# SMPC

## Annual Report 2009

**SMPC CORPORATION BHD.**
(79082-V)

SMPC

# Contents

SMPC
SMPC CORPORATION BHD.
(79082-V)

# Corporate Information

| | | |
|---|---|---|
| **Board of Directors** | Y. Bhg. Dato' Seri Ismail Bin Shahudin | *(Non Independent Non-Executive Chairman)* |
| | Machendran a/l Pitchai Chetty | *(Group Managing Director)* |
| | Mohd Shahril Fitri Bin Hashim | *(Executive Director)* |
| | Vijayan a/l O. M. V Devan | *(Executive Director)* |
| | Sanmarkan a/l T S Ganapathi | *(Independent Non-Executive Director)* |
| | Sudesh a/l K. V. Sankaran | *(Independent Non-Executive Director)* |
| | Ng Chin Nam | *(Independent Non-Executive Director)* |

**Company Secretaries**
Chan Yoke Yin (MAICSA 7043743)
Chiew Cindy (MAICSA 7057923)

**Registered Office**
55, Medan Ipoh 1A,
Medan Ipoh Bistari,
31400 Ipoh,
Perak.
Tel No. : 605-5474833
Fax No. : 605-5474363

**Auditors**
Grant Thornton
Chartered Accountants
51-8-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang

**Principal Bankers**
CIMB Bank Berhad
RHB Bank Berhad
Affin Bank Berhad
United Overseas Bank (Malaysia) Bhd
EON Bank Berhad
Malayan Banking Berhad
Bank Muamalat Malaysia Berhad
Ambank (M) Berhad

**Share Registrars**
Symphony Share Registrars Sdn. Bhd.
55, Medan Ipoh 1A,
Medan Ipoh Bistari,
31400 Ipoh,
Perak.
Tel No. : 605-5474833
Fax No. : 605-5474363

**Stock Exchange Listing**
Main Market of Bursa Malaysia Securities Berhad
Stock Name : SMPC
Stock Code : 7099

# Corporate Structure

## SMPC CORPORATION BHD.
(79082-V)

- **SMPC INDUSTRIES SDN. BHD.**
  *100%*
  Metal sheet and coil processing centre with main services in shearing and reshearing.

- **DURO METAL INDUSTRIAL (M) SDN. BHD.**
  *100%*
  Manufacture of steel roofing, wall cladding sheets and other steel related products provision of related services.

- **SMPC MARKETING SDN. BHD.**
  *100%*
  Trading in steel furniture.

- **PROGEREX SDN. BHD.**
  *100%*
  Shredding, processing and trading of ferrous and non-ferrous scrap metals.

- **METAL PERFORATORS (MALAYSIA) SDN. BHD.**
  *100%*
  Manufacturing and marketing of perforated screen plates, perforated materials, G-Loc splices and industrial chains.

- **SMPC DEXON SDN. BHD.**
  *100%*
  Manufacture of and trade in steels and other types of furniture and the provision of related services.

- **SMPC INDUSTRIES (INDIA) PRIVATE LIMITED**
  *74%*
  Manufacture of steel products.

- **DURO STRUCTURAL PRODUCTS SDN. BHD.**
  *70%*
  Dormant

- **DURO MARKETING SDN. BHD.**
  *100%*
  Dormant

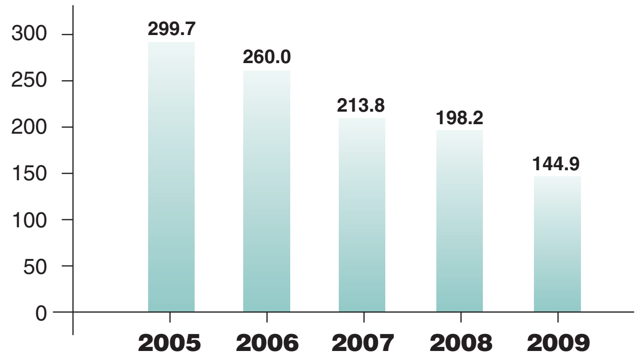
- **SYARIKAT PERKILANGAN BESI GAYA SDN. BHD.**
  *100%*
  Dormant

- **EDIT SYSTEMS (M) SDN. BHD.**
  *70%*
  Dormant

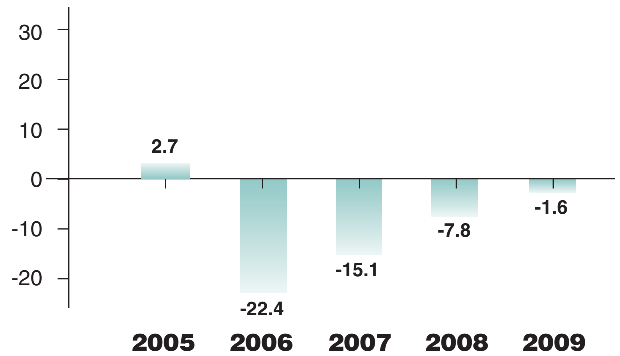
- **PARK AVENUE CONSTRUCTION SDN. BHD.**
  *100%*
  Dormant

- **SMPC STEEL MILL SDN. BHD.**
  *100%*
  Dormant

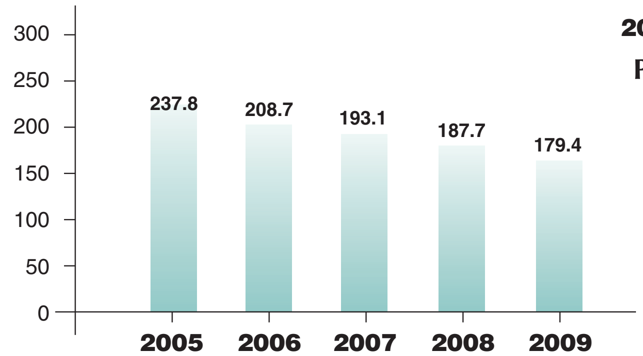
## Financial Highlights



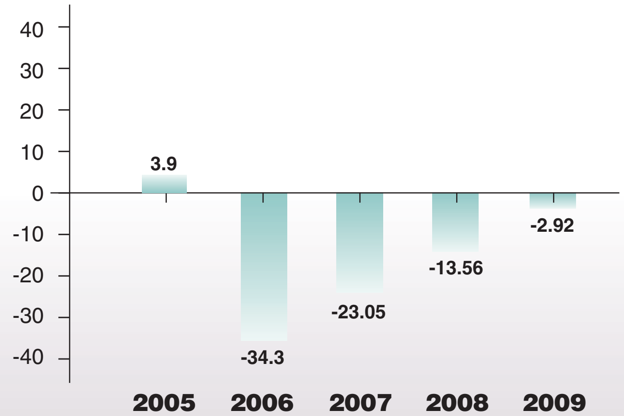

**Revenue** (RM Million)




**Profit / (Loss) Before Tax** (RM Million)




**Total Assets** (RM Million)




**Earnings / (Loss) Per Share** (RM Million)

# Chairman's Statement

**ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF SMPC COPORATION BHD AND THE GROUP FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009**

## OVERVIEW

The financial year ended 31 March 2009 was very challenging for the Group. The unstable steel prices throughout the financial year had severely impeded the management in carrying out the day to day operations of the Group satisfactorily. Furthermore, the effects of the global economic slowdown from September 2008 onwards had an adverse effect on the financial results of the Group.

## FINANCIAL RESULTS

The Group recorded revenue of RM144.9 million for the financial year ended 31 March 2009 compared to RM198.3 million for the period ended 31 March 2008 (14 months). Despite the decline in revenue, the Group posted a lower loss of RM1.9 million as compared to RM8.8 million in the previous financial year. This was mainly due to the various measures undertaken by the management in all areas of operations.

## PROPOSED RESTRUCTURING EXERCISE

On 21 August 2008 the Company had announced that certain subsidiaries had defaulted payments with two financial institutions, as a result of constraints in cash flow arising from the recurring losses incurred by the Group. This announcement was made pursuant to Practice Note 1/2001 of the Listing Requirements of Bursa Malaysia Securities Berhad.

As a result of this change in circumstances coupled with the global crisis prevalent currently, the Board of Directors is currently working fervently to revise the proposed Restructuring Exercise announced previously. The proposed revised Restructuring Exercise will be announced soon in due course.

## PROSPECTS AND OUTLOOK FOR THE COMING FINANCIAL YEAR

The global steel market is expected to be challenging for the current financial year ending 31 March 2010. Nevertheless, we are hopeful that the two stimulus packages announced by the Malaysian Government would stimulate the Malaysian economy in the coming years which will increase demand for steel and steel products.

I am cautiously optimistic that with the successful implementation of the Proposed Restructuring Exercise during the current financial year, which will address the high gearing of the Group to a manageable level, the Group should return to profitability in the near future.

**APPRECIATION**

I wish to thank my fellow Directors and record my appreciation to the Management and staff of SMPC Group for their continuous commitment and dedication in their Endeavour to deliver especially during such challenging times.

We would also like to extend our appreciation to our shareholders, valued customers, financial institutions, business partners, government and other regulatory authorities for their continued support and cooperation.

**Y. Bhg. Dato' Seri Ismail Bin Shahudin**
Chairman

# Profile of the Board of Directors

**Y. BHG DATO' SERI ISMAIL BIN SHAHUDIN**
*Non-Independent Non-Executive Chairman*

Y. Bhg. Dato' Seri Ismail Bin Shahudin, aged 58, a Malaysian citizen, is the Non-Independent Non-Executive Chairman of SMPC Corporation Bhd ("SMPC" or "the Company"). He was appointed to the Board of SMPC on 12 August 2008.

He graduated in 1974 with a Bachelor of Economics (Honours) degree majoring in Business Administration from University Malaya. In the same year, he joined ESSO Malaysia Berhad and worked in its Finance department for 5 years. In 1979, he joined Citibank Malaysia and in 1984 he served the Bank's headquarters in New York as part of the team in Asia Pacific division. On his return he was promoted as Vice President & Group Head of the Public Sector and Financial Institutions Group in Malaysia. In 1988, he was appointed as Deputy General Manager of United Asian Bank Berhad and in 1992 he joined Maybank as General Manager of Corporate Banking and in 1997, was appointed as Executive Director of Maybank, the post he held until his retirement in July 2002 to assume the position of Group Chief Executive of MMC Corporation Berhad. He was then appointed to the Board of Bank Muamalat Malaysia Berhad and the Chairmanship in March 2004 until his retirement in July 2008. He is currently a director of Cement Industries of Malaysia Berhad, EP Manufacturing Berhad, Mutiara Goodyear Development Berhad, PLUS Expressways Berhad, UEM Group Berhad and Aseana Properties Limited, a company listed on the London Stock Exchange. He was recently appointed to the Board of Maybank as an Independent Non-Executive Director.

**MACHENDRAN A/L PITCHAI CHETTY**
*Group Managing Director*

Machendran a/l Pitchai Chetty, aged 50, a Malaysian citizen, is the Group Managing Director of SMPC. He was appointed to the Board of SMPC on 14 December 1981.

He holds a Malaysian Certificate of Education. He started his career with the Company and over the years he has gained wide knowledge and experience in the management of steel business.

He is a substantial shareholder of SMPC by virtue of his deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd in the Company. He is also a brother to Dhanabalan a/l M. Pitchai Chetty, who is a substantial shareholder of the Company by virtue of his deemed interest held through Kumpulan Pitchai Sdn Bhd and S.M. Pitchai Chettiar Sdn Bhd.

**VIJAYAN A/L O.M.V. DEVAN**
*Executive Director*

Vijayan a/l O.M.V. Devan, aged 59, a Malaysian citizen, was appointed to the Board of SMPC as an Executive Director on 29 February 2008.

Vijayan a/l O.M.V. Devan holds a Certificate in Matriculation. Prior to joining SMPC Group in 1988, he was attached to a company manufacturing automobile components for 16 years. He joined SMPC Group as an Administrative Manager in 1988 and was promoted to Senior Manager in 1997 in charge of Corporate Administration. Subsequently, he was appointed to the Board of SMPC on 31 March 2000 as Executive Director and also a member of the Audit Committee and ESOS Committee. He left SMPC in year 2002 to venture into his own business. He has more than 30 years experience in various corporate and commercial matters.

**MOHD SHAHRIL FITRI BIN HASHIM**
*Executive Director*

Mohd Shahril Fitri Bin Hashim, aged 34, a Malaysian citizen. He was appointed as an Executive Director of SMPC on 27 September 2007. He was appointed as Non-Independent Non-Executive Director of the Company on 20 December 2004 and subsequently redesignated as Executive Director on 3 January 2006. In conjunction with the withdrawal of his appointment as nominee by Perbadanan Nasional Berhad ("PNS"), a substantial shareholder of the Company on 7 August 2007, Mohd Shahril Fitri Bin Hashim had resigned as an Executive Director and member of the Audit Committee of the Company with effect thereof. However, he has subsequently left PNS and joined SMPC as Executive Director on 27 September 2007.

He holds a Diploma in Accountancy (UiTM) and a Bachelor in Accountancy (Hons) from University of Stirling. He started his career with Messrs Shamsir Jasani Grant Thornton in 1997. In 2000, he joined PNS until he was seconded to SMPC in January 2006.

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

Sanmarkan a/l T S Ganapathi, aged 71, a Malaysian citizen, is an Independent Non-Executive Director of SMPC. He was appointed to the Board of SMPC on 18 January 2002. He is also the Chairman of Audit, Remuneration and Nomination Committees of the Company.

He graduated from Malayan Teachers College in 1958 and was conferred the Barrister-at-Law Middle Temple London in 1977. He joined Karpal Singh & Co. in 1978 and in the following year became a partner of Farid Ariffin & Associates. He started his own legal practice, SAN & Associates in 1995 and was the Consultant of this firm until 31 December 2006 and with effect from 1 January 2007, he was appointed as the Consultant with Messrs. Mohd. Hussain Ibrahim & Co., a legal firm in Penang. He is an associate member of the Chartered Institute of Arbitrators London and was appointed as a Notary Public in 2002.

**SUDESH A/L K.V. SANKARAN**
*Independent Non-Executive Director*

Sudesh a/l K.V. Sankaran, aged 59, a Malaysian citizen, is an Independent Non-Executive Director of SMPC. He was appointed to the Board of SMPC on 20 December 2004. He is also the member of the Audit, Remuneration and Nomination Committees of the Company.

He graduated with a Bachelor of Arts (Economics) from University of Madras in 1973. He started his career as an Executive in New Zealand Insurance Ltd in 1974. He was appointed as an Assistant Manager in United Oriental Assurance Bhd in 1977. He then held a managerial position from 1982 until 1992 when he was promoted as Regional Manager. Currently, he is a consultant with Sterling Insurance Brokers Sdn. Bhd.

## Profile of the Board of Directors (cont'd)

**NG CHIN NAM**
*Independent Non-Executive Director*

Ng Chin Nam, aged 39, was appointed as Independent Non-Executive Director of SMPC on 29 January 2009. He started his career with Soon Soon Oilmills Sdn Bhd in 1992. After obtaining his professional qualification in Chartered Institute of Management Accountants (CIMA) he joined JB Lau & Associates as Audit Senior in 1997 and was subsequently promoted as Assistant Audit Manager. He left JB Lau & Associates in 2000 and was appointed as Finance Manager of Luster Industries Berhad and served the company until 2005.

Ng Chin Nam is currently heading the Finance, Human Resources and Management Information System departments of Hock Lok Siew Corporation Bhd. (formerly known as Foremost Holdings Berhad). He is also an Independent Non-Executive Director and member of the Audit Committees of Luster Industries Berhad and Yikon Corporation Berhad.

He has over 17 years of experience in the field of accounting, auditing, taxation and corporate finance.

**Notes:**

**i. Family Relationships and Substantial Shareholders**

Machendran a/l Pitchai Chetty is a director and shareholder in Kumpulan Pitchai Sdn. Bhd., a Major shareholder of the Company.

**ii. Conflict of Interest**

All Directors of the Company do not have any conflict of interest with the Company.

**iii. Non-conviction of Offences**

All the Directors have not been convicted of any offences within the past 10 years.

# Corporate Governance Statement

The Board of Directors ("the Board") of SMPC Corporation Bhd. ("SMPC" or "the Company") recognises the importance of good corporate governance and is committed to ensure that the Principles and Best Practices in Corporate Governance, as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance ("the Code") pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("the Listing Requirements") are practised by the Company and its subsidiaries ("the Group") as part of discharging its responsibilities to protect and enhance shareholder value. This statement also provides investors with an insight into the Corporate Governance practices of the Company under the leadership of the Board.

## THE BOARD OF DIRECTORS

### *Principal Responsibilities*

The Board assumes full responsibilities for the Group's overall performance with its strategic plans, business performance, succession planning, risk management, investor relations, internal control and management information systems. All Board members bring an independent judgment to bear on issues of strategy, performance resources and standards of conduct.

### *Board Balance*

The Board of the Company comprises seven (7) Directors, three (3) of whom are Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and the balance three (3) are Executive Directors. The composition of the Board was maintained so that not less than one-third (1/3) are Independent Directors. The Directors contributed greatly to the Company through their business acumen, a wide range of functional knowledge and skills from their long-standing experience, drawn from differing backgrounds in business, accountancy, regulatory and technical experience.

The profile of each Director is set out in the Board of Directors' Profile on pages 7 to 9 of the Annual Report.

### *Board Committee Meetings*

During the financial year ended 31 March 2009, a total of six (6) meetings, 29 May 2008, 23 July 2008, 21 August 2008, 26 November 2008, 29 January 2009 and 25 February 2009 were held. Details of attendance of the Directors at the Board Meetings are as follows:

| | **Name of Director** | | **No. of Meetings Attended** |
|---|---|---|---|
| ^ | Y. Bhg. Dato' Seri Ismail Bin Shahudin | *Non-Independent Non-Executive Chairman* | 4 / 4 |
| | Machendran a/l Pitchai Chetty | *Group Managing Director* | 6 / 6 |
| * | Dhanabalan a/l Pitchai Chetty | *Executive Director* | 6 / 6 |
| | Vijayan a/l O.M.V. Devan | *Executive Director* | 6 / 6 |
| | Mohd Shahril Fitri Bin Hashim | *Executive Director* | 6 / 6 |
| | Sanmarkan a/l T S Ganapathi | *Independent Non-Executive Director* | 6 / 6 |
| | Sudesh a/l K.V. Sankaran | *Independent Non-Executive Director* | 5 / 6 |
| # | Ng Chin Nam | *Independent Non-Executive Director* | 1 / 1 |

^ Dato' Seri Ismail Bin Shahudin was appointed Director with effect from 12 August 2008.
# Ng Chin Nam was appointed a Director with effect from 29 January 2009.
* Dhanabalan a/l Pitchai Chetty resigned as a Director with effect from 30 June 2009.

At each meeting, the Board reviews the Group's financial and business performance against budgets, corporate exercises (if any), draft announcement on the quarterly results and any other matters raised for the concern of the Board. At Board meetings, the Management also presents the papers and consultants may be invited to provide further insight. All Directors are given the chance to freely express their views. All Board members bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

***Board Committees***

The Board is assisted by the following Sub-Committees in the discharge of its duties and responsibilities:

- Audit Committee

  The Audit Committee provides a forum for effective communication between the Board, internal auditors and the external auditors. The terms of reference of the Committee had been revised on 25 May 2009 to conform to the revamped Bursa Malaysia Securities Berhad Listing Requirements (Bursa Securities LR). Details of the composition, terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 15 to 19 of this Annual Report.

- Nominating Committee

  The Nominating Committee was established on 18 January 2002. The Nominating Committee comprises the following:

| | | |
|---|---|---|
| Sanmarkan a/l T S Ganapathi<br>*(Independent Non-Executive Director)* | - | Chairman |
| Sudesh a/l K.V. Sankaran<br>*(Independent Non-Executive Director)* | - | Member |

  The terms of reference of the Nominating Committee include the following:

  a) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the following would be considered by the Committee:

     - Skills, knowledge, expertise and experience;
     - Professionalism;
     - Integrity; and
     - In the case of candidates for the position of independent non-executive, the Committee evaluates the candidates' ability to discharge such responsibilities/functions.

  b) To consider, in making recommendations, candidates for directorships proposed by Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder;

  c) To recommend to the Board, directors to fill the seats on Board committees;

  d) To assist the Board to annually review its required mix of skills and experience and other qualities, including core competencies which Directors of the Company should bring to the Board;

e) To assess the effectiveness of the Board as a whole, the committees of the Board and assess the contribution of each individual director, including the independent non-executive directors, as well as the chief executive officer. All assessment and evaluations carried out by the Nominating Committee in discharge of all its functions shall be properly documented.

f) To consider and examine such other matters as the Nominating Committee considers appropriate.

- Remuneration Committee

  The Remuneration Committee was established on 18 January 2002. The Remuneration Committee comprises the following:

| | | |
|---|---|---|
| Sanmarkan a/l T S Ganapathi<br>*(Independent Non-Executive Director)* | - | Chairman |
| Sudesh a/l K. V. Sankaran<br>*(Independent Non-Executive Director)* | - | Member |

The terms of reference of the Remuneration Committee include the following:

a) To review, deliberate and recommend the annual salaries, incentive arrangements, service arrangements and other employment condition for the executive directors;

b) To determine the company's remuneration policy and arrangements on executive directors;

c) To review such a policy on a yearly basis and make any adjustments as deemed necessary to ensure the Group can attract and retain executives of the necessary quality in a highly and increasingly marketplace;

d) To review, with the executive directors if necessary, their job functions and to ensure that any remuneration commensurate with performance and the executive director does not participate in decisions in his own remuneration packages;

e) To review the remuneration arrangements of the executive directors to be in line with the Group's overall practice on pay and benefits in order to reward them competitively after taking into account performance, market comparisons and competitive pressures in the industry; and

f) To consider and examine such other matters as the Board and Remuneration Committee considers as appropriate.

***Training for Directors***

The Company provides a dedicated training budget for Directors' continuing education. Relevant training programmes are arranged by the Company Secretary and Management. All the Directors of the Company including newly appointed Director, Ng Chin Nam, have completed the Mandatory Accreditation Programme as prescribed by Bursa Securities LR. During the financial year, Mohd Shahril Fitri Bin Hashim had attended World Perforating Conference, Intelectual, Emotional & Spiritual Intelligence Training, Mission Statement and Character Building and MASB Conference: Accounting Challenges in Turbulent Times.

***Supply of Information***

The Directors have individual and independent access to the advice and services of the Company Secretary in ensuring the effective functioning of the Board. The Directors also may seek advice from the senior management on issues under their respective purview. All Directors are provided with reports and other relevant information pertaining to the Group's operations and performance on a timely basis. The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors.

***Appointments to the Board***

The Nominating Committee reviews the composition of the Board annually and makes recommendations to the Board where considered necessary to ensure the Board comprises an appropriate mix of skills and experience. The Committee evaluates the candidates' ability to discharge his responsibilities as expected from an independent non-executive director and whether the test of independence under the Bursa Securities LR is satisfied, taking into account his character, integrity and professionalism.

***Re-election of Directors***

Pursuant to Article 29.1 of the Articles of Association of the Company, an election of Directors shall take place each year at the Annual General Meeting (AGM) of the Company where one third of the Directors who are subject to retirement by rotation or, if their number is not three (3) or a multiple of three (3), the number nearest to 1/3 shall retire provided always that all Directors shall retire from office once in every three (3) years and shall be eligible for re-election.

**DIRECTORS' REMUNERATION**

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

The remuneration and fee structure for the Directors for the financial year is as follows:

| **Type of Remuneration** | **Executive Directors RM** | **Non-Executive Directors RM** |
|---|---|---|
| Fee | - | 92,000 |
| Salaries | 1,068,000 | - |
| Bonus | 42,501 | - |
| Other benefits | 133,268 | - |

The analysis of remuneration as follows:

| | **Number of Directors** | |
|---|---|---|
| **Remuneration** | **Executive Directors** | **Non-Executive Directors** |
| Below RM50,000 | - | 4 |
| RM100,000 – RM200,000 | 2 | - |
| RM200,000 – RM250,000 | - | - |
| RM350,000 – RM400,000 | - | - |
| RM450,000 – RM500,000 | 2 | - |
| RM600,000 – RM650,000 | - | - |

## SHAREHOLDERS

***Dialogue between the Company and Investors***

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

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

***Annual General Meeting***

The Annual General Meeting serves as an ideal opportunity for dialogue and interaction with both institutional and individual shareholders. Shareholders will be given the opportunity to seek clarification on any matters pertaining to the Company's affairs and performance at the AGM and all Directors are available to provide responses.

## ACCOUNTABILITY AND AUDIT

***Financial Reporting***

In addition to providing financial reports on an annual basis, the Board also ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's performance and future prospects through the quarterly financial results and corporate announcements on significant developments affecting the Company in accordance with the Bursa Securities LR.

***Internal Control***

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments. The Statement on Internal Control is set out on pages 20 to 21 of this Annual Report.

***Relationship with Auditors***

The Company's relationship with its external auditors is primarily maintained through the Audit Committee (AC) and the Board where formal and transparent arrangement with them to meet their professional requirements is established. Further details on the Audit Committee in relation to the external auditors are set out in the AC Report on pages 15 to 19 of the Annual Report.

## COMPLIANCE STATEMENT

The Board is satisfied that the Company has complied with the Best Practices in Corporate Governance Code save for the disclosure of Directors' remuneration which has not been made in detail for each Director. However, the remuneration are categorised into the appropriate components and in compliance with the Bursa Securities LR.

# Audit Committee Report

## COMPOSITION

Sanmarkan a/l T. S. Ganapathi – Chairman
*(Independent Non-Executive Director)*
Sudesh a/l K. V. Sankaran – Member
*(Independent Non-Executive Director)*
Ng Chin Nam – Member
*(Independent Non-Executive Director)*

## TERMS OF REFERENCE

### 1. Composition

– The Audit Committee members shall be appointed by the Board of Directors from amongst the directors who fulfil the following requirements:
  (i) the Audit Committee shall consist of not less than three (3) members;
  (ii) all the Audit Committee members must be non-executive directors, with a majority of them being independent directors; and
  (iii) at least one member of the Audit Committee:-
    (a) must be a member of the Malaysian Institute of Accountants; or
    (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience and:-
      • he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
      • he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
    (c) fulfills such other requirements as prescribed or approved by the Exchange.

  The definition of "independent director" shall have the meaning given in Chapter 1.01 of the Listing Requirements of Bursa Securities.

– No alternate director shall be appointed as a member of the Audit Committee.

– The members of the Audit Committee shall select a Chairman from among their members who shall be an independent director.

– If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

– The term of office of Audit Committee members should be reviewed by the Board not less than every three (3) years.

**2. Authority**

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

(a) have explicit authority to investigate any matters within its terms of reference;

(b) have full and unrestricted access to any information it seeks as relevant to its activities from any employee of the Company or the Group and all employee are directed to co-operate with any request by the member of the Audit Committee;

(c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities (if any);

(d) be able to obtain independent professional or other advice in the performance of its duties; and

(e) where the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactory resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

**3. Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are as follows:

(a) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

(b) To discuss with the external auditors before the audit commences the nature and scope of the audit, ensure co-ordination where more than one audit firm is involved;

(c) To review with the external auditors their evaluation of the system of internal controls and their audit report;

(d) To review the quarterly and annual financial statements before submission to the Board, focusing particularly on:
- any changes in accounting policies and practices
- significant adjustments resulting from the audit
- the going concern assumption
- compliance with accounting standards and other legal requirements

(e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary);

(f) To review the external auditors' management letter and management's response;

(g) To do the following, in relation to the internal audit function:
- review the adequacy of the scope, functions, competency and resources of the internal audit function and that is has the necessary authority to carry out its work;
- review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(h) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(i) To report its findings on the financial and management performance, and other material matters to the Board;

(j) To consider the major findings of internal investigations and management's response;

(k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;

(l) To consider any other functions as may be agreed between the Audit Committee and the Board.

**4. Meetings & Quorum**

– In order to form a quorum, the majority of members present must be independent directors. Meetings shall be held not less than four times a year with a due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities.

– The Company Secretary shall be the secretary of the Audit Committee.

– The presence of the external auditors will be requested if required.

– Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

– The Finance Manager, the head of internal audit and representatives of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors, the internal auditors or both, without other Board members and management present at least twice a year and whenever deemed necessary.

– Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes, the Chairman of the Audit Committee shall have a second or casting vote.

5. **Reporting Procedures**

- The Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Audit Committee. Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board.

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

- The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

**MEETINGS**

During the financial year ended 31 March 2009, seven (7) Audit Committee meetings were held on 29 May 2008, 23 July 2008, 21 August 2008, 26 November 2008, 29 January 2009, 25 February 2009 and 25 March 2009.

The details of the attendance of the Committee meetings are as follows:

| **Name of Director** | | **No. of Meetings Attended** |
|---|---|---|
| Sanmarkan a/l T. S. Ganapathi | *Independent Non-Executive Director* | 7 / 7 |
| Sudesh a/l K. V. Sankaran | *Independent Non- Executive Director* | 7 / 7 |
| ^ Mohd Shahril Fitri Bin Hashim | *Executive Director* | 6 / 6 |
| * Ng Chin Nam | Independent Non-Executive Director | 2 / 2 |

^ Mohd Shahril Fitri Bin Hashim resigned from Audit Committee on 29 January 2009.
* Ng Chin Nam was appointed to Audit Committee with effect from 29 January 2009.

**SUMMARY OF ACTIVITIES**

During the financial year ended 31 March 2009, the Audit Committee's activities encompassed the following:

- Reviewed the financial statements before the quarterly announcements to Bursa Securities;
- Reviewed the year end financial statements together with the external auditors' management letter and management responses;
- Discussed with external auditors the audit plan and scope for the year of which included the audit procedures;
- Reviewed the reports prepared by the credit controller;
- Reviewed the internal audit plan prepared by internal auditors;
- Recommended to the Board on the appointment of external auditors; and
- Reviewed the related party transactions.

**INTERNAL AUDIT FUNCTION**

The Group outsourced its internal audit function. The Audit Committee determines the adequacy of the scope, function and resources of the Internal Audit function. Therefore the role of the Internal Audit function, which reports directly to the Audit Committee, is to support the Audit Committee by providing it with independent and objective reports on the adequacy and effectiveness of the system of internal control.

The main activities of the Internal Audit function include:

- Reviewing results and recommendations for improvement tabled at the Audit Committee meetings;
- Performing follow up reviews to ensure recommendations for improvement were carried out; and
- Reviewing the existing systems being carried out by the Group mainly on the credit control and collection for the subsidiaries.

The Internal Audit reviews conducted did not reveal significant weaknesses which would result in material losses, contingencies or uncertainties requiring separate disclosure in the Annual Report.

# Statement on Internal Control

## INTRODUCTION

Pursuant to paragraph 15.27 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by Statement on Internal Control: Guidance for Directors of Public Listed Companies ("the Guidance"), the Board of Directors ("the Board") of SMPC Corporation Bhd is pleased to include a statement on the state of the Group's internal control in this annual report.

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of internal controls, which includes the establishment of an appropriate control environment and framework, and the review of its effectiveness and adequacy to ensure that the Group's assets and shareholders' interests are safeguarded. Due to the inherent limitations in any system of internal control, such system put in place by Management can only reduce rather than eliminate the risk of failure to achieve the Group's corporate objectives. Consequently, the system can only provide reasonable assurance rather than absolute assurance against material misstatement or loss.

## RISK MANAGEMENT FRAMEWORK

Risk Management is regarded by the Board to be an integral part of the business operations. Key management personnel are delegated with the responsibility to manage identified risks within defined parameters and standards.

Nevertheless, the Board continually reviews the adequacy and effectiveness of the risk management frameworks across the various operating subsidiaries of the Group. Periodic reviews were also conducted to determine the existence of new risk and whether risk previously identified remained relevant.

The abovementioned risk management practices of the Group are an on-going process used to identify, evaluate and manage significant risks.

## INTERNAL CONTROL MECHANISM

The Group's internal audit function is outsourced to external consultants to assist the Board and Audit Committee in providing independent assurance on the adequacy, efficiency and effectiveness of the Group's internal control system. The scope of review of the outsourced internal audit function is determined by the Audit Committee with feedback from Executive Management.

During the financial year ended 31 March 2009, the internal audit function carried out audit in accordance with the internal audit plan approved by the Audit Committee. The results of the internal audit review and the recommendations for improvement were presented to the Audit Committee at their quarterly meetings.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.

The amount of fees and related expenses incurred on internal audit review performed for the financial year ended 31 March 2009 amounted to RM26,264.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Company's internal control systems are:

- An organizational structure, which clearly defines the lines of responsibility, with proper segregation of duties and delegation of authority;
- The Group's ISO-quality policies and procedures are implemented through its ISO accreditation programme. Periodic reviews are carried out to ensure the adherence and consistent application of the established policies and procedures;
- The Executive Directors are closely involved in running the business and operations of the Group and they report to the Board on significant changes in the business and external environment, which materially affect the operations of the Group at large;
- Regular management meetings are held to discuss the Group's performance, business operations and management issues as well as formulate appropriate action plans to address them;
- Budgetary control is in place for various operations of the Group. Actual performances are monitored against budgets to identify significant variances arising and to facilitate the resolution of these variances; and
- Comprehensive human resource policies and procedures on recruitment, performance appraisal and promotion are in place to ensure that the Group has a team of employees who are adequately trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities and tasks assigned.

## CONCLUSION

The Board is of the view that the Group's system of internal controls is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal controls.

This statement was approved by the Board of Directors on 29 July 2009

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(79082-V)

# Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- stated whether applicable accounting standards have been followed and made a statement to that effect in the financial statements, subject to any material departures being disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia. They are responsible for taking reasonable steps in safeguarding the assets of the Group and of the Company for the prevention and detection of fraud and other irregularities.

# Additional Compliance Information

**UTILISATION OF PROCEEDS**
During the financial year ended 31 March 2009, there was no utilisation of proceeds raised from any corporate proposal.

**SHARE BUY-BACKS**
The Company did not enter into any share buy-back transactions.

**OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**
No options, warrants or convertible securities were exercised during the financial year as disclosed in pages 28 to 29 of this Annual Report.

**AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMMED**
The Company did not sponsor any ADR or GDR programme during the financial year.

**SANCTIONS AND/OR PENALTIES**
There were no material public sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

**NON-AUDIT FEES**
Non-audit fees paid to the external Auditors for the financial year amounted to RM1,000.

**VARIATION IN RESULTS**
There was no material variance between the audited results for the financial year ended 31 March 2009 and unaudited results previously released for the financial quarter ended 31 March 2009.

**PROFIT GUARANTEE**
There was no profit guarantee given by the Company during the financial year.

**MATERIAL CONTRACTS**
There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the end of the financial year.

**REVALUATION POLICY ON LANDED PROPERTIES**
There was no revaluation of landed properties during the financial year.

# Corporate Social Responsibility

SMPC Group believes that good management of corporate social responsibility ("CSR") is considered a mandatory requirement to meet the evolving needs in a fast-paced business environment. The rising expectations for a sustainable business practices from our stakeholders always propel us to ensure social responsibilities are not being ignored in the course of pursuing business growth. We use economic, social and environmental criterion as the basis for our actions. In line with these expectations, SMPC CSR framework covers three areas namely the workplace, community and environment.

From a workplace perspective, CSR principles are shared with our employees to ensure their duties are performed with an awareness of social responsibilities. In addition to our ongoing CSR initiatives undertaken within the organisation, we are committed to developing and supporting the initiatives which will have a positive impact on the local communities.

Our contributions to temples in Penang, donations of company manufactured furniture to orphanages and the enrolment of students from polytechnics and universities for the purpose of industrial trainings are some of our initiatives that demonstrate our commitment towards the community. With reference to the industrial training, our industry experts have been, more than willingly, sharing their years of experience in various fields with the young aspiring students with a hope of providing them with a better pathway to the corporate industrial world.

From an environmental point of view, we devote resources to conduct periodical environmental audit to minimise environmental impact arising from our operations, thus increasing our social leadership towards environmental responsibility.

SMPC

# Financial Statements

# Directors' Report
for the year ended 31 March 2009

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended **31 March 2009**.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding, letting of industrial and commercial assets and management consultancy.

The principal activities of the subsidiaries are disclosed in Note 7 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)/Profit after taxation for the year | **(1,900,087)** | **109,036** |
| Atributable to : | | |
| Equity holders of the Company | **(1,887,432)** | **109,036** |
| Minority interests | **(12,655)** | **-** |
| | **(1,900,087)** | **109,036** |

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 March 2009** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## DIVIDENDS

No dividends have been declared or paid by the Company since the end of the previous financial period.

The directors do not recommend any dividend payment for the financial year.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the notes to the financial statements.

## SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

## DIRECTORS

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

**Machendran a/l Pitchai Chetty**
**Mohd Shahril Fitri Bin Hashim**
**Vijayan a/l O.M.V. Devan**
**Sanmarkan a/l T S Ganapathi**
**Sudesh a/l K.V. Sankaran**
**Dato' Seri Ismail Bin Shahudin (appointed on 12.8.08)**
**Ng Chin Nam (appointed on 29.1.09)**
**Dhanabalan a/l M. Pitchai Chetty (resigned on 30.6.09)**

In accordance with the Company's Articles of Association, **Mr. Sanmarkan a/l T S Ganapathi** and **Mr. Ng Chin Nam** retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests 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 are as follows:

| | ---------- Number of ordinary shares of RM1 each ---------- | | | |
|---|---|---|---|---|
| | **Balance at 1.4.08** | **Bought** | **Sold** | **Balance at 31.3.09** |
| **The Company** | | | | |
| **Direct Interest:** | | | | |
| Machendran a/l Pitchai Chetty | 347,447 | - | - | 347,447 |
| Ng Chin Nam | 60,000 | - | - | 60,000 * |
| **Deemed Interest:** | | | | |
| Machendran a/l Pitchai Chetty | 10,179,061 | - | (1,901,365) | 8,277,696 ** |
| Dhanabalan a/l M. Pitchai Chetty | 10,179,061 | - | (1,901,365) | 8,277,696 ** |
| **Other Interest:** | | | | |
| Ng Chin Nam | 30,000 | - | - | 30,000 *** |

| | ---------------------- Number of warrants ---------------------- | | | |
|---|---|---|---|---|
| | **Balance at 1.4.08** | **Bought** | **Exercised** | **Balance at 31.3.09** |
| **Direct Interest:** | | | | |
| Machendran a/l Pitchai Chetty | 95,000 | - | - | 95,000 |
| **Deemed Interest:** | | | | |
| Machendran a/l Pitchai Chetty | 1,961,666 | - | - | 1,961,666 ** |
| Dhanabalan a/l M. Pitchai Chetty | 1,961,666 | - | - | 1,961,666 ** |

**DIRECTORS' INTERESTS** (cont'd)

| | --- Number of options over ordinary shares of RM 1 each --- | | | |
|---|---|---|---|---|
| | **Balance at 1.4.08** | **Granted** | **Exercised** | **Balance at 31.3.09** |
| Machendran a/l Pitchai Chetty | 403,560 | - | - | 403,560 |
| Dhanabalan a/l M. Pitchai Chetty | 358,720 | - | - | 358,720 |

* At date of appointment.
** 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.
*** By virtue of the spouse's interest at date of appointment.

By virtue of their interests in the shares of the Company, **Mr. Machendran a/l Pitchai Chetty** and **Mr. Dhanabalan a/l M. Pitchai Chetty** are also deemed interested in the shares of all the subsidiaries, to the extent that the Company has interests.

Other than the above, none of the other directors have any interest in shares, warrants and options over shares in the Company or its related corporations during the financial year.

**WARRANTS**

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 expressed provision to extend the exercise period of the warrants. The exercise price of the Warrants is RM1.75 and is subject to adjustment under the terms and conditions as set out in the Deed Poll. The existing exercise period is 5 years commencing from and including the date of issue of the Warrants, i.e. 22 November 2000 and ending on and inclusive of 21 November 2005 and falling on a Market Day. On 28 July 2005, the expiry date of the warrants has been extended up to and including 21 November 2010.

As at 31 March 2009, the details of the warrants are as follows:

| Year issued | Exercise price | Balance as at 1 April 2008 | Exercised | Balance as at 31 March 2009 |
|---|---|---|---|---|
| 2000 | RM1.75 | 14,924,500 | - | 14,924,500 |

There were no warrants issued during the financial year.

Details of warrants issued to directors are disclosed in the section on directors' interest in this report.

**EMPLOYEE SHARE OPTIONS SCHEME**

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

The salient features and other terms of the ESOS are disclosed in Note 37(b) to the financial statements.

There were no share options granted during the year.

Details of share options granted to directors are disclosed in the section on directors' interest in this report.

**DIRECTORS' BENEFITS**

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than the related party transactions disclosed in the notes to the financial statements.

During and at the end of the year, no arrangements subsisted to which the Company is a party, with the objects 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 those arising from the warrants and share options granted under the Employees Share Options Scheme.

**OTHER STATUTORY INFORMATION**

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate allowance made for doubtful debts, and

(ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**OTHER STATUTORY INFORMATION** (cont'd)

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

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

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Group and of the Company 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 and of the Company to meet their obligations as and when they fall due.

**AUDITORS**

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

**Machendran a/l Pitchai Chetty**

**Mohd Shahril Fitri Bin Hashim**

**Penang,**

**Date: 29 July 2009**

## Directors' Statement

We, **Machendran a/l Pitchai Chetty** and **Mohd Shahril Fitri Bin Hashim**, being two of the directors of **SMPC Corporation Bhd.** state that in the opinion of the directors, the financial statements set out on pages 34 to 90 are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 March 2009** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the directors :

**Machendran a/l Pitchai Chetty**

**Mohd Shahril Fitri Bin Hashim**

**Date: 29 July 2009**

## Statutory Declaration

I, **Mohd Shahril Fitri Bin Hashim**, the director primarily responsible for the financial management of **SMPC Corporation Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 34 to 90 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 at Penang, this **29th** )
day of **July 2009**. )

**Mohd Shahril Fitri Bin Hashim**

**Before me,**

**Commissioner for Oaths**

# Independent Auditors' Report

to the members of SMPC Corporation Bhd. (Company No. 79082-V)
(Incorporated In Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of **SMPC Corporation Bhd.**, which comprise the balance sheet as at **31 March 2009** of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 90.

**Directors' Responsibility for the Financial Statements**

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 March 2009** and of their financial performance and cash flows for the financial year then ended.

# Independent Auditors' Report

to the members of SMPC Corporation Bhd. (Company No. 79082-V)
(Incorporated In Malaysia) (cont'd)

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to the disclosures made in Note 2 and Note 35 to the financial statements. The financial statements of the Group and of the Company have been prepared on a going concern basis as it is the intention of the Company to carry on with the business activities of the Group. However, for the year ended 31 March 2009, the Group was still making losses of RM1,900,087 and had net current liabilities of RM61,562,347. Further, the Proposed Restructuring Scheme ("PRS") which was announced on 3 July 2008, has yet to be submitted to the Securities Commission and other relevant authorities pending finalisation with two major creditor banks. The Company's directors are confident of getting their approval soon after which it will be submitted to the Securities Commission and other relevant authorities.

The going concern of the Company and of the Group is therefore dependent on the approval of the PRS by the Company's shareholders, the Securities Commission and other relevant authorities and its successful implementation, failing which the going concern of the Company and of the Group may be jeopardized.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, 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,
(b) We have considered the accounts and the auditors' report of a subsidiary of which we have not acted as auditors, which are indicated in Note 7 to the financial statements,
(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
(d) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The financial statements of the Group and of the Company for the fourteen month period ended 31 March 2008 were audited by another firm of auditors whose report dated 24 July 2008 emphasised the going concern issue of the Group and of the Company which was dependant on the approval of the Proposed Restructuring Scheme by the shareholders and relevant authorities and its successful implementation.

**Grant Thornton**
**No. AF : 0042**
**Chartered Accountants**

**Date: 29 July 2009**
**Penang**

**John Lau Tiang Hua, DJN**
**Partner**
**No. 1107/03/10 (J)**
**Chartered Accountant**

# Consolidated Balance Sheet

at 31 March 2009

| | NOTE | 2009 RM | (Restated) 2008 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **91,676,451** | 88,549,386 |
| Prepaid land lease payments | 5 | **6,839,937** | 6,993,143 |
| Investment properties | 6 | **334,567** | 334,567 |
| Goodwill | 8 | **1,875,643** | 1,875,643 |
| | | **100,726,598** | 97,752,739 |
| **Current assets** | | | |
| Inventories | 9 | **21,391,604** | 19,875,331 |
| Trade receivables | 10 | **25,901,931** | 36,073,166 |
| Other receivables, deposits and prepayments | 11 | **13,166,917** | 11,386,951 |
| Tax recoverable | | **1,799,264** | 1,088,847 |
| Short term investments | 13 | **138,403** | 190,971 |
| Fixed deposits with licensed banks | 14 | **17,323** | 1,018,722 |
| Cash and bank balances | 15 | **4,301,323** | 8,387,305 |
| | | **66,716,765** | 78,021,293 |
| Non-current assets held for sale | 16 | **11,940,463** | 11,940,463 |
| | | **78,657,228** | 89,961,756 |
| **TOTAL ASSETS** | | **179,383,826** | 187,714,495 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 17 | **64,644,965** | 64,644,965 |
| Share premium | | **23,751,705** | 23,751,705 |
| Other reserves | 18 | **5,791,777** | 5,875,909 |
| Accumulated losses | | **(60,771,399)** | (58,883,967) |
| | | **33,417,048** | 35,388,612 |
| **Minority interests** | | **875,960** | 888,615 |
| **Total equity** | | **34,293,008** | 36,277,227 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | **2,218,921** | 3,425,279 |
| Deferred tax liabilities | 20 | **2,652,322** | 2,647,721 |
| | | **4,871,243** | 6,073,000 |
| **Current liabilities** | | | |
| Trade payables | 21 | **8,668,750** | 31,026,865 |
| Other payables and accruals | 22 | **32,170,041** | 12,451,131 |
| Borrowings | 19 | **98,696,941** | 101,024,398 |
| Provision for taxation | | **683,843** | 861,874 |
| | | **140,219,575** | 145,364,268 |
| **Total liabilities** | | **145,090,818** | 151,437,268 |
| **TOTAL EQUITY AND LIABILITIES** | | **179,383,826** | 187,714,495 |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

SMPC
SMPC CORPORATION BHD.
(79082-V)

# Consolidated Income Statement
for the year ended 31 March 2009

| | NOTE | **1.4.08 TO 31.3.09 (12 months) RM** | (Restated) 1.2.07 TO 31.3.08 (14 months) RM |
|---|---|---|---|
| Revenue | 23 | **144,853,174** | 198,251,532 |
| Other income | 24 | **1,770,796** | 1,588,890 |
| Changes in inventories of work in progress, trading inventories and finished goods | | **3,612,272** | (1,670,231) |
| Raw materials and consumables used | | **(57,268,673)** | (79,443,203) |
| Trading goods purchased | | **(58,007,227)** | (83,097,355) |
| Employee benefits expense | 25 | **(10,811,715)** | (15,190,326) |
| Depreciation of property, plant and equipment | | **(4,922,306)** | (6,211,940) |
| Other expenses | | **(10,828,640)** | (10,981,409) |
| **Operating profit** | | **8,397,681** | 3,245,958 |
| Finance costs | 26 | **(10,019,880)** | (11,095,734) |
| **Loss before taxation** | 27 | **(1,622,199)** | (7,849,776) |
| Taxation | 28 | **(277,888)** | (954,572) |
| **Loss for the year/period** | | **(1,900,087)** | (8,804,348) |
| Attributable to: | | | |
| Equity holders of the Company | | **(1,887,432)** | (8,763,132) |
| Minority interests | | **(12,655)** | (41,216) |
| | | **(1,900,087)** | (8,804,348) |
| **Loss per share attributable to equity holders of the Company** | | | |
| - Basic (sen) | 29 | (2.92) | (13.56) |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity
for the year ended 31 March 2009

| | | Attributable to Equity Holders of the Company | | | | | | Minority Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | | | |
| | NOTE | Share capital RM | Share premium RM | Asset revaluation reserve RM | Foreign currency translation reserve RM | Accumulated losses RM | Total RM | RM | RM |
| **1.4.08 TO 31.3.09** | | | | | | | | | |
| Balance at beginning | | **64,644,965** | **23,751,705** | **6,009,053** | **(133,144)** | **(58,883,967)** | **35,388,612** | **888,615** | **36,277,227** |
| Foreign currency translation | | **-** | **-** | **-** | **(84,132)** | **-** | **(84,132)** | **-** | **(84,132)** |
| Loss for the year | | **-** | **-** | **-** | **-** | **(1,887,432)** | **(1,887,432)** | **(12,655)** | **(1,900,087)** |
| Balance at end | | **64,644,965** | **23,751,705** | **6,009,053** | **(217,276)** | **(60,771,399)** | **33,417,048** | **875,960** | **34,293,008** |
| (Restated) 1.2.07 TO 31.3.08 | | | | | | | | | |
| Balance at beginning | | 64,644,965 | 23,751,705 | 5,878,579 | 52,033 | (51,882,653) | 42,444,629 | 86,169 | 42,530,798 |
| Effect of adopting FRS 112 | 3.23 | - | - | - | - | 119,000 | 119,000 | - | 119,000 |
| | | 64,644,965 | 23,751,705 | 5,878,579 | 52,033 | (51,763,653) | 42,563,629 | 86,169 | 42,649,798 |
| Effect of changes in tax rates on deferred tax | | - | - | 130,474 | - | - | 130,474 | - | 130,474 |
| Foreign currency translation | | - | - | - | (185,177) | - | (185,177) | (46,780) | (231,957) |
| Loss for the period | | - | - | - | - | (8,763,132) | (8,763,132) | (41,216) | (8,804,348) |
| Contribution to share capital of a subsidiary by minority interest | | - | - | - | - | - | - | 2,533,260 | 2,533,260 |
| Gain on dilution of interest in a subsidiary | | - | - | - | - | 1,642,818 | 1,642,818 | (1,642,818) | - |
| Balance at end | | 64,644,965 | 23,751,705 | 6,009,053 | (133,144) | (58,883,967) | 35,388,612 | 888,615 | 36,277,227 |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

# Consolidated Cash Flow Statement
for the year ended 31 March 2009

| | 1.4.08 TO 31.3.09 (12 months) RM | 1.2.07 TO 31.3.08 (14 months) RM |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before taxation | **(1,622,199)** | (7,849,776) |
| Adjustments for: | | |
| Allowance for doubtful debts | **12,654** | 124,444 |
| Amortisation of prepaid land lease payments | **153,206** | 156,027 |
| Bad debts recovered | **(16,976)** | - |
| Depreciation | **4,922,306** | 6,211,940 |
| Diminution in value of short term investments | **52,568** | - |
| Interest expense | **9,948,375** | 10,456,365 |
| Interest income | **(36,843)** | (290,179) |
| Gain on disposal of property, plant and equipment | **(308,060)** | (379,612) |
| Reversal of provision for retirement benefits | **-** | (225,947) |
| Unrealised gain on foreign exchange | **(5,969)** | (284,470) |
| Write down of inventories | **-** | 156,001 |
| Operating profit before working capital changes | **13,099,062** | 8,074,793 |
| Increase in inventories | **(1,516,273)** | (1,266,952) |
| Decrease in receivables | **8,534,706** | 2,306,206 |
| (Decrease)/Increase in payables | **(8,209,248)** | 1,873,914 |
| Cash generated from operations | **11,908,247** | 10,987,961 |
| Income tax paid | **(1,161,735)** | (185,318) |
| Interest paid | **(4,378,332)** | - |
| Retirement benefits paid | **-** | (13,427) |
| Net cash from operating activities/Balance carried forward | **6,368,180** | 10,789,216 |

# Consolidated Cash Flow Statement
for the year ended 31 March 2009 (cont'd)

| | 1.4.08 TO 31.3.09 (12 months) RM | 1.2.07 TO 31.3.08 (14 months) RM |
|---|---|---|
| Balance brought forward | **6,368,180** | 10,789,216 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **36,843** | 290,179 |
| Proceeds from disposal of property, plant and equipment | **848,071** | 6,648,764 |
| Purchase of property, plant and equipment | **(8,835,882)** | (4,148,335) |
| Net cash (used in)/from investing activities | **(7,950,968)** | 2,790,608 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Bankers acceptance | **(68,604)** | 4,118,520 |
| Bank overdraft restructured to term loan | **5,430,402** | 2,837,647 |
| Interest paid | **-** | (6,677,868) |
| Repayment of hire purchase payables | **(1,315,147)** | (1,684,668) |
| Proceeds from issuance of shares to minority interest | **-** | 2,533,260 |
| Repayment of term loans | **(621,663)** | (6,065,287) |
| Repayment of trusts receipts | **-** | (717,881) |
| Net cash from/(used in) financing activities | **3,424,988** | (5,656,277) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **1,842,200** | 7,923,547 |
| Effects of exchange rate changes | **162,368** | (41,910) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING** | **(6,345,272)** | (14,226,909) |
| **CASH AND CASH EQUIVALENTS AT END** | **(4,340,704)** | (6,345,272) |
| Represented by: | | |
| Fixed deposits with licensed banks | **17,323** | 1,018,722 |
| Cash and bank balances | **4,301,323** | 8,387,305 |
| Bank overdrafts | **(8,659,350)** | (15,751,299) |
| | **(4,340,704)** | (6,345,272) |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

# Balance Sheet
at 31 March 2009

| | NOTE | 2009 RM | 2008 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **18,292,364** | 15,704,607 |
| Prepaid land lease payment | 5 | **4,820,503** | 4,956,784 |
| Investment in subsidiaries | 7 | **28,341,792** | 28,341,692 |
| | | **51,454,659** | 49,003,083 |
| **Current assets** | | | |
| Other receivables, deposits and prepayments | 11 | **1,031,368** | 719,652 |
| Amount due from subsidiaries | 12 | **10,610,743** | 9,143,428 |
| Tax recoverable | | **279,712** | 241,936 |
| Fixed deposits with a licensed bank | 14 | **-** | 453,227 |
| Cash and bank balances | 15 | **216,821** | 34,722 |
| | | **12,138,644** | 10,592,965 |
| **TOTAL ASSETS** | | **63,593,303** | 59,596,048 |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 17 | **64,644,965** | 64,644,965 |
| Share premium | | **23,751,705** | 23,751,705 |
| Other reserves | 18 | **13,379,344** | 13,379,344 |
| Accumulated losses | | **(52,210,713)** | (52,319,749) |
| **Total equity** | | **49,565,301** | 49,456,265 |
| **Non-current liabilities** | | | |
| Borrowings | 19 | **515,769** | 1,026,774 |
| Deferred tax liabilities | 20 | **1,025,573** | 1,074,134 |
| | | **1,541,342** | 2,100,908 |
| **Current liabilities** | | | |
| Other payables and accruals | 22 | **862,048** | 326,703 |
| Amount due to subsidiaries | 12 | **10,654,009** | 6,884,619 |
| Borrowings | 19 | **970,603** | 827,553 |
| | | **12,486,660** | 8,038,875 |
| **Total liabilities** | | **14,028,002** | 10,139,783 |
| **TOTAL EQUITY AND LIABILITIES** | | **63,593,303** | 59,596,048 |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

# Income Statement
for the year ended 31 March 2009

| | NOTE | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
|---|---|---|---|
| Revenue | 23 | **4,186,501** | 4,047,627 |
| Other income | 24 | **7,308** | 67,727 |
| Employee benefits expenses | 25 | **(1,649,035)** | (3,431,834) |
| Depreciation of property, plant and equipment | | **(634,677)** | (1,036,533) |
| Other expenses | | **(1,816,003)** | (6,468,125) |
| **Operating profit/(loss)** | | **94,094** | (6,821,138) |
| Finance costs | 26 | **(33,619)** | (61,454) |
| **Profit/(Loss) before taxation** | 27 | **60,475** | (6,882,592) |
| Taxation | 28 | **48,561** | (360,456) |
| **Profit/(Loss) for the year/period** | | **109,036** | (7,243,048) |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

# Statement of Changes in Equity
for the year ended 31 March 2009

| | ------------ | Non-distributable | ------------ | | | |
|---|---|---|---|---|---|---|
| | Share capital RM | Share premium RM | Capital reserves RM | Asset revaluation reserves RM | Accumulated losses RM | Total equity RM |
| **1.4.08 TO 31.3.09** | | | | | | |
| Balance at beginning | **64,644,965** | **23,751,705** | **7,445,000** | **5,934,344** | **(52,319,749)** | **49,456,265** |
| Profit for the year | **-** | **-** | **-** | **-** | **109,036** | **109,036** |
| Balance at end | **64,644,965** | **23,751,705** | **7,445,000** | **5,934,344** | **(52,210,713)** | **49,565,301** |
| 1.2.07 TO 31.3.08 | | | | | | |
| Balance at beginning | 64,644,965 | 23,751,705 | 7,445,000 | 5,878,579 | (45,076,701) | 56,643,548 |
| Loss for the period | - | - | - | - | (7,243,048) | (7,243,048) |
| Effect of changes in tax rates on deferred tax | - | - | - | 55,765 | - | 55,765 |
| Balance at end | 64,644,965 | 23,751,705 | 7,445,000 | 5,934,344 | (52,319,749) | 49,456,265 |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

SMPC
SMPC CORPORATION BHD.
(79082-V)

# Cash Flow Statement
for the year ended 31 March 2009

| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(Loss) before taxation | **60,475** | (6,882,592) |
| Adjustments for: | | |
| Amortisation of prepaid land lease payment | **136,281** | 136,281 |
| Depreciation | **634,677** | 1,036,533 |
| Gain on disposal of property, plant and equipment | **-** | (35,438) |
| Impairment losses on investment in subsidiaries | **-** | 4,778,883 |
| Interest expense | **33,619** | 61,454 |
| Interest income | **(7,308)** | (67,727) |
| Unrealised loss/(gain) on foreign exchange | **133,146** | (216,232) |
| Operating profit/(loss) before working capital changes | **990,890** | (1,188,838) |
| (Increase)/Decrease in receivables | **(311,716)** | 1,260,081 |
| Increase/(Decrease) in payables | **535,345** | (31,760) |
| Cash generated from operations | **1,214,519** | 39,483 |
| Interest paid | **(33,619)** | (61,454) |
| Income tax paid | **(37,776)** | (42,498) |
| Net cash from/(used in) operating activities | **1,143,124** | (64,469) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **7,308** | 67,727 |
| Investment in a subsidiary | **(100)** | - |
| Proceeds from disposal of property, plant and equipment | **-** | 57,872 |
| Purchase of property, plant and equipment | **(3,222,434)** | (76,989) |
| Net cash (used in)/from investing activities | **(3,215,226)** | 48,610 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of hire purchase | **(295,122)** | (402,325) |
| Repayment of term loans | **(45,624)** | (88,268) |
| Advance from subsidiaries | **2,302,075** | 423,340 |
| Net cash from/(used in) financing activities | **1,961,329** | (67,253) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(110,773)** | (83,112) |
| Effects of exchange rate changes | **(133,146)** | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING** | **460,740** | 543,852 |
| **CASH AND CASH EQUIVALENTS AT END** | **216,821** | 460,740 |
| **Represented by:** | | |
| Cash and bank balances | **216,821** | 34,722 |
| Fixed deposits with a licensed bank | **-** | 453,227 |
| Bank overdraft | **-** | (27,209) |
| | **216,821** | 460,740 |

The notes set out on pages 43 to 90 form an integral part of these financial statements.

# Notes to the Financial Statements
– 31 March 2009

1. **CORPORATE INFORMATION**

**General**

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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 July 2009.

**Principal activities**

The principal activities of the Company consist of investment holding, letting of industrial and commercial assets and management consultancy.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

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

2. **GOING CONCERN ASSUMPTION**

The financial statements of the Group and of the Company have been prepared on a going concern basis as it is the intention of the Company to carry on with the business activities of the Group. However for the year ended 31 March 2009, the Group incurred losses of **RM1,900,087** and as at that date, the Group's current liabilities has exceeded its current assets by **RM61,562,347**. In addition, certain subsidiaries have defaulted on the repayment of certain bank borrowing obligations and the management has negotiated with the banks for deferred payments pending the approval of the revised Proposed Restructuring Scheme ("PRS") by two major creditor banks for submission to the Securities Commission and other relevant authorities for approval. The directors are confident of getting the approval of the two major creditor banks to its PRS. The PRS was formulated to address the Group's high gearing position to a manageable level and for future growth of the Group.

The preparation of the financial statements of the Group and of the Company on a going concern basis is dependent on the approval and successful implementation of the PRS. The financial statements of the Group and of the Company do not include any adjustment to the amounts and classification of assets and liabilities that may arise should the Group and the Company be unable to continue as a going concern.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies adopted by the Group and the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 **Basis of Preparation**

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted new/revised Financial Reporting Standards ("FRSs") which are mandatory for financial periods beginning on or after 1 April 2008 as described fully in Note 3.23.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.2 **Significant Accounting Estimates and Judgements**

(a) **Critical judgements made in accounting policies**

The following are the judgements made by management in the process of applying the Group's accounting policies that have significant effect on the amounts recognised in the financial statements.

(i) **Classification between investment properties and property, plant and equipment**

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation or for administrative purposes. If these portions could be sold separately (or lease out separately under finance lease), the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(b) **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Impairment of goodwill**

The Group determines whether goodwill are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units ("CGU") to which goodwill are allocated. Estimating value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) **Impairment of property, plant and equipment**

The Group assess impairment of the property, plant and equipment whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for the asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from the asset discounted at an appropriate discount rate.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.2 **Significant Accounting Estimates and Judgements** (cont'd)

**(b) Key sources of estimation uncertainty** (cont'd)

**(ii) Impairment of property, plant and equipment** (cont'd)

Projected future cash flows are based on the Group's estimates calculated based on historical, sector and industry trends, general market and economic conditions and other available information.

**(iii) Impairment of investments in subsidiaries**

The Company carried out the impairment test based on the estimate of the higher of value-in-use or the fair value less cost to sell of the cash-generating unit ("CGU") to which the investments in the subsidiary belong to. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the CGU and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

**(iv) Depreciation of plant and machinery**

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 6 to 20 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**(v) Deferred tax assets**

Deferred tax assets are recognised for unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the recognised and unrecognised deferred tax assets are disclosed in Note 20.

**(vi) Allowance for doubtful debts**

The Group assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Allowance for doubtful debts are applied to receivables when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.3 **Subsidiaries and Basis of Consolidation**

**Subsidiaries**

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom.

Investment in subsidiaries which is eliminated on consolidation is stated at cost less accumulated impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 3.14.

Upon the disposal of investment in subsidiaries, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

**Basis of consolidation**

The financial statements of the Group include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial year. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating activities so as to obtain benefits therefrom. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition and up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities represents goodwill and is retained in the balance sheet. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses in goodwill is in accordance with the accounting policy as set out in Note 3.14.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

Inter-company balances, transactions 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. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the acquisition fair values of the identifiable assets and liabilities of the acquiree company. Separate disclosure is made of minority interest.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

### 3.4 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 profit and loss. On disposal of short term investments, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

### 3.5 Property, Plant and Equipment

All items or property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment except for the freehold land are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Certain freehold land and buildings of the Group have not been revalued since they were first revalued in 1994. The directors have not adopted a policy of regular revaluation of such assets and no later valuation has been recorded. As permitted under the transitional provisions of International Accounting Standards (IAS) No. 16 (Revised) : Property, Plant and Equipment, these assets continue to be stated at their 1994 valuation less accumulated depreciation.

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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

Freehold land is not depreciated as it has an infinite life.

Depreciation on capital expenditure in progress commences when the assets are ready for their intended use.

The residual value, useful life and depreciation method are reviewed at each balance sheet date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Upon the disposal and retirement of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.6 **Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.7 **Investment Properties**

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Such properties are measured initially at cost. Initial cost comprises purchase price and any directly attributable expenditure for a purchased investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

The policy for the recognition and measurement of impairment losses is in accordance with the accounting policy as set out in Note 3.14.

Freehold land is not amortised as it has an infinite life.

Upon the disposal of an item of investment properties, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

3.8 **Inventories**

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

Cost of trading inventories of building materials, hardware items and scrap materials is determined using the weighted average basis. Cost of other inventories is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

3.9 **Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.9 **Leases** (cont'd)

**(ii) 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 lease payments at the inception of the 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 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. Any initial direct costs are also added to the carrying amount of such assets.

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

Leasehold land are depreciated over the lease terms of the land which range from 60 years to 99 years.

**(iii) Operating leases - the Group as lessee**

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land elements and buildings elements of the lease at the inception of the lease. The upfront payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

**(iv) Operating leases - the Group as lessor**

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is reocgnised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.10 **Receivables**

Receivables are stated at their anticipated realisable values.

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.11 **Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

3.12 **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.

3.13 **Provisions**

Provisions 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.

3.14 **Impairment of Assets**

**Goodwill**

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

The Group reviews the carrying amount of its CGU at each balance sheet date to determine whether there is any indication of impairment or more frequently when indicators of impairment are identified. If any such indication exists, impairment is measured by comparing the carrying amount of the CGU with its recoverable amount.

CGU's recoverable amount is the higher of CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the carrying amount of CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Impairment loss recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises. Impairment loss on goodwill is not reversed in a subsequent period.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.14 **Impairment of Assets** (cont'd)

**Other assets**

At each balance sheet date, the Group reviews the carrying amounts of its assets other than investment properties, prepaid land lease payments, non-current assets held for sale, inventories and financial 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 as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

3.15 **Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets.

Other borrowing costs are recognised as expenses in the period in which they are incurred.

3.16 **Revenue Recognition**

**(i) Sale of goods**
Revenue is recognised net of discounts and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**(ii) Rental income**
Rental income is recognised on a straight-line basis over the term of the lease.

**(iii) Interest income**
Interest income is recognised on an accrual basis using the effective interest method.

**(iv) Management consultancy fees**
Management consultancy fees are recognised when services are rendered.

**(v) Dividend income**
Dividend income is recognised when the right to receive payment is established.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.17 **Employee Benefits**

**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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

**Share-based compensation**

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. As permitted under the transitional provisions of FRS 2: Share-based Payment, no compensation expense is recognised by the Group. When the options are exercised, equity is increased by the amount of the proceeds received.

**Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal of providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

3.18 **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 tax payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.18 **Income Tax** (cont'd)

Deferred tax assets are recognised 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

3.19 **Foreign Currency Translations**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, foreign currency monetary items are translated into functional currency at the exchange rates ruling at that date. All exchange gains or losses are included in the income statement.

The financial statements of the foreign subsidiary are translated into Ringgit Malaysia at the approximate rate of exchange ruling on the balance sheet date for balance sheet items and at the approximate average rate of exchange ruling on transaction dates for income statement items. Exchange differences due to such currency translations are taken directly to foreign currency translation reserve.

3.20 **Cash and Cash Equivalents**

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value against which bank overdraft balances, if any, are deducted.

3.21 **Equity Instruments**

Ordinary shares are classified as equity which are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

The transaction costs of an equity transaction which comprise only those incremental external costs directly attributable to the equity transaction are accounted for as a deduction from equity, net of tax, from the proceeds.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.21 **Equity Instruments** (cont'd)

When issued shares of the Company are repurchased, the consideration paid, including directly attributable costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, reissuance or cancellation of treasury shares.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are reissued by resale, the difference between the sale consideration net of directly attributable costs and the carrying amount of the treasury shares is shown as a movement in equity.

3.22 **Financial Instruments**

Financial instruments are recognised in the balance sheet when the Group has 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 the financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has 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.

The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

3.23 **New and Revised Financial Reporting Standards ("FRSs")**

The Group and the Company adopted the following new and revised FRSs and IC Interpretations during the financial year:

| | | | **Effective date** |
|---|---|---|---|
| | FRS 107 | Cash Flow Statements | 1 July 2007 |
| * | FRS 111 | Construction Contracts | 1 July 2007 |
| | FRS 112 | Income Taxes | 1 July 2007 |
| | FRS 118 | Revenue | 1 July 2007 |
| * | FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| | Amendment to FRS 121 | The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation | 1 July 2007 |
| | FRS 134 | Interim Financial Reporting | 1 July 2007 |
| | FRS 137 | Provisions, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| * | IC Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.23 **New and Revised Financial Reporting Standards ("FRSs")**

| | | Effective date |
|---|---|---|
| * IC Interpretation 2 | Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| * IC Interpretation 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| * IC Interpretation 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | 1 July 2007 |
| * IC Interpretation 7 | Applying the Restatement Approach under FRS $129_{2004}$ Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| * IC Interpretation 8 | Scope of FRS 2 | 1 July 2007 |

The adoption of the above FRSs did not give rise to any adjustment to the opening balances of retained profits of the prior and current year or to changes in the comparative figures of the Group and of the Company other than as follow:

**FRS 112 : Income Taxes**

Prior to the revision of FRS $112_{2004}$, paragraph 36 does not allow deferred tax assets in respect of unabsorbed reinvestment allowance ("RA") or other similar allowances in excess of its normal capital allowances to be recognised in the financial statements.

Upon application of FRS 112, the above provision has been removed and deferred tax assets on unabsorbed RA or other similar allowances are now recognised to the extent it is probable that taxable profit will be available against which the unabsorbed RA or other similar allowances can be utilised.

The financial impact of the initial adoption of FRS 112 by the Group has been accounted for retrospectively. Effect of the change is disclosed in Note 38.

The Group and the Company have not early adopted the following FRSs and IC Interpretations which are effective for financial periods beginning on or after 1 July 2009 and 1 January 2010.

3. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

3.23 **New and Revised Financial Reporting Standards ("FRSs")** (cont'd)

Mandatory for financial period beginning on or after 1 July 2009:

| | |
|---|---|
| * FRS 8 | Operating Segments |

Mandatory for financial period beginning on or after 1 January 2010:

| | |
|---|---|
| * Amendments to FRS 1 and FRS 127 | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| * Amendments to FRS 2 | Vesting Conditions Cancellations |
| * FRS 4 | Insurance Contracts |
| FRS 7 | Financial Instruments : Disclosures |
| FRS123 | Borrowing Costs |
| FRS 139 | Financial Instruments : Recognition and Measurement |
| * IC Interpretation 9 | Reassessment of Embedded Derivatives |
| * IC Interpretation 10 | Interim Financial Reporting and Impairment |
| * IC Interpretation 11 | FRS 2 - Group and Treasury Shares Transactions |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

* Not relevant to the Group and the Company

The effects of FRS 7 and FRS 139, if any, upon its initial recognition are exempted from disclosure.

4. **PROPERTY, PLANT AND EQUIPMENT**

**GROUP**
**2009**

| | At valuation/cost | | | | |
|---|---|---|---|---|---|
| | Balance at 1.4.08 RM | Additions RM | Disposals/ Wrtten off RM | Exchange differences RM | Balance at 31.3.09 RM |
| **At valuation** | | | | | |
| Buildings | 10,250,019 | - | - | - | 10,250,019 |
| **At cost** | | | | | |
| Freehold land and buildings | 44,220,906 | 113,419 | - | - | 44,334,325 |
| Buildings | 13,247,500 | 122,741 | (128,599) | (37,355) | 13,204,287 |
| Plant and machinery | 65,087,630 | 1,933,477 | (4,761,554) | (154,961) | 62,104,592 |
| Fittings, equipment, office equipment, motor vehicles and renovation | 16,040,020 | 256,945 | (212,053) | (9,693) | 16,075,219 |
| Capital work-in-progress | 1,456,233 | 6,409,300 | - | (64,656) | 7,800,877 |
| | 150,302,308 | 8,835,882 | (5,102,206) | (266,665) | 153,769,319 |

| | Accumulated depreciation | | | | |
|---|---|---|---|---|---|
| | Balance at 1.4.08 RM | Current charge RM | Disposals/ Wrtten off RM | Exchange differences RM | Balance at 31.3.09 RM |
| **At valuation** | | | | | |
| Buildings | 1,349,032 | 205,000 | - | - | 1,554,032 |
| **At cost** | | | | | |
| Freehold land and buildings | 4,905,466 | 766,253 | - | - | 5,671,719 |
| Buildings | 2,707,198 | 152,131 | (128,552) | (2,992) | 2,727,785 |
| Plant and machinery | 39,819,098 | 2,939,396 | (4,227,950) | (15,649) | 38,514,895 |
| Fittings, equipment, office equipment, motor vehicles and renovation | 12,972,128 | 859,526 | (205,693) | (1,524) | 13,624,437 |
| Capital work-in-progress | - | - | - | - | - |
| | 61,752,922 | 4,922,306 | (4,562,195) | (20,165) | 62,092,868 |

| | Net carrying amount at 31.3.09 RM |
|---|---|
| **At valuation** | |
| Buildings | 8,695,987 |
| **At cost** | |
| Freehold land and buildings | 38,662,606 |
| Buildings | 10,476,502 |
| Plant and machinery | 23,589,697 |
| Fittings, equipment, office equipment motor vehicles and renovation | 2,450,782 |
| Capital work-in-progress | 7,800,877 |
| | 91,676,451 |

## 4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP
(Restated)
2008

| | At valuation/cost | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at 1.2.07 RM | Additions RM | Disposals/ Wrtten off RM | Reclassified to assets held for sale RM | Reclassified to investment properties RM | Exchange differences RM | Balance at 31.3.08 RM |
| At valuation | | | | | | | |
| Freehold land and buildings | 5,800,000 | - | - | (5,465,433) | (334,567) | - | - |
| Buildings | 10,250,019 | - | - | - | - | - | 10,250,019 |
| At cost | | | | | | | |
| Freehold land and buildings | 51,534,262 | 77,519 | (97,900) | (7,249,863) | - | (43,112) | 44,220,906 |
| Buildings | 13,210,540 | 36,960 | - | - | - | - | 13,247,500 |
| Plant and machinery | 72,696,514 | 2,673,829 | (10,146,179) | - | - | (136,534) | 65,087,630 |
| Fittings, equipment, office equipment, motor vehicles and renovation | 16,052,021 | 720,037 | (710,095) | - | - | (21,943) | 16,040,020 |
| Capital work-in-progress | 240,637 | 1,483,963 | (268,367) | - | - | - | 1,456,233 |
| | 169,783,993 | 4,992,308 | (11,222,541) | (12,715,296) | (334,567) | (201,589) | 150,302,308 |

| | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance at 1.2.07 RM | Current charge RM | Disposals/ Wrtten off RM | Reclassified to assets held for sale RM | Reclassified to investment properties RM | Exchange differences RM | Balance at 31.3.08 RM |
| At valuation | | | | | | | |
| Freehold land and buildings | - | - | - | - | - | - | - |
| Buildings | 1,097,578 | 251,454 | - | - | - | - | 1,349,032 |
| At cost | | | | | | | |
| Freehold land and buildings | 4,797,287 | 900,078 | (15,282) | (774,833) | - | (1,784) | 4,905,466 |
| Buildings | 2,478,191 | 229,007 | - | - | - | - | 2,707,198 |
| Plant and machinery | 40,748,767 | 3,375,489 | (4,297,199) | - | - | (7,959) | 39,819,098 |
| Fittings, equipment, office equipment, motor vehicles and renovation | 12,158,923 | 1,455,912 | (640,908) | - | - | (1,799) | 12,972,128 |
| Capital work-in-progress | - | - | - | - | - | - | - |
| | 61,280,746 | 6,211,940 | (4,953,389) | (774,833) | - | (11,542) | 61,752,922 |

| | Net carrying amount at 31.3.08 RM |
|---|---|
| At valuation | |
| Freehold land and buildings | |
| Buildings | 8,900,987 |
| At cost | |
| Freehold land and buildings | 39,315,440 |
| Buildings | 10,540,302 |
| Plant and machinery | 25,268,532 |
| Fittings, equipment, office equipment, motor vehicles and renovation | 3,067,892 |
| Capital work-in-progress | 1,456,233 |
| | 88,549,386 |

4. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

**COMPANY**
**2009**

| | At valuation/cost | | |
|---|---|---|---|
| | Balance at 1.4.08 RM | Additions RM | Balance at 31.3.09 RM |
| **At valuation** | | | |
| Buildings | 10,250,019 | - | 10,250,019 |
| **At cost** | | | |
| Buildings | 8,094,267 | 36,538 | 8,130,805 |
| Fittings, equipment and office equipment | 4,060,193 | 140,506 | 4,200,699 |
| Motor vehicles | 2,348,918 | - | 2,348,918 |
| Capital expenditure in progress | - | 3,045,390 | 3,045,390 |
| | 24,753,397 | 3,222,434 | 27,975,831 |

| | Accumulated depreciation | | |
|---|---|---|---|
| | Balance at 1.4.08 RM | Current charge RM | Balance at 31.3.09 RM |
| **At valuation** | | | |
| Buildings | 1,349,032 | 205,000 | 1,554,032 |
| **At cost** | | | |
| Buildings | 2,202,319 | 37,434 | 2,239,753 |
| Fittings, equipment and office equipment | 3,876,253 | 65,895 | 3,942,148 |
| Motor vehicles | 1,621,186 | 326,348 | 1,947,534 |
| Capital expenditure in progress | - | - | - |
| | 9,048,790 | 634,677 | 9,683,467 |

| | Net carrying amount at 31.3.09 RM |
|---|---|
| **At valuation** | |
| Buildings | 8,695,987 |
| **At cost** | |
| Buildings | 5,891,052 |
| Fittings, equipment and office equipment | 258,551 |
| Motor vehicles | 401,384 |
| Capital expenditure in progress | 3,045,390 |
| | 18,292,364 |

4. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

COMPANY
2008

| | At valuation/cost | | | |
|---|---|---|---|---|
| | Balance at 1.2.07 RM | Additions RM | Disposals RM | Balance at 31.3.08 RM |
| At valuation | | | | |
| Buildings | 10,250,019 | - | - | 10,250,019 |
| At cost | | | | |
| Buildings | 8,057,307 | 36,960 | - | 8,094,267 |
| Fittings, equipment and office equipment | 4,023,754 | 40,029 | (3,590) | 4,060,193 |
| Motor vehicles | 2,506,503 | - | (157,585) | 2,348,918 |
| | 24,837,583 | 76,989 | (161,175) | 24,753,397 |

| | Accumulated depreciation | | | |
|---|---|---|---|---|
| | Balance at 1.2.07 RM | Current charge RM | Disposals RM | Balance at 31.3.08 RM |
| At valuation | | | | |
| Buildings | 1,097,578 | 251,454 | - | 1,349,032 |
| At cost | | | | |
| Buildings | 2,038,545 | 163,774 | - | 2,202,319 |
| Fittings, equipment and office equipment | 3,789,703 | 88,869 | (2,319) | 3,876,253 |
| Motor vehicles | 1,225,172 | 532,436 | (136,422) | 1,621,186 |
| | 8,150,998 | 1,036,533 | (138,741) | 9,048,790 |

| | Net carrying amount at 31.3.08 RM |
|---|---|
| At valuation | |
| Buildings | 8,900,987 |
| At cost | |
| Buildings | 5,891,948 |
| Fittings, equipment and office equipment | 183,940 |
| Motor vehicles | 727,732 |
| | 15,704,607 |

4. **PROPERTY, PLANT AND EQUIPMENT** (cont'd)

(i) Certain land and buildings of the Group and of the Company were last revalued in year 1994 by an independent professional valuer based on the open market value basis.

The historical costs of the freehold land and buildings are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Net carrying amount | **8,971,400** | 9,118,383 | **4,106,019** | 4,253,002 |

(ii) The net carrying amount of property, plant and equipment pledged to licensed banks as securities for credit facilities granted to certain subsidiaries are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Freehold land and buildings | **57,274,359** | 58,707,235 | **14,587,039** | 14,792,935 |

(iii) The net carrying amount of property, plant and equipment acquired under hire purchase loans are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Motor vehicles | **864,863** | 1,952,126 | **401,374** | 719,241 |
| Plant and machinery | **2,141,136** | 1,964,125 | **-** | - |
| Net carrying amount | **3,005,999** | 3,916,251 | **401,374** | 719,241 |

5. **PREPAID LAND LEASE PAYMENTS**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | 2009 | 2008 |
| | **RM** | RM | RM | RM |
| Long leasehold land: | | | | |
| Balance at beginning | **6,993,143** | 7,149,170 | **4,956,784** | 5,093,065 |
| Less : Amortisation for year/period | **(153,206)** | (156,027) | **(136,281)** | (136,281) |
| Balance at end | **6,839,937** | 6,993,143 | **4,820,503** | 4,956,784 |

The long leasehold land was revalued in the year 1994 by an independent professional valuer based on the open market value method.

The long leasehold land is pledged to a licensed bank for banking facilities granted to certain subsidiaries.

The long leasehold land refers to land with an unexpired lease period of more than fifty years, determined as at balance sheet date.

6. **INVESTMENT PROPERTIES**

| | GROUP | |
|---|---|---|
| | | (Restated) |
| | **2009** | 2008 |
| | **RM** | RM |
| Freehold land, at valuation | **334,567** | 334,567 |

The freehold land is held to earn rental income and is pledged to licensed banks for banking facilities granted to a subsidiary.

The freehold land was revalued in 1994 by a professional valuer using the open market value basis.

7. **INVESTMENT IN SUBSIDIARIES**

| | COMPANY | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Unquoted shares, at cost | **78,013,643** | 78,013,543 |
| Accumulated impairment losses | **(49,671,851)** | (49,671,851) |
| | **28,341,792** | 28,341,692 |

7. **INVESTMENT IN SUBSIDIARIES** (cont'd)

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

| Name of Company | Place of Incorporation | Effective Equity Interest 2009 | 2008 | Principal Activities |
|---|---|---|---|---|
| Direct | | | | |
| SMPC Industries Sdn. Bhd.* | Malaysia | 100% | 100% | Metal sheet and coil processing centre with main services in shearing and reshearing. |
| Syarikat Perkilangan Besi Gaya Sdn. Bhd. | Malaysia | 100% | 100% | Drawing, straightening and cutting of iron rods and wire related products. The company has temporarily ceased its operations. |
| SMPC Marketing Sdn. Bhd. | Malaysia | 100% | 100% | Trading in steel furniture. |
| Edit Systems (M) Sdn. Bhd. | Malaysia | 70% | 70% | Dormant. |
| Duro Metal Industrial (M) Sdn. Bhd.* | Malaysia | 100% | 100% | Manufacture of steel roofing, wall cladding sheets and other steel related products and provision of related services. |
| SMPC Industries (India) Private Limited # | India | 74% | 74% | Manufacture of steel products. |
| Park Avenue Construction Sdn. Bhd. | Malaysia | 100% | 100% | Dormant. |
| SMPC Dexon Sdn. Bhd. | Malaysia | 100% | 100% | Manufacture of and trade in steels and other types of furniture and the provision of related services. |
| Metal Perforators (Malaysia) Sdn. Bhd. | Malaysia | 100% | 100% | Manufacturing and marketing of perforated screen plates, perforated materials, G-Loc splices and industrial chains. |
| SMPC Steel Mill Sdn. Bhd. | Malaysia | 100% | - | Dormant. |

7. **INVESTMENT IN SUBSIDIARIES** (cont'd)

| **Name of Company** | **Place of Incorporation** | **Effective Equity Interest 2009** | **Effective Equity Interest 2008** | **Principal Activities** |
|---|---|---|---|---|
| Indirect - held through SMPC Marketing Sdn. Bhd. | | | | |
| Progerex Sdn. Bhd.* | Malaysia | 100% | 100% | Shredding, processing and trading of ferrous and non-ferrous scrap metals. |
| Indirect - held through Duro Metal Industrial (M) Sdn. Bhd. | | | | |
| Duro Marketing Sdn. Bhd. | Malaysia | 100% | 100% | Dormant. |
| Duro Structural Products Sdn. Bhd. | Malaysia | 70% | 70% | Dormant. |

* The auditors' report of these subsidiaries have been modified with an emphasis of matter on the going concerns of these companies which is dependent on the holding company obtaining approval to its proposed restructuring scheme.

# Not audited by Grant Thornton.

**2009**

On 30 May 2008, the Company acquired 100 ordinary shares of RM1 each, which represents 100% equity interest in SMPC Steel Mill Sdn. Bhd., for a total cash consideration of RM100.

2008

During the financial period, SMPC Industries (India) Private Limited ("SMPCI") issued 806,152 new ordinary shares of Rupee 37 (approximately RM0.08493) each to its minority interest for a consideration of Rupee 29,827,624 (approximately RM2,533,260). The Group's equity interest in SMPCI after the said issuance was diluted to 74%.

8. **GOODWILL**

| | **GROUP 2009 RM** | **GROUP 2008 RM** |
|---|---|---|
| **Cost** | | |
| Balance at beginning/end | **1,875,643** | 1,875,643 |

8. **GOODWILL** (cont'd)

**Impairment tests for goodwill**

(a) **Allocation of goodwill**

Goodwill has been allocated to the Group's cash generating units ("CGU") identified according to business operations as follows:

| | **2009 RM** | 2008 RM |
|---|---|---|
| Manufacturing of steel roofing and related products | **957,154** | 957,154 |
| Manufacturing of perforated materials | **918,489** | 918,489 |
| | **1,875,643** | 1,875,643 |

(b) **Key assumptions used in value-in-use calculations**

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a period of not more than 10 years. Key assumptions and management's approach to determine the values assigned to each key assumptions are as follows:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margins achieved in the year immediately before the budgeted year revised for expected demand of their products.

(ii) Growth rate

The average growth rates used are based on management's estimate of average growth rate based on the past and current trends of the industry.

(iii) Discount rate

The discount rate used is pre-tax and reflect specific risks relating to the relevant business operations.

(c) **Sensitivity to changes in assumptions**

With regard to the assessment of value-in-use of all CGUs, management believes that no reasonable change in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amounts.

9. **INVENTORIES**

| | GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| At cost: | | |
| Raw materials | **8,172,107** | 9,875,693 |
| Work-in-progress | **248,346** | 203,188 |
| Finished goods | **2,358,538** | 3,732,048 |
| Trading goods | **10,151,310** | 5,913,292 |
| Consumables | **222,416** | 120,186 |
| | **21,152,717** | 19,844,407 |
| At net realisable value: | | |
| Raw materials | **238,887** | 30,924 |
| | **21,391,604** | 19,875,331 |
| Analysis by currencies: | | |
| Ringgit Malaysia | **21,377,738** | 19,849,948 |
| Indian Rupee | **13,866** | 25,383 |
| | **21,391,604** | 19,875,331 |

10. **TRADE RECEIVABLES**

| | GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Trade receivables | **26,442,372** | 53,374,898 |
| Less: Allowance for doubtful debts | | |
| Balance at beginning | **17,301,732** | 16,618,043 |
| Current year | **12,654** | 683,689 |
| Written off | **(16,773,945)** | - |
| Balance at end | **(540,441)** | (17,301,732) |
| | **25,901,931** | 36,073,166 |

10. **TRADE RECEIVABLES** (cont'd)

| | GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Analysis by currencies: | | |
| Ringgit Malaysia | **24,018,103** | 51,702,436 |
| Singapore Dollar | **211,507** | 169,797 |
| US Dollar | **1,875,187** | 929,181 |
| Euro | **38,080** | 38,487 |
| Indian Rupee | **299,495** | 534,997 |
| | **26,442,372** | 53,374,898 |

Included herein is an amount of **RM6,414** (2008 : RM5,557,659) due from a company in which certain directors of the Group have substantial interests.

The normal credit terms granted to trade receivables range from **30 to 90** days (2008 : 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

11. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Other receivables | | | | |
| Total amount | **8,236,726** | 8,431,247 | **172,582** | 142,789 |
| Less: Allowance for doubtful debts | | | **-** | - |
| Balance at beginning | **94,275** | 94,275 | **-** | - |
| Written off | **(94,275)** | - | **-** | - |
| Balance at end | **-** | (94,275) | **-** | - |
| | **8,236,726** | 8,336,972 | **172,582** | 142,789 |
| Deposits | **3,990,379** | 2,201,122 | **425,400** | 426,017 |
| Prepayments | **939,812** | 848,857 | **433,386** | 150,846 |
| | **13,166,917** | 11,386,951 | **1,031,368** | 719,652 |

Included in other receivables of the Group is an amount of **RM5,428,018** (2008 : RM6,710,876) due from buyers of a subsidiary's plant and machinery.

Included in the deposits of the Group and of the Company is a deposit amounting to **RM380,300** (2008 : RM380,300) held by a lender as security for a term loan as referred to in Note 19 to the financial statements.

12. **AMOUNT DUE FROM/TO SUBSIDIARIES**

**COMPANY**

The amount due from/to subsidiaries is non-trade related, unsecured, interest free and has no fixed terms of repayment.

13. **SHORT TERM INVESTMENTS**

| | **GROUP** | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Quoted: | | |
| Unit trusts, at cost | **148,931** | 148,931 |
| Shares in Malaysia, at cost | **42,040** | 42,040 |
| | **190,971** | 190,971 |
| Less: Diminution in value | **(52,568)** | - |
| | **138,403** | 190,971 |
| Market value of quoted investments | **138,403** | 216,421 |

As disclosed in Note 19, unit trusts amounting to **RM138,885** (2008 : RM138,885) are pledged to a licensed bank for banking facilities granted to a subsidiary.

14. **FIXED DEPOSITS WITH LICENSED BANKS**

**GROUP AND COMPANY**

The fixed deposits with licensed banks of the Group and of the Company amounting to **RM17,323** (2008 : RM1,018,722) and **RM Nil** (2008 : RM453,227) respectively, are pledged to banks for bank borrowings granted to certain subsidiaries as disclosed in Note 19 to the financial statements.

The interest rates and maturities of fixed deposits at balance sheet date is **1.75%** (2008 : 2.80% to 3.00%) per annum and **1 month** (2008 : 1 to 12 months) respectively.

15. **CASH AND BANK BALANCES**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Analysis by currencies: | | | | |
| Ringgit Malaysia | **4,294,654** | 8,376,364 | **216,821** | 34,722 |
| Indian Rupee | **6,669** | 10,941 | **-** | - |
| | **4,301,323** | 8,387,305 | **216,821** | 34,722 |

16. **NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets held for sale comprise freehold land and buildings of a subsidiary. During the previous financial period, the subsidiary has entered into a sales and purchase agreement ("SPA") with a third party for the sale of the freehold land and buildings. The completion of the agreement is subject to the conversion of the land from commercial status to residential status. The subsidiary has submitted the conversion of the land and is awaiting for the approval from land office.

As at the date of this report, the application for the conversion is still pending the approval from the land office. The subsidiary and the purchaser have mutually agreed to extend the completion of the SPA to 27 September 2009.

17. **SHARE CAPITAL**

| | Number of ordinary shares of RM1 each | | Amount | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | | | **RM** | RM |
| Authorised: | | | | |
| Balance at beginning/end | **100,000,000** | 100,000,000 | **100,000,000** | 100,000,000 |
| Issued and fully paid: | | | | |
| Balance at beginning/end | **64,644,965** | 64,644,965 | **64,644,965** | 64,644,965 |

18. **OTHER RESERVES**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| **Capital reserve** | | | | |
| Balance at beginning/end | **-** | - | **7,445,000** | 7,445,000 |
| **Revaluation reserve** | | | | |
| Balance at beginning | **6,009,053** | 5,878,579 | **5,934,344** | 5,878,579 |
| Effect of changes in tax rates on deferred tax | **-** | 130,474 | **-** | 55,765 |
| Balance at end | **6,009,053** | 6,009,053 | **5,934,344** | 5,934,344 |
| **Foreign currency translation reserve** | | | | |
| Balance at beginning | **(133,144)** | 52,033 | **-** | - |
| Current year | **(84,132)** | (185,177) | **-** | - |
| Balance at end | **(217,276)** | (133,144) | **-** | - |
| | **5,791,777** | 5,875,909 | **13,379,344** | 13,379,344 |

19. **BORROWINGS**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| **Non-current liabilities** | | | | |
| Term loans | | | | |
| Total amount repayable | **37,069,074** | 37,557,591 | **1,115,398** | 1,161,022 |
| Less: Repayable within one year included under current liabilities | **(35,241,259)** | (35,393,492) | **(758,179)** | (506,570) |
| | **1,827,815** | 2,164,099 | **357,219** | 654,452 |
| Hire purchase payables | | | | |
| Total amount payable | **1,355,775** | 2,796,200 | **393,523** | 714,761 |
| Less: Interest in suspense | **(70,089)** | (195,367) | **(22,549)** | (48,665) |
| | **1,285,686** | 2,600,833 | **370,974** | 666,096 |
| Less: Payable within one year included under current liabilities | **(894,580)** | (1,339,653) | **(212,424)** | (293,774) |
| | **391,106** | 1,261,180 | **158,550** | 372,322 |
| | **2,218,921** | 3,425,279 | **515,769** | 1,026,774 |

19. **BORROWINGS** (cont'd)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| **Current liabilities** | | | | |
| Bank overdrafts | **8,659,350** | 15,751,299 | **-** | 27,209 |
| Bankers acceptance | **36,092,000** | 36,160,604 | **-** | - |
| Revolving credits | **12,250,000** | 12,250,000 | **-** | - |
| Trust receipts | **129,350** | 129,350 | **-** | - |
| Hire purchase payable | **894,580** | 1,339,653 | **212,424** | 293,774 |
| Term loans* | **40,671,661** | 35,393,492 | **758,179** | 506,570 |
| | **98,696,941** | 101,024,398 | **970,603** | 827,553 |

* Included herein is an amount of **RM5,430,402** (2008: RM2,837,646) which has been converted from bank overdraft arising from restructuring of the bank facilities.

The borrowings (except for hire purchase payables) of the Group are secured by way of:

(i) Legal charges and deed of assignment over freehold and leasehold land and buildings,
(ii) Negative pledge on assets of the Company and certain subsidiaries,
(iii) Deposit of RM380,300 held in trust by a lender,
(iv) Corporate guarantee of the Company and its subsidiaries,
(v) Pledge of fixed deposits and unit trusts with interest retention, and
(vi) Joint and several guarantee by certain directors of the Company.

Included in borrowings is RM70,905,216 payable to certain financial institutions which will be repaid as per the Proposed Restructuring Scheme as disclosed in Note 35 to the financial statements.

The interest rates per annum of the borrowings at balance sheet date are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | % | % | % | % |
| Bank overdrafts | **7.05 - 8.50** | 8.50 - 9.90 | **-** | 8.50 - 9.90 |
| Bankers acceptance | **3.00 - 6.80** | 5.20 - 6.40 | **-** | - |
| Revolving credits | **8.00 - 8.50** | 5.30 - 5.60 | **-** | - |
| Trust receipt | **3.00** | 8.30 - 9.90 | **-** | - |
| Hire purchase payable | **2.20 - 8.70** | 3.00 - 4.20 | **2.50 - 4.10** | 2.70 - 3.90 |
| Term loans | **5.30 - 9.90** | 5.30 - 9.90 | **4.92** | 5.30 - 9.90 |

19. **BORROWINGS** (cont'd)

The maturities of term loan and hire purchase payables are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Within one year | **36,358,834** | 36,865,000 | **984,295** | 827,807 |
| More than one year and less than five years | **2,066,016** | 3,074,168 | **524,626** | 1,387,138 |
| More than five years | **-** | 414,623 | **-** | 167,408 |
| | **38,424,850** | 40,353,791 | **1,508,921** | 2,382,353 |
| Less: Unexpired interest | **(70,089)** | (195,367) | **(22,549)** | (48,665) |
| | **38,354,761** | 40,158,424 | **1,486,372** | 2,333,688 |

20. **DEFERRED TAX LIABILITIES**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | | (Restated) | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| **Revaluation surplus** | | | | |
| Balance at beginning | **2,867,279** | 2,965,905 | **1,394,134** | 1,498,460 |
| Recognised in equity | **-** | (130,474) | **-** | (55,765) |
| Transfer to income statement | **(93,012)** | 31,848 | **(48,561)** | (48,561) |
| Balance at end | **2,774,267** | 2,867,279 | **1,345,573** | 1,394,134 |
| **Excess of capital allowances over depreciation on property, plant and equipment** | | | | |
| Balance at beginning | **(219,558)** | (66,503) | **(320,000)** | (320,000) |
| Transfer from income statement | **97,600** | (153,055) | **-** | - |
| | **(121,958)** | (219,558) | **(320,000)** | (320,000) |
| Over provision in prior year | **13** | - | **-** | - |
| Balance at end | **(121,945)** | (219,558) | **(320,000)** | (320,000) |
| | **2,652,322** | 2,647,721 | **1,025,573** | 1,074,134 |

20. **DEFERRED TAX LIABILITIES** (cont'd)

Represented by temporary differences arising from:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | | (Restated) | | |
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Revaluation surplus | **2,774,267** | 2,867,279 | **1,345,573** | 1,394,134 |
| Property, plant and equipment | **198,055** | 166,458 | **-** | - |
| Unabsorbed capital allowances | **(320,000)** | (386,016) | **(320,000)** | (320,000) |
| | **2,652,322** | 2,647,721 | **1,025,573** | 1,074,134 |

21. **TRADE PAYABLES**

| | GROUP | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Interest bearing at 6.20% to 6.50% per annum | **-** | 13,776,557 |
| Non-interest bearing | **8,668,750** | 17,250,308 |
| | **8,668,750** | 31,026,865 |
| Analysis by currencies: | | |
| Ringgit Malaysia | **8,490,260** | 31,026,865 |
| Indian Rupee | **178,490** | - |
| | **8,668,750** | 31,026,865 |

The normal credit terms granted by trade payables range from **30 to 90 days** (2008 : 30 to 90 days).

The interest bearing trade payable of RM13,776,557 was assigned to a third party pursuant to an Assignment of Debt dated 30 December 2008 together with the securities attached to the debt. Accordingly, this amount had been reclassified to other payables as disclosed in Note 22 to the financial statements.

## 22. OTHER PAYABLES AND ACCRUALS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **RM** | RM | **RM** | RM |
| Other payables | | | | |
| - Interest bearing at **6.20% to 6.50%** (2008 : Nil) per annum | **13,776,557** | - | **-** | - |
| - Non-interest bearing | **4,271,966** | 4,155,100 | **-** | - |
| | **18,048,523** | 4,155,100 | **-** | - |
| Accruals | **13,145,786** | 7,259,951 | **862,048** | 326,703 |
| Prepayment of lease rental | **975,732** | 1,036,080 | **-** | - |
| | **32,170,041** | 12,451,131 | **862,048** | 326,703 |
| Analysis by currencies: | | | | |
| Ringgit Malaysia | **31,369,545** | 12,171,890 | **862,048** | 326,703 |
| Indian Rupee | **800,496** | 279,241 | **-** | - |
| | **32,170,041** | 12,451,131 | **862,048** | 326,703 |

**GROUP**

(i) The interest bearing other payable is secured by corporate guarantee given by the Company amounting to RM13,776,557 and a debenture on the fixed and floating charge over the present and future assets of a subsidiary.

(ii) The prepayment of lease rental is received from a third party, for lease of part of the freehold land as disclosed in Note 6 to the financial statements.

## 23. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| Sale of goods | **144,853,174** | 198,251,532 | **-** | - |
| Rental of industrial and commercial assets | **-** | - | **1,148,101** | 147,627 |
| Management fee from subsidiaries | **-** | - | **3,038,400** | 3,900,000 |
| | **144,853,174** | 198,251,532 | **4,186,501** | 4,047,627 |

24. **OTHER INCOME**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| Gross dividend from investment quoted in Malaysia | **2,190** | 600 | **-** | - |
| Bad debts recovered | **16,796** | - | **-** | - |
| Gain on disposal of property, plant and equipment | **370,244** | - | **-** | - |
| Interest income | **36,843** | 290,179 | **7,308** | 67,727 |
| Realised gain on foreign exchange | **482,364** | - | **-** | - |
| Rental receivable from operating leases | **88,985** | 103,128 | **-** | - |
| Sales incentives earned | **-** | 534,248 | **-** | - |
| Scrap sales | **536,911** | 576,429 | **-** | - |
| Unrealised gain on foreign exchange | **139,115** | - | **-** | - |
| Miscellaneous | **97,348** | 84,306 | **-** | - |
| | **1,770,796** | 1,588,890 | **7,308** | 67,727 |

25. **EMPLOYEE BENEFITS EXPENSE**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| Wages and salaries | **9,482,511** | 12,613,203 | **1,531,391** | 3,184,180 |
| EPF | **663,052** | 825,002 | **68,548** | 213,622 |
| SOCSO | **80,454** | 164,939 | **9,182** | 11,851 |
| Reversal of provision for retirement benefits | **-** | (225,947) | **-** | - |
| Termination benefits | **-** | 644,702 | **-** | - |
| Other benefits | **585,698** | 1,168,427 | **39,914** | 22,181 |
| | **10,811,715** | 15,190,326 | **1,649,035** | 3,431,834 |

25. **EMPLOYEE BENEFITS EXPENSE** (cont'd)

Included in the staff costs of the Group and of the Company are executive directors' emoluments amounting to **RM1,424,989** (2008 : RM1,843,850) and **RM1,243,769** (2008 : RM1,615,730) respectively. Directors' remuneration is further disclosed below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| **Directors' emoluments** | | | | |
| Executive directors of the Company | | | | |
| - Salaries, allowances and bonus | **1,110,501** | 1,496,770 | **1,110,501** | 1,479,770 |
| - EPF | **133,268** | 135,960 | **133,268** | 135,960 |
| | **1,243,769** | 1,632,730 | **1,243,769** | 1,615,730 |
| Non-executive directors of the Company | | | | |
| - Fee | **92,000** | 76,000 | **92,000** | 76,000 |
| Executive directors of the subsidiaries | | | | |
| - Salaries, allowances and bonus | **162,500** | 188,500 | **-** | - |
| - EPF | **18,720** | 22,620 | **-** | - |
| | **181,220** | 211,120 | **-** | - |
| | **1,516,989** | 1,919,850 | **1,335,769** | 1,691,730 |
| Analysed as: | | | | |
| Total executive directors' remuneration | **1,424,989** | 1,843,850 | **1,243,769** | 1,615,730 |
| Total non-executive directors' remuneration (Note 27) | **92,000** | 76,000 | **92,000** | 76,000 |
| | **1,516,989** | 1,919,850 | **1,335,769** | 1,691,730 |

26. **FINANCE COSTS**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| Interest expense on: | | | | |
| - Bank borrowings and payables | **9,822,996** | 10,222,046 | **7,503** | 8,400 |
| - Hire purchase | **125,379** | 234,319 | **26,116** | 53,054 |
| | **9,948,375** | 10,456,365 | **33,619** | 61,454 |
| Bank charges | **63,717** | 639,369 | **-** | - |
| Others | **7,788** | - | **-** | - |
| | **10,019,880** | 11,095,734 | **33,619** | 61,454 |

27. **(LOSS)/PROFIT BEFORE TAXATION**

This is arrived at:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| After charging: | | | | |
| Allowance for doubtful debts | **12,654** | 124,444 | **-** | - |
| Amortisation of prepaid land lease payments | **153,206** | 156,027 | **136,281** | 136,281 |
| Audit fee | | | | |
| - current year | **85,649** | 185,485 | **18,000** | 33,000 |
| - (over)/under provision in prior years | **-** | (29,737) | **(7,000)** | 7,903 |
| Depreciation | **4,920,213** | 6,211,940 | **634,677** | 1,036,533 |
| Diminution in value of short term investments | **52,568** | - | **-** | - |
| Non-executive directors' remuneration (Note 25) | **92,000** | 76,000 | **92,000** | 76,000 |
| Impairment losses on investment in subsidiaries | **-** | - | **-** | 4,778,883 |
| Interest expense | **10,019,880** | 11,095,734 | **33,619** | 61,454 |
| Preliminary expenses | **4,830** | - | **-** | - |
| Rental of buildings | **155,695** | 200,190 | **18,600** | 6,600 |
| Rental of plant and machinery | **20,000** | 35,213 | **-** | - |
| Unrealised loss on foreign exchange | **133,146** | - | **133,146** | - |
| Write-down of inventories | **-** | 156,001 | **-** | - |

27. **(LOSS)/PROFIT BEFORE TAXATION**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| And crediting: | | | | |
| Gross dividend from investment quoted in Malaysia | **2,190** | 600 | **-** | - |
| Gain on disposal of property, plant and equipment | **308,060** | 379,612 | **-** | 35,438 |
| Interest income | **36,843** | 290,179 | **7,308** | 67,727 |
| Rental income | **1,247,132** | 103,128 | **1,148,101** | 147,627 |
| Unrealised gain on foreign exchange | **139,115** | 484,381 | **-** | 216,232 |

28. **TAXATION**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| Malaysian income tax: | | | | |
| Based on results for the year | | | | |
| - Current tax | **(330,567)** | (796,273) | **-** | - |
| - Deferred tax | | | | |
| - relating to origination and reversal of temporary differences | **(4,588)** | 115,139 | **48,561** | 48,561 |
| - relating to changes in tax rates | **-** | 6,068 | **-** | - |
| | **(4,588)** | 121,207 | **48,561** | 48,561 |
| | **(335,155)** | (675,066) | **48,561** | 48,561 |
| Over/(Under) provision in prior years | | | | |
| - Current tax | **57,280** | (279,506) | **-** | (409,017) |
| - Deferred tax | **(13)** | - | **-** | - |
| | **57,267** | (279,506) | **-** | (409,017) |
| | **(277,888)** | (954,572) | **48,561** | (360,456) |

28. **TAXATION** (cont'd)

The reconciliation of income tax expense of the Group and of the Company is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | | (Restated) | | |
| | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM | **1.4.08 TO 31.3.09 (12 months) RM** | 1.2.07 TO 31.3.08 (14 months) RM |
| (Loss)/Profit before taxation | **(1,622,199)** | (7,849,776) | **60,475** | (6,882,592) |
| Income tax at Malaysian statutory tax rate of **25%** (2008 : 26%) | **405,550** | 2,040,942 | **(15,119)** | 1,789,474 |
| Effects of: | | | | |
| - Income not subject to tax | **476,803** | 29,479 | **-** | - |
| - Expenses not deductible for tax purposes | **(942,094)** | (1,942,427) | **(213,671)** | (1,625,639) |
| - Deferred tax movements not recognised | **(368,426)** | (978,369) | **228,790** | (163,837) |
| - Reduced tax rate on first RM500,000 chargeable income | **-** | 60,000 | **-** | - |
| - Annual crystallisation of deferred tax on revaluation | **93,012** | 115,309 | **48,561** | 48,561 |
| | **(335,155)** | (675,066) | **48,561** | 48,559 |
| Over/(Under) provision in prior years | **57,267** | (279,506) | **-** | (409,015) |
| | **(277,888)** | (954,572) | **48,561** | (360,456) |

The amount and future availability of unabsorbed tax losses and allowances are as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| Unabsorbed tax losses | **15,877,000** | 16,483,000 | **996,000** | 1,216,000 |
| Unabsorbed capital allowances | **17,172,000** | 16,373,000 | **4,152,000** | 4,529,000 |
| Unabsorbed reinvestment allowance | **31,056,000** | 30,968,000 | **-** | - |

These unabsorbed tax losses and capital allowances are available to be carried forward for set off against future assessable income of the Company and its subsidiaries of a nature and amount sufficient for the tax losses and capital allowances to be utilised.

29. **LOSS PER SHARE**

**GROUP**
Basic loss per share of the Group is calculated by dividing the loss attributable to equity holders of the Company for the year by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares as follow:

| | **1.4.08 TO 31.3.09 (12 months)** | (Restated) 1.2.07 TO 31.3.08 (14 months) |
|---|---|---|
| Loss attributable to equity holders of the Company (RM) | **(1,887,432)** | (8,763,132) |
| Number of shares in issue | **64,644,965** | 64,644,965 |
| Basic loss per share for the year/period (sen) | **(2.92)** | (13.56) |

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

30. **SEGMENTAL INFORMATION**

**(a) Reporting format**

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

**(b) Business segments**

The Group comprises the following main business segments :

(i) Manufacturing — Manufacturing of metal related products,

(ii) Trading — Trading of metal related products, and

(iii) Others — Letting of industrial and commercial assets and provision of management consultancy and corporate services.

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

30. **SEGMENTAL INFORMATION** (cont'd)

**(b) Business segments** (cont'd)

**By business segments**
**2009**

| | Manufacturing RM | Trading RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 71,410,859 | 72,176,083 | 1,266,232 | - | 144,853,174 |
| Inter-segment sales | 73,564 | 1,210,401 | 2,920,269 | (4,204,234) | - |
| Total revenue | 71,484,423 | 73,386,484 | 4,186,501 | (4,204,234) | 144,853,174 |
| **Results** | | | | | |
| Segment results | 9,969,840 | 1,452,981 | (3,025,140) | - | 8,397,681 |
| Finance costs | | | | | (10,019,880) |
| Income tax expense | | | | | (277,888) |
| Loss for the year | | | | | (1,900,087) |
| **Assets** | | | | | |
| Segment assets | 88,935,145 | 61,462,051 | 27,187,366 | - | 177,584,562 |
| Unallocated assets | | | | | 1,799,264 |
| Total assets | | | | | 179,383,826 |
| **Liabilities** | | | | | |
| Segment liabilities | 18,256,278 | 121,095,372 | 2,403,003 | - | 141,754,653 |
| Unallocated liabilities | | | | | 3,336,165 |
| Total liabilities | | | | | 145,090,818 |
| **Other segment information** | | | | | |
| Capital expenditure | 4,965,146 | 648,302 | 3,222,434 | - | 8,835,882 |
| Depreciation of property, plant and equipment | 2,745,034 | 1,444,060 | 733,212 | - | 4,922,306 |
| Amortisation of prepaid land lease payment | 16,925 | - | 136,281 | - | 153,206 |
| Other significant non-cash expenses other than depreciation and amortisation | (125,915) | 50,947 | 134,221 | - | 59,253 |

30. **SEGMENTAL INFORMATION** (cont'd)

**(b) Business segments** (cont'd)

By business segments
(Restated)
2008

| | Manufacturing RM | Trading RM | Others RM | Elimination RM | Total RM |
|---|---|---|---|---|---|
| Revenue | | | | | |
| External sales | 83,297,045 | 114,954,487 | - | - | 198,251,532 |
| Inter-segment sales | 7,596,112 | - | 4,047,627 | (11,643,739) | - |
| Total revenue | 90,893,157 | 114,954,487 | 4,047,627 | (11,643,739) | 198,251,532 |
| Results | | | | | |
| Segment results | 3,330,577 | 1,740,889 | 1,191,787 | - | 6,263,253 |
| Unallocated expenses | | | | | (3,017,295) |
| Finance costs | | | | | (11,095,734) |
| Income tax expense | | | | | (954,572) |
| Loss for the year | | | | | (8,804,348) |
| Assets | | | | | |
| Segment assets | 124,290,032 | 42,602,362 | 19,733,254 | - | 186,625,648 |
| Unallocated assets | | | | | 1,088,847 |
| Total assets | | | | | 187,714,495 |
| Liabilities | | | | | |
| Segment liabilities | 109,061,567 | 36,638,193 | 2,227,913 | - | 147,927,673 |
| Unallocated assets | | | | | 3,509,595 |
| Total liabilities | | | | | 151,437,268 |
| Other segment information | | | | | |
| Capital expenditure | 3,694,671 | 1,220,648 | 76,989 | - | 4,992,308 |
| Depreciation of property, plant and equipment | 3,716,822 | 1,466,324 | 1,028,794 | - | 6,211,940 |
| Amortisation of prepaid land lease payment | 19,746 | - | 136,281 | - | 156,027 |
| Other significant non-cash expenses other than depreciation and amortisation | (555,186) | 197,272 | (251,670) | - | (609,584) |

30. **SEGMENTAL INFORMATION** (cont'd)

**(c) Geographical segments**

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on geographical location of its customers. In Malaysia, its home country, the Group's areas of operation are principally manufacturing and trading of metal related products. In India, the Group is principally involved in manufacturing of metal related products.

| | **2009** | | |
|---|---|---|---|
| | **Revenue RM** | **Total assets RM** | **Capital expenditure RM** |
| **Malaysia** | **125,780,196** | **170,929,530** | **6,304,221** |
| **India** | **1,784,471** | **8,454,296** | **2,531,661** |
| **Others** | **17,288,507** | **-** | **-** |
| | **144,853,174** | **179,383,826** | **8,835,882** |

| | 2008 | | |
|---|---|---|---|
| | Revenue RM | Total assets RM | Capital expenditure RM |
| Malaysia | 177,502,862 | 180,606,794 | 2,960,522 |
| India | 2,436,157 | 7,107,701 | 2,031,786 |
| Others | 18,312,513 | - | - |
| | 198,251,532 | 187,714,495 | 4,992,308 |

31. **RELATED PARTY DISCLOSURES**

| | **GROUP** | | **COMPANY** | |
|---|---|---|---|---|
| | **2009 RM** | 2008 RM | **2009 RM** | 2008 RM |
| **(a) Related party transactions** | | | | |
| Rental expenses paid to a director of the Company | **40,000** | - | **16,000** | - |
| Rental income from subsidiaries | **-** | - | **9,954** | 147,627 |
| Management fee received from subsidiaries | **-** | - | **3,038,400** | 3,900,000 |

31. **RELATED PARTY DISCLOSURES** (cont'd)

**(b) Compensation of key management personnel**

| | GROUP | |
|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months)** | 1.2.07 TO 31.3.08 (14 months) |
| Salaries, allowances and bonus | **1,365,001** | 2,031,270 |
| EPF | **151,988** | 190,980 |
| | **1,516,989** | 2,222,250 |

Included in the total key management personnel are:

| | GROUP | |
|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months)** | 1.2.07 TO 31.3.08 (14 months) |
| Directors' remuneration (Note 25) | **1,516,989** | 1,919,850 |

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

Executive directors of the Group and the Company and other members of the key management have been granted the following options under the Employee Share Options Scheme ("ESOS"):

| | GROUP | |
|---|---|---|
| | **1.4.08 TO 31.3.09 (12 months)** | 1.2.07 TO 31.3.08 (14 months) |
| Balance at beginning | **762,280** | 1,121,000 |
| Forfeited | **-** | (358,720) |
| Balance at end | **762,280** | 762,280 |

The share options were granted on the same terms and conditions as those offered to other employees of the Group as disclosed in Note 37(b) to the financial statements.

32. **CONTINGENT LIABILITIES (UNSECURED)**

**GROUP AND COMPANY**

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Limit RM** | **Utilised RM** | Limit RM | Utilised RM |
| Corporate guarantee for loan facilities given to Vinanic Steel Processing Company (Vietnam), an investee company | **972,633** | **972,633** | 825,531 | 825,531 |

**COMPANY**

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Limit RM** | **Utilised RM** | Limit RM | Utilised RM |
| Corporate guarantee for banking facilities given to subsidiaries | **112,765,794** | **101,019,808** | 115,260,369 | 100,660,613 |
| Corporate guarantee to trade payables of subsidiaries | **24,336,557** | **14,763,442** | 24,336,557 | 21,139,264 |

33. **COMMITMENTS**

| | **GROUP** | |
|---|---|---|
| | **2009 RM** | 2008 RM |
| **Capital Commitments** | | |
| (i) Capital expenditure authorised and contracted for: | | |
| - Property, plant and equipment | **343,552** | 145,900 |

34. **FINANCIAL INSTRUMENTS**

**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 credit risk, interest rate risk, foreign currency risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

34. **FINANCIAL INSTRUMENTS** (cont'd)

**Credit risk**

Credit risk, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are monitored on an ongoing basis via Group management report procedures. Known bad debts are written off and specific allowance for doubtful debts is made for any debts considered to be doubtful of collection, based on the recommendation by the credit controller and approved by the Board of Directors. In addition, a general allowance 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 customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument.

**Interest rate risk**

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rates of borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a current low interest rate environment and achieve a certain level of protection against interest rate hikes.

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

**Foreign currency risk**

The Group incurs foreign currency risk on purchases that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this are Singapore Dollar and US Dollar. The Group does not hedge its foreign currency exposure.

**Liquidity risk**

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debts position.

**Fair values**

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at balance sheet date approximate their fair value.

34. **FINANCIAL INSTRUMENTS** (cont'd)

**Fair values** (cont'd)

The methods and assumptions are used to determine the fair values of financial instruments other than those whose carrying amount reasonable approximate their fair values are as follows:

**(i) Cash and cash equivalents, 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.

**(ii) Borrowings and non-current payables**

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

35. **PROPOSED RESTRUCTURING SCHEME ("PRS")**

On 3 July 2008, the Company had made an announcement on the PRS as detailed below.

The announcement made on 3 July 2009 is in relation to the following Proposals:

(i) Proposed reduction of RM51,715,972 from the issued and paid-up share capital of the Company pursuant to Section 64(1) of the Companies Act, 1965 ("Act") by the cancellation of a corresponding amount from the par value of each existing ordinary share of RM1.00 each in SMPC and thereafter the consolidation of the required number of shares based on the resultant par value into one (1) ordinary share of RM1.00 each ("SMPC share") on a date ("Entitlement Date") to be determined by the Board and announced later ("Proposed Capital Reduction and Consolidation");

(ii) Proposed Rights Issue comprising:

(a) Proposed renounceable rights issue of up to 71,623,267 new ordinary shares of RM1.00 each ("Rights Share") in SMPC at an indicative issue price of RM1.00 per Rights Share on the basis of the eighteen (18) Rights Shares for every seven (7) SMPC Shares held after the Proposed Capital Reduction and Consolidation, at the Entitlement Date to be determined later based on a minimum subscription level of 33,245,982 Rights Shares ("Proposed Rights Issue of Shares"); and

(b) Proposed renounceable rights issue up to RM11,141,397 nominal value of 5% 10 year irredeemable convertible unsecured loan stocks ("ICUL") at 100% of the nominal value of RM0.10 each (or equivalent of up to 111,413,972 ICULS) on the basis of RM2.80 nominal value of ICULS (or equivalent to 28 ICULS) for every seven (7) existing SMPC Shares held after the Proposed Capital Reduction and Consolidation, together with up to 15,916,281 free new detachable warrants ("Warrants") on the basis of four (4) free new Warrants for every RM2.80 nominal value of ICULS subscribed, at the Entitlement Date to be determined later based on a minimum subscription level of RM5,171,597 nominal value of ICULS (or equivalent to 51,715,972 ICULS) together with 7,387,996 free new Warrants ("Proposed Rights Issue of ICULS and Warrants");

35. **PROPOSED RESTRUCTURING SCHEME ("PRS")** (cont'd)

(iii) Proposed creditor settlement involving the issuance of RM13,000,000 nominal value of 5% 10 year ICULS at 100% of the nominal value of RM0.10 each (or equivalent to up to 130,000,000 ICULS) ("Proposed Creditor Settlement"); and

(iv) Proposed increase in the authorised share capital of SMPC from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each ("Proposed Increase in Authorised Share Capital").

The approvals required for the Proposals are as follows:

(i) The Securities Commission for the Proposals save for the Proposed Increase in Authorised Share Capital;

(ii) Ministry of International Trade and Industry for the Proposals save for the Proposed Increase in Authorised Share Capital;

(iii) Bank Negara Malaysia for the issuance of the ICULS and free new Warrants to non-residents;

(iv) The shareholders of SMPC at an Extraordinary General Meeting ("EGM") to be convened for the Proposals;

(v) The High Court of Malaya sanction for the Proposed Capital Reduction and Consolidation;

(vi) Bursa Securities for the following:

(a) listing of and quotation for the new SMPC Shares, ICULS and free new Warrants to be issued pursuant to the Proposed Rights Issue and the Proposed Creditor Settlement; and

(b) listing of and quotation for the new SMPC Shares to be issued pursuant to the conversion of the ICULS and exercise of the free new Warrants, on the Second Board of Bursa Securities; and

(vii) Other relevant authorities, if any.

The Proposals are inter-conditional upon one another.

As a result of the change in circumstances which affected the Group, a revised comprehensive PRS has been submitted to the major creditor banks for their approval. Upon their approval, the revised PRS will be announced accordingly.

36. **OTHER INVESTMENTS**

| | GROUP AND COMPANY | |
|---|---|---|
| | **2009** | 2008 |
| | **RM** | RM |
| Unquoted shares, at cost | **299,838** | 299,838 |
| Accumulated impairment losses | **(299,838)** | (299,838) |
| | **-** | - |

37. **EMPLOYEE BENEFITS**

**(a) Retirement benefit obligations**

During the financial period ended 31 March 2008, the Group had terminated the defined Retirement Benefits Scheme.

| | RM |
|---|---|
| Balance at beginning | 239,374 |
| Recognised in income statement, included in employee benefits expense | (225,947) |
| Utilised during the period | (13,427) |
| Balance at end | - |

**(b) Employee share options scheme (ESOS)**

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

The main features of the ESOS are as follows:

(i) The ESOS's Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible employees of the Group to subscribe for new ordinary shares of RM1 each in the Company.

(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% per employee of the total number of 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 esixting shares of the Company.

37. **EMPLOYEE BENEFITS** (cont'd)

**(b) Employee share options scheme (ESOS)** (cont'd)

As at 31 March 2009, the details of the share options are as follows:

| Year Granted | Option price | Balance as at 1 April 2008 | Granted | Exercised | Balance as at 31 March 2009 | Exercisable period |
|---|---|---|---|---|---|---|
| 2002 | RM1.00 | 4,484,000 | - | - | 4,484,000 | 11.7.2001 - 6.7.2010 |

There was no share option granted and exercised during the year.

38. **COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with current year's presentation as follows:

(i) In prior year, the investment properties have been included under property, plant and equipment. These amounts have been reclassified as investment properties in this financial year, to conform with the adoption of FRS 140 : Investment Property.

| | Previously stated RM | Reclassification RM | Restated RM |
|---|---|---|---|
| **Balance Sheet:** | | | |
| Property, plant and equipment | 334,567 | (334,567) | - |
| Investment properties | - | 334,567 | 334,567 |

(ii) In prior years, deferred tax asset in respect of unabsorbed reinvestment allowance was not allowed to be recognised in the financial statements. Effective this financial year, with the adoption of the revised FRS 112 : Income Taxes, the foregoing provision has been removed and unabsorbed reinvestment allowances is now recognised as deferred tax asset retrospectively.

| | Previously stated RM | Reclassification RM | Restated RM |
|---|---|---|---|
| **Balance Sheet:** | | | |
| Accumulated losses | (59,174,707) | 290,740 | (58,883,967) |
| Deferred tax liabilities | 2,938,461 | (290,740) | 2,647,721 |
| | | | |
| **Income Statement:** | | | |
| Taxation | (1,126,312) | 171,740 | (954,572) |
| Loss for the period | (8,976,088) | 171,740 | (8,804,348) |
| | | | |
| **Statement of Changes in Equity:** | | | |
| Accumulated losses | | | |
| - at 1 February 2007 | (51,882,653) | 119,000 | (51,763,653) |
| - at 31 March 2008 | (59,174,707) | 290,740 | (58,883,967) |

# Properties owned by the Group
as at 31 March 2009

| Location | Description/ Existing Use | Tenure | Area | No. of Years Held | Age of Building | Carrying Amount RM | Year of Valuation |
|---|---|---|---|---|---|---|---|
| P.T. No. 1451<br>H.S. (D) No. 4696<br>Mukim 1, Province Wellesley Central,<br>Penang | Factory | 60 years lease to 2044 | 6.22247 acres | 26 | 23 | 12,505,821 | 1994 |
| P.T. Nos. 1460 & 1444<br>H.S. (D) Nos. 2719 & 2706<br>Mukim 1, Province Wellesley Central,<br>Penang | Factory<br>Office | 60 years lease to 2045 | 4.01338 acres | 13 | 18 | 14,878,288 | - |
| Lot 717, 5 1/2 Miles<br>Jalan Kapar, Klang<br>Selangor Darul Ehsan | Factory<br>Office | Freehold | 8.16875 acres | 13 | 12 | 32,417,913 | - |
| Lot 324, 640, 642, 1501, 1502, 1504,<br>1505, 1664, 1667, 1669 and 1702,<br>Mukim 14,<br>Kampung To' Suboh, Bukit Minyak<br>Simpang Ampat<br>Seberang Perai Selatan, Penang | Warehouse<br>Open Yard | Freehold | 21.8614 acres | 15 | 13 | 12,275,030 | 1994 |
| Lot 176, Tempat Macang Kudung<br>Mukim Jabi<br>Daerah Pokok Sena, Kedah | Vacant Land | Freehold | 2.257 acres | 9 | - | 128,000 | - |
| Units of 1 1/2 Storey Terrace Factories in<br>Taman Balakong Jaya, No. 94 & 95,<br>Taman Industri, Balakong Jaya,<br>HS (D) 42510 & HS (D) 42511,<br>PT No. 35310 & PT No. 35311<br>Mukim Kajang, Selangor | Factory | Freehold | 3.250sf | 10 | 10 | 487,367 | - |
| Single Storey Terrace Industry Factory<br>HS (D) 112771, PT No. 18455<br>Mukim of Setul, District of Seremban | Factory | Freehold | 278.7sf | 9 | 9 | 349,932 | - |
| 2nd Floor Unit of 4 Storey Shop Office in<br>Taman Kinrara, Puchong, HS (M) 22709,<br>PT 19499 Mukim Petaling, Selangor | Office | 99 years lease to 2098 | 1,114sf | 9 | 9 | 183,544 | - |
| Zone 5A, Parcel 2, Lot 5418,<br>Mukim Senai-Kulai,<br>Johor Darul Takzim | Apartment | Freehold | 885sf | 9 | 9 | 66,516 | - |
| Lot 5 & 7<br>Q.T. (R) 5384, Lot 5 & 7,<br>Jalan Tukang 16/4, P.O Box 7045,<br>40700 Shah Alam, Selangor | Leasehold land<br>Factory<br>Office | 99 years lease to 2071 & 2069 | 32,000sf<br>24,500sf | 37 & 39 | 27 | 2,935,980 | 2005 |
| Plot No. D-10/N SIPCOT<br>Industrial Complex<br>Gummidipoondi - 601201<br>India | Factory/<br>Office | N/A | N/A | - | - | 721,671 | - |

# Analysis of Shareholdings
as at 17 August 2009

| | | |
|---|---|---|
| Authorised Capital | : | RM100,000,000.00 |
| Issued and Fully Paid-up Capital | : | RM64,644,965.00 |
| Class of Shares | : | Ordinary shares of RM1.00 each fully paid |
| Voting Rights | : | One vote per RM1.00 share |

## ANALYSIS OF SHAREHOLDINGS

| Range of Shareholdings | No. of Holders | % of Holders | No. of RM1.00 Shares | % of Issued Capital |
|---|---|---|---|---|
| Less than 100 | 106 | 3.66 | 930 | 0.00 |
| 100 – 1,000 | 765 | 26.42 | 739,750 | 1.14 |
| 1,001 – 10,000 | 1,581 | 54.59 | 6,799,152 | 10.52 |
| 10,001 – 100,000 | 397 | 13.71 | 11,453,508 | 17.72 |
| 100,001 – 3,232,247 (*) | 43 | 1.48 | 18,948,250 | 29.31 |
| 3,232,248 and above (**) | 4 | 0.14 | 26,703,375 | 41.31 |
| TOTAL | 2,896 | 100.00 | 64,644,965 | 100.00 |

Note: * - Less than 5% of issued holdings
** - 5% and above of issued holdings

## THIRTY LARGEST REGISTERED HOLDERS AS AT 17.08.2009

| | Name of Holder | Holdings | % of Issued Capital |
|---|---|---|---|
| 1. | MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Kumpulan Pitchai Sdn. Bhd.* | 7,461,301 | 11.54 |
| 2. | RHB Nominees (Tempatan) Sdn. Bhd. *- RHB Investment Management Sdn. Bhd. for Perbadanan Nasional Berhad* | 6,690,750 | 10.35 |
| 3. | AM Nominees (Tempatan) Sdn. Bhd. *- Perbadanan Nasional Berhad* | 6,526,250 | 10.10 |
| 4. | Kenanga Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Tema Sinaran Sdn. Bhd.* | 6,025,074 | 9.32 |
| 5. | Norani Binti Hassim | 3,230,000 | 5.00 |
| 6. | Golden Eagle Resources Sdn. Bhd. | 3,230,000 | 5.00 |
| 7. | Yeap Yi Fong | 1,464,700 | 2.27 |
| 8. | Hock Lok Siew Realty Sdn. Bhd. | 1,320,633 | 2.04 |
| 9. | Chan Kwee Mooi | 1,000,000 | 1.55 |
| 10. | ABB Nominee (Tempatan) Sdn. Bhd. | 800,000 | 1.24 |
| 11. | Chuah Tong Chin | 506,000 | 0.78 |
| 12. | Yong Hock Men | 450,000 | 0.70 |

# Analysis of Shareholdings
as at 17 August 2009 (cont'd)

**THIRTY LARGEST REGISTERED HOLDERS AS AT 17.08.2009** (cont'd)

| | Name of Holder | Holdings | % of Issued Capital |
|---|---|---|---|
| 13. | ABB Nominee (Tempatan) Sdn. Bhd.<br>*- ABB Trustee Berhad for Kumpulan Pitchai Sdn. Bhd.* | 410,000 | 0.63 |
| 14. | MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Zanor Sdn. Bhd.* | 393,100 | 0.61 |
| 15. | TA Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Kumpulan Pitchai Sdn. Bhd.* | 387,100 | 0.60 |
| 16. | Poh Hong Swee | 340,000 | 0.53 |
| 17. | OSK Nominees (Tempatan) Sdn. Berhad<br>*- Pledged Securities Account for Zahani Binti Daik* | 333,000 | 0.52 |
| 18. | Public Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Chee Sze Hsien @ Chee Ah Kow* | 286,200 | 0.44 |
| 19. | Citigroup Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Lee Hean Guan* | 281,300 | 0.44 |
| 20. | Topvilla Sdn. Bhd. | 265,517 | 0.41 |
| 21. | Machendran A/L Pitchai Chetty | 265,000 | 0.41 |
| 22. | Mohd Taufik Bin Abdullah | 250,000 | 0.39 |
| 23. | Mayban Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Cheang Fook Sam* | 244,000 | 0.38 |
| 24. | Low Ah Kou | 211,000 | 0.33 |
| 25. | HLB Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Goh Eng Thye* | 208,000 | 0.32 |
| 26. | OSK Nominees (Tempatan) Sdn. Berhad<br>*- OSK Capital Sdn. Bhd. for Mohd Taufik Bin Abdullah* | 188,100 | 0.29 |
| 27. | Chee Sze Hsien @ Chee Ah Kow | 188,000 | 0.29 |
| 28. | S. Balakrishnan A/L A. Shanmugam | 180,700 | 0.28 |
| 29. | Loh Nam Seng | 170,800 | 0.26 |
| 30. | Khor Ah An | 166,000 | 0.26 |
| | TOTAL | 43,472,525 | 67.25 |

**SUBSTANTIAL SHAREHOLDERS AS AT 17.08.2009**

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

| Name of Substantial Shareholder | Direct Interest (A) | % | Deemed Interest (B) | % | Total Interest (A+B) | % |
|---|---|---|---|---|---|---|
| Kumpulan Pitchai Sdn. Bhd. | 8,264,901 | 12.78 | 12,795 * | 0.02 | 8,277,696 | 12.80 |
| Perbadanan Nasional Berhad | 13,217,000 | 20.45 | 0 | 0.00 | 13,217,000 | 20.45 |
| Tema Sinaran Sdn. Bhd. | 6,025,074 | 9.32 | 0 | 0.00 | 6,025,074 | 9.32 |
| Machendran A/L Pitchai Chetty | 347,447 | 0.54 | 8,277,696 ** | 12.80 | 8,625,143 | 13.34 |
| Dhanabalan A/L M. Pitchai Chetty | 0 | 0.00 | 8,277,696 ** | 12.80 | 8,277,696 | 12.80 |

* Deemed interested by virtue of its shareholdings in S. M. Pitchai Chetty Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

** Deemed interested by virtue of their shareholdings in Kumpulan Pitchai Sdn. Bhd. and S. M. Pitchai Chettiar Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

**DIRECTORS' INTEREST IN SHARES AS AT 17.08.2009**

According to the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965, the Directors' interests in the ordinary share capital of RM1/- each of the Company and its related companies are as follows:

| Name of Director | Direct Interest (A) | % | Deemed Interest (B) | % | Total Interest (A+B) | % |
|---|---|---|---|---|---|---|
| Dato' Seri Ismail Bin Shahudin | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Machendran A/L Pitchai Chetty | 347,447 | 0.54 | 8,277,696 ** | 12.80 | 8,625,143 | 13.34 |
| Vijayan A/L O.M.V Devan | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Mohd Shahril Fitri Bin Hashim | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Sanmarkan A/L T S Ganapathi | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Sudesh A/L K. V. Sankaran | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Ng Chin Nam | 60,000 | 0.93 | 30,000 ^ | 0.05 | 90,000 | 0.98 |

** Deemed interested by virtue of their shareholdings in Kumpulan Pitchai Sdn. Bhd. and S. M. Pitchai Chettiar Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

^ Deemed interested through his spouse.

Other than as disclosed above, none of the directors have any direct or deemed interest in the shares of the Company or related companies.

# Analysis of Warrant Holdings
as at 17 August 2009

| | | |
|---|---|---|
| Class of Securities | : | Warrants |
| Outstanding Warrants | : | 14,924,500 |
| Voting Rights | : | One (1) vote per warrant holder on a show of hands and one (1) vote per warrant holder on a poll in respect of a meeting of warrant holders |

**ANALYSIS OF WARRANT HOLDINGS**

| Range of Warrant Holdings | No. Warrant Holders | % of Warrant Holders | No. of Warrants | % of Warrant Issued |
|---|---|---|---|---|
| Less than 100 | 3 | 0.39 | 101 | 0.00 |
| 100 – 1,000 | 175 | 22.73 | 158,845 | 1.06 |
| 1,001 – 10,000 | 341 | 44.29 | 1,696,553 | 11.37 |
| 10,001 – 100,000 | 233 | 30.26 | 7,777,100 | 52.11 |
| 100,001 – 746,224 (*) | 17 | 2.21 | 3,654,901 | 24.49 |
| 746,225 and above (**) | 1 | 0.13 | 1,637,000 | 10.97 |
| TOTAL | 770 | 100.00 | 14,924,500 | 100.00 |

Note: * - Less than 5% of issued holdings
** - 5% and above of issued holdings

**THIRTY LARGEST WARRANT HOLDERS AS AT 17.08.2009**

| | Name of Holder | Holdings | % of Issued Capital |
|---|---|---|---|
| 1. | TA Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Kumpulan Pitchai Sdn. Bhd.* | 1,637,000 | 10.97 |
| 2. | HLG Nominee (Tempatan) Sdn. Bhd.<br>*- Hong Leong Bank Bhd for Ngu Sung Ung* | 502,000 | 3.36 |
| 3. | Lim Seow Chin | 389,200 | 2.61 |
| 4. | Kumpulan Pitchai Sdn. Bhd. | 320,401 | 2.15 |
| 5. | Lim Fok Chou | 298,900 | 2.00 |
| 6. | Chia Yaw Ping | 227,600 | 1.53 |
| 7. | Ling Sew Ping | 206,000 | 1.38 |
| 8. | Low Kuan Mun | 200,000 | 1.34 |
| 9. | Tan Liam Kwee | 199,000 | 1.33 |
| 10. | Koh Cheng Kiat | 192,600 | 1.29 |
| 11. | HLG Nominee (Tempatan) Sdn. Bhd.<br>*- Hong Leong Bank Bhd for Ting Sik Tun* | 170,000 | 1.14 |
| 12. | Hock Lok Siew Corporation Bhd.<br>(formerly known as Foremost Holdings Berhad) | 150,200 | 1.01 |
| 13. | Khoo Kim Seng | 150,000 | 1.01 |
| 14. | CIMSEC Nominees (Tempatan) Sdn. Bhd.<br>*- CIMB Bank for Wee Soon Beng* | 150,000 | 1.01 |
| 15. | Lee Kee Por | 139,000 | 0.93 |
| 16. | Niap Kim Lock @ Andrew Niap Kim Fook | 131,000 | 0.88 |
| 17. | Tang Kow @ Tang Wah | 120,000 | 0.80 |
| 18. | Kee Yaw Koon | 109,000 | 0.73 |
| 19. | Abdul Wahab Bin Mat Kassim | 100,000 | 0.67 |
| 20. | RHB Capital Nominees (Tempatan) Sdn. Bhd.<br>*- Ngo Ho Giam @ Chui Her* | 100,000 | 0.67 |

# Analysis of Warrant Holdings
as at 17 August 2009 (cont'd)

## THIRTY LARGEST WARRANT HOLDERS AS AT 17.08.2009 (cont'd)

| | Name of Holder | Holdings | % of Issued Capital |
|---|---|---|---|
| 21. | Chua Geok Lee | 100,000 | 0.67 |
| 22. | Public Nominees (Tempatan) Sdn. Bhd.<br>*- Pledged Securities Account for Pau Chiong Wo* | 100,000 | 0.67 |
| 23. | Lim Sang Heng | 100,000 | 0.67 |
| 24. | Mui Sen Woi | 100,000 | 0.67 |
| 25. | Lim Ching Hui | 96,000 | 0.64 |
| 26. | Machendran A/L Pitchai Chetty | 95,000 | 0.64 |
| 27. | Faizah Binti Mahmod | 90,000 | 0.60 |
| 28. | Lau Nai Ping | 90,000 | 0.60 |
| 29. | Ong Then Lin | 80,000 | 0.54 |
| 30. | Siow Shou Kiat | 79,600 | 0.53 |
| | TOTAL | 6,422,501 | 43.03 |

## SUBSTANTIAL WARRANT HOLDERS AS AT 17.08.2009

| Name of Substantial Warrant holder | Direct Interest (A) | % | Deemed Interest (B) | % | Total Interest (A+B) | % |
|---|---|---|---|---|---|---|
| Kumpulan Pitchai Sdn. Bhd. | 1,957,401 | 13.12 | 4,265 * | 0.03 | 1,961,666 | 13.15 |
| Machendran A/L Pitchai Chetty | 95,000 | 0.64 | 1,961,666 ** | 13.14 | 2,056,666 | 13.78 |
| Dhanabalan A/L M. Pitchai Chetty | 0 | 0.00 | 1,961,666 ** | 13.14 | 1,961,666 | 13.14 |

* Deemed interested by virtue of its warrant holdings in S. M. Pitchai Chetty Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.
** Deemed interested by virtue of their warrant holdings in Kumpulan Pitchai Sdn. Bhd. and S. M. Pitchai Chettiar Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

## DIRECTORS' INTEREST IN WARRANTS AS AT 17.08.2009

| Name of Director | Direct Interest (A) | % | Deemed Interest (B) | % | Total Interest (A+B) | % |
|---|---|---|---|---|---|---|
| Dato' Seri Ismail Bin Shahudin | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Machendran A/L Pitchai Chetty | 95,000 | 0.64 | 1,961,666 ** | 13.14 | 2,056,666 | 13.78 |
| Vijayan A/L O.M.V Devan | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Mohd Shahril Fitri Bin Hashim | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Sanmarkan A/L T S Ganapathi | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Sudesh A/L K. V. Sankaran | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Ng Chin Nam | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |

** Deemed interested by virtue of their warrant holdings in Kumpulan Pitchai Sdn. Bhd. and S. M. Pitchai Chettiar Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

Other than as disclosed above, none of the directors have any direct or deemed interest in the warrants of the Company.

SMPC
SMPC CORPORATION BHD.
(79082-V)

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Eighth (28th) Annual General Meeting of the Company will be held at Bilik Bunga Raya, Safira Country Club, Lot 2769 Jalan Todak, Bandar Seberang Jaya, 13700 Seberang Prai on Monday, 28 September 2009 at 10.00 a.m.

**AGENDA**

1. To receive the Audited Financial Statements for the year ended 31 March 2009, together with the Directors' and Auditors' Reports thereon.

2. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:

   Machendran a/l Pitchai Chetty **(Resolution 1)**
   Sudesh a/l K. V. Sankaran **(Resolution 2)**
   Ng Chin Nam **(Resolution 3)**

3. To consider and, if thought fit, pass a resolution pursuant to Section 129 of the Companies Act, 1965 to appoint Sanmarkan a/l T S Ganapathi as a Director of the Company to hold office until the next Annual General Meeting of the Company. **(Resolution 4)**

4. To reappoint Messrs. Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration. **(Resolution 5)**

5. To approve payment of Directors' fee of RM 92,000.00. **(Resolution 6)**

6. To transact any other business appropriate to an Annual General Meeting.

By Order of the Board

**CHAN YOKE YIN (MAICSA 7043743)**
**CHIEW CINDY (MAICSA 7057923)**
Company Secretaries

Ipoh, Perak
3 September 2009

**NOTE:** A member entitled to attend and vote at the Meeting is entitled to appoint two or more proxies to attend and vote on his behalf. A proxy may but need not be a member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company, 55, Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh not less than 48 hours before the time set for holding the Meeting.

During the financial year ended 31 March 2009, there was no funds raised from the mandate sought at the previous Annual General Meeting held on 25 September 2008 for Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965.

# Statement Accompanying the Notice of Annual General Meeting

Statement Accompanying Notice of Annual General Meeting of SMPC Corporation Bhd. pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities)

Further details of individual standing for election as Directors are set out in the Profile of Directors and Statement of Shareholdings on page 7 and 92 respectively of this Annual Report.

SMPC CORPORATION BHD.
(79082-V)

# Form of Proxy

I/We, ________________________________________

________________________________________

of ________________________ being a member of SMPC Corporation Bhd. hereby appoint ________________________________

________________________ of ________________________

or failing him, ____________________ of ____________________ or

+the Chairman of the Meeting as my/our proxy, to vote for me/us and on my/our behalf at the Twenty-Eighth (28th) Annual General Meeting of the Company, to be held on Monday, 28 September 2009 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:

| Resolution No. | Ordinary Business | For | Against |
|---|---|---|---|
| 1 | The re-election of Directors:<br>Machendran a/l Pitchai Chetty | | |
| 2 | Sudesh a/l K. V. Sankaran | | |
| 3 | Ng Chin Nam | | |
| 4 | The re-appointment of the following Director in accordance with Section 129 of the Companies Act, 1965:<br>Sanmarkan a/l T S Ganapathi | | |
| 5 | The appointment of Auditors and their remuneration | | |
| 6 | The payment of Directors' fee | | |

Please indicate with (x) how you wish your vote to be cast.

| | |
|---|---|
| No. of shares held | |
| CDS A/C No. | |

Date:

________________________
Signature of Shareholder

**NOTES:**

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint two or more proxies to attend and vote on his behalf. A proxy may but need not be a member and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.

Where a member appoints two or more proxies, the appointment shall be invalid unless he specified the proportions of his shareholdings to be represented by each proxy.

The instrument appointing a proxy shall be in writing and in the case of an individual, shall be signed by the appointer or his attorney duly authorised, and in case of a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

The instrument appointing proxy or proxies must be deposited at the Registered Office of the Company, 55, Medan Ipoh 1A, Medan Ipoh Bistari, 31400 Ipoh, Perak, Malaysia not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

+If it is desired to appoint another person as a proxy, the words "the Chairman of the Meeting" should be deleted and the name of the proxy should be inserted on block letters and the alteration should be initialed.

PLEASE FOLD HERE

Postage Stamp

The Company Secretary

**SMPC CORPORATION BHD**

55, Medan Ipoh 1A,
Medan Ipoh Bistari,
31400 Ipoh,
Perak.

PLEASE FOLD HERE

**SMPC CORPORATION BHD.**
(79082-V)
2521, Tingkat Perusahaan 6, Prai Industrial Estate,
13600 Prai, Penang, Malaysia.
Tel: 04-398 7560 Fax: 04-398 0376