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

Directors' Report and Audited Financial Statements
31 January 2005

79082 V

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 JANUARY 2005

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SMPC CORPORATION BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2005.

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 13 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year except as disclosed in Note 13 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Profit/(loss) after taxation	2,952,753	(18,267)
Minority interests	(407,372)	-
Net profit/(loss) for the year	2,545,381	(18,267)

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	
Sanmarkan a/l T.S. Gananpathi	
Nagarajan a/l Thambiah	(resigned on 20 December 2004)
Mohd Shahril Fitri Bin Hashim	(appointed on 20 December 2004)
Ahmad Bin Darus	(appointed on 20 December 2004)
Sudesh a/l K.V. Sankaran	(appointed on 20 December 2004)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the warrants and share options granted under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

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

	← Number of Ordinary Shares of RM1 Each →			
The Company	**1 February 2004**	**Bought**	**Sold**	**31 January 2005**
Direct Interest				
Machendran a/l Pitchai Chetty	265,347	-	-	265,347
Sudesh a/l K.V. Sankaran	-	2,000	-	2,000
Indirect Interest				
Machendran a/l Pitchai Chetty*	13,706,529	1,500,000	-	15,206,529
Dhanabalan a/l M. Pitchai Chetty*	13,706,529	1,500,000	-	13,706,529

DIRECTORS' INTERESTS (CONTD.)

The Company	Number of Warrants 1 February 2004	Bought	Sold/ Exercised	31 January 2005
Direct interest				
Machendran a/l Pitchai Chetty	95,000	-	-	95,000
Indirect Interest				
Machendran a/l Pitchai Chetty*	1,324,666	-	-	1,324,666
Dhanabalan a/l M. Pitchai Chetty*	1,324,666	-	-	1,324,666

The Company	Number of Options over Ordinary Shares of RM1 Each 1 February 2004	Granted	Exercised	31 January 2005
Machendran a/l Pitchai Chetty	403,560	-	-	403,560
Ibrahim Hussain	358,720	-	-	358,720
Dhanabalan a/l M. Pitchai Chetty	358,720	-	-	358,720

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

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

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

WARRANTS AND SHARE OPTIONS

No options were granted to any person to take up unissued shares of the Company during the year apart from the warrants and options granted under the Employee Share Options Scheme ("ESOS").

The Company had on 28 August 2000 executed a Deed Poll in relation to the creation and issuance of up to 14,999,500 Warrants ("Warrants"), each of such warrant giving the Warrant Holder an option to subscribe for one (1) new ordinary share of RM1.00 in the share capital of the Company. The said Deed Poll contains an express provision to extend the exercise period of the warrants. The exercise price of Warrants is RM1.75 and is subject to adjustment under the terms and conditions as set out in the Deed Poll. The existing exercise period is 5 years commencing from and including the date of issue of the Warrants, i.e. 22 November 2000 and ending on and inclusive of 21 November 2005 and falling on a Market Day. 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 and amended in October 2003.

The main features of the ESOS are as follows:

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

(b) The eligible persons are employees and executive directors of the Group having at least one (1) year of service with the Group. The eligibility for participation in the ESOS shall be at absolute discretion of the ESOS's Committee.

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

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

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

(f) The shares to be allotted upon any exercise of the option will upon allotment, rank pari passu in all respects with the existing shares of the Company.

As at 31 January 2005, the details of the share options are as follows:

Year granted	Option Price	Balance as at 1 February 2004	Granted	Exercised	Balance as at 31 January 2005
2002	RM1.00	4,484,000	-	-	4,484,000

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts for the Group had been written off and that adequate provision had been made for doubtful debts in the financial statements of the Group and there were no known bad debts and that no provision for doubtful debts is required in the financial statements of the Company; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:

   (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent nor are they aware of any circumstances that would require any debt to be written off as bad debts or provided for as doubtful debts in the financial statements of the Company; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, except as could arise from the acquisition of SMPC Industries (India) Private Limited, as disclosed in Note 32 to the financial statement.

AUDITORS

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

Signed in accordance with a resolution of the directors:

MACHENDRAN A/L PITCHAI CHETTY IBRAHIM HUSSAIN

Penang, Malaysia
Date: 30 May 2005

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

We, MACHENDRAN A/L PITCHAI CHETTY and IBRAHIM HUSSAIN, being two of the directors of SMPC CORPORATION BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 57 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 January 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

MACHENDRAN A/L PITCHAI CHETTY IBRAHIM HUSSAIN

Penang, Malaysia
Date: 30 May 2005

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

I, IBRAHIM HUSSAIN, being the Director primarily responsible for the financial management of SMPC CORPORATION BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 57 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed IBRAHIM HUSSAIN
at Georgetown in the State of Penang
on 30 May 2005 : IBRAHIM HUSSAIN

Before me,

Commissioner for Oaths

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

We have audited the accompanying financial statements set out on pages 11 to 57. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

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

    (i) the financial position of the Group and of the Company as at 31 January 2005 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.

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

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

LIM FOO CHEW
No. 1748/01/06(J)
Partner

Penang, Malaysia
Date: 30 May 2005

SMPC CORPORATION BHD.
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INCOME STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

		GROUP		COMPANY	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	299,727,129	267,715,200	4,803,577	4,303,418
Other operating income	4	2,517,513	2,093,965	-	5,999
Debt waived by a financial institution		-	10,586,019	-	-
Changes in inventories of work in progress, trading inventories and finished goods		4,537,415	(2,446,061)	-	-
Raw materials and consumables used		(102,887,494)	(104,156,398)	-	-
Trading goods purchased		(157,534,971)	(123,663,100)	-	-
Staff costs	5	(11,805,781)	(11,422,841)	(2,139,090)	(1,780,071)
Depreciation		(6,439,142)	(6,084,400)	(1,166,203)	(1,043,336)
Other operating expenses	7	(17,026,824)	(18,519,531)	(1,451,375)	(1,286,684)
Profit from operations		11,087,845	14,102,853	46,909	199,326
Finance costs, net	8	(8,400,446)	(7,897,304)	28,638	106,446
Profit before taxation		2,687,399	6,205,549	75,547	305,772
Taxation	9	265,354	(513,465)	(93,814)	14,826
Profit after taxation		2,952,753	5,692,084	(18,267)	320,598
Minority interests		(407,372)	(194,728)	-	-
Profit for the year		2,545,381	5,497,356	(18,267)	320,598
Earnings per share (sen)					
- Basic	10	3.94	9.70		
- Diluted	10	3.94	9.70		

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

SMPC CORPORATION BHD.
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BALANCE SHEETS
AS AT 31 JANUARY 2005

	Note	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	108,822,418	116,047,168	22,654,027	23,168,600
Intangible asset	12	2,230	28,894	-	-
Investments in subsidiaries	13	-	-	44,656,611	44,656,611
Other investment	14	-	-	-	-
Goodwill on consolidation	15	680,265	270,648	-	-
Deferred tax asset	28	-	28,000	-	-
		109,504,913	116,374,710	67,310,638	67,825,211
CURRENT ASSETS					
Inventories	16	35,705,068	29,128,923	-	-
Trade receivables	17	78,388,284	71,369,823	13,810,622	4,164,093
Other receivables	18	9,111,601	7,863,028	8,449,144	15,902,129
Short term investments	19	236,780	166,184	-	-
Cash and bank balances	20	4,811,868	5,567,941	415,393	417,839
		128,253,601	114,095,899	22,675,159	20,484,061
CURRENT LIABILITIES					
Provision for liabilities	21	7,988	13,572	-	-
Borrowings	22	93,639,326	89,245,808	787,203	956,143
Trade payables	24	24,704,744	32,849,636	-	-
Other payables	25	3,934,332	7,221,330	1,093,342	277,168
Taxation		343,854	579,823	-	13,011
		122,630,244	129,910,169	1,880,545	1,246,322
NET CURRENT ASSETS/ (LIABILITIES)		5,623,357	(15,814,270)	20,794,614	19,237,739
		115,128,270	100,560,440	88,105,252	87,062,950

SMPC CORPORATION BHD.
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BALANCE SHEETS (CONTD.)
AS AT 31 JANUARY 2005

		GROUP		COMPANY	
	Note	**2005**	**2004**	**2005**	**2004**
		RM	**RM**	**RM**	**RM**
FINANCED BY:					
Share capital	26	64,644,965	64,644,965	64,644,965	64,644,965
Reserves	27	14,692,756	12,147,375	20,011,850	20,030,117
Shareholders' equity		79,337,721	76,792,340	84,656,815	84,675,082
Minority interests		1,319,552	912,180	-	-
		80,657,273	77,704,520	84,656,815	84,675,082
Provision for liabilities	21	138,399	126,427	-	-
Borrowings	22	18,190,268	20,123,789	2,065,059	959,664
Trade payable	24	14,106,552	-	-	-
Deferred tax liabilities	28	2,035,778	2,605,704	1,383,378	1,428,204
Non-current liabilities		34,470,997	22,855,920	3,448,437	2,387,868
		115,128,270	100,560,440	88,105,252	87,062,950

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

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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2005

			← Non-Distributable →				
			← Reserves		→		
GROUP	**Note**	**Share Capital RM**	**Share Premium RM**	**Revaluation Reserve RM**	**Accumulated Losses RM**	**Total Reserves RM**	**Total RM**
At 1 February 2003		54,644,965	23,802,205	5,763,313	(22,864,999)	6,700,519	61,345,484
Issue of share capital	26	10,000,000	-	-	-	-	10,000,000
Share issue expenses, representing net loss not recognised in the income statement		-	(50,500)	-	-	(50,500)	(50,500)
Net profit for the year		-	-	-	5,497,356	5,497,356	5,497,356
At 31 January 2004		64,644,965	23,751,705	5,763,313	(17,367,643)	12,147,375	76,792,340
At 1 February 2004		64,644,965	23,751,705	5,763,313	(17,367,643)	12,147,375	76,792,340
Net profit for the year		-	-	-	2,545,381	2,545,381	2,545,381
At 31 January 2005		64,644,965	23,751,705	5,763,313	(14,822,262)	14,692,756	79,337,721

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

SMPC CORPORATION BHD.
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STATEMENTS OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2005

			← Non-Distributable →					
			← Reserves →					
COMPANY	**Note**	**Share Capital**	**Share Premium**	**Capital Reserve (Note 27)**	**Revaluation Reserve**	**Accumulated Losses**	**Total Reserves**	**Total**
		RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 February 2003		54,644,965	23,802,205	7,445,000	5,763,313	(17,250,499)	19,760,019	74,404,984
Issue of share capital	26	10,000,000	-	-	-	-	-	10,000,000
Share issue expenses, representing net loss not recognised in the income statement		-	(50,500)		-	-	(50,500)	(50,500)
Net profit for the year		-	-		-	320,598	320,598	320,598
At 31 January 2004		64,644,965	23,751,705	7,445,000	5,763,313	(16,929,901)	20,030,117	84,675,082
At 1 February 2004		64,644,965	23,751,705	7,445,000	5,763,313	(16,929,901)	20,030,117	84,675,082
Net profit for the year		-	-	-	-	(18,267)	(18,267)	(18,267)
At 31 January 2005		64,644,965	23,751,705	7,445,000	5,763,313	(16,948,168)	20,011,850	84,656,815

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

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2005

	GROUP		COMPANY	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	2,687,399	6,205,549	75,547	305,772
Adjustments for:				
Amortisation of goodwill on consolidation	386,763	386,763	-	-
Amortisation of intangible asset	26,664	26,664	-	-
Depreciation	6,439,142	6,084,400	1,166,203	1,043,336
Deposits written off	-	26,300	-	-
Interest expense	8,415,706	7,321,687	156,057	194,540
Impairment losses on property, plant and equipment	-	1,242,299	-	-
Pension costs - defined benefit plan	237,650	244,775	-	-
Provision for doubtful debts	6,041,156	3,249,991	-	-
Amortisation of reserve on consolidation	(796,380)	(796,380)	-	-
Debt waived by a financial institution	-	(10,586,019)	-	-
Gain on disposal of property, plant and equipment	(85,015)	(350,170)	(9,637)	(5,999)
Interest income	(15,260)	(14,905)	(184,695)	(317,121)
Provision for diminution in value of investments written back	-	(30,422)	-	-
Operating profit before working capital changes	23,337,825	13,010,532	1,203,475	1,220,528

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2005

	GROUP		COMPANY	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
(Increase)/decrease in receivables	(14,308,190)	330,166	(2,155,339)	173,861
(Increase)/decrease in inventories	(6,576,145)	11,909,264	-	-
Increase/(decrease) in payables	1,611,223	(8,016,174)	816,174	(101,816)
Cash generated from/(used in) operations	4,064,713	17,233,788	(135,690)	1,292,573
Retirement benefits paid	(231,262)	(372,928)	-	-
Tax paid	(512,541)	(179,719)	(189,856)	(336,989)
Net cash generated from/(used in) operating activities	3,320,910	16,681,141	(325,546)	955,584
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	15,260	14,905	184,695	317,121
Net increase in short term investments	(70,596)	-	-	-
Acquisition of property, plant and equipment	(1,904,725)	(10,385,358)	(275,996)	(56,560)
Proceeds from disposal of property, plant and equipment	3,670,398	509,827	34,003	6,000
Net cash (used in)/generated from investing activities	1,710,337	(9,860,626)	(57,298)	266,561
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(7,352,267)	(3,982,968)	(156,057)	(194,540)
Net changes in short term borrowings	10,492,874	804,362	-	-
Drawdown of term loans	1,557,590	18,000,000	1,557,590	-
Repayment of term loans	(4,330,012)	(22,918,162)	(806,614)	(769,584)
Repayment of hire purchase financing	(1,449,857)	(1,183,667)	(214,521)	(208,467)
Share issue expenses	-	(50,500)	-	(50,500)
Net cash (used in)/generated from financing activities	(1,081,672)	(9,330,935)	380,398	(1,223,091)

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2005

	GROUP		COMPANY	
	2005 RM	**2004 RM**	**2005 RM**	**2004 RM**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,949,575	(2,510,420)	(2,446)	(946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	(16,044,848)	(13,534,428)	417,839	418,785
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	(12,095,273)	(16,044,848)	415,393	417,839

Cash and cash equivalents comprise:

	2005 RM	**2004 RM**	**2005 RM**	**2004 RM**
Cash and bank balances (Note 20)	4,811,868	5,567,941	415,393	417,839
Bank overdrafts (Note 22)	(16,907,141)	(21,612,789)	-	-
Cash and cash equivalents	(12,095,273)	(16,044,848)	415,393	417,839

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

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2005

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 13.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 May 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except for the revaluation of certain land and buildings included within property, plant and equipment.

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

(b) Basis of Consolidation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Basis of Consolidation (Contd.)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

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

(c) Goodwill

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

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

(d) Investments in Subsidiaries

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment and Depreciation

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

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

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

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

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

(f) Inventories

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Cash and Cash Equivalents

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

(h) Leases

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

i. Hire purchase or finance leases

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

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

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

ii. Operating leases

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

(i) Provision for liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Income Tax

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

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

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

(k) Employee Benefits

i. Short term benefits

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

ii. Defined contribution plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Employee Benefits (Contd.)

iii. Defined benefit plans

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

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

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

iv. Equity compensation benefits

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

(l) Revenue Recognition

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

i. Sale of goods

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

ii. Tuition fees

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Revenue Recognition (Contd.)

iii. Rental income

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

iv. Management consultancy fees

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

(m) Foreign Currencies

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

	2005 RM	**2004 RM**
United States Dollar	3.80	3.80
Singapore Dollar	2.32	2.23

(n) Intangible Asset

Intangible asset consists of licence fee charged by the proprietor of the NIIT trademark for the usage of the NIIT name, design, copyright, software and technical know-how in connection with the operation of the computer education institution. The fee is amortised over a period of 3 years.

(o) Land Leased to a Third Party

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Impairment of Assets

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

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

(q) Financial Instruments

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

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

i. Other Non-Current Investments

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

ii. Short term investments

Short term investments are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of short term investments are recognised in the income statement. On disposal of short term investments, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

iii. Receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Financial Instruments (Contd.)

iv. Payables

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

v. Interest-Bearing Borrowings

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

vi. Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. REVENUE

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Sale of goods	299,421,993	267,311,800	-	-
Tuition fees	305,136	403,400	-	-
Rental of industrial and commercial assets	-	-	963,577	2,293,418
Management consultancy fees	-	-	3,840,000	2,010,000
	299,727,129	267,715,200	4,803,577	4,303,418

4. OTHER OPERATING INCOME

Included in other operating income are:

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Amortisation of reserve on consolidation	796,380	796,380	-	-
Bad debt recovered	-	1,136	-	-
Gain on disposal of property, plant and equipment	85,015	350,170	9,637	5,999
Lease rental income	-	2,460	-	-
Other rental income	80,512	70,548	-	-
Provision for doubtful debts written back	3,975	-	-	-
Provision for diminution in value of investments written back	-	30,422	-	-

5. STAFF COSTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Wages and salaries	9,407,580	9,516,810	1,833,566	1,546,925
Social security costs	59,633	136,515	7,931	5,311
Pension costs - defined contribution plans	714,395	636,627	240,707	182,446
Pension costs - defined benefit plan (Note 21)	237,650	244,775	-	-
Other staff related expenses	1,386,523	888,114	56,886	45,389
	11,805,781	11,422,841	2,139,090	1,780,071

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,638,560 (2004: RM1,462,080) and RM1,172,640 (2004: RM1,024,160) respectively as further disclosed in Note 6.

The number of employees in the Group and the Company at the end of the financial year was 381 (2003: 428) and 12 (2004: 14) respectively.

6. DIRECTORS' REMUNERATION

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,275,000	936,000	1,047,000	852,000
Bonus	-	71,000	-	71,000
Pension costs - defined contribution plans	153,000	101,160	125,640	101,160
	1,428,000	1,108,160	1,172,640	1,024,160
Non-executive:				
Fees	62,000	30,000	64,000	30,000
Other directors				
Executive:				
Salaries and other emoluments	144,000	303,000	-	-
Bonus	44,000	13,000	-	-
Pension costs - defined contribution plans	22,560	37,920	-	-
	210,560	353,920	-	-
Total	1,700,560	1,492,080	1,236,640	1,054,160
Analysed as:				
Total executive directors' remuneration (Note 5)	1,638,560	1,462,080	1,172,640	1,024,160
Total non-executive directors remuneration (Note 7)	62,000	30,000	64,000	30,000
Total directors' remuneration	1,700,560	1,492,080	1,236,640	1,054,160

6. DIRECTORS' REMUNERATION (CONTD.)

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

	Number of Directors 2005	2004
Executive directors:		
Below RM50,000	1	-
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	-	1
RM400,001 - RM450,000	1	1
RM450,001 - RM500,000	1	-
RM500,001 - RM550,000	1	-
Non-executive directors:		
Below RM50,000	6	3

7. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Amortisation of goodwill on consolidation	386,763	386,763	-	-
Amortisation of intangible asset	26,664	26,664	-	-
Auditors' remuneration				
- statutory audits	120,000	120,000	11,000	11,000
Deposits written off	-	26,300	-	-
Non-executive directors' remuneration (Note 6)	62,000	30,000	64,000	30,000
Impairment losses on property, plant and equipment	-	1,242,299	-	-
Provision for doubtful debts	6,041,156	3,249,991	-	-
Realised loss on foreign exchange	6,356	10,843	-	-
Rental expense				
- buildings	357,778	336,068	91,923	82,780
- other property, plant and equipment	361,683	762,410	-	-

8. FINANCE COSTS, NET

Included in finance costs are:

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Interest expense on borrowings	(8,415,706)	(7,321,687)	(156,057)	(194,540)
Interest income:				
- deposits	15,260	14,905	-	-
- subsidiaries	-	-	184,695	317,121

9. TAXATION

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Income tax:				
Income tax expense for the year	650,421	989,000	124,711	350,000
(Over)/underprovided of in prior years	(373,849)	(34,209)	13,929	-
	276,572	954,791	138,640	350,000
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	(317,771)	(223,826)	(44,826)	(174,826)
Overprovided in prior years	(224,155)	(217,500)	-	(190,000)
	(541,926)	(441,326)	(44,826)	(364,826)
	(265,354)	513,465	93,814	(14,826)

Domestic income tax is calculated at the statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

9. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

GROUP	2005 RM	2004 RM
Profit before taxation	2,687,399	6,205,549
Taxation at statutory tax rate of 28% (2004: 28%)	752,472	1,737,554
Effect of income subject to tax rate of 20%	(42,972)	(64,184)
Income not subject to tax	(879,286)	(1,737,416)
Expenses not deductible for tax purposes	1,738,432	2,309,444
Effect of utilisation of previously unrecognised tax losses and capital allowances	(1,495,918)	(537,127)
Effect of reinvestment allowance claimed during the year	-	(2,354,149)
Reversal of deferred tax liabilities arising from controlled transfer of property, plant and equipment	-	(713,748)
Deferred tax assets not recognised during the year	259,922	2,124,800
Overprovision of deferred tax in prior years	(224,155)	(217,500)
Overprovision of income tax expense in prior years	(373,849)	(34,209)
Tax expense for the year	(265,354)	513,465

COMPANY	2005 RM	2004 RM
Profit before taxation	75,547	305,772
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	21,153	85,616
Expenses not deductible for tax purposes	58,732	89,558
Underprovision of income tax expense in prior years	13,929	-
Overprovision of deferred tax in prior years	-	(190,000)
Tax expense for the year	93,814	(14,826)

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Tax savings recognised during the year arising from utilisation of tax losses brought forward from previous years	570,972	132,649	-	-

Tax losses are analysed as follows:

Unutilised tax losses carried forward	51,275,160	49,659,956	-	-

10. EARNINGS PER SHARE

(a) Basic:

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

	GROUP 2005	GROUP 2004
Net profit for the year (RM)	2,545,381	5,497,356
Weighted average number of ordinary shares in issue	64,644,695	64,644,695
Basic earnings per share (sen)	3.94	9.70

(b) Diluted:

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

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	**Freehold land and buildings RM**	**Short term leasehold land and buildings RM**	**Plant and machinery RM**	**Fittings, equipment, office equipment, motor vehicles and renovation RM**	**Capital work-in-progress RM**	**Total RM**
Cost/Valuation						
At 1 February 2004	54,420,447	30,116,396	69,303,099	15,416,496	528,893	169,785,331
Additions	517,828	203,402	835,212	835,002	408,331	2,799,775
Disposals	(4,814,949)	-	(877,500)	(1,044,978)	-	(6,737,427)
At 31 January 2005	50,123,326	30,319,798	69,260,811	15,206,520	937,224	165,847,679
Representing:						
At cost	44,323,326	14,819,798	69,260,811	15,206,520	937,224	144,547,679
At valuation	5,800,000	15,500,000	-	-	-	21,300,000
	50,123,326	30,319,798	69,260,811	15,206,520	937,224	165,847,679

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, Office equipment, Motor vehicles and Renovation RM	Capital work-in-progress RM	Total RM
Accumulated Depreciation and Impairment losses						
At 1 February 2004:						
Accumulated depreciation	3,017,563	5,182,385	34,467,179	9,828,737	-	52,495,864
Accumulated impairment losses	1,242,299	-	-	-	-	1,242,299
	4,259,862	5,182,385	34,467,179	9,828,737	-	53,738,163
Depreciation charge for the year	709,354	439,836	3,488,932	1,801,020	-	6,439,142
Disposals	(1,660,413)	-	(814,355)	(677,276)	-	(3,152,044)
At 31 January 2005	3,308,803	5,622,221	37,141,756	10,952,481	-	57,025,261
Analysed as:						
Accumulated depreciation	2,890,003	5,622,221	37,141,756	10,952,481	-	56,606,461
Accumulated impairment losses	418,800	-	-	-	-	418,800
	3,308,803	5,622,221	37,141,756	10,952,481	-	57,025,261
Net Book Value						
At 31 January 2005						
At cost	41,014,523	11,726,671	32,119,055	4,254,039	937,224	90,051,512
At valuation	5,800,000	12,970,906	-	-	-	18,770,906
	46,814,523	24,697,577	32,119,055	4,254,039	937,224	108,822,418
At 31 January 2004						
At cost	44,360,585	11,904,784	34,835,920	5,587,759	528,893	97,217,941
At valuation	5,800,000	13,029,227	-	-	-	18,829,227
	50,160,585	24,934,011	34,835,920	5,587,759	528,893	116,047,168
Details at 1 February 2003						
Cost	44,964,463	30,116,396	66,851,489	13,522,583	6,299,144	161,754,075
Accumulated depreciation	2,453,749	4,745,939	33,141,089	8,606,099	-	48,946,876
Depreciation charge for 2004	563,814	436,446	3,476,258	1,607,882	-	6,084,400

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY	Freehold land RM	Short term leasehold land and buildings RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Total RM
Cost/Valuation				
At 1 February 2004	-	26,283,763	5,022,450	31,306,213
Additions	-	203,402	472,594	675,996
Disposals	-	-	(344,781)	(344,781)
At 31 January 2005	-	26,487,165	5,150,263	31,637,428
Representing:				
At cost	-	10,987,165	5,150,263	16,137,428
At valuation	-	15,500,000	-	15,500,000
	-	26,487,165	5,150,263	31,637,428
Accumulated Depreciation				
At 1 February 2004	-	4,834,555	3,303,058	8,137,613
Depreciation charge for the year	-	441,776	724,427	1,166,203
Disposals	-	-	(320,415)	(320,415)
At 31 January 2005	-	5,276,331	3,707,070	8,983,401
Net Book Value				
At 31 January 2005				
At cost	-	8,239,928	1,443,193	9,683,121
At valuation	-	12,970,906	-	12,970,906
	-	21,210,834	1,443,193	22,654,027
At 31 January 2004				
At cost	-	8,419,981	1,719,392	10,139,373
At valuation	-	13,029,227	-	13,029,227
	-	21,449,208	1,719,392	23,168,600
Details at 1 February 2003				
Cost	10,134,636	26,283,763	4,274,803	40,693,202
Accumulated depreciation	-	4,396,169	2,728,545	7,124,714
Depreciation charge for 2004	-	438,386	604,950	1,043,336

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

Details of independent professional valuations of the properties of the Group and of the Company at 31 January 2004 are as follows:

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

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Freehold land	4,865,381	4,865,381	-	-
Short term leasehold land and buildings	4,693,951	4,840,934	4,693,951	4,840,934
	9,559,332	9,706,315	4,693,951	4,840,934

(b) Included in property, plant and equipment of the Group and of the Company are motor vehicles with net book value of RM2,381,809 (2004: RM3,202,928) and RM839,581 (2004: RM656,015) held under hire-purchase and finance lease arrangements.

(c) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM2,799,775 (2004: RM13,471,795) and RM675,996 (2004: RM778,085) respectively of which RM895,050 (2004: RM3,086,437) and RM400,000 (2004: RM721,525) respectively of the Group and the Company was acquired by means of hire purchase arrangements.

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

	GROUP	
	2005	**2004**
	RM	**RM**
Freehold land and buildings	46,686,523	50,032,585
Short term leasehold land and buildings	24,697,577	-
Plant and machinery	-	1,611,108
Fittings, equipment and motor vehicles	-	153,004
	71,384,100	51,796,697

(e) Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use costing RM13,365,704 (2004: RM12,870,543) and RM1,714,129 (2004: RM2,036,259) respectively.

(f) Included in property, plant and equipment of the Group are plant & machinery with a net book value of RM5,053,068 (2004: RM1,695,645 were held for disposal) that are currently being underutilised. The Group currently has plans to utilise plant & machinery with a total net book value of RM3,509,601 and is also in negotiation with third party to dispose off plant & machinery with a total net book value of RM1,543,467.

(g) Included in property, plant and equipment of the Group is a freehold land costing RM930,053 (2004: RM930,053) that has been leased to a third party as disclosed in Note 25.

12. INTANGIBLE ASSET

	GROUP	
	2005	**2004**
	RM	**RM**
Licence fee		
At cost	80,000	80,000
Accumulated amortisation	(77,770)	(51,106)
	2,230	28,894

13. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2005	**2004**
	RM	**RM**
Unquoted shares, at cost	64,013,541	64,013,541
Accumulated impairment losses	(19,356,930)	(19,356,930)
	44,656,611	44,656,611

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

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

Name of subsidiaries	Effective equity interest 2005 %	2004 %	Principal activities
SMPC Industries Sdn. Bhd.	100	100	Manufacture of steel furniture, and metal sheet and coil processing centre with main services in shearing, down-shearing, slitting and steel strapping.
Syarikat Perkilangan Besi Gaya Sdn. Bhd.*	100	100	Drawing, straightening and cutting of iron rods and wire related products. The company has temporarily ceased its operations.
SMPC Marketing Sdn. Bhd.	100	100	The company has temporary ceased operations in prior year but commenced trading in steel furniture during the year.
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.

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

	Effective equity interest 2005 %	Effective equity interest 2004 %	Principal activities
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 2005 contain emphasis of matter on uncertainties over their ability to continue as going concerns.

14. OTHER INVESTMENT

	GROUP AND COMPANY 2005 RM	GROUP AND COMPANY 2004 RM
Unquoted shares, at cost	299,838	299,838
Provision for diminution in value	(299,838)	(299,838)
	-	-

15. GOODWILL ON CONSOLIDATION

	GROUP 2005 RM	GROUP 2004 RM
Goodwill on consolidation	7,575,324	7,575,324
Return of cost arising from profit guarantee	(4,191,144)	(4,191,144)
	3,384,180	3,384,180
Accumulated amortisation	(2,040,263)	(1,653,500)
	1,343,917	1,730,680
Negative goodwill on consolidation	(7,963,802)	(7,963,802)
Accumulated amortisation	7,300,150	6,503,770
	(663,652)	(1,460,032)
Goodwill on consolidation, net	680,265	270,648

16. INVENTORIES

	GROUP 2005 RM	GROUP 2004 RM
At cost:		
Raw materials	11,312,322	7,558,246
Work-in-progress	18,032	389,138
Finished goods	13,467,609	10,310,424
Trading goods	8,161,635	7,830,475
Equipment held for resale	2,745,470	2,745,470
Consumables	-	295,170
	35,705,068	29,128,923

The inventories of a subsidiary with a carrying value of RM5,166,573 (2004: RM2,36,824) have been charged to financial institutions as securities for bank borrowings obtained.

Included in inventories of the Group are equipment held for resale with a carrying amount of RM2,745,470 (2004: RM2,745,470). The Group is currently in negotiation with third party to dispose off these equipment.

17. TRADE RECEIVABLES

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Due from:				
Subsidiaries	-	-	12,732,307	3,084,093
Related parties	21,012,184	12,705,931	1,078,315	1,080,000
Third parties	75,359,421	70,540,675	-	-
	96,371,605	83,246,606	13,810,622	4,164,093
Provision for doubtful debts	(17,983,321)	(11,876,783)	-	-
	78,388,284	71,369,823	13,810,622	4,164,093

Due from related parties:

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Pitchai Metal Sdn. Bhd.*	18,654,830	11,934,332	900,000	900,000
PM Precision Sdn. Bhd.*	690,057	-	-	-
S.M. Pitchai Chettiar Sdn. Bhd.*	176,891	162,376	118,315	120,000
Kumpulan Pitchai Sdn. Bhd.**	109,000	183,134	60,000	60,000
Chuan Wooi Hardware Sdn. Bhd.***	57,100	44,974	-	-
Sin Yee Hup Construction Sdn. Bhd.****	225,394	225,394	-	-
Yee Hup Construction Co.****	1,098,912	155,721	-	-
	21,012,184	12,705,931	1,078,315	1,080,000

17. TRADE RECEIVABLES (CONTD.)

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

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

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

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

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

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

18. OTHER RECEIVABLES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Due from subsidiaries	-	-	2,222,954	12,385,484
Deposits	2,567,387	495,790	2,428,758	75,259
Prepayments	1,561,488	421,025	302,329	-
Tax recoverable	397,717	1,793,174	-	-
Sundry receivables	4,679,154	5,243,944	3,495,103	3,441,386
	9,205,746	7,953,933	8,449,144	15,902,129
Provision for doubtful debts	(94,145)	(90,905)	-	-
	9,111,601	7,863,028	8,449,144	15,902,129

The amounts due from subsidiaries bear interest of 4% (2004: 4%) per annum, are unsecured and have no fixed terms of repayment.

Included in the deposits of the Group and of the Company is a deposit amounting to RM380,000 (2004: Nil) held by a lender as security for a term loan as referred to in Note 22 and share application monies amounting to RM1,785,259 (2004: Nil).

Included in sundry receivables of the Group and of the Company is an amount of RM3,349,082 (2004: RM3,349,082) receivable from the previous shareholders (vendors) of Duro Metal Industrial (M) Sdn. Bhd. The amount receivable is secured and is in relation to the shortfall between the profit guaranteed by the vendors and the actual consolidated results of the subsidiary for the prior financial year.

18. OTHER RECEIVABLES (CONTD.)

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

19. SHORT TERM INVESTMENTS

	GROUP	
	2005	**2004**
	RM	**RM**
Quoted:		
Unit trusts in Malaysia	163,980	166,184
Shares in Malaysia	72,800	-
	236,780	166,184
Market value of quoted investments	236,780	166,184

20. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2005	**2004**	**2005**	**2004**
	RM	**RM**	**RM**	**RM**
Cash on hand and at bank	3,026,443	3,682,859	79,893	82,339
Deposits with licensed banks	1,785,425	1,885,082	335,500	335,500
Cash and bank balances	4,811,868	5,567,941	415,393	417,839

Deposits with licensed banks of the Group and of the Company amounting to RM1,007,274 (2004: RM1,885,082) are pledged to banks for bank borrowings granted to certain subsidiaries as referred to in Note 22.

The average interest rate earned during the financial year and the average maturities of deposits as at balance sheet date were 3.0% (2004: 3.0%) per annum and 30 to 90 days (2004: 30 to 90 days) respectively.

21. PROVISION FOR LIABILITIES

	GROUP 2005 RM	GROUP 2004 RM
Retirement Benefits Scheme		
At beginning of year	139,999	268,152
Recognised in income statement (Note 5)	237,650	244,775
Utilised during the year	(231,262)	(372,928)
At end of year	146,387	139,999
At 31 January		
Current	7,988	13,572
Non-current:		
Later than 1 year but not later than 2 years	-	8,797
Later than 2 years but not later than 5 years	26,885	8,774
Later than 5 years	111,514	108,856
	138,399	126,427
	146,387	139,999

The amounts recognised in the income statement are as follows:

	2005 RM	2004 RM
Current service cost	18,236	17,043
Interest cost	9,102	7,882
Net actuarial losses recognised during the year	210,312	219,850
Total, included in staff costs (Note 5)	237,650	244,775

Principal actuarial assumptions used:

	2005 %	2004 %
Discount rate	7.0	7.0
Expected rate of salary increases	5.0	5.0

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

22. BORROWINGS

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	12,929,470	12,664,749	-	-
Bankers' acceptances	38,076,506	32,083,566	-	-
Trust receipts	3,955,253	2,802,037	-	-
Term loans	12,695,432	13,534,333	564,219	803,075
Hire purchase payables (Note 23)	1,304,993	1,190,083	222,984	153,068
	68,961,654	62,274,768	787,203	956,143
Unsecured:				
Bank overdrafts	3,977,672	8,948,040	-	-
Revolving credits	12,250,000	12,250,000	-	-
Bankers' acceptances	8,450,000	5,773,000	-	-
	24,677,672	26,971,040	-	-
	93,639,326	89,245,808	787,203	956,143
Long Term Borrowings				
Secured:				
Term loans	16,371,910	17,635,713	1,557,590	567,758
Hire purchase payables (Note 23)	1,818,358	2,488,076	507,469	391,906
	18,190,268	20,123,789	2,065,059	959,664
Total Borrowings				
Bank overdrafts	16,907,141	21,612,789	-	-
Revolving credits	12,250,000	12,250,000	-	-
Bankers' acceptances	46,526,506	37,856,566	-	-
Trust receipts	3,955,254	2,802,037	-	-
Term loans	29,067,342	31,170,046	2,121,809	1,370,833
	108,706,243	105,691,438	2,121,809	1,370,833
Hire purchase payables (Note 23)	3,123,351	3,678,159	730,453	544,974
	111,829,594	109,369,597	2,852,262	1,915,807
Maturity of borrowings (excluding hire purchase payables):				
Within one year	92,334,333	88,055,725	564,219	803,075
More than 1 year and less than 2 years	2,703,199	3,122,330	395,096	567,758
More than 2 years and less than 5 years	9,301,151	4,874,967	1,162,494	-
5 years and more	4,367,560	9,638,416	-	-
	108,706,243	105,691,438	2,121,809	1,370,833

22. BORROWINGS (CONTD.)

The borrowings, excluding hire purchase payables, bear interest ranging from 2.89% to 8.40% (2004: 3.43% to 8.40%) per annum.

The term loans are repayable over 60 to 84 monthly instalments ranging from RM19,567 to RM100,000 per month and 8 quarterly instalments ranging from RM174,800 to RM197,600.

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

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

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

23. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Minimum hire purchase payments:				
Not later than 1 year	1,483,594	1,416,951	261,324	182,830
Later than 1 year and not later than 2 years	1,071,205	1,293,664	261,324	168,324
Later than 2 years and not later than 5 years	867,485	1,338,271	286,680	261,239
Later than 5 years	11,535	89,701	-	-
	3,433,819	4,138,587	809,328	612,393
Finance charges	(310,468)	(460,428)	(78,875)	(67,419)
Present value of hire purchase liabilities	3,123,351	3,678,159	730,453	544,974
Present value of hire purchase liabilities:				
Not later than 1 year	1,304,993	1,190,083	222,984	153,068
Later than 1 year and not later than 2 years	978,720	1,154,934	237,608	148,525
Later than 2 years and not later than 5 years	828,304	1,246,351	269,861	243,381
Later than 5 years	11,334	86,791	-	-
	3,123,351	3,678,159	730,453	544,974

23. HIRE PURCHASE PAYABLES (CONTD.)

	GROUP		COMPANY	
	2005	2004	2005	2004
	RM	RM	RM	RM
Analysed as:				
Due within 12 months (Note 22)	1,304,993	1,190,083	222,984	153,068
Due after 12 months (Note 22)	1,818,358	2,488,076	507,469	391,906
	3,123,351	3,678,159	730,453	544,974

The hire purchase liabilities bear interest of between 2.88% and 6.13% (2004: 3.08% and 6.13%) per annum.

24. TRADE PAYABLES/ LONG-TERM PAYABLE

	GROUP	
	2005	2004
	RM	RM
Due to:		
Related parties	24,506	947,597
Third parties	38,786,790	31,902,039
	38,811,296	32,849,636
Due after 12 months, disclosed as long term payable in balance sheet	(14,106,552)	-
	24,704,744	32,849,636
Due to related parties:		
Pitchai Metal Sdn. Bhd.	-	30,693
Chuan Wooi Hardware Sdn. Bhd.	24,506	916,904
	24,506	947,597

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

Included in trade payables is an amount of RM16,146,552 (2004: Nil) in which the repayment terms have been rescheduled to 60 equal monthly instalments of RM170,000 and a final instalment of RM5,946,557. This amount bears interest of 3.05% to 3.72% (2004: Nil) per annum and is secured by corporate guarantee given by the Company.

25. OTHER PAYABLES

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
Due to fellow subsidiaries	-	-	879,192	9,842
Prepayment of lease rental	1,227,182	1,287,530	-	-
Accrued interest on bank borrowings	808,092	524,345	-	-
Other accruals	1,372,632	1,493,685	85,068	235,073
Sundry payables	526,426	3,915,770	129,082	32,253
	3,934,332	7,221,330	1,093,342	277,168

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

	GROUP 2005 RM	GROUP 2004 RM
Included in the sundry payables are amounts due to:		
Pitchai Metal Sdn. Bhd.	-	89,858
Kumpulan Pitchai Sdn. Bhd.	-	-
	-	89,858

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

26. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each 2005	Number of Ordinary Shares of RM1 Each 2004	Amount 2005 RM	Amount 2004 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
At beginning of financial year	64,644,965	54,576,965	64,644,965	54,576,965
Shares issued pursuant to debt to equity conversion	-	10,000,000	-	10,000,000
At end of financial year	64,644,965	64,576,965	64,644,965	64,576,965

The Company's Employee Share Option Scheme ("ESOS") consisting of up to 4,552,000 share options with rights to subscribe for the same number of new ordinary shares of RM1.00 each was implemented in April 2001 and amended in October 2003.

26. SHARE CAPITAL (CONTD.)

The main features of the ESOS are as follows:

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

(ii) The eligible persons are employees and executive directors of the Group having at least one (1) year of service with the Group. The eligibility for participation in the ESOS shall be at absolute discretion of the ESOS's Committee.

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

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

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

(vi) The shares to be allotted upon any exercise of the option will upon allotment, rank pari passu in all respects with the existing shares of the Company.

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

	Number of Share Options	
	2005	**2004**
At beginning of financial year	4,484,000	4,484,000
Exercised	-	-
At end of financial year	4,484,000	4,484,000

27. RESERVES

Included in the reserves of the Company is a capital reserve amounting to RM7,445,000 (2004: RM7,445,000) representing the excess of sales consideration over the carrying amount of the net assets transferred to a subsidiary.

28. DEFERRED TAX

	GROUP 2005 RM	GROUP 2004 RM	COMPANY 2005 RM	COMPANY 2004 RM
At 1 February	2,577,704	3,019,030	1,428,204	1,793,030
Recognised in the income statements (Note 9)	(541,926)	(441,326)	(44,826)	(364,826)
At 31 January	2,035,778	2,577,704	1,383,378	1,428,204
Presented after appropriate offsetting as follows:				
Deferred tax assets	-	(28,000)	-	-
Deferred tax liabilities	2,035,778	2,605,704	1,383,378	1,428,204
	2,035,778	2,577,704	1,383,378	1,428,204

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

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowances RM	Revaluation of Land and Buildings RM	Others RM	Total RM
At 1 February 2004	2,810,651	1,867,204	5,178	4,683,033
Recognised in the income statements	(623,100)	(44,826)	-	(667,926)
At 31 January 2005	2,187,551	1,822,378	5,178	4,015,107
At 1 February 2003	1,735,127	1,912,030	-	3,647,157
Recognised in the income statements	1,075,524	(44,826)	5,178	1,035,876
At 31 January 2004	2,810,651	1,867,204	5,178	4,683,033

Deferred Tax Assets of the Group:

	Provisions for Doubtful Debts and Liabilities RM	Tax Losses and Unabsorbed Capital Allowances RM	Other Payables RM	Total RM
At 1 February 2004	(899,167)	(1,140,000)	(66,162)	(2,105,329)
Recognised in the income statements	40,000	86,000	-	126,000
At 31 January 2005	(859,167)	(1,054,000)	(66,162)	(1,979,329)

28. DEFERRED TAXATION (CONTD.)

	Provisions for Doubtful Debts and Liabilities RM	Tax Losses and Unabsorbed Capital Allowances RM	Other Payables RM	Unutilised Tax Credits RM	Total RM
At 1 February 2003	(255,386)	(66,345)	(20,188)	(286,208)	(628,127)
Recognised in the income statements	(643,781)	(1,073,655)	(45,974)	286,208	(1,477,202)
At 31 January 2004	(899,167)	(1,140,000)	(66,162)	-	(2,105,329)

Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowances RM	Revaluation of Leasehold Land RM	Total RM
At 1 February 2004	820,000	1,748,204	2,568,204
Recognised in the income statements	(86,000)	(44,826)	(130,826)
At 31 January 2005	734,000	1,703,378	2,437,378
At 1 February 2003	-	1,793,030	1,793,030
Recognised in the income statements	820,000	(44,826)	775,174
At 31 January 2004	820,000	1,748,204	2,568,204

Deferred Tax Assets of the Company:

	Unabsorbed Capital Allowances RM
At 1 February 2004	(1,140,000)
Recognised in the income statements	86,000
At 31 January 2005	(1,054,000)
At 1 February 2003	-
Recognised in the income statements	(1,140,000)
At 31 January 2004	(1,140,000)

28. DEFERRED TAXATION (CONTD.)

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

	GROUP	
	2005	2004
	RM	RM
Unused tax losses	14,156,776	13,830,553
Unabsorbed capital allowances	4,051,250	2,589,778
Deductible temporary differences	1,465,902	3,390,869
	19,673,928	19,811,200

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items and deductible temporary difference as they cannot be used to offset taxable profits of other subsidiaries in the Group.

29. CAPITAL COMMITMENT

	GROUP	
	2005	2004
	RM	RM
Property, plant and equipment:		
Approved and contracted for	77,840	76,677

30. CONTINGENT LIABILITIES (UNSECURED)

	2005	2004
	RM	RM
GROUP AND COMPANY		
Guarantee for loan facilities given to Vinanic Steel Processing Company (Vietnam), an investee company	1,014,000	1,014,000
COMPANY		
Guarantee for banking facilities given to subsidiaries	95,731,082	96,231,003
Guarantee for trade payable given to a subsidiary	16,146,552	-
Guarantee for trade facilities given to subsidiaries	10,350,000	10,350,000

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

GROUP	2005 RM	2004 RM
Sales to:		
- Pitchai Metal Sdn. Bhd.*	5,647,005	-
- PM Precision Sdn. Bhd.*	720,749	-
- Yee Hup Construction Co.**	-	952,868
Purchase of plant and equipment from Pitchai Metal Sdn. Bhd.*	-	1,009,434
Sale of machinery to Pitchai Metal Sdn. Bhd.*	16,200	-
Rental expense paid to Pitchai Metal Sdn. Bhd.*	360,000	720,000

* Companies in which certain directors i.e. Machendran a/l Pitchai Chetty 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.

COMPANY	2005 RM	2004 RM
Sales of freehold land to a subsidiary	-	10,134,636
Rental income from subsidiaries	963,577	2,293,418
Interest income from a subsidiary	184,695	317,121
Management consultancy fees received from subsidiaries	3,840,000	2,010,000

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

32. SUBSEQUENT EVENT

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

33. COMPARATIVES

The following comparative amounts as at 31 January 2004 have been reclassified to conform with current year's presentation:

	As Restated RM	Reclassifications RM	As Previously Stated RM
Group			
Trade receivables	71,369,823	(557,876)	70,811,947
Other receivables	7,863,028	557,876	8,420,904

34. 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 balance sheet date. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

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

(c) Foreign Exchange Risk

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

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

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

	2005 RM	2004 RM
Trade Receivables		
United States Dollar	2,459,414	6,589,791
Singapore Dollar	386,643	374,916
	2,846,057	6,964,707

34. FINANCIAL INSTRUMENTS (CONTD.)

(d) Liquidity Risk

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

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are monitored via the credit control function within the Group. Trade receivables are monitored on an ongoing basis via Group management report procedures. Known bad debts are written off and specific provision for doubtful debts is made for any debts considered to be doubtful of collection, based on the recommendation by the credit controller and approved by the Board. In addition, a general provision for doubtful debts is made to cover possible losses which are not specifically identified.

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

(f) Fair Values

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

		GROUP		COMPANY	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Liabilities					
At 31 January 2005:					
Hire purchase payables	23	3,123,351	3,283,769	730,453	778,191
At 31 January 2004:					
Hire purchase payables	23	3,678,159	3,720,694	544,974	544,309

34. FINANCIAL INSTRUMENTS (CONTD.)

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

i. Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

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

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

ii. Long Term Borrowings

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

35. 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

(ii) Education - provision of information technology education.

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

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

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

35. SEGMENTAL ANALYSIS (CONTD.)

Analysis by activities:

	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM
REVENUE AND EXPENSES												
Revenue												
External sales	146,237,234	148,354,079	153,184,759	118,957,721	305,136	403,400	-	-		-	299,727,129	267,715,200
Inter-segment sales	1,306,100	272,009	48,332	509,036	-	-	4,797,578	4,303,418	(6,152,010)	(5,084,463)	-	-
Total revenue	147,543,334	148,626,088	153,233,091	119,466,757	305,136	403,400	4,797,578	4,303,418	(6,152,010)	(5,084,463)	299,727,129	267,715,200
Results												
Segment results	8,620,010	12,345,046	2,550,950	1,683,295	(130,024)	(124,814)	1,376,542	1,428,812			12,417,478	15,332,339
Unallocated corporate expenses											(1,329,633)	(1,229,486)
Profit from operations											11,087,845	14,102,853
Finance costs, net											(8,400,446)	(7,897,304)
Taxation											265,354	(513,465)
Profit after taxation											2,952,753	5,692,084
Minority interests											(407,372)	(194,728)
Net profit for the year											2,545,381	5,497,356

35. SEGMENTAL ANALYSIS (CONTD.)

	Manufacturing		Trading		Education		Others		Eliminations		Consolidated	
	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM
ASSETS AND LIABILITIES												
Segment assets	165,221,738	156,277,539	42,050,204	45,785,874	112,647	196,112	30,373,925	28,183,084			237,758,514	230,442,609
Unallocated corporate assets											-	28,000
Consolidated total assets											237,758,514	230,470,609
Segment liabilities	39,411,976	36,656,660	3,015,865	3,120,787	205,198	166,192	258,976	267,326			42,892,015	40,210,965
Unallocated corporate liabilities											114,209,226	112,555,124
Consolidated total liabilities											157,101,241	152,766,089
OTHER INFORMATION												
Capital expenditure	1,337,297	10,114,043	780,473	2,569,320	6,009	10,347	675,996	778,085			2,799,775	13,471,795
Depreciation	4,301,307	4,105,613	936,357	845,362	35,274	90,091	1,166,204	1,043,334			6,439,142	6,084,400
Amortisation	(23,943)	(23,943)	(385,674)	(385,674)	26,664	26,664	-	-			(382,953)	(382,953)
Impairment losses	-	1,242,299	-	-		-	-	-			-	1,242,299
Non-cash expenses other than depreciation, amortisation and impairment losses	3,868,126	1,130,829	2,169,055	2,387,331	-	2,906	-	-			6,037,181	3,521,066