurer. In March 1999, he joined FELCRA as a General Manager - Business Development. On 1 August 1999, he was appointed as the Financial Consultant to SMPC Group.

He has no family relationship with any director and / or major shareholder of the Company, nor any conflict of interests with the Company.

He has attended all of the Board Meetings held in the financial year ended 31 January 2003.

PROFILE OF THE BOARD OF DIRECTORS (continued)

NAGARAJAN A/L THAMBIAH Independent Non Executive Director

Nagarajan a/l Thambiah, aged 50, a Malaysian citizen, is an Independent Non Executive Director of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) (SMPC). He was appointed to the Board of SMPC on 25 October 1994. Mr. Nagarajan has redesignated from a Non-Independent Non-Executive Director to an Independent Non Executive Director on 5 May 2003. Mr. Nagarajan was subsequently appointed as Chairman of the Audit Committee on 5 May 2003. He is also a member of the Remuneration Committee.

He is a practicing Chartered Accountant, who is a member of Malaysian Institute of Accountants, Fellow of the Chartered Certified Accountants (UK), and Malaysian Institute of Taxation and an Associate of Institute of Cooperative Auditors. He was attached to Lembaga Padi & Beras Negara before starting his own practice in 1983.

He has no family relationship with any director and / or major shareholder of the Company, nor any conflict of interests with the Company.

He has attended four (4) out of the five (5) Board Meetings held in the financial year ended 31 January 2003.

SANMARKAN A/L T S GANAPATHI Independent Non-Executive Director

Sanmarkan a/l T S Ganapathi, aged 65, a Malaysian citizen, is an Independent Non-Executive Director of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd). (SMPC). He was appointed to the Board of SMPC on 18 January 2002. He is also the Chairman of Remuneration and Nomination Committee. On 5 May 2003, he has been redesignated from Chairman of Audit Committee to Member of the Audit Committee.

He graduated from Malayan Teachers College in 1958 and has been conferred the Barrister-at-Law Middle Temple London in 1977. He joined Karpal Singh & Co. in 1978 and in the following year became a partner of Farid Ariffin & Associates. He started his own legal practice, SAN & Associates in 1995 and is currently the consultant of this firm. He is an associate member of the Chartered Institute of Arbitrators London and was appointed a Notary Public on 23 March 2002.

He has no family relationship with any director and / or major shareholder of the Company, nor any conflict of interests with the Company.

He has attended all the Board Meetings held in the financial year ended 31 January 2003.

PROFILE OF THE BOARD OF DIRECTORS (continued)

TAKATOSHI KANEKO

Independent Non-Executive Director

Takatoshi Kaneko, aged 36, a Japanese, is an Independent Non-Executive Director of SMPC Corporation Bhd. (formerly known as SMPC Metal Industries Bhd) (SMPC). He was appointed to the Board of SMPC on 19 December 2002. He is also a member of the Nomination Committee, Remuneration Committee and Audit Committee.

He graduated with a degree in Law. He joined Nissho Iwai Steel Trade Corporation in May 1995 and was promoted to chief staff in October 1999. He was promoted to Head of Steel Department, Nissho Iwai Corporation, Kuala Lumpur Branch in November 2002 and has been holding the said post until now.

He has no family relationship with any director and / or major shareholder of the Company, nor any conflict of interests with the Company.

He has attended all of the Board Meetings held during his tenure in office for the financial year ended 31 January 2003.

RAMAKRISHNAN A/L THANGASAMY CHETTIAR

Alternate Director to Mr. Machendran a/l Pitchai Chetty

Mr. Ramakrishnan a/l Thangasamy Chettiar, aged 43, a Malaysian citizen is an alternate director to Mr. Machendran a/l Pitchai Chetty. He was appointed to the Board of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) (SMPC) as an Executive Director on 12 March 1989. On 18 January 2002, he resigned as an Executive Director and on the same date was appointed as an Alternate Director to Mr. Machendran a/l Pitchai Chetty.

He has attended various professional marketing courses conducted by prestigious international bodies such as the Marketing Confederation of Australia in 1990. His duties include overseeing the marketing activities of the SMPC Group.

He is brother-in-law to Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty, who are Executive Directors of the Company. He is also a major shareholder of SMPC by virtue of his relationship with the major shareholder, Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l Pitchai Chetty who are deemed interest through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd in SMPC.

Save as above disclosed relationship, he has no family relationship with other director and / or major shareholder of the Company, nor any conflict of interests with the Company.

He has attended three (3) of the five (5) Board Meetings held in the financial year ended 31 January 2003.

CHAIRMAN'S STATEMENT



Standing (from left to right)

- Ramakrishnan a/l Thangasamy Chettiar
- Makhtar Bin Mohamed
- Takatoshi Kaneko
- Nagarajan a/l Thambiah
- Sanmarkan a/l TS Ganapathi

Seating (from left to right)

- Ibrahim Hussain
- Machendran a/l Pitchai Chetty
- Dhanabalan a/l M. Pitchai Chetty

We, being your Board of Directors, are pleased to present the Annual Report and Audited Financial Statements of the SMPC Group for the financial year ended 31 January 2003.

OVERVIEW

During the year under review, a significant business reengineering exercise was implemented. The key objective of this exercise was to shift the Group's focus from upstream activities to high margin value added down stream activities. This also initiated a change in the name of the company from SMPC Metal Industries Bhd to SMPC Corporation Bhd to better reflect the diversification in the business activities of the Group. Operations were consolidated to maximise the resources available within the Group.

In the process the Group has implemented proactive measures to counter the effects of the global economic slowdown and minimise any adverse impact on the Group's performance. These include more competitive sourcing of raw materials, improvement in the efficiency of the manufacturing process, effective cost control measures as well as adopting strategic marketing efforts.

FINANCIAL PERFORMANCE

The financial year ended 31 January 2003 witnessed a remarkable turnaround in the Group's financial results. The general improvement in the pricing structure within the steel industry also contributed to the commendable performance.

The Group registered an operating profit before tax (PBT) of RM6.75 million compared with an operating loss before tax of RM14.76 million for the previous year.

Revenue has increased to RM239 million compared with RM218 million during the preceding financial period.

As at 31 January 2003, the shareholders' funds of SMPC Group strengthened to RM63 million, thus enhancing Group NTA per share to RM1.16.

CHAIRMAN'S STATEMENT (CONTINUED)

SECTORAL PERFORMANCE

Steel Division

The primary activities in this division comprises of a steel service center, trading of steel materials and manufacturing of office furniture, steel strapping and tubes. This division recorded a pretax profit of RM4.98 million for the current financial year compared with a pretax loss of RM15.50 million in the previous year. The revenue was RM127 million compared with RM115 million achieved in the previous year.

Metal Recycling Division

This division recorded a higher pretax profit of RM0.93 million on the back of a turnover of RM76 million compared with a pretax profit of RM0.12 million for the previous year on a turnover of RM79 million. The increase in the PBT was due to higher demand for scrap with better pricing. However, the drop in turnover was a result of scaling down of exports due to volatile market conditions.

Wire Rod Division

This division enjoyed a successful year in 2003. It showed a profit before tax of RM0.55 million compared to RM0.30 million registering an increase of 83% in PBT. The turnover for the current year was RM20 million against RM11 million for the preceding year.

Metal Roofing Division

Due to the protracted slowdown in the construction industry, in particular the commercial development sector, this division saw a decline of 51% in its performance. The profit before tax was RM0.49 million compared to RM1.00 million achieved for the previous year. The turnover dropped to RM23 million compared to RM34 million recorded in the previous year.

CORPORATE DEVELOPMENT

The Group has finalized a debt settlement with a financial institution. The settlement will be vide a payment of RM20 million and a proposed restricted issue of 10 million new SMPC ordinary shares of RM1.00 each at an issue price of RM1.00 per share.

For the financial year ended 31 January, 2003, the Group's current liabilities exceeded its current assets by RM42.9 million largely as a result of classification of a term loan from long term to current liabilities due to its maturity.

Upon completion of the proposed restricted issue, the Group's current liabilities would reduce by RM42.6 million. In addition, the overall gearing position will improve resulting in significant interest saving.

FUTURE OUTLOOK

Given the present economic and geopolitical scenario, the Group will continue to focus on developing more downstream activities, especially in the furniture, automotive and oil and gas sectors.

The implementation of AFTA and the general trend towards globalisation has created a huge potential market. In its efforts to develop more opportunities in the international arena, the Group is now exporting its furniture products to over 30 countries worldwide, its strapping products to neighbouring countries such as Thailand and Indonesia and its processed sheets to China and Sri Lanka.

The key strategy for the future growth of the Group will be to develop a more diversified range of products that will be earmarked for the export market.



CHAIRMAN'S STATEMENT (CONTINUED)

The future prospects of the Group remain encouraging, and barring any unforeseen circumstances, the group expects to sustain its profitability. The Group will endeavour to expand its customer base, both domestically as well as the export market, and continue to improve its operating margins by enhancing productivity and efficiency.

APPRECIATION

The Board acknowledges and wishes to thank the management and all the employees of SMPC Group for their concerted effort and sincere contribution, which resulted in the Group's commendable performance.

The Board would also like to extend its appreciation to the shareholders, customers, business associates, financial institutions, government and regulatory authorities for their continuous and valuable support, cooperation and confidence in the Group.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) (SMPC) supports the Malaysian Code of Corporate Governance, which sets out the broad principles of good corporate governance and best practices to enhance the transparency and accountability for listed companies. The Board of Directors views this as an integral part of their responsibilities to protect and enhance shareholders value and the financial performance of the Group.

As a mandatory disclosure item under the Kuala Lumpur Stock Exchange Listing Requirements, listed entities are required to disclose on how they have applied the principles of best practices. Steps are currently being taken to evaluate the status of the Group's corporate governance procedures and to implement the Code's best practices.

BOARD OF DIRECTORS

The SMPC Board has overall responsibility on the strategic direction of the SMPC Group. The Board currently comprises eight members. Three are independent non-executive directors, four representing major shareholders and one representing the management.

The profiles of the directors are provided on pages 05 to 08 in the Annual Report.

There is compliance with the independent directors criteria provided in the Kuala Lumpur Stock Exchange Listing Requirements.

The Board meets once in every quarter or at more frequent intervals as and when there is a need to convene a Board meeting. For the financial year 2003, the SMPC Board met 5 times. The record of attendance at the Board meetings for the year 2003 is as follows:

Directors	No. of meetings attended	%
Mr. Machendran a/l Pitchai Chetty	5	100
Mr. Ibrahim Hussain	5	100
Mr. Dhanabalan a/l M. Pitchai Chetty	5	100
Mr. Makhtar Bin Mohamed	5	100
Mr. Nagarajan a/l Thambiah	4	80
Mr. Sanmarkan a/l T S Ganapathi	5	100
Mr. Takatoshi Kaneko (appointed on 19/12/2002)	1	100
Mr. Ramakrishnan a/l Thangasamy Chettiar	3	60
Dato' Mohd Taufik bin Abdullah (resigned on 25/9/2002)	2	67
Mr. Mustaffa Kamil Bin Md. Ismail (resigned on 13/9/2002)	2	67
Mr. Vijayan a/l O. M. V. Devan (resigned on 19/12/2002)	4	100
Mr. Daisuke Kadono (resigned on 19/12/2002)	4	100

During the meeting, the Board will review the Group's financial performance, business performance against budgets, any corporate exercise to be implemented, draft announcement on the quarterly results and any other matters raised in relation to the business of the Group.

The Board has also delegated certain responsibilities to other Board committees, which operate within defined terms of reference. Standing committees of the Board include the Audit Committee (please refer to the Report on Audit Committee set out in pages 18 to 19), a Nomination Committee and a Remuneration Committee. The management functions have been delegated to the executive directors. The delegation of authority by the Board enables the Board to achieve operational efficiency and yet maintain control over major policies and decisions.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

All Directors have access to the advice and services of the Company Secretary. The Board have access to all information within the Company, whether as full board or in their individual capacity, in furtherance of their duties.

In accordance with the Company's Articles of Association, all directors who are appointed by the Board of Directors are subject to election by the shareholders at the first opportunity after their appointment. All directors will be subject to the rotation for re-election pursuant to the Article 29.1 and 29.6 of the Company's Articles of Association.

As endorsed by the Malaysian Code on Corporate Governance, a Nomination Committee was formed on 18th January 2002. The members of the committee are as follows:-

Nomination Committee

Name of Director

Mr. Sanmarkan a/l T S Ganapathi	Chairman of Nomination Committee
Mr. Takatoshi Kaneko	Member of Nomination Committee
Mr. Ibrahim Hussain	Member of Nomination Committee

The terms of reference with regards to the Nomination Committee are as follows:-

- To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board
- To consider, in making recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder
- To recommend to the Board, directors to fill the seats on board committees
- To review its required mix of skills and experience and other qualities, including core competencies, which directors of the Company should bring to the Board
- To assess the effectiveness of the Board as a whole and assess the contribution of each individual director

Directors' Remuneration

Remuneration of directors is reviewed periodically given due recognition to performance, industry norms and competitive pressures so as to ensure that the Group can attract and retain executives of the necessary quality.

The remuneration and fee structure for the directors during the financial year ended 31st January 2003 is as follows:-

Executive Directors	RM
Remuneration	1,282,600
Non-Executive Directors	
Fees	44,666

Reimbursement of expenses for all directors are on actuals

The number of Directors of the Company whose total remuneration falls within the following bands:

Executive Directors	Number
RM 150,001 - RM 200,000	2
RM 200,001 - RM 250,000	2
RM 450,001 - RM 500,000	1
Non-Executive Directors	
Below RM 50,000	6

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

As endorsed by the Malaysian Code on Corporate Governance, a Remuneration Committee was formed on 18th January 2002. The members of the committee are as follows:-

Remuneration Committee

Name of Director

Mr. Sanmarkan a/l T S Ganapathi	Chairman of Remuneration Committee
Mr. Takatoshi Kaneko	Member of Remuneration Committee
Mr. Nagarajan a/l Thambiah	Member of Remuneration Committee

The terms of reference with regards to Remuneration Committee is as follows:

- To review, deliberate and recommend the annual salaries, incentive arrangements, service arrangements and other employment condition for executive directors of the Group.
- To determine the company's remuneration policy and arrangements on executive directors.
- To review such a policy on a yearly basis and make any adjustments as deemed necessary to ensure the Group could attract and retain executives of the necessary quality in a highly and increasingly competitive market place.
- To review, with the executive directors if necessary, their job functions and to ensure that the remuneration commensurate with performance and the executive director does not participate in decisions in his own remuneration packages.
- To review the remuneration arrangement of the executive directors to be in line with the Group's overall practice on pay and benefits in order to reward them competitively after taking into account performance, market comparisons and competitive pressures in the industry.

SHAREHOLDERS

Dialogue between the Company and Investors

The Board of Directors believe that shareholders should be informed of all material business matters which influence the Group. In addition to various announcements made during the year, release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

The Group welcomes dialogue with investors and financial analysts from time to time as a means of effective communication that enables the Board and Management to convey permissible information about the Group's performance, corporate strategy and major development plans.

Annual General Meeting

The Group also encourages shareholders to attend its Annual General Meeting held in June or July each year. Notice of the Annual General Meeting and annual reports are circulated to shareholders at least 21 days before the date of meeting. All shareholders are eligible to vote on all resolutions. Shareholders who are not present at the meeting are encouraged to send a proxy in accordance with the Company's legislation.

The Board of Directors ensures that complete information is disclosed through the notice of meetings regarding directors who are retiring and are willing to serve if re-elected.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly reports to shareholders, the directors attempt to present a balanced assessment of the Group's position and prospects. The Audit Committee assists the Board of Directors in reviewing information for disclosure to ensure adequacy and completeness. The Statement on Directors Responsibility is set out on page 17 of this annual report.

Internal Control

Information on the Group's internal control is presented in the Statement on Internal Control set out on pages 16

Relationship with Auditors

The note of the Audit Committee in relation to the external auditors is as set out in the Report on Audit Committee on 18 to 19. The Group has established a transparent and appropriate relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE BOARD

The Board is committed to reaching good standards of corporate governance throughout the Group. The Board of Directors considers that it is in compliance with the Best Practices as set out in the Code.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors of SMPC acknowledge its responsibility for the Group's system of internal control and for reviewing its adequacy and integrity.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The systems can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY PROCESSES

While there is a continuous process for identifying, evaluating and managing the significant risks, the Board of Directors also reviews the system of internal control regularly with the assistance of the Audit Committee. This process is consistent with the guidelines of the Statement of Internal Control: Guidance for Directors of Public Listed Companies.

The key process of the internal control functions is inculcated within the various procedures. During the financial year, the Group's key procedures of internal control include the followings:

- 1) The Board of Directors receives and reviews regular reports from the management on the Group's business risks, including economic, political and industry analysis and regulatory matters.
- 2) A budgeting system and monthly reporting of results and variances analysed against budget. Forecasts are reviewed on a quarterly basis to incorporate any significant changes in the industry.
- 3) Review of operational risk within the manufacturing process, which will encompass a system on preventive maintenance and efficiency analysis to minimise production risk in the event of machinery breakdown.
- 4) Financial review to contain the risks associated with the over gearing of the Group.
- 5) A credit control policy has been put in place. Each entity within the Group is reviewed by the credit controller.
- 6) A purchasing policy has been put in place to address the industry risks and to enable better stock management.
- 7) An asset management committee was set up to oversee and monitor the application of capital expenditure of the Group.
- 8) Certain administrative policies and procedures have been documented and put in place. The policies and procedures are reviewed on a regular basis and continuous improvements are made.
- 9) The internal auditors, reporting to the Audit Committee, performs regular review on the procedures and the internal control systems.
- 10) The Audit Committee regularly reviews and holds discussions with the management on the action taken on internal control issues identified in the reports prepared by the internal audit department and the external auditors. During the current financial year, three internal audit reports and a memorandum of suggestions from the external auditors were received and reviewed by the Audit Committee.

The Board of Directors is keen to continue ensuring that necessary steps are taken to enhance the system of internal controls.

This Statement was made in accordance with a resolution of the Board of Directors dated 27 May 2003.

STATEMENT OF DIRECTORS RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

This statement is prepared as required by the Listing Requirements of the Kuala Lumpur Stock Exchange.

The Directors are required to prepare financial statements, which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements,

- The Group and the Company have used appropriate accounting policies and are consistently applied;
- Reasonable and prudent judgements and estimates were made; and
- All applicable Approved Accounting Standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

REPORT ON AUDIT COMMITTEE

MEMBERS

Nagarajan a/l Thambiah (Chairman of the Committee, Independent Non-Executive Director)
Sanmarkan a/l TS Ganapathi (Independent Non-Executive Director)
Takatoshi Kaneko (Independent Non-Executive Director)

TERMS OF REFERENCE

The Committee shall be appointed by the Board of Directors from amongst the directors and shall consist of not less than 3 members, a majority of whom shall be independent non-executive directors. The Chairman shall be an independent non-executive director.

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

FUNCTIONS

The functions of the Committee shall be:

- i) to review with the external auditors the scope of their audit plan, the system of internal accounting controls, the audit reports and actions to be taken. The Committee shall also recommend external auditors for appointment by the Board each year.
- ii) to review the quarterly and year end financial statements of the Group and the Company, focusing particularly on any change in or implementation of major accounting policies and procedures, significant adjustments arising from the audit, the going concern assumption and compliance with applicable Approved Accounting Standards and other legal and regulatory requirement.
- iii) to review the scope and results of the internal audit procedures.
- iv) to review any related party transactions that may arise within the Group or Company.

FREQUENCY OF MEETINGS

Meetings shall be held not less than four times a year. In order to form a quorum, the majority of members present must be independent directors. The presence of the external auditors will be requested if required. Other Board members may attend meetings upon the invitation of the Audit Committee. The external auditors may request a meeting if they consider it necessary.

REPORTING PROCEDURES

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

The Chairman of the Committee shall report on each meeting to the Board.

REPORT ON AUDIT COMMITTEE (CONTINUED)

MEETINGS

The Audit Committee met 5 times during the year in respect of the following matters:-

- Reviewed the unaudited quarterly financial results before announcement to KLSE.
- Reviewed the year end financial statements together with external auditors' management letter and management response
- Discussed with external auditors the audit plan and scope for the year including the audit procedures
- Discussed with internal auditors on its scope of work
- Reviewed the reports prepared by the internal auditor
- Reviewed the reports prepared by the credit controller
- Reviewed the related party transactions that may arise within the Company or Group.

The record of attendance by the members are as follow:

Names of Members	Number of Audit Committee Meetings Attended
Nagarajan a/l Thambiah	4
Sanmarkan a/l TS Ganapathi	5
Takatoshi Kaneko (appointed w.e.f. 19/12/2002)	1
Daisuke Kadono (resigned w.e.f. 19/12/2002)	4
Dato' Mohd Taufik bin Abdullah (resigned w.e.f. 25/9/2002)	2
Vijayan a/l O.M.V. Devan (resigned w.e.f. 19/12/2002)	4

INTERNAL AUDIT

The Internal Audit whose main function is to ensure regular review of the adequacy and integrity of its internal control system, thus satisfying its requirements as well as the Listing Requirements of KLSE and the Malaysian Code on Corporate Governance. The internal audit function, through its internal audit activities will be required to assist the Group in enhancing its existing risk management framework and adopt a risk - based approach. This function would provide an independent assurance to assist the Board of Directors in discharging its responsibility in maintaining a sound system of internal control.



ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF THE KLSE

UTILISATION OF PROCEEDS

During the financial year, there was no utilisation of proceeds raised from any corporate proposal.

SHARE BUYBACKS

During the financial year, the Company did not enter into any share buyback transactions.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the year, a total of 68,000 employee share options were exercised. There were no warrants or convertible securities exercised during the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR programme.

IMPOSITION OF SANCTIONS AND PENALTIES

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

The amount of non-audit fees paid to the external auditors by the Group and by the Company for the financial year amounted to RM15,000 and RM15,000 respectively.

VARIATION IN RESULTS

The Company had on 9 June 2003 announced the variation between the audited results for Financial Year 2003 and unaudited results for the year ended 2003 as previously announced on 28 March 2003 and its reconciliation thereof to KLSE.

PROFIT GUARANTEE

During the financial year, there were no profit guarantees given by the Company.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

REVALUATION POLICY ON LANDED PROPERTIES

The Company has not adopted a policy of regular revaluation on its landed properties. As permitted under the transitional provisions of International Accounting Standards (IAS) No. 16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board, these assets are stated at their 1994 valuation less accumulated depreciation.

FINANCIAL STATEMENT

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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	(223,525)	-
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.

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' REPORT (CONTINUED)

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:

	Number of Ordinary Shares of RM1 Each			
	1 February 2002	Bought	Sold	31 January 2003
The Company				
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
	Number of Warrants			
	1 February 2002	Granted / Bought	Exercised / Sold	31 January 2003
The Company				
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

DIRECTORS' REPORT (CONTINUED)

	— Number of Options over Ordinary Shares of RM1 Each —			31 January 2003
	1 February 2002	Granted	Exercised	
The Company				
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.

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.

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.

DIRECTORS' REPORT (CONTINUED)

- (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:
- 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.
 - 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 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
 - 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:
- 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
 - 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:
- 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
 - 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.



DIRECTORS' REPORT (CONTINUED)

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

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 29 to 65 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 29 to 65 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,
P.SATHASIVAM
No. P036
Commissioner for Oaths
Penang

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 29 to 65. 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.

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

BALANCE SHEETS
 AS AT 31 JANUARY 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 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	12	6,334	-	-	-
Short term 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 (CONTINUED)
 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	8,612,549	2,810,637	21,553,049	21,553,072
Shareholders' equity		63,257,514	57,387,602	76,198,014	76,130,037
Minority interests		717,452	493,927	-	-
Reserve on consolidation	19	138,969	548,586	-	-
		64,113,935	58,430,115	76,198,014	76,130,037
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	1,107,000	796,000	-	-
Non-current liabilities		5,895,864	42,076,364	1,412,051	15,725
		70,009,799	100,506,479	77,610,065	76,145,762

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

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	(17,008,992)	(17,649,021)	(1,226,742)	(20,237,698)
Profit / (loss) from operations		16,737,030	(4,510,644)	(207,311)	(19,718,451)
Finance costs, net	26	(9,991,039)	(10,248,128)	208,288	230,864
Profit / (loss) before taxation		6,745,991	(14,758,772)	977	(19,487,587)
Taxation	27	(719,554)	(369,017)	-	-
Profit / (loss) after taxation		6,026,437	(15,127,789)	977	(19,487,587)
Minority interests		(223,525)	(151,395)	-	-
Profit / (loss) for the year		5,802,912	(15,279,184)	977	(19,487,587)
Earnings / (loss) per share (sen)					
- Basic	28	10.62	(28.0)		
- Diluted	28		(27.8)		

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

**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	54,576,965	23,803,205	8,004,601	(28,997,169)	2,810,637	57,387,602
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	54,644,965	23,802,205	8,004,601	(23,194,257)	8,612,549	63,257,514

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

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.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2003

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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
(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	3,639,327	(4,421,477)	201,210	(1,235,599)
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	(447,076)	(576,140)	-	-
Net cash generated from / (used in) operating activities	25,190,538	4,827,546	(376,121)	(4,824,629)

CASH FLOW STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2003

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
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	291,192	461,699	-	-
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	(1,000)	(346,453)	(1,000)	(346,453)
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>
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	(16,257,033)	(4,101,404)	(1,227,869)	11,762,866
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 RM	2002 RM	2003 RM	2002 RM
Cash and bank balances (Note 11)	4,681,297	5,039,662	418,785	743,494
Bank overdrafts (Note 13)	(18,215,725)	(21,296,695)	-	(1,971,363)
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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Consolidation (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 RM	2002 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	10,134,636	26,283,763	4,274,803	40,693,202
Representing:				
At cost	10,134,636	10,783,763	4,274,803	25,193,202
At valuation	-	15,500,000	-	15,500,000
	10,134,636	26,283,763	4,274,803	40,693,202
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	-	4,396,169	2,728,545	7,124,714
Representing:				
At cost	-	2,183,729	2,728,545	4,912,274
At valuation	-	2,212,440	-	2,212,440
	-	4,396,169	2,728,545	7,124,714
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
	10,134,636	21,887,594	1,546,258	33,568,488
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
	10,134,636	22,325,980	2,046,747	34,507,363
Depreciation charge for 2002	-	438,386	365,275	803,661

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Computer equipment	36,400	56,117	-	-
Motor vehicles	2,157,190	996,039	55,226	73,100
	<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 RM	2002 RM	2003 RM	2002 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	229,609	214,019	-	-
	<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.

- (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	4,987,917	5,134,900	4,987,917	5,134,900
	<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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

4. INTANGIBLE ASSET

	Group	
	2003 RM	2002 RM
Licence fees		
At 1 February	152,800	152,800
Addition	80,000	-
Write off	(152,800)	-
	<u>80,000</u>	<u>152,800</u>
Less: Accumulated amortisation	(24,442)	(152,800)
	<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	(19,356,930)	(19,356,930)
	<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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

INVESTMENTS IN SUBSIDIARIES (CONTINUED)

	Effective equity interest		Principal activities
	2003 %	2002 %	
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 RM	2002 RM
Unquoted shares, at cost	299,838	299,838
Less: Provision for diminution in value	(299,838)	(299,838)
	-	-

7. INVENTORIES

	Group	
	2003 RM	2002 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	103,661	146,184
	<u>38,161,191</u>	<u>39,051,284</u>
At net realisable value:		
Raw materials	-	36,406
Finished goods	-	533,693
Trading goods	131,526	149,796
	<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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

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	(9,560,225)	(12,301,969)	-	-
	<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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

9. OTHER RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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	5,688,303	4,624,416	3,470,902	3,447,115
	<u>9,121,816</u>	<u>7,944,441</u>	<u>22,170,580</u>	<u>22,183,468</u>
Less: Provision for doubtful debts	(21,003)	(33,732)	-	-
	<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 RM	2002 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>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

11. CASH AND BANK BALANCES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash on hand and at bank	3,296,519	3,747,695	83,285	743,494
Deposits with licensed banks	1,384,778	1,291,967	335,500	-
	<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 RM	2002 RM
Retirement Benefits Scheme		
At 1 February	289,152	527,602
Charged to income statement	-	28,480
Utilised during the year	(21,000)	(266,930)
At 31 January	<u>268,152</u>	<u>289,152</u>
At 31 January		
Current	<u>6,334</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	206,054	245,366
	<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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

13. BORROWINGS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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)	434,756	294,440	22,324	36,377
	<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	1,865,365	1,047,985	-	-
	<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)	1,340,633	488,746	9,592	15,725
	<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	56,674,227	58,225,751	2,140,417	-
	<u>126,994,193</u>	<u>133,933,015</u>	<u>2,140,417</u>	<u>1,971,363</u>
Hire purchase and lease payables (Note 14)	1,775,389	783,186	31,916	52,102
	<u>128,769,582</u>	<u>134,716,201</u>	<u>2,172,333</u>	<u>2,023,465</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

BORROWINGS (CONTINUED)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

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)	1,340,633	488,746	9,592	15,725
	<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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

15. TRADE PAYABLES

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

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

16. OTHER PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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
	7,746,071	4,620,988	378,984	177,774

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 RM	2002 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	-
	145,312	1,232

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

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	68,000	-	68,000	-
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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

20. DEFERRED TAXATION

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

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 RM	2002 RM	2003 RM	2002 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
	238,842,644	218,411,373	3,505,432	2,353,832

22. OTHER OPERATING INCOME

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

24. OTHER OPERATING EXPENSES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

25. DIRECTORS' REMUNERATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

26. FINANCE COSTS, NET

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 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	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

27. TAXATION

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

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.

	2003 RM	Group 2002 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.

	2003 RM	Group 2002 RM
Net profit / (loss) for the year	5,802,912	(15,279,184)
Weighted average number of ordinary shares in issue	54,625,875	54,576,965
Adjustment for assumed exercise of ESOS	-	384,827
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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

30. CONTINGENT LIABILITIES

Unsecured	2003 RM	2002 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	10,350,000	-

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.*	6,000	223,500

* 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Company	2003 RM	2002 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	150,000	-

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

FINANCIAL INSTRUMENTS (continued)

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
	1,018,043

(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:

	Note	Group		Company	
		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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 JANUARY 2003

SEGMENTAL ANALYSIS (continued)

Analysis by activities:

REVENUE AND EXPENSES	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
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
Intersegment 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)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 JANUARY 2003

SEGMENTAL ANALYSIS (continued)

Assets And Liabilities	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
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			239,326,215	233,785,931
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											130,195,707	135,837,314
Consolidated total liabilities											175,212,280	175,355,816
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

PROPERTIES OWNED BY THE GROUP

AS AT 31 JANUARY 2003

Location	Description	Tenure	Area	No. of Years Held	Age of Building	Net Book Value RM
P.T. No. 1451 H.S. (D) No. 4696 Mukim 1, Province Wellesley Central, Penang	Factory	60 years lease to 2044	6.22247 acres	20	17	14,099,494
P.T. Nos. 1460 & 1444 H.S. (D) Nos. 2719 & 2706 Mukim 1, Province Wellesley Central, Penang	Factory Office	60 years lease to 2045	4.01338 acres	7	12	11,401,304
Lot 717, 5 1/2 Miles Jalan Kapar, Klang Selangor Darul Ehsan	Factory Office	Freehold	8.16875 acres	7	6	23,445,741
Lot 324, 640, 642, 1501, 1502, 1504, 1505, 1664, 1667, 1669 and 1702, Mukim 14, Kampung To' Suboh, Bukit Minyak Simpang Ampat Seberang Perai Selatan, Penang	Warehouse Open Yard	Freehold	21.8614 acres	9	7	12,576,869
Lot 176, Tempat Macang Kudung Mukim Jabi Daerah Pokok Sena, Kedah	Vacant Land	Freehold	2.257 acres	3	-	128,000
Lot 3715 & 3716, PT Mukim Setul, District of Seremban	Freehold Land	Freehold	3.1 acres	5	5	1,890,432
Factory Building Lot No. 113, Phase 3 Arab Malaysian Industrial Park Nilai, Negeri Sembilan	Factory	Freehold	3.1 acres	5	5	3,331,933
Units of 1½ Storey Terrace Factories in Taman Balakong Jaya, No. 94 & 95, Taman Industri, Balakong Jaya HS (D) 42510 & HS (D) 42511, PT No. 35310 & PT No. 35311 Mukim Kajang, Selangor	Factory	Freehold	3250sf	4	4	552,000
Single Storey Terrace Industry Factory HS (D) 112771, PT No. 18455 Mukim of Setul, District of Seremban	Factory	Freehold	278.7sf	3	3	252,550
2nd Floor Unit of 3 Storey Shop Office in Taman Kinrara, Puchong, HS (M) 22709, PT 19499 Mukim Petaling, Selangor	Office	99 years lease to 2098	1,114sf	3	3	110,751
PPH-1-01, 1st Floor, Block H, Taman Pinggiran Putra, Seksyen 2 Sri Kembangan Selangor	Condominium	99 years lease to 2099	864 sf	2	2	92,097

SHAREHOLDINGS STATISTICS

As At 2 June 2003

Authorised Share Capital	: RM100,000,000
Issued and Fully Paid-up Capital	: RM54,644,965
Class of Shares	: Ordinary shares of RM1.00 each fully paid
Voting Rights	: One Vote Per Share

Distribution Schedule of Shareholders

No. of Holders	Holdings	Total Shareholdings	%
102	Less than 100	648	0.00
1,118	100 to 1,000	1,108,277	2.03
1,985	1,000 to 10,000	7,863,234	14.39
336	10,001 to 100,000	14,092,432	25.79
9	100,001 to less than 5% of issued shares	18,305,374	33.50
1	5% and above of issued shares	13,275,000	24.29
3,551		54,644,965	100.00

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES

No.	Name	No. of Shares Held	%
1	Perbadanan Nasional Berhad	13,275,000	24.29
2	UMB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kumpulan Pitchai Sdn Bhd)	7,461,301	13.65
3	MIDF Sisma Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kumpulan Pitchai Sdn Bhd)	3,556,365	6.51
4	Siew Yin	1,295,000	2.37
5	Cheng Kien Wing	1,278,366	2.34
6	Magna Iron Sdn Bhd	1,205,000	2.21
7	RHB Capital Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kumpulan Pitchai Sdn Bhd)	1,174,286	2.15
8	BBMB Securities Nominees (Asing) Sdn Bhd (Pledged Securities Account for Nissho Iwai Corporation)	1,093,274	2.00
9	Kumpulan Pitchai Sdn Bhd	1,091,782	2.00
10	RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Dallah Al Baraka (Malaysia) Holdings Sdn Bhd)	750,000	1.37
11	TA Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Magna Iron Sdn Bhd)	726,000	1.33
12	PAB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kumpulan Pitchai Sdn Bhd)	410,000	0.75
13	Lim Eng Chai	398,970	0.73
14	UMB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Zanor Sdn Bhd)	393,100	0.72

SHAREHOLDINGS STATISTICS (CONTINUED)

30 LARGEST SECURITIES ACCOUNT HOLDERS FOR ORDINARY SHARES (CONTINUED)

No.	Name	No. of Shares Held	%
15	OSK Nominees (Tempatan) Sdn Berhad (Pledged Securities Account for Dato' Mohd Taufik Bin Abdullah)	369,000	0.68
16	Zaid Bin Mohamad Nor	329,000	0.60
17	Topvilla Sdn Bhd	265,517	0.49
18	PAB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Machendran a/l Pitchai Chetty)	265,000	0.48
19	EB Nominees (Tempatan) Sendirian Berhad (Pledged Securities Account for Nagarajan a/l Thambiah)	250,000	0.46
20	EB Nominees (Tempatan) Sendirian Berhad (Pledged Securities Account for Dato' Mohd Taufik Bin Abdullah)	250,000	0.46
21	Low Ah Kou	191,000	0.35
22	OSK Nominees (Tempatan) Sdn Berhad (Pledged Securities Account for Makhtar Bin Mohamed)	182,350	0.33
23	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Wong Chee Kin)	167,000	0.31
24	Lim Ka Sing	165,000	0.30
25	HLG Nominees (Asing) Sdn Bhd (Pledged Securities Account for Sujana Jaya Sdn Bhd)	150,000	0.27
26	PRB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account for Rubber Industry Smallholders Development Authority)	150,000	0.27
27	AFFIN-UOB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sandran a/l Govindasamy)	145,000	0.27
28	Oon Services Sdn Berhad	141,000	0.26
29	Oon & Chong Capital Sdn Bhd	128,000	0.23
30	Abdul Jalil Bin Hj Ahmad	122,500	0.22

Substantial Shareholders

(excluding those who are bare trustees pursuant to Section 69 of the Companies Act 1965)

No.	Name of shareholders	Direct	Note	%	Indirect	%
1	Kumpulan Pitchai Sdn Bhd	13,693,734	Ⓐ	25.06	12,795 Ⓑ	0.0234
2	Perbadanan Nasional Berhad	13,381,500		24.49	-	-
3	Machendran a/l Pitchai Chetty	-		-	13,706,529 Ⓑ	25.08
4	Dhanabalan a/l M. Pitchai Chetty	-		-	13,706,529 Ⓑ	25.08
5	Ramakrishnan a/l Thangasamy Chettiar	-		-	13,706,529 Ⓒ	25.08

NOTE

Ⓐ Of which 12,601,952 shares are held through various nominee companies.

Ⓑ By virtue of their interests in Kumpulan Pitchai Sdn Bhd of 13,693,734 shares and S.M. Pitchai Chettiar Sdn Bhd of 12,795 shares, the directors are deemed to have interests in these shares.

Ⓒ By virtue of his family relationship with the substantial shareholders of the Company, which is Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty who has deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd, in the Company, Mr Ramakrishnan a/l Thangasamy is deemed to have interests in these shares.

SHAREHOLDINGS STATISTICS (CONTINUED)

As At 2 June 2003

DIRECTORS' SHAREHOLDINGS (DIRECT & INDIRECT)

Name of Directors	Direct Interest	%	Indirect Interest	%
Machendran a/l Pitchai Chetty	265,347	0.49	13,706,529 ^①	25.08
Ibrahim Hussain	-	-	-	-
Dhanabalan a/l M. Pitchai Chetty	-	-	13,706,529 ^①	25.08
Nagarajan a/l Thambiah	250,015	0.46	-	-
Sanmarkan a/l TS Ganapathi	-	-	-	-
Takatoshi Kaneko	-	-	-	-
Makhtar Bin Mohamed	182,350	0.33	-	-
Ramakrishnan a/l Thangasamy Chettiar (Alternate Director to Machendran a/l Pitchai Chetty)	-	-	13,706,529 ^②	25.08

① By virtue of their interests in Kumpulan Pitchai Sdn Bhd of 13,693,734 shares and S.M. Pitchai Chettiar Sdn Bhd of 12,795 shares, the directors are deemed to have interests in these shares.

② By virtue of his family relationship with the substantial shareholders of the Company, which is Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty who has deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd in the Company, Mr Ramakrishnan a/l Thangasamy Chettiar is deemed to have interests in these shares.

SHAREHOLDINGS STATISTICS (continued)

WARRANT

AS AT 2 JUNE 2003

Total Warrants Issued : 14,924,500

Class of Securities : Warrants 2000 / 2005

Distribution Schedule of Warrant Holders

No. of Holders	Holdings	Total Warrant Holdings	%
1	Less than 100	1	0.00
298	100 to 1,000	280,095	1.88
671	1,000 to 10,000	3,135,753	21.01
141	10,001 to 100,000	3,514,000	23.54
12	100,001 to less than 5% of issued shares	2,569,651	17.22
2	5% and above of issued shares	5,425,000	36.35
1,125		14,924,500	100.00

30 LARGEST SECURITIES ACCOUNTS HOLDERS FOR WARRANTS

No	Name	No of Warrants Held	%
1	Perbadanan Nasional Berhad	4,425,000	29.65
2	Kumpulan Pitchai Sdn Bhd	1,000,000	6.70
3	Magna Iron Sdn Bhd	637,000	4.27
4	Kumpulan Pitchai Sdn Bhd	320,401	2.15
5	TA Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Shalina Binti Azman)	304,250	2.04
6	RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Dallah Al Baraka (Malaysia) Holdings Sdn Bhd)	250,000	1.68
7	Nor Azura Binti Bakhri	185,000	1.24
8	Kho Tee Ka	164,000	1.10
9	Lim Poh Hock	134,000	0.90
10	TCL Nominees (Tempatan) Sdn.Bhd. (Pledged Securities Account for Sim Chin Kuan)	125,000	0.84
11	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Anuar Bin Matamin)	120,000	0.80
12	Lim Chueen Huat	111,000	0.74
13	AMSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Francis Daniel Panickar)	110,000	0.74
14	HLG Nominee (Tempatan) Sdn Bhd (Pledged Securities Account for Kee Yaw Koon)	109,000	0.73
15	United Overseas Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ramakrishnan a/l Thangasamy Chettiar)	95,000	0.64
16	Ong Teong Soon	63,000	0.42

SHAREHOLDINGS STATISTICS (continued)

30 LARGEST SECURITIES ACCOUNTS HOLDERS FOR WARRANTS (CONTINUED)

No	Name	No of Warrants Held	%
17	HLG Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kee Yeow Sing)	61,000	0.41
18	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lim Poh Aun)	55,000	0.37
19	Mayban Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Phang Ah Choang)	55,000	0.37
20	Toh Cheng Huat	55,000	0.37
21	Tham Pak Yeun	54,000	0.36
22	Kong Hwee Sing	53,000	0.36
23	Yee Ngan Chun	52,000	0.35
24	Lee Gek Choon @ Lee Yok Chua	50,000	0.34
25	Lee Jui Teng	50,000	0.34
26	PRB Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Rubber Industry Smallholders Development Authority)	50,000	0.34
27	Goh Jiunn Ming	48,000	0.32
28	Doris Law Chiew Jen	47,000	0.31
29	Robert Pan Jyue	46,000	0.31
30	Ten Yack Chak	45,000	0.30

SUBSTANTIAL WARRANT HOLDERS

(Excluding Those Who Are Bare Trustees Pursuant To Section 69 Of The Companies Act 1965)

No.	Name Of Warrant Holders	No. Of Warrants Beneficially Held By The Warrant Holders			
		Direct	%	Indirect	%
1	Perbadanan Nasional Berhad	4,425,000	29.65	-	-
2	Kumpulan Pitchai Sdn Bhd	1,320,401	8.85	4,265 ^(a)	0.03
3	Machendran a/l Pitchai Chetty	-	-	1,324,666 ^(b)	8.87
4	Dhanabalan a/l M. Pitchai Chetty	-	-	1,324,666 ^(b)	8.87
5	Ramakrishnan a/l Thangasamy Chettiar	-	-	1,324,666 ^(c)	8.87

^(a) By virtue of its subsidiary, S.M. Pitchai Chettiar Sdn Bhd's interest in the Company, Kumpulan Pitchai Sdn Bhd is deemed to have interest in these shares.

^(b) By virtue of their interests in Kumpulan Pitchai Sdn Bhd of 1,320,401 warrants and S.M. Pitchai Chettiar of 4,265 warrants, the directors are deemed to have interests in these shares.

^(c) By virtue of his family relationship with the substantial shareholders of the Company, which is Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty who has deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd in the Company, Mr Ramakrishnan a/l Thangasamy Chettiar is deemed to have interests in these shares.

SHAREHOLDINGS STATISTICS (continued)

DIRECTORS' WARRANT HOLDINGS (DIRECT & INDIRECT)

Name Of Directors	No. Of Warrants Beneficially Held By The Warrant Holders			
	Direct Interest	%	Indirect Interest	%
Machendran a/l Pitchai Chetty	-	-	1,324,666 ^①	8.88
Ibrahim Hussain	-	-	-	-
Dhanabalan a/l M. Pitchai Chetty	-	-	1,324,666 ^①	8.88
Makhtar Bin Mohamed	350	0.00	-	-
Nagarajan a/l Thambiah	-	-	-	-
Sanmarkan a/l Ts Ganapathi	-	-	-	-
Takatoshi Kaneko	-	-	-	-
Ramakrishnan a/l Thangasamy Chettiar (Alternate Director To Machendran A/L Pitchai Chetty)	95,000	0.00	1,324,666 ^②	8.88

① By virtue of their interests in Kumpulan Pitchai Sdn Bhd of 1,320,401 warrants and S.M. Pitchai Chettiar Sdn Bhd of 4,265 warrants, the Directors are deemed to have interests in these warrants.

② By virtue of his family relationship with the substantial shareholders of the Company, which is Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty who has deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd in the Company, Mr Ramakrishnan a/l Thangasamy Chettiar is deemed to have interests in these shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Second Annual General Meeting of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) will be held at Merbah Room, Hotel Equatorial, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang Penang on Monday, 28 July 2003 at 11.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the year ended 31 January 2003 together with the Reports of the Directors and Auditors thereon; (Resolution 1)
2. To re-elect the following Directors who retire in accordance with Article 29.1 of the Company's Articles of Association and being eligible, offer themselves for re-election:-
 - (i) Mr. Nagarajan a/l Thambiah; (Resolution 2)
 - (ii) Mr. Dhanabalan a/l M. Pitchai Chetty; (Resolution 3)
3. To re-elect Mr. Takatoshi Kaneko who retires in accordance with Article 29.6 of the Company's Articles of Association and being eligible offers himself for re-election. (Resolution 4)
4. To approve the payment of Directors' fees for the year ended 31 January 2003 (Resolution 5)
5. To appoint Auditors of the Company and to authorise the Directors to fix their remuneration.

The Company has received a notice from the Auditors, Messrs. Arthur Andersen & Co., of their intention not to seek for re-appointment. The Company has also received a notice of nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" for the nomination of Messrs. Ernst & Young, who has given their consent to act as Auditors of the Company and of the intention to propose the following Ordinary Resolution:

"That Messrs. Ernst & Young be appointed Auditors of the Company in place of the retiring auditors, Messrs. Arthur Andersen & Co. to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." (Resolution 6)

AS SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTION NO. 1

AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

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

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

ORDINARY RESOLUTION NO. 2

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING KUMPULAN PITCHAI SDN BHD, S.M. PITCHAI CHETTIAR SDN BHD, MR. MACHENDRAN A/L PITCHAI CHETTY, MR. RAMAKRISHNAN A/L THANGASAMY CHETTIAR AND MR. DHANABALAN A/L M. PITCHAI CHETTY.

THAT approval be and is hereby given to the Company and its subsidiaries to enter into and give effect to recurrent related party transactions of a revenue or trading nature with Kumpulan Pitchai Sdn Bhd, S.M. Pitchai Chettiar Sdn Bhd, Mr. Machendran a/l Pitchai Chetty, Mr. Ramakrishnan a/l Thangasamy Chettiar and Mr. Dhanabalan a/l M. Pitchai Chetty (hereinafter referred to as "Related Parties") as specified in Section 2.4 of the Circular dated 4 July 2003, and falling within the ambit of Part E, Paragraph 10.09 of Chapter 10 of the Listing Requirements of the Kuala Lumpur Stock Exchange, which are necessary for the day-to-day operations and undertaken in the ordinary course of business of the Company, on terms not more favourable to Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company;

THAT such approval unless revoked or varied by the Company in general meeting shall continue to be in full force and effect until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM, where this mandate was passed, at which time it will lapse, unless by a resolution passed at the next AGM whereby the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in an AGM or EGM;

whichever is the earlier date;

THAT the above mandate is subject to annual renewal and disclosure will be made in the annual report of the aggregate value of transactions conducted by the Group.

AND THAT, the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate.

(Resolution 8)

ORDINARY RESOLUTION NO. 3

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING YEE HUP CONSTRUCTION CO. AND MR. CHENG KIEN WING

THAT approval be and is hereby given to the Company and its subsidiaries to enter into and give effect to recurrent related party transactions of a revenue or trading nature with Yee Hup Construction Co. and Mr. Cheng Kien Wing (hereinafter referred to as "Related Parties") as specified in Section 2.4 of the Circular dated 4 July 2003, and falling within the ambit of part E, paragraph 10.09 of Chapter 10 of the Listing Requirements of the Kuala Lumpur Stock Exchange, which are necessary for the day-to-day operations and undertaken in the ordinary course of business of the Company, on terms not more favourable to Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company;

THAT such approval unless revoked or varied by the Company in general meeting shall continue to be in full force and effect until:

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

ORDINARY RESOLUTION NO. 3 (CONTINUED)

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM, where this mandate was passed, at which time it will lapse, unless by a resolution passed at the next AGM whereby the authority is renewed;
- (ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in an AGM or EGM;

whichever is the earlier date;

THAT the above mandate is subject to annual renewal and disclosure will be made in the annual report of the aggregate value of transactions conducted by the Group.

AND THAT, the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate.

(Resolution 9)

By Order of the Board

THUM SOOK FUN
(MAICSA 7025619)
Company Secretary

Penang

Date: 4 July 2003

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. All proxy forms must be duly executed and deposited at the registered office of the Company at Suite 18.05, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 Penang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

Explanatory Note to the Special Business:

- Resolution 7

The Ordinary Resolution proposed under resolution 7 above if passed will empower the Directors to issue shares in the Company up to 10% of the issued capital of the Company for the time being for such purposes as the Directors may consider to be in the interest of the Company. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company, or the expiration of period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

- Resolution 8 and Resolution 9 :

The Ordinary Resolutions proposed under Resolution 8 and Resolution 9 are to renew the shareholders' mandate which has been granted by the shareholders of the Company at the Twenty-First Annual General Meeting held on 27 June 2002 for the recurrent related party transactions of a revenue or trading nature.



STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for election or re-election at the Twenty Second (22nd) Annual General Meeting of the Company are:
 - i. Mr. Nagarajan a/l Thambiah, attended four (4) out of five (5) Board Meetings
 - ii. Mr. Dhanabalan a/l M. Pitchai Chetty, attended all the five (5) Board Meetings
 - iii. Mr. Takatoshi Kaneko, attended one Board Meeting held during his tenure in office for the financial year 2003.
2. The Twenty Second (22nd) Annual General Meeting of the Company will be held at Merbah Room, Hotel Equatorial, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 28 July 2003.
3. Further details of the Directors standing for re-election at the Twenty Second (22nd) Annual General Meeting are set out in pages 05 to 08 and their shareholding information are listed in pages 67 to 72 of this Annual Report.

NOTICE OF NOMINATION OF AUDITORS (Annexure A)

Date: 27 May 2003

The Board of Directors
SMPC Corporation Bhd
(formerly known as SMPC Metal Industries Bhd)
2521 Tingkat Perusahaan 6
Prai Industrial Estate
13600 Prai

Dear Sirs,

NOTICE OF NOMINATION OF MESSRS. ERNST & YOUNG FOR APPOINTMENT AS AUDITORS

Pursuant to Section 172 (11) of the Companies Act, 1965, I, being a shareholder of SMPC Corporation Bhd (formerly known as SMPC Metal Industries Bhd) ("the Company"), hereby give notice of my nomination of Messrs. Ernst & Young for appointment as Auditors of the Company in place of the retiring auditors, Messrs. Arthur Andersen & Co. and of my intention to propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting of the Company:

"That Messrs. Ernst & Young be appointed Auditors of the Company in place of the retiring auditors, Messrs. Arthur Andersen & Co., at a remuneration to be fixed by the Directors and to hold office until the conclusion of the next Annual General Meeting."

Yours faithfully,

MACHENDRAN A/L PITCHAI CHETTY

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SMPC CORPORATION BHD
79082-V
(formerly known as SMPC Metal Industries Bhd)

FORM OF PROXY

No. of Shares held

I / We, _____
(BLOCK LETTERS)

of _____
being a member / members of SMPC CORPORATION BHD. (formerly known as SMPC Metal Industries Bhd), hereby appoint _____

of _____
or failing him / her, the Chairman of the Meeting as my / our proxy to vote for me / us on my / our behalf at the Twenty Second Annual General Meeting of the Company to be held at Merbah Room, Hotel Equatorial, 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Monday, 28 July 2003, at 11.00 am and at any adjournment thereof.

My / Our Proxy to vote is as indicated below:

RESOLUTION NO.	ORDINARY BUSINESS	FOR	AGAINST
1.	Adoption of Audited Financial Statements for the year ended 31 January 2003		
2.	Re-election of Directors:		
3.	Mr. Nagarajan a/l Thambiah		
4.	Mr. Dhanabalan a/l M. Pitchai Chetty		
5.	Mr. Takatoshi Kaneko		
5.	Payment of Directors' Fees		
6.	Appointment of Auditors for the ensuing year		
	SPECIAL BUSINESS		
7.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
8.	Proposed renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature involving Kumpulan Pitchai Sdn Bhd, S.M. Pitchai Chettiar Sdn Bhd, Mr. Machendran a/l Pitchai Chetty, Mr. Ramakrishnan a/l Thangasamy Chettiar, and Mr. Dhanabalan a/l M. Pitchai Chetty		
9.	Proposed renewal of Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature involving Yee Hup Construction Co. and Mr. Cheng Kien Weng.		

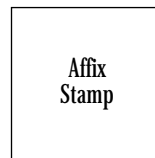
(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, the proxy will vote or abstain at his / her discretion.)

Signed this _____ day of _____ of 2003

Signature of Shareholder / Common Seal

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149 (1) (b) of the Companies Act, 1965 shall not apply to the Company.
2. All proxy forms must be duly executed and deposited at the registered office of the Company at Suite 18.05, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 Penang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
5. Any alteration in this form must be initialed.



SMPC Corporation Bhd (79082 V)
(formerly known as SMPC Metal Industries Bhd)
Suite 18.05, MWE Plaza
No.8, Lebuq Farquhar
10200 Penang, Malaysia.