

SMPC METAL INDUSTRIES BHD.
79082 V
(Incorporated in Malaysia)

FINANCIAL STATEMENTS AS AT 31 JANUARY 2002
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

SMPC METAL INDUSTRIES BHD.
79082 V
(Incorporated in Malaysia)

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SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 January 2002.

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 activities during the financial year.

RESULTS

	Group RM	Company RM
Loss after taxation	15,127,789	19,487,587
Minority interest	<u>151,395</u>	<u>-</u>
Net loss attributable to shareholders	<u>15,279,184</u>	<u>19,487,587</u>

DIVIDEND

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

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that:

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

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.

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

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

As at 31 January 2002, the details of the share options are as follows:

Year granted	Option Price	Balance as at 1 February 2001	Granted	Exercised	Balance as at 31 January 2002
2002	RM1.00	-	4,552,000	-	4,552,000

DIRECTORS

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

Dato' Mohd Taufik bin Abdullah
 Machendran a/l Pitchai Chetty
 Dhanabalan a/l M. Pitchai Chetty
 Vijayan a/l O.M.V. Devan
 Makhtar bin Mohamed
 Daisuke Kadono
 Nagarajan a/l Thambiah
 Mustaffa Kamil bin Md. Ismail
 Ramakrishnan a/l Thangasamy Chettiar (alternate to Machendran a/l Pitchai Chetty)
 Ibrahim Hussain (appointed on 27 September 2001)
 Sanmarkan a/l T.S. Ganapathi (appointed on 18 January 2002)
 Tye Lean Tee @ Tan Lean Tee (resigned on 27 June 2001)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 26 to the financial statements and the fixed salary of directors who are full time employees of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for those benefits which may be deemed to have arisen by virtue of those transactions (either as a supplier, agent or customer) in respect of trading and other services entered into in the ordinary course of business between the Company and its subsidiaries and companies in which certain directors are deemed to have interests.

DIRECTORS' INTERESTS

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

The Company	Number of Ordinary Shares of RM1 Each			
	1 February 2001	Bought	Sold	31 January 2002
Direct				
Dato' Mohd Taufik bin Abdullah	1,250,000	-	(631,000)	619,000
Machendran a/l Pitchai Chetty	965,347	-	(700,000)	265,347
Makhtar bin Mohamed	257,350	-	-	257,350
Nagarajan a/l Thambiah	250,015	-	-	250,015

Number of Ordinary Shares of RM1 Each				
	1 February 2001	Bought	Sold	31 January 2002
Indirect				
Machendran a/l Pitchai Chetty *	14,776,529	-	(1,070,000)	13,706,529
Dhanabalan a/l M. Pitchai Chetty *	14,776,529	-	(1,070,000)	13,706,529
Ramakrishnan a/l Thangasamy Chettiar *	14,776,529	-	(1,070,000)	13,706,529
Number of Warrants				
The Company	1 February 2001	Granted/ Bought	Exercised/ Sold	31 January 2002
Direct				
Makhtar bin Mohamed	107,350	-	-	107,350
Ramakrishnan a/l Thangasamy Chettiar	-	95,000	-	95,000
Indirect				
Machendran a/l Pitchai Chetty *	3,734,916	-	(1,262,250)	2,472,666
Dhanabalan a/l M. Pitchai Chetty *	3,734,916	-	(1,262,250)	2,472,666
Ramakrishnan a/l Thangasamy Chettiar *	3,734,916	-	(1,262,250)	2,472,666
Number of Options over Ordinary Shares of RM1 Each				
The Company	1 February 2001	Granted	Exercised	31 January 2002
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), the directors are deemed to have interests in the shares and warrants of the Company to the extent KPSB and SMPCSB have interests. Both companies are incorporated in Malaysia.

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AUDITORS

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

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

MACHENDRAN A/L PITCHAI CHETTY

IBRAHIM HUSSAIN

Penang
Date:

**SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)**

STATEMENT BY DIRECTORS

We, MACHENDRAN A/L PITCHAI CHETTY and IBRAHIM HUSSAIN, being two of the directors of SMPC METAL INDUSTRIES BHD., do hereby state that, in the opinion of the directors, the financial statements set out on pages 10 to 44 give a true and fair view of the state of affairs of the Group and the Company as at 31 January 2002 and of their results and their cash flows for the year then ended and have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia.

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

MACHENDRAN A/L PITCHAI CHETTY

IBRAHIM HUSSAIN

Penang
Date:

STATUTORY DECLARATION

I, VIJAYAN A/L O.M.V. DEVAN, the director primarily responsible for the financial management of SMPC METAL INDUSTRIES BHD., do solemnly and sincerely declare that the financial statements set out on pages 10 to 44 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed VIJAYAN A/L O.M.V.)
DEVAN at Butterworth in the)
State of Penang on) VIJAYAN A/L O.M.V. DEVAN

Before me,

Commissioner for Oaths
Penang

AUDITORS' REPORT

To the Shareholders of
SMPC METAL INDUSTRIES BHD.

We have audited the financial statements set out on pages 10 to 44. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31 January 2002 and of their results and their cash flows for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all 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 or did not include any comment made under subsection (3) of section 174 of the Act.

Without qualifying our opinion, we draw attention to the matter as disclosed in Note 2 (a) to the financial statements.

Arthur Andersen & Co.
No. AF 0103
Chartered Accountants

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

Penang
Date: 29 May 2002

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2002

	Note	2002 RM	2001 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	106,412,388	109,265,246
Intangible assets	4	-	50,272
Other investment	6	-	-
Goodwill on consolidation	7	-	2,694,707
		<u>106,412,388</u>	<u>112,010,225</u>
CURRENT ASSETS			
Inventories	8	39,771,179	45,530,174
Trade receivables	9	74,504,189	77,337,907
Other receivables	10	7,910,709	4,877,369
Short term investment	11	147,804	165,537
Cash and bank balances	12	5,039,662	17,993,801
		<u>127,373,543</u>	<u>145,904,788</u>
CURRENT LIABILITIES			
Short term borrowings	13	93,724,989	93,564,178
Trade payables	15	34,608,362	36,409,855
Other payables	16	4,620,988	8,276,971
Taxation		325,113	331,667
		<u>133,279,452</u>	<u>138,582,671</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(5,905,909)</u>	<u>7,322,117</u>
		<u>100,506,479</u>	<u>119,332,342</u>
FINANCED BY:			
Share capital	17	54,576,965	54,576,965
Reserves		2,810,637	18,436,274
Shareholders' equity		<u>57,387,602</u>	<u>73,013,239</u>
Minority interests		493,927	342,532
		<u>57,881,529</u>	<u>73,355,771</u>
Retirement benefits	19	289,152	527,602
Long term borrowings	20	40,991,212	44,852,969
Deferred taxation	21	796,000	596,000
Reserve on consolidation	7	548,586	-
Non-current liabilities		<u>42,624,950</u>	<u>45,976,571</u>
		<u>100,506,479</u>	<u>119,332,342</u>

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

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2002

	Note	2002 RM	2001 RM
Revenue	22	218,411,373	246,249,661
Other operating income	23	1,270,910	8,984,002
Changes in inventories of work in progress, trading inventories and finished goods		3,358,173	3,414,353
Raw materials and consumables used		(86,032,638)	(102,136,822)
Trading goods purchased		(108,840,401)	(109,695,288)
Staff costs	24	(9,044,710)	(7,790,984)
Depreciation		(5,984,330)	(5,582,257)
Other operating expenses	25	<u>(17,649,021)</u>	<u>(21,166,788)</u>
(Loss)/Profit from operations		(4,510,644)	12,275,877
Finance cost, net	27	<u>(10,248,128)</u>	<u>(11,522,237)</u>
(Loss)/Profit before taxation		(14,758,772)	753,640
Taxation	28	<u>(369,017)</u>	<u>140,404</u>
(Loss)/Profit after taxation		(15,127,789)	894,044
Minority interests		<u>(151,395)</u>	<u>65,620</u>
(Loss)/Profit for the year		<u>(15,279,184)</u>	<u>959,664</u>
(Loss)/Earnings per share (sen) - Basic	29	(28.0)	<u>3.3</u>
- Diluted	29	<u>(27.8)</u>	

The accompanying notes are an integral part of this statement.

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2002**

	← Non-Distributable →					Total reserves RM	Total RM
	Share capital RM	Share premium RM	Revaluation reserve RM	Accumulated losses RM			
At 1 February 2000 as previously stated	19,999,000	2,135,166	8,004,601	(14,304,922)	(4,165,155)	15,833,845	
Prior year adjustment (Note 30)	-	-	-	(372,727)	(372,727)	(372,727)	
At 1 February 2000	19,999,000	2,135,166	8,004,601	(14,677,649)	(4,537,882)	15,461,118	
Net profit for the year	-	-	-	959,664	959,664	959,664	
Special issue of shares	10,000,000	5,500,000	-	-	5,500,000	15,500,000	
Rights issue of shares	14,924,500	8,208,475	-	-	8,208,475	23,132,975	
Shares issued on acquisition of subsidiaries	9,653,465	9,846,535	-	-	9,846,535	19,500,000	
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(1,540,518)	-	-	(1,540,518)	(1,540,518)	
At 31 January 2001	54,576,965	24,149,658	8,004,601	(13,717,985)	18,436,274	73,013,239	
At 1 February 2001 as previously sated	54,576,965	24,149,658	8,004,601	(12,204,894)	19,949,365	74,526,330	
Prior year adjustment (Note 30)	-	-	-	(1,513,091)	(1,513,091)	(1,513,091)	
At 1 February 2001	54,576,965	24,149,658	8,004,601	(13,717,985)	18,436,274	73,013,239	
Net loss for the year	-	-	-	(15,279,184)	(15,279,184)	(15,279,184)	
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(346,453)	-	-	(346,453)	(346,453)	
At 31 January 2002	54,576,965	23,803,205	8,004,601	(28,997,169)	2,810,637	57,387,602	

The accompanying notes are an integral part of this statement.

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2002

	2002	2001
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(14,758,772)	753,640
Adjustments for:		
Amortisation of intangible assets	50,272	169,407
Amortisation of goodwill on consolidation	690,591	189,383
Amortisation of reserve on consolidation	(796,380)	(796,380)
Depreciation	5,984,330	5,582,257
Property, plant and equipment written off	2,406	40,893
Interest expense	9,920,289	11,358,087
Provision for diminution in value of investment	18,734	299,838
Bad and doubtful debts	828,935	2,443,757
Provision for doubtful debts written back	(2,787)	(481,154)
Provision for retirement benefits	28,480	129,095
Inventories written down to net realisable value	91,308	2,744,890
Bad debt written off	28,473	-
Unrealised loss/(gain) on foreign exchange	46,432	(11,442)
Gain on disposal of property, plant and equipment	(314,270)	(299,999)
Interest income	(89,043)	(286,195)
Debt waived by banks	-	(7,123,735)
Operating profit before working capital changes	<u>1,728,998</u>	<u>14,712,342</u>
Decrease/(Increase) in receivables	2,695,408	(8,074,089)
Decrease/(Increase) in inventories	5,667,687	(6,064,390)
(Decrease)/Increase in payables	<u>(4,421,477)</u>	<u>1,546,029</u>
Cash generated from operations	5,670,616	2,119,892
Retirement benefits paid	(266,930)	(105,772)
Tax paid	<u>(576,140)</u>	<u>(703,404)</u>
Net cash generated from operating activities	<u>4,827,546</u>	<u>1,310,716</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	89,043	286,195
Purchase of property, plant and equipment	(2,767,419)	(2,535,619)
Cash arising from acquisition of Duro Metal Industrial (M) Sdn. Bhd. and its subsidiaries	-	924,303
Purchase of short term investment	(1,001)	(150,537)
Proceeds from disposal of property, plant and equipment	<u>461,699</u>	<u>306,560</u>
Net cash used in investing activities	<u>(2,217,678)</u>	<u>(1,169,098)</u>

	2002	2001
	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(11,002,720)	(4,815,865)
Net changes in short term borrowings	5,960,496	3,091,949
Proceeds from issue of shares	-	38,632,975
Repayment of term loans	(8,827,091)	(2,460,935)
Repayment of hire-purchase creditors	(549,729)	(662,087)
Corporate exercise expenses	(346,453)	(1,540,518)
Net cash (used in)/generated from financing activities	<u>(14,765,497)</u>	<u>32,245,519</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,155,629)	32,387,137
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>(4,101,404)</u>	<u>(36,488,541)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>(16,257,033)</u>	<u>(4,101,404)</u>

Cash and cash equivalents comprise:

	2002	2001
	RM	RM
Cash and bank balances	5,039,662	17,993,801
Bank overdrafts (Note 13)	<u>(21,296,695)</u>	<u>(22,095,205)</u>
	<u>(16,257,033)</u>	<u>(4,101,404)</u>

The accompanying notes are an integral part of this statement.

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 JANUARY 2002

	Note	2002 RM	2001 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	34,507,363	34,498,304
Subsidiaries	5	19,939,646	42,645,658
Other investment	6	-	-
		<u>54,447,009</u>	<u>77,143,962</u>
CURRENT ASSETS			
Trade receivables	9	957,305	313,500
Other receivables	10	22,183,468	15,048,391
Cash and bank balances	12	743,494	14,820,110
		<u>23,884,267</u>	<u>30,182,001</u>
CURRENT LIABILITIES			
Short term borrowings	13	2,007,740	9,892,143
Other payables	16	177,774	1,413,373
		<u>2,185,514</u>	<u>11,305,516</u>
NET CURRENT ASSETS			
		<u>21,698,753</u>	<u>18,876,485</u>
		<u>76,145,762</u>	<u>96,020,447</u>
FINANCED BY:			
Share capital	17	54,576,965	54,576,965
Reserves	18	21,553,072	41,387,112
Shareholders' equity		<u>76,130,037</u>	<u>95,964,077</u>
Long term borrowings	20	15,725	56,370
		<u>76,145,762</u>	<u>96,020,447</u>

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

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2002

	Note	2002 RM	2001 RM
Revenue	22	2,353,832	2,272,156
Other operating income	23	-	2,279,972
Staff costs	24	(1,030,924)	(1,149,870)
Depreciation		(803,661)	(803,321)
Other operating expenses	25	<u>(20,237,698)</u>	<u>(1,449,836)</u>
(Loss)/Profit from operations		(19,718,451)	1,149,101
Finance cost, net	27	<u>230,864</u>	<u>(778,022)</u>
(Loss)/Profit before taxation		(19,487,587)	371,079
Taxation	28	<u>-</u>	<u>313,072</u>
(Loss)/Profit for the year		<u>(19,487,587)</u>	<u>684,151</u>

The accompanying notes are an integral part of this statement.

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2002**

	← Non-Distributable →						
	Share capital RM	Share premium RM	Capital reserve (Note 18) RM	Revaluation reserve RM	Retained earnings/ (Accumulated loss) RM	Total reserves RM	Total RM
At 1 February 2000	19,999,000	2,135,166	7,445,000	8,004,601	1,103,702	18,688,469	38,687,469
Net profit for the year	-	-	-	-	684,151	684,151	684,151
Special issue of shares	10,000,000	5,500,000	-	-	-	5,500,000	15,500,000
Rights issue of shares	14,924,500	8,208,475	-	-	-	8,208,475	23,132,975
Shares issued on acquisition of subsidiaries	9,653,465	9,846,535	-	-	-	9,846,535	19,500,000
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(1,540,518)	-	-	-	(1,540,518)	(1,540,518)
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
Net loss for the year	-	-	-	-	(19,487,587)	(19,487,587)	(19,487,587)
Corporate exercise expenses, representing net loss not recognised in the income statement	-	(346,453)	-	-	-	(346,453)	(346,453)
At 31 January 2002	54,576,965	23,803,205	7,445,000	8,004,601	(17,699,734)	21,553,072	76,130,037

The accompanying notes are an integral part of this statement.

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2002

	2002	2001
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(19,487,587)	371,079
Adjustments for:		
Depreciation	803,661	803,321
Interest expense	175,637	891,344
Provision for diminution in value of investments	19,356,930	299,838
Debts waived by a bank	-	(2,279,972)
Interest income	(411,031)	(121,874)
Operating profit/(loss) before working capital changes	<u>437,610</u>	<u>(36,264)</u>
Increase in receivables	(4,026,640)	(13,791,923)
Decrease in payables	<u>(1,235,599)</u>	<u>(6,997,958)</u>
Cash used in operations	(4,824,629)	(20,826,145)
Tax paid	-	(84,385)
Net cash used in operating activities	<u>(4,824,629)</u>	<u>(20,910,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(812,720)	(1,193,989)
Interest received	<u>7,871</u>	<u>121,874</u>
Net cash used in investing activities	<u>(804,849)</u>	<u>(1,072,115)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	38,632,975
Corporate exercise expenses	(346,453)	(1,540,518)
Repayment of term loans	(6,818,980)	-
Repayment of hire-purchase creditor	(20,187)	(60,724)
Interest paid	<u>(175,637)</u>	<u>(43,914)</u>
Net cash (used in)/generated from financing activities	<u>(7,361,257)</u>	<u>36,987,819</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(12,990,735)	15,005,174
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,762,866</u>	<u>(3,242,308)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>(1,227,869)</u>	<u>11,762,866</u>

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Cash and cash equivalents comprise:

	2002	2001
	RM	RM
Cash and bank balances	743,494	14,820,110
Bank overdrafts (Note 13)	<u>(1,971,363)</u>	<u>(3,057,244)</u>
	<u>(1,227,869)</u>	<u>11,762,866</u>

The accompanying notes are an integral part of this statement.

SMPC METAL INDUSTRIES BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 2002

1. PRINCIPAL ACTIVITIES AND GENERAL 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 these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of 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.

The number of employees in the Group and the Company at the end of the financial year were 334 (2001: 348) and 17 (2001: 9) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and 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 and the Company will continue as a going concern. During the year ended 31 January 2002, the Group and the Company incurred net losses of RM15,279,184 and RM 19,487,587 respectively and, as of that date, the Group's current liabilities exceeded its current assets by RM5,905,909. Also as disclosed in Note 13, certain term loans of the Group are due for repayment in the next financial year. As a result of these factors, the ability of the Group and the Company to continue as a going concern is dependent on the outcome of the negotiations with financial institutions and the success of their future operations. The financial statements of the Group and the Company do not include any adjustment relating to the amounts and classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as a going concern.

(b) Revenue Recognition

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

(c) Basis of Consolidation

Consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Companies acquired or disposed are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Subsidiaries are consolidated using the acquisition method of accounting.

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 differences between the cost of an acquisition over the fair value of the Group's share of 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 and is amortised or credited to income statement over 10 years. Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

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.

(d) Investments

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

Investment in marketable securities held on short term basis is stated at the lower of cost and market value on an aggregate basis. Cost is determined on the weight 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 net disposal and its carrying amount is charged or credited to the income statement.

(e) Currency Conversion and Translation

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

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

	2002	2001
	RM	RM
United States Dollar	3.80	3.80
Singapore Dollar	2.07	2.22

(f) 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 on a straight line basis calculated to write off the cost or valuation of each asset over its 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%

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

The carrying value of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

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 previously recognised revaluation surplus for the same assets.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and 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 assets was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(g) Inventories

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

(h) Deferred Taxation

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

(i) Finance Lease and Hire-Purchase

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

The Group recognises finance leases as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property, plant and equipment or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expenses for the asset as well as a finance expense for each accounting period. The depreciation policy for leased asset is consistent with that for depreciable property, plant and equipment as disclosed in Note 2(f).

(j) Retirement Benefits

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

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

(k) Intangible Assets

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

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash 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.

(m) Borrowings

Interest on borrowings is charged to income statements as and when incurred.

(n) Trade and Other Receivables

Trade and other receivables are carried at anticipated net realisable value. 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.

(o) Land Leased to a Third Party

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery, fittings, equipment, renovation and motor vehicles RM	Capital work-in- progress RM	Total RM
Cost/Valuation					
At 1 February 2001	44,729,733	30,116,396	71,699,469	1,135,007	147,680,605
Additions	210,459	-	2,663,803	407,045	3,281,307
Disposals	(100,620)	-	(677,058)	-	(777,678)
Write off	-	-	(3,850)	-	(3,850)
Reclassification	-	-	879,727	(879,727)	-
At 31 January 2002	<u>44,839,572</u>	<u>30,116,396</u>	<u>74,562,091</u>	<u>662,325</u>	<u>150,180,384</u>
Representing:					
At cost	39,039,572	14,616,396	74,562,091	662,325	128,880,384
At valuation	5,800,000	15,500,000	-	-	21,300,000
	<u>44,839,572</u>	<u>30,116,396</u>	<u>74,562,091</u>	<u>662,325</u>	<u>150,180,384</u>
Accumulated depreciation and impairment losses					
At 1 February 2001	1,408,024	3,794,454	33,212,881	-	38,415,359
Charge for the year	490,978	515,039	4,978,313	-	5,984,330
Disposals	(4,863)	-	(625,386)	-	(630,249)
Write off	-	-	(1,444)	-	(1,444)
At 31 January 2002	<u>1,894,139</u>	<u>4,309,493</u>	<u>37,564,364</u>	<u>-</u>	<u>43,767,996</u>
Representing:					
At cost	1,894,139	2,355,386	37,564,364	-	41,813,889
At valuation	-	1,954,107	-	-	1,954,107
	<u>1,894,139</u>	<u>4,309,493</u>	<u>37,564,364</u>	<u>-</u>	<u>43,767,996</u>
Net Book Value					
At 31 January 2002					
At cost	37,145,433	12,261,010	36,997,727	662,325	87,066,495
At valuation	5,800,000	13,545,893	-	-	19,345,893
	<u>42,945,433</u>	<u>25,806,903</u>	<u>36,997,727</u>	<u>662,325</u>	<u>106,412,388</u>
At 31 January 2001					
At cost	37,521,709	12,517,716	38,486,588	1,135,007	89,661,020
At valuation	5,800,000	13,804,226	-	-	19,604,226
	<u>43,321,709</u>	<u>26,321,942</u>	<u>38,486,588</u>	<u>1,135,007</u>	<u>109,265,246</u>
Depreciation charge for 2001					
	402,534	515,038	4,664,685	-	5,582,257

Company	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery, fittings, equipment, renovation and motor vehicles RM	Capital work-in- progress RM	Total RM
Cost/Valuation					
At 1 February 2001	10,134,636	26,283,763	2,638,277	808,990	39,865,666
Additions	-	-	812,720	-	812,720
Reclassification	-	-	808,990	(808,990)	-
At 31 January 2002	10,134,636	26,283,763	4,259,987	-	40,678,386
Representing:					
At cost	10,134,636	10,783,763	4,259,987	-	25,178,386
At valuation	-	15,500,000	-	-	15,500,000
	10,134,636	26,283,763	4,259,987	-	40,678,386
Accumulated depreciation and impairment losses					
At 1 February 2001	-	3,519,397	1,847,965	-	5,367,362
Charge for the year	-	438,386	365,275	-	803,661
At 31 January 2002	-	3,957,783	2,213,240	-	6,171,023
Representing:					
At cost	-	1,975,588	2,213,240	-	4,188,828
At valuation	-	1,982,195	-	-	1,982,195
	-	3,957,783	2,213,240	-	6,171,023
Net Book Value					
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
At 31 January 2001					
At cost	10,134,636	8,960,140	790,312	808,990	20,694,078
At valuation	-	13,804,226	-	-	13,804,226
	10,134,636	22,764,366	790,312	808,990	34,498,304
Depreciation charge for 2001					
	-	438,385	364,936	-	803,321

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

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Computer equipment	56,117	-	-	-
Crane and forklifts	-	564,307	-	-
Motor vehicles	996,039	832,499	73,100	94,218
	<u>1,052,156</u>	<u>1,396,806</u>	<u>73,100</u>	<u>94,218</u>

- (b) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM3,281,307 (2001: RM2,852,086) and RM812,720 (2001: RM1,291,456) respectively of which RM513,888 (2001: RM316,467) and RM Nil (2001: RM97,467) respectively were acquired by means of hire-purchase arrangements.
- (c) The net book value of property, plant and equipment pledged to financial institutions for bank borrowings as referred to in Notes 13 and 20 are as follows:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Freehold land	21,025,487	21,025,487	10,134,636	10,134,636
Buildings	21,197,891	22,117,713	-	-
	<u>42,223,378</u>	<u>43,143,200</u>	<u>10,134,636</u>	<u>10,134,636</u>

- (d) Included in property, plant and equipment of the Group and the Company are fully depreciated assets which are still in use costing RM8,105,803 (2001: RM5,793,386) and RM1,075,659 (2001: RM788,958) respectively.
- (e) 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 as at the end of the financial year would be as follows:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Freehold land	4,865,381	4,865,381	-	-
Short term leasehold land and buildings	5,134,900	5,281,883	5,134,900	5,281,883
	<u>10,000,281</u>	<u>10,147,264</u>	<u>5,134,900</u>	<u>5,281,883</u>

- (f) Included in property, plant and equipment of the Group is a freehold land costing RM930,053 (2001:RM930,053) that has been leased to a third party as disclosed in Note 16.

4. INTANGIBLE ASSETS

	Group	
	2002	2001
	RM	RM
Pre-trading expenses	-	530,127
Licence fee	152,800	152,800
	<u>152,800</u>	<u>682,927</u>
Less: Accumulated amortisation	(152,800)	(632,655)
	<u>-</u>	<u>50,272</u>

5. SUBSIDIARIES

	Company	
	2002	2001
	RM	RM
Unquoted shares, at cost	39,296,576	42,645,658
Less: Provision for diminution in value	(19,356,930)	-
	<u>19,939,646</u>	<u>42,645,658</u>

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

	Effective interest		
	2002	2001	Principal activities
	%	%	
SMPC Industries Sdn. Bhd. (formerly known as SMPC Steel Service Centre Sdn. Bhd.)	100	100	Metal sheet and coil processing centre with main services in shearing, down-shearing, slitting and steel strapping.
Syarikat Perkilangan Besi Gaya Sdn. Bhd.	100	100	Drawing, straightening and cutting of iron rods and wire related products.
SMPC Marketing Sdn. Bhd.	100	100	Trading in building materials, hardware items and mining requisites.
Progerex Sdn. Bhd. (wholly owned by SMPC Marketing Sdn. Bhd.)	100	100	Shredding, processing and trading of ferrous and non-ferrous scrap metals.
Edit Systems (M) Sdn. Bhd.	70	70	Operation of an educational institution.
Besi Gaya (Klang) Sdn. Bhd. (a subsidiary of Syarikat Perkilangan Besi Gaya Sdn. Bhd.)	51	51	Manufacture of steel stirrups for the construction industry.
Duro Metal Industrial (M) Sdn. Bhd.*	100	100	Manufacture of steel roofing, wall cladding sheets and other steel related products and provision of related services.
Duro Structural Products Sdn. Bhd. * (a subsidiary of Duro Metal Industrial (M) Sdn. Bhd.)	70	70	Trading in steel roofing and manufacturing of floor decks and structures for steel roofing and wall cladding.
Duro Marketing Sdn. Bhd.* (wholly owned by Duro Metal Industrial (M) Sdn. Bhd.)	100	100	Trading in steel roofing, construction material and provision of related services.

* Audited by affiliate of Arthur Andersen & Co.

6. OTHER INVESTMENT

Group and Company	2002	2001
	RM	RM
Unquoted shares, at cost	299,838	299,838
Less: Provision for diminution in value	<u>(299,838)</u>	<u>(299,838)</u>
	<u>-</u>	<u>-</u>

7. GOODWILL/(RESERVE) ON CONSOLIDATION

	Group	
	2002	2001
	RM	RM
Goodwill on consolidation	7,575,324	7,575,324
Less: Return of cost arising from profit guarantee	<u>(4,191,144)</u>	<u>(842,062)</u>
	3,384,180	6,733,262
Less: Accumulated amortisation	<u>(879,974)</u>	<u>(189,383)</u>
	<u>2,504,206</u>	<u>6,543,879</u>
Reserve on consolidation	(7,963,802)	(7,963,802)
Less: Accumulated amortisation	<u>4,911,010</u>	<u>4,114,630</u>
	<u>(3,052,792)</u>	<u>(3,849,172)</u>
	<u>(548,586)</u>	<u>2,694,707</u>

8. INVENTORIES

	Group	
	2002	2001
	RM	RM
At cost:		
Raw materials	18,155,375	27,359,104
Work-in-progress	118,763	-
Finished goods	7,089,027	312,718
Trading goods	13,541,935	10,257,232
Consumables	<u>146,184</u>	<u>103,661</u>
	<u>39,051,284</u>	<u>38,032,715</u>
At net realisable value:		
Raw materials	36,406	-
Finished goods	533,693	4,250,283
Trading goods	<u>149,796</u>	<u>3,247,176</u>
	<u>719,895</u>	<u>7,497,459</u>
	<u>39,771,179</u>	<u>45,530,174</u>

9. TRADE RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Due from subsidiaries	-	-	660,709	-
Due from related parties	15,274,517	14,150,226	296,596	313,500
Due from a company related to minority corporate shareholder of a subsidiary	-	175,369	-	-
Third parties	71,531,641	74,502,803	-	-
	<u>86,806,158</u>	<u>88,828,398</u>	<u>957,305</u>	<u>313,500</u>
Less: Provision for doubtful debts	(12,301,969)	(11,490,491)	-	-
	<u>74,504,189</u>	<u>77,337,907</u>	<u>957,305</u>	<u>313,500</u>

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

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

10. OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Due from subsidiaries	-	-	18,596,311	14,100,159
Deposits	403,749	429,548	55,657	20,706
Prepayments	1,127,338	556,147	-	-
Tax recoverable	1,788,938	1,388,369	84,385	84,385
Sundry receivables	4,624,416	2,537,037	3,447,115	843,141
	<u>7,944,441</u>	<u>4,911,101</u>	<u>22,183,468</u>	<u>15,048,391</u>
Less: Provision for doubtful debts	(33,732)	(33,732)	-	-
	<u>7,910,709</u>	<u>4,877,369</u>	<u>22,183,468</u>	<u>15,048,391</u>

The amounts due from subsidiaries carries an interest of 4% (2001: 8% to 10%) per annum, is unsecured and has no fixed term of repayment.

Included in sundry receivables of the Group and the Company is an amount of RM3,349,082 (2001: RM842,062) receivable from the previous shareholders (vendors) of Duro Metal Industrial (M) Sdn. Bhd., which was acquired in the previous financial year. 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 current financial year.

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

11. SHORT TERM INVESTMENT

	Group	
	2002	2001
	RM	RM
Quoted unit trust in Malaysia:		
At cost	<u>166,538</u>	<u>165,537</u>
At market value	<u>147,804</u>	<u>272,706</u>
Lower of cost or market value	<u>147,804</u>	<u>165,537</u>

12. CASH AND BANK BALANCES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Cash on hand and at bank	3,747,695	17,678,442	743,494	14,820,110
Deposits with licensed banks	<u>1,291,967</u>	<u>315,359</u>	<u>-</u>	<u>-</u>
	<u>5,039,662</u>	<u>17,993,801</u>	<u>743,494</u>	<u>14,820,110</u>

Deposits with licensed banks of the Group amounting to RM1,291,967 (2001: RM265,217) are pledged to banks for bank guarantee facilities granted to certain subsidiaries as referred to in Note 13.

13. SHORT TERM BORROWINGS

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Secured				
Bank overdrafts	13,467,270	12,704,770	-	1,052,855
Bankers' acceptances	26,465,186	2,279,255	-	-
Trust receipts	452,476	1,569,826	-	-
Short term loan	13,585,842	-	-	-
Term loans repayable within 12 months (Note 20)	4,137,443	7,670,527	-	6,818,980
Hire-purchase and lease payables (Note 14)	294,440	562,531	36,377	15,919
	<u>58,402,657</u>	<u>24,786,909</u>	<u>36,377</u>	<u>7,887,754</u>
Unsecured				
Bank overdrafts	7,829,425	9,390,435	1,971,363	2,004,389
Bankers' acceptances	13,876,000	31,897,713	-	-
Trust receipts	1,047,985	-	-	-
Revolving credit	12,568,922	12,836,575	-	-
Short term loan	-	13,452,546	-	-
Term loans repayable within 12 months (Note 20)	-	1,200,000	-	-
	<u>35,322,332</u>	<u>68,777,269</u>	<u>1,971,363</u>	<u>2,004,389</u>
Total	<u>93,724,989</u>	<u>93,564,178</u>	<u>2,007,740</u>	<u>9,892,143</u>

The secured bank borrowings of the Group and the Company are secured by certain assets of the Group and the Company as disclosed in Notes 3, 12 and 20.

In addition, the bank borrowings of the subsidiaries are guaranteed by the Company.

The short term borrowings bear interest ranging from 3.20% to 8.40% (2001: 3.20% to 8.80%) per annum.

Certain term loans of the Group are due for repayment in the next financial year. The Group is currently negotiating with the financial institutions to restructure the repayment of these term loans.

14. HIRE PURCHASE AND LEASE PAYABLES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Future minimum payments:				
Payable within one year	486,414	633,031	24,948	24,948
Payable between one and five years	474,352	390,444	39,454	64,402
	<u>960,766</u>	<u>1,023,475</u>	<u>64,402</u>	<u>89,350</u>
Less: Finance charges	<u>(177,580)</u>	<u>(204,448)</u>	<u>(12,300)</u>	<u>(17,061)</u>
	<u>783,186</u>	<u>819,027</u>	<u>52,102</u>	<u>72,289</u>
Representing hire-purchase and lease liabilities:				
Due within 12 months (Note 13)	294,440	562,531	36,377	15,919
Due after 12 months (Note 20)	488,746	256,496	15,725	56,370
	<u>783,186</u>	<u>819,027</u>	<u>52,102</u>	<u>72,289</u>

The hire-purchase and lease bear interests of between 4.75% and 8.60% (2001: 4.75% and 7.00%) per annum.

15. TRADE PAYABLES

	Group	
	2002	2001
	RM	RM
Third parties	34,604,362	35,855,469
Related parties	4,000	554,386
	<u>34,608,362</u>	<u>36,409,855</u>

The related parties refer to Euro Dexon Sdn. Bhd. and Pitchai Metal Sdn. Bhd., companies in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests.

16. OTHER PAYABLES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Prepayment of lease rental	1,408,226	1,468,574	-	-
Sundry payables	966,484	3,353,300	37,036	236,572
Accrued interest on bank borrowings	1,591,842	2,662,302	-	847,430
Other accruals	654,436	792,795	140,738	329,371
	<u>4,620,988</u>	<u>8,276,971</u>	<u>177,774</u>	<u>1,413,373</u>

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

Included in sundry payables of the Group and the Company are balances amounting to RM1,232 (2001: RM345,430) and RM Nil (2001: RM117,874) respectively due to Euro Dexon Sdn. Bhd. and SM Pitchai Chettiar Sdn. Bhd. (2001: Pitchai Metal Sdn. Bhd., Eminent Euro Sdn. Bhd. and SM Pitchai Chettiar Sdn. Bhd.), companies in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests.

17. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2002	2001	2002	2001
			RM	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	<u>54,576,965</u>	<u>54,576,965</u>	<u>54,576,965</u>	<u>54,576,965</u>

18. RESERVES

Included in the reserves of the Company is a capital reserve amounting to RM7,445,000 (2001: RM7,445,000) representing the excess of sales consideration over the carrying amount of the net assets transferred to a subsidiary.

19. RETIREMENT BENEFITS

	Group	
	2002	2001
	RM	RM
At beginning of year	527,602	504,279
Charged to income statement	28,480	129,095
Utilised during the year	(266,930)	(105,772)
At end of year	<u>289,152</u>	<u>527,602</u>

20. LONG TERM BORROWINGS

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Term loans, secured	44,639,909	49,067,000	-	6,818,980
Due within 12 months (Note 13)	<u>(4,137,443)</u>	<u>(7,670,527)</u>	-	<u>(6,818,980)</u>
Due after 12 months	40,502,466	41,396,473	-	-
Hire-purchase and lease payables due after 12 months (Note 14)	<u>488,746</u>	<u>256,496</u>	<u>15,725</u>	<u>56,370</u>
	<u>40,991,212</u>	<u>41,652,969</u>	<u>15,725</u>	<u>56,370</u>
Term loans, unsecured	-	4,400,000	-	-
Due within 12 months (Note 13)	<u>-</u>	<u>(1,200,000)</u>	<u>-</u>	<u>-</u>
Due after 12 months	-	3,200,000	-	-
	<u>40,991,212</u>	<u>44,852,969</u>	<u>15,725</u>	<u>56,370</u>

The term loans bear interest at rates ranging from 7.40% to 8.80% (2001: 8.3%) per annum.

The securities for the secured term loans are disclosed in Notes 3 and 13. In addition, term loans of a subsidiary amounting to RM2,558,196 (2001: RM3,232,613) are guaranteed by Kumpulan Pitchai Sdn. Bhd., a substantial corporate shareholder and certain directors of the subsidiary.

21. DEFERRED TAXATION

	Group	
	2002	2001
	RM	RM
At 1 February	596,000	511,000
Deferred taxation on acquisition of subsidiaries	-	294,000
Transfer from/(to) income statement (Note 28)	<u>200,000</u>	<u>(209,000)</u>
At 31 January	<u>796,000</u>	<u>596,000</u>

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

Deferred taxation amounting to RM400,230 (2001: RM400,230) is not provided on the surplus arising from the revaluation of freehold land and leasehold land and buildings as it is not the intention of the directors to dispose these properties.

22. REVENUE

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Revenue comprise:				
Sale of goods	217,528,024	245,212,191	-	-
Tuition fees	883,349	717,670	-	-
Rental of industrial and commercial assets	-	216,000	1,661,832	1,714,356
Management consultancy fees	-	103,800	692,000	557,800
	<u>218,411,373</u>	<u>246,249,661</u>	<u>2,353,832</u>	<u>2,272,156</u>

23. OTHER OPERATING INCOME

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Included in other operating income are:				
Amortisation of reserve on consolidation	796,380	796,380	-	-
Debts waived by banks	-	7,123,735	-	2,279,972
Gain on disposal of property, plant and equipment	314,270	299,999	-	-
Lease rental income	65,268	60,348	-	-
Other rental income	3,000	1,500	-	-
Provision for doubtful debts written back	2,787	481,154	-	-
Realised gain on foreign exchange	3,055	23,986	-	-
Unrealised gain on foreign exchange	-	11,442	-	-
	<u>-</u>	<u>11,442</u>	<u>-</u>	<u>-</u>

24. STAFF COSTS

Included in staff costs of the Group and the Company are remuneration paid to directors of the Group and the Company amounting to RM1,237,944 (2001: RM933,744) and RM562,260 (2001: RM440,480) respectively.

25. OTHER OPERATING EXPENSES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Included in other operating expenses are:				
Amortisation of goodwill				
on consolidation	690,591	189,383	-	-
Amortisation of intangible assets	50,272	169,407	-	-
Auditors' remuneration				
- statutory audits	107,700	93,125	11,000	11,000
- other services	49,055	48,550	17,800	17,800
Bad and doubtful debts	828,935	2,443,757		-
Directors' fees	79,000	174,000	79,000	174,000
Provision for retirement benefits	28,480	129,095	-	-
Property, plant and equipment written off	2,406	40,893	-	-
Provision for diminution in value				
of investments	18,734	299,838	19,356,930	299,838
Realised loss on foreign exchange	29,532	4,410	-	-
Unrealised loss on foreign exchange	46,432	-	-	-
Rental expense				
- buildings	521,078	460,201	21,500	-
- other property, plant and equipment	727,433	12,608	-	-
Inventories written down to net				
realisable value	91,308	2,744,890	-	-
Bad debts written off	28,473	-	-	-

26. DIRECTORS' REMUNERATION

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	910,500	755,980	562,260	419,980
Bonus	-	20,500	-	20,500
Benefits-in-kind	34,900	-	-	-
	<u>945,400</u>	<u>776,480</u>	<u>562,260</u>	<u>440,480</u>
Non-executive:				
Fees	<u>79,000</u>	<u>174,000</u>	<u>79,000</u>	<u>174,000</u>
Other directors				
Executive:				
Salaries and other emoluments	307,444	148,264	-	-
Bonus	20,000	9,000	-	-
	<u>327,444</u>	<u>157,264</u>	<u>-</u>	<u>-</u>
Total	<u>1,351,844</u>	<u>1,107,744</u>	<u>641,260</u>	<u>614,480</u>
Total excluding benefits-in-kind	<u>1,316,944</u>	<u>1,107,744</u>	<u>641,260</u>	<u>614,480</u>

The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

	Number of Directors	
	2002	2001
Executive directors:		
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	1	2
RM150,001 - RM200,000	3	3
RM200,001 - RM250,000	1	-
Non-executive directors:		
Below RM50,000	5	4
RM50,001- RM100,000	<u>-</u>	<u>1</u>

27. FINANCE COST, NET

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Included in finance cost are:				
Interest expense on borrowings	(9,920,289)	(11,358,087)	(175,637)	(891,344)
Interest income:				
- deposits	31,739	126,539	7,871	121,874
- subsidiaries	-	-	403,160	-
- others	<u>57,304</u>	<u>159,656</u>	<u>-</u>	<u>-</u>

28. TAXATION

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Current year income tax provision	169,017	572,000	-	-
Transfer to/(from) deferred taxation (Note 21)	200,000	(209,000)	-	-
Overprovision of taxation in respect of prior year	<u>-</u>	<u>(503,404)</u>	<u>-</u>	<u>(313,072)</u>
	<u>369,017</u>	<u>(140,404)</u>	<u>-</u>	<u>(313,072)</u>

The effective rate of taxation of the Group is higher than the statutory rate of taxation principally due to losses of certain subsidiaries which cannot be set off against profits made by other companies in the Group as no group relief are available.

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

As at 31 January 2002, the Company has unabsorbed tax losses and unutilised capital allowances of approximately RM838,000 (2001: RM1,427,000) and RM5,282,000 (2001: RM4,219,000) respectively which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

As at 31 January 2002, the Company has a potential deferred tax benefit of approximately RM942,000 (2001: RM1,044,000) 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.

29. (LOSS)/EARNINGS PER SHARE

(a) Basic:

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

	Group	
	2002	2001
	RM	RM
Net (loss)/profit attributable to shareholders	(15,279,184)	959,664
Weighted average number of ordinary shares in issue	54,576,965	28,774,439
Basic (loss)/earnings per share (sen)	<u>(28.0)</u>	<u>3.3</u>

(b) Diluted:

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

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

	Group	
	2002	2001
	RM	RM
Net (loss)/profit attributable to shareholders	<u>(15,279,184)</u>	<u>959,664</u>
Weighted average number of ordinary shares in issue	54,576,965	28,774,439
Adjusted for:		
Assumed exercise of ESOS	<u>384,827</u>	<u>-</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>54,961,792</u>	<u>28,774,439</u>
Diluted loss per share (sen)	<u>27.8</u>	

The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that the ESOS were exercised at the date of approval.

No diluted earnings per share is computed for the last financial year as there were no dilutive potential ordinary shares as at the end of the last financial year.

30. PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the prior years' duties payable arising from export sales by a subsidiary not taken up in prior years. This has the effect of decreasing the profit before taxation by RM1,140,364 for the year ended 2001 for the Group.

The effects relating to periods prior to 2001 of RM372,727 for the Group has been adjusted against the opening accumulated losses for the year ended 31 January 2001.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2002	2001
	RM	RM
Sales to:		
- Pitchai Metal Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests	3,647,389	11,653,844
- Euro Dexon Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests	1,442,185	2,361,193
- Yee Hup Construction Co., a company in which a director of a subsidiary i.e. Cheng Kien Wing is a common director	2,495,921	2,071,359
- Chuan Wooi Development Sdn. Bhd., a company related to Chuan Wooi Development and Engineering Sdn. Bhd., a corporate shareholder of a subsidiary	-	135,293
Purchases from:		
- Pitchai Metal Sdn. Bhd.	-	9,969,427
- Eminent Euro Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests	-	25,604
- Euro Dexon Sdn. Bhd.	451,625	3,684
Corporate service charges received from:		
- Pitchai Metal Sdn. Bhd.	-	61,200
- Euro Dexon Sdn. Bhd.	-	30,600

	Group	
	2002	2001
	RM	RM
Rental income received from:		
- Pitchai Metal Sdn. Bhd.	-	198,000
- SM Pitchai Chettiar Sdn. Bhd., a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests	-	6,000
- Kumpulan Pitchai Sdn. Bhd., a substantial corporate shareholder and a company in which certain directors i.e. Machendran a/l Pitchai Chetty, Ramakrishnan a/l Thangasamy Chettiar and Dhanabalan a/l M. Pitchai Chetty have substantial interests	-	12,000
Rental expense paid to:		
- Pitchai Metal Sdn. Bhd.	950,500	-
- SM Pitchai Chettiar Sdn. Bhd.	223,500	282,000
Software maintenance fees received from Pitchai Metal Sdn. Bhd.	<u>-</u>	<u>12,000</u>
	Company	
	2002	2001
	RM	RM
Rental income received from:		
- subsidiaries	1,661,832	1,498,356
- related companies	-	216,000
Management consultancy fees received from:		
- subsidiaries	692,000	454,000
- related companies	<u>-</u>	<u>103,800</u>

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

32. CAPITAL COMMITMENT

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Property, plant and equipment:				
Approved and contracted for	<u>234,000</u>	<u>791,010</u>	<u>-</u>	<u>791,010</u>

33. CONTINGENT LIABILITIES

Unsecured	2002	2001
Group and Company		
Guarantee for loan facilities given to Vinanic Steel Processing Company (Vietnam), an investee company	USD266,833	USD266,833
Company		
Guarantee for banking facilities given to subsidiaries	RM87,100,986	RM121,906,643
Guarantee for trade facilities given to subsidiaries	<u>RM38,766,240</u>	<u>RM14,267,610</u>

The directors are of the view that the likelihood that the above guarantees will be called upon is not probable and as such no provision has been set aside.

34. SEGMENTAL ANALYSIS

	Turnover	Profit/(Loss)	Total Assets
	RM	Before	Employed
2002		Taxation	RM
		RM	
Investment holding	2,353,832	298,028	73,706,688
Manufacturing	123,135,967	(15,547,949)	115,028,072
Trading	113,047,786	508,646	45,195,734
Education	<u>883,549</u>	<u>(17,497)</u>	<u>(144,563)</u>
	239,421,134	(14,758,772)	233,785,931
Consolidation adjustments	<u>(21,009,761)</u>	-	-
	<u>218,411,373</u>	<u>(14,758,772)</u>	<u>233,785,931</u>
2001			
Investment holding	2,272,156	799,764	81,467,554
Manufacturing	104,395,076	(21,251)	129,630,781
Trading	143,826,189	18,466	46,962,394
Education	<u>732,670</u>	<u>(43,339)</u>	<u>(145,716)</u>
	251,226,091	753,640	257,915,013
Consolidation adjustments	<u>(4,976,430)</u>	-	-
	<u>246,249,661</u>	<u>753,640</u>	<u>257,915,013</u>

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.

35. CURRENCY

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

36. COMPARATIVE FIGURES

Certain comparative figures has been adjusted resulting from the prior year adjustment as follows:

	Group	As previously stated RM
	As restated RM	
Other payables	8,276,971	6,763,880
Other operating expenses	<u>21,166,788</u>	<u>20,026,424</u>