

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors hereby submit their report together with the audited accounts of the Group and the Company for the financial year ended 31 January, 2000.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are described in Note 11 to the accounts.

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

RESULTS

	Group RM	Company RM
Profit/(Loss) after taxation and minority interests	813,579	(1,790,281)
(Accumulated losses)/Retained profits brought forward	(15,118,501)	2,893,983
	<u>(14,304,922)</u>	<u>1,103,702</u>
(Accumulated losses)/Retained profits carried forward		

DIVIDEND

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

The directors do not recommend any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Note 18 to the accounts.

BAD AND DOUBTFUL DEBTS

Before the profit and loss accounts and balance sheets were made out, the directors took reasonable steps to ensure that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that no debts need to be written off as bad and that adequate provision had been made for doubtful debts in the accounts of the Group. The directors are also satisfied that no debts need to be written off as bad or provided for as doubtful in the accounts of the Company.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 23 to the accounts.

DIRECTORS

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

Dato' Mohd Taufik bin Abdullah
 Machendran a/I Pitchai Chetty
 Ramakrishnan a/I Thangasamy Chettiar
 Dhanabalan a/I M. Pitchai Chetty
 Nagarajan a/I Thambiah
 Tye Lean Tee @ Tan Lean Tee
 Daisuke Kadono - appointed on 11 November, 1999
 Vijayan a/I O.M.V. Devan - appointed on 31 March, 2000
 Makhtar bin Mohamed - appointed on 26 April, 2000
 Shinetsu Sato - resigned on 5 November, 1999

In accordance with the Company's Articles of Association, Dato' Mohd Taufik bin Abdullah, Dhanabalan a/I M. Pitchai Chetty, Daisuke Kadono, Vijayan a/I O.M.V. Devan and Makhtar bin Mohamed retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and one of its subsidiaries during the financial year were as follows:

The Company	Number of ordinary shares of RM1 each			31 January, 2000
	1 February, 1999	Bought	Sold	
Direct interest				
Dato' Mohd Taufik bin Abdullah	250,000	–	–	250,000
Tye Lean Tee @ Tan Lean Tee	10,000	4,000	–	14,000
Nagarajan a/I Thambiah	250,015	–	–	250,015
Indirect interest				
Machendran a/I Pitchai Chetty *	7,469,831	–	–	7,469,831
Ramakrishnan a/I Thangasamy Chettiar *	7,469,831	–	–	7,469,831
Dhanabalan a/I M. Pitchai Chetty *	7,469,831	–	–	7,469,831

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Subsidiaries	Number of ordinary shares of RM1 each			31 January, 2000
	1 February, 1999	Bought	Sold	
SMPC Marketing Sdn. Bhd.				
<i>Indirect interest</i>				
Machendran a/l Pitchai Chetty **	4	–	–	4
Ramakrishnan a/l Thangasamy Chettiar **	4	–	–	4
Dhanabalan a/l M. Pitchai Chetty **	4	–	–	4

* By virtue of their interest in Kumpulan Pitchai Sdn. Bhd. and S.M. Pitchai Chettiar Sdn. Bhd., the directors are deemed to have an interest in these shares. Both companies are incorporated in Malaysia.

** By virtue of their interest in S.M. Pitchai Chettiar Sdn. Bhd., a company incorporated in Malaysia, they are deemed to have an interest in these shares.

The other director in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

AUDITORS

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

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

DATO' MOHD TAUFIK BIN ABDULLAH

DAISUKE KADONO

Penang
Dated : 27 April, 2000

STATEMENT BY DIRECTORS

We, DATO' MOHD TAUFIK BIN ABDULLAH and DAISUKE KADONO, being two of the directors of SMPC METAL INDUSTRIES BHD., do hereby state that, in the opinion of the directors, the accompanying balance sheets of the Group and the Company as at 31 January, 2000 and the profit and loss accounts of the Group and the Company and the cash flow statement of the Group for the year then ended, together with the notes thereto, give a true and fair view of the state of affairs of the Group and the Company as at 31 January, 2000 and of the results of the Group and the Company and cash flows of the Group for the year then ended, and have been properly drawn up in accordance with applicable approved accounting standards in Malaysia.

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

DATO' MOHD TAUFIK BIN ABDULLAH

DAISUKE KADONO

Penang
Dated: 27 April, 2000

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STATUTORY DECLARATION

I, MACHENDRAN A/L PITCHAI CHETTY, the director primarily responsible for the financial management of SMPC METAL INDUSTRIES BHD., do solemnly and sincerely declare that the accompanying balance sheets of the Group and the Company as at 31 January, 2000 and the profit and loss accounts of the Group and the Company and the cash flow statement of the Group for the year then ended, together with the notes thereto 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 MACHENDRAN A/L)
PITCHAI CHETTY at BUTTERWORTH) **MACHENDRAN A/L PITCHAI CHETTY**
in the State of Penang on 27 April, 2000)

Before me:

P. SATHASIVAM
No P036
Commissioner for Oaths
Butterworth, Penang

AUDITORS' REPORT

To the Shareholders of
SMPC METAL INDUSTRIES BHD.

We have audited the consolidated accounts of SMPC METAL INDUSTRIES BHD. AND ITS SUBSIDIARIES (the Group) and the accounts of SMPC METAL INDUSTRIES BHD. (the Company) as at 31 January, 2000. These accounts are the responsibility of the Company's directors. Our responsibility is to express an opinion on these accounts based on our audit.

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

In our opinion,

- (a) the accounts give a true and fair view of the state of affairs of the Group and the Company as at 31 January, 2000 and of the results of the Group and the Company and cash flows of the Group for the year then ended, and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

The audit reports on the accounts of the subsidiaries were not subject to any qualification or any adverse comment made under subsection (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to Note 2(a) to the accounts. The accounts of the Group and the Company do not include any adjustments that might result from these uncertainties.

Arthur Andersen & Co.
No. AF 0103
Public Accountants

Lim Foo Chew
No. 1748/01/02(J)
Partner of the Firm

Dated : 27 April, 2000

CONSOLIDATED BALANCE SHEET – 31 JANUARY, 2000

	Note	2000 RM	1999 RM
CURRENT ASSETS			
Cash and bank balances		2,924,234	1,532,463
Fixed deposit with a licensed bank		50,000	50,000
Trade debtors	3	53,814,487	55,988,458
Other debtors	4	3,971,468	5,481,408
Stocks	5	36,258,036	26,056,844
		97,018,225	89,109,173
CURRENT LIABILITIES			
Bank borrowings	6	136,493,579	137,726,976
Trade creditors		23,044,487	12,384,716
Other creditors	7	7,758,032	6,197,570
Taxation		664,890	1,203,345
		167,960,988	157,512,607
NET CURRENT LIABILITIES		(70,942,763)	(68,403,434)
FIXED ASSETS	9	103,577,626	106,476,241
INTANGIBLE ASSETS	10	219,679	329,510
INVESTMENT IN ASSOCIATED COMPANY	12	–	1,158,009
OTHER UNQUOTED INVESTMENT		299,838	299,838
TERM LOANS	13	(10,981,797)	(16,922,148)
HIRE-PURCHASE CREDITORS	14	(429,706)	(839,009)
DEFERRED TAXATION	15	(511,000)	(750,278)
RETIREMENT BENEFITS	16	(504,279)	(452,750)
MINORITY INTERESTS		(248,201)	(433,781)
		20,479,397	20,462,198
SHAREHOLDERS' FUNDS			
Share capital	17	19,999,000	19,999,000
Reserves	18	480,397	463,198
		20,479,397	20,462,198

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY, 2000

	Note	2000 RM	1999 RM
Turnover	19	<u>215,158,188</u>	<u>207,550,799</u>
Operating profit/(loss)	20	<u>1,100,899</u>	(40,350,351)
Share of loss in associated company		<u>(688,849)</u>	(317,611)
Profit/(Loss) before taxation		<u>412,050</u>	(40,667,962)
Taxation	21	<u>215,949</u>	1,589,000
Profit/(Loss) after taxation		<u>627,999</u>	(39,078,962)
Minority interests		<u>185,580</u>	119,887
Profit/(Loss) after taxation and minority interests (Accumulated losses)/Retained profits brought forward		<u>813,579</u> <u>(15,118,501)</u>	(38,959,075) 23,840,574
Accumulated losses carried forward		<u>(14,304,922)</u>	(15,118,501)
Earnings/(Loss) per share	22	<u>4 sen</u>	(195 sen)
Retained by:			
Company		<u>1,103,702</u>	2,893,983
Subsidiaries		<u>(14,277,784)</u>	(17,570,493)
Associated Company		<u>(1,130,840)</u>	(441,991)
		<u>(14,304,922)</u>	(15,118,501)

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The accompanying notes are an integral part of this account.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY, 2000

	Note	2000 RM	1999 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		412,050	(40,667,962)
Adjustments for:			
Amortisation of intangible assets		109,831	58,903
Depreciation		5,857,928	6,522,637
Interest expense		12,858,452	15,662,143
Provisions for diminution of value of investment in associated company		469,160	–
Provision for doubtful debts		1,360,276	5,091,317
Provision for retirement benefits		60,325	11,055
Provision for slow moving stocks		7,889	34,663
Share of loss in associated company		688,849	317,611
Tax recoverable		–	1,011,111
Amortisation of reserve on consolidation		(796,380)	(796,380)
Gain on disposal of fixed assets		(383,006)	–
Interest income		(260,904)	(345,213)
Operating profit/(loss) before working capital changes		<u>20,384,470</u>	<u>(13,100,115)</u>
Decrease in debtors		2,323,635	8,844,031
(Increase)/Decrease in stocks		(10,209,081)	28,629,507
Increase/(Decrease) in creditors		<u>12,792,573</u>	<u>(40,565)</u>
Cash generated from operations		<u>25,291,597</u>	<u>24,332,858</u>
Interest received		260,904	345,213
Interest paid		(12,858,452)	(15,662,143)
Retirement benefits paid		(8,796)	(16,250)
Tax paid		<u>(561,784)</u>	<u>(1,050,878)</u>
Net cash generated from operating activities		<u>12,123,469</u>	<u>7,948,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	A	(2,887,492)	(18,194,878)
Proceeds from sale of fixed assets		610,404	134,819
Dividend paid		–	(719,964)
Increase in intangible asset		–	(152,800)
Proceeds from issue of shares to minority		–	60,000
Net cash used in investing activities		<u>(2,277,088)</u>	<u>(18,872,823)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment)/proceeds of short term borrowings		(17,229,752)	3,509,220
Net (repayment)/proceeds of term loans		(3,568,060)	2,414,303
Net repayment of hire-purchase creditors		(1,280,862)	(2,242,103)
Net cash (used in)/generated from financing activities		<u>(22,078,674)</u>	<u>3,681,420</u>

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	Note	2000 RM	1999 RM
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,232,293)	(7,242,603)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(24,256,248)	(17,013,645)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	B	<u>(36,488,541)</u>	<u>(24,256,248)</u>

A. PURCHASE OF FIXED ASSETS

During the year, the Group acquired fixed assets with an aggregate cost of RM3,186,711 (1999: RM18,268,435) of which RM299,219 (1999: RM73,557) were paid by means of hire-purchase and payments of RM2,887,492 (1999: RM18,194,878) by means of cash payments.

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

20 Annual Report 2000		2000 RM	1999 RM
	Cash and bank balances	2,924,234	1,532,463
	Fixed deposit with a licensed bank	50,000	50,000
	Bank overdrafts	(39,462,775)	(25,838,711)
		<u>(36,488,541)</u>	<u>(24,256,248)</u>

The accompanying notes are an integral part of this statement.

BALANCE SHEET – 31 JANUARY, 2000

	Note	2000 RM	1999 RM
CURRENT ASSETS			
Cash and bank balances		19,282	44,772
Sundry debtors		550,901	642,986
Due from a subsidiary		92,620	88,513
		<u>662,803</u>	<u>776,271</u>
CURRENT LIABILITIES			
Bank borrowings	6	7,334,442	6,737,665
Other creditors	7	990,298	756,821
Taxation		313,072	367,072
Due to subsidiaries	8	6,609,145	5,376,799
		<u>15,246,957</u>	<u>13,238,357</u>
NET CURRENT LIABILITIES		(14,584,154)	(12,462,086)
FIXED ASSETS	9	34,010,169	34,586,485
INVESTMENT IN SUBSIDIARIES	11	23,987,716	23,987,716
INVESTMENT IN ASSOCIATED COMPANY	12	–	1,600,000
OTHER UNQUOTED INVESTMENT		299,838	299,838
TERM LOANS	13	(5,026,100)	(7,132,052)
HIRE-PURCHASE CREDITOR	14	–	(29,873)
DEFERRED TAXATION	15	–	(372,278)
		<u>38,687,469</u>	<u>40,477,750</u>
SHAREHOLDERS' FUNDS			
Share capital	17	19,999,000	19,999,000
Reserves	18	18,688,469	20,478,750
		<u>38,687,469</u>	<u>40,477,750</u>

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY, 2000

	Note	2000 RM	1999 RM
Turnover	19	<u>2,508,355</u>	<u>2,495,741</u>
Operating (loss)/profit	20	(2,162,559)	35,805
Taxation	21	<u>372,278</u>	<u>-</u>
(Loss)/Profit after taxation		(1,790,281)	35,805
Retained profits brought forward		<u>2,893,983</u>	<u>2,858,178</u>
Retained profits carried forward		<u>1,103,702</u>	<u>2,893,983</u>

NOTES TO THE ACCOUNTS – 31 JANUARY, 2000

1. PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are described in Note 11.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts are prepared under the historical cost convention modified by the revaluation of certain land and buildings and comply with applicable approved accounting standards in Malaysia.

The accounts are prepared assuming that the Group and the Company will continue as a going concern. In preparing the accounts, the directors have carefully considered the future cashflows of the Group and the Company and the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis. The future cashflows, inter-alia are dependent upon continued financial support from its bankers and successful implementation of the pending corporate exercise as disclosed in Note 23.

(b) Basis of Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to the end of the financial year. Inter-company transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

The excess of the fair values of the net assets over the purchase price of the subsidiaries at the date of acquisition is treated as reserve arising on consolidation and is credited to the consolidated profit and loss account over a period of 10 years.

(c) Investments

- i) Investments in subsidiaries, associated company and other investment are stated at cost less any provision for permanent diminution in value.
- ii) Investment in associated company is investment in which the Company has a long term equity interest of 20% to 50% and where it exercises significant influence through management participation. The Group's share of losses of associated company which is based on the management accounts for the year ended 31 January, 2000 is included in the consolidated profit and loss account and the Group's interest is stated at cost plus adjustments to reflect changes in the Group's share of net assets of the Company.

(d) Currency Conversion and Translation

Transactions in foreign currencies during the year are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling at that date. All exchange gains or losses are dealt with in the profit and loss account.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Freehold land and capital work-in progress are not depreciated. Depreciation on other fixed assets is provided on a straight line basis calculated to write off the cost or valuation of each asset over its estimated useful life.

The principal annual rates of depreciation are:

Long term leasehold land and buildings	Over 60 years
Other buildings	2%
Plant and machinery	5% to 15%
Computer weighbridge	15%
Computer equipment	25%
Cranes and forklifts	15%
Electrical fittings and equipment	15%
Furniture and fittings	15%
Office equipment	15%
Motor vehicles	20%
Renovation	2% to 33%

During the year, a subsidiary changed the depreciation rate of certain plant and machinery to better reflect its useful lives. As a result in this change, the current year depreciation charge for the Group was decreased by RM668,714 and the current year profit before tax was increased by the same amount.

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

(f) Stocks

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

(g) Deferred Taxation

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

(h) Hire-Purchase Assets

The cost of assets acquired under hire-purchase agreements are capitalised. The depreciation policy on these assets are similar to other assets as set out in (e) above. Outstanding obligations due under the hire-purchase agreements after deducting finance expenses are included as liabilities in the accounts.

The finance expenses of the lease rentals are charged to the profit and loss accounts over a period of the respective agreements.

(i) Retirement Benefits

Retirement benefits are provided based on the schedule of benefits stipulated in the contracted retirement benefit plan and are non-funded.

(j) Intangible Assets

Intangible assets consist of pre-trading expenses and licence fees paid.

- i) Pre-trading expenses comprise expenses incurred for securing a subsidiary's initial funding requirements, set up cost and other expenses which are preliminary in nature. These expenses are written off over a period of 10 years commencing 1993.
- ii) Licence fees comprise fees charged by the proprietor of the NIIT trademark for the usage of the NIIT name, design, copyright, software and technical know-how in connection with the operation of the computer education institution. The fees are written off over a period of 3 years commencing 1999.

3. TRADE DEBTORS

	Group	
	2000 RM	1999 RM
Trade debtors	62,433,524	64,104,045
Less: Provision for doubtful debts	(8,619,037)	(8,115,587)
	53,814,487	55,988,458

Included in trade debtors are amounts due from companies in which certain directors have substantial financial interest amounting to RM13,985,349 (1999: RM13,898,537).

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4. OTHER DEBTORS

	Group	
	2000 RM	1999 RM
Other debtors	4,042,668	5,502,411
Less: Provision for doubtful debts	(71,200)	(21,003)
	3,971,468	5,481,408

5. STOCKS

	Group	
	2000 RM	1999 RM
Raw materials	18,847,771	9,228,928
Finished goods	4,101,292	5,045,289
Trading goods	13,314,225	11,789,245
Consumables	12,319	28,045
	36,275,607	26,091,507
Provision for slow moving stocks	(17,571)	(34,663)
	36,258,036	26,056,844

6. BANK BORROWINGS

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Revolving credit	12,500,000	4,500,000	–	–
Bank overdrafts	39,462,775	25,838,711	3,261,590	3,497,265
Bankers' acceptances and trust receipts	58,968,913	101,340,665	–	–
Short term loan	17,142,000	–	–	–
Term loans repayable within 12 months	8,419,891	6,047,600	4,072,852	3,240,400
	136,493,579	137,726,976	7,334,442	6,737,665

Bank borrowings amounting to RM13,292,907 (1999: RM7,500,000) of the Group is secured by a first and second legal charge over a freehold land and building of a subsidiary.

The Company has given a negative pledge on its entire assets for the bank borrowings of the Group.

The bank borrowings bear interest ranging from 1.00% to 2.50% (1999: 1.00% to 2.50%) above the banks' base lending rate per annum.

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7. OTHER CREDITORS

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Hire-purchase creditors	660,172	1,232,512	35,546	318,972
Directors' fees accrued	379,500	–	379,500	–
Accrued interest on bank borrowings	2,511,969	–	–	–
Other creditors	4,206,391	4,965,058	575,252	437,849
	7,758,032	6,197,570	990,298	756,821

Included in other creditors of the Group and the Company is an amount of RM92,620 (1999: RM14,900) due to companies with common directors.

Included in other creditors of the Group is a prepayment of RM1,528,922 (1999: RM1,589,270) received from a third party, for the lease of part of the freehold land as disclosed in Note 9.

8. DUE TO SUBSIDIARIES

The amounts are unsecured, interest free (1999: with an interest of 12% per annum) and have no fixed terms of repayments.

9. FIXED ASSETS

Group	← AT VALUATION →			← AT COST →		
	Freehold land RM	Long term leasehold land and buildings RM	*Land, buildings and renovation RM	Plant and machinery, fittings, equipment and vehicles RM	Capital work-in-progress RM	Total RM
2000						
Valuation/ Cost						
At beginning of year	5,800,000	15,500,000	45,397,537	59,776,185	4,590,000	131,063,722
Additions	-	-	1,591,201	1,364,644	230,866	3,186,711
Disposals	-	-	-	(925,941)	-	(925,941)
Transfers	-	-	-	4,820,866	(4,820,866)	-
At end of year	5,800,000	15,500,000	46,988,738	65,035,754	-	133,324,492
Accumulated Depreciation						
At Beginning of year	-	1,150,880	2,036,205	21,400,396	-	24,587,481
Additions	-	286,561	624,428	4,946,939	-	5,857,928
Disposals	-	-	-	(698,543)	-	(698,543)
At End of year	-	1,437,441	2,660,633	25,648,792	-	29,746,866
Net Book Value	5,800,000	14,062,559	44,328,105	39,386,962	-	103,577,626

9. FIXED ASSETS (cont'd)

Group	← AT VALUATION →			← AT COST →		
	Freehold land RM	Long term leasehold land and buildings RM	*Land, buildings and renovation RM	Plant and machinery, fittings, equipment and vehicles RM	Capital work-in-progress RM	Total RM
1999						
Valuation/ Cost						
At beginning of year	5,800,000	15,500,000	28,030,952	51,957,380	11,641,962	112,930,294
Additions	–	–	3,116,739	6,831,850	8,319,846	18,268,435
Disposals	–	–	(135,007)	–	–	(135,007)
Transfers	–	–	14,384,853	986,955	(15,371,808)	–
At end of year	5,800,000	15,500,000	45,397,537	59,776,185	4,590,000	131,063,722
Accumulated Depreciation						
At beginning of year	–	892,547	1,487,621	15,684,864	–	18,065,032
Additions	–	258,333	548,772	5,715,532	–	6,522,637
Disposals	–	–	(188)	–	–	(188)
At end of year	–	1,150,880	2,036,205	21,400,396	–	24,587,481
Net Book Value	5,800,000	14,349,120	43,361,332	38,375,789	4,590,000	106,476,241

9. FIXED ASSETS (cont'd)

Company	AT VALUATION		AT COST			Total RM
	Long term leasehold land and buildings RM	Freehold land RM	Long term leasehold land and buildings RM	Plant and machinery, fittings, equipment and vehicles RM	Capital work-in- progress RM	
2000						
Valuation/Cost						
At beginning of year	15,500,000	10,134,636	10,648,757	2,147,099	–	38,430,492
Additions	–	–	135,006	58,850	–	193,856
Disposals	–	–	–	(50,138)	–	(50,138)
At end of year	15,500,000	10,134,636	10,783,763	2,155,811	–	38,574,210
Accumulated Depreciation						
At beginning of year	1,150,880	–	1,491,933	1,201,194	–	3,844,007
Additions	286,561	–	151,638	331,972	–	770,171
Disposals	–	–	–	(50,137)	–	(50,137)
At end of year	1,437,441	–	1,643,571	1,483,029	–	4,564,041
Net Book Value	14,062,559	10,134,636	9,140,192	672,782	–	34,010,169
1999						
Valuation/Cost						
At beginning of year	15,500,000	10,134,636	9,955,870	1,297,907	1,689,194	38,577,607
Additions	–	–	135,000	186,950	–	321,950
Disposals	–	–	(135,007)	–	(334,058)	(469,065)
Transfers	–	–	692,894	662,242	(1,355,136)	–
At end of year	15,500,000	10,134,636	10,648,757	2,147,099	–	38,430,492
Accumulated Depreciation						
At beginning of year	892,547	–	1,316,348	883,874	–	3,092,769
Additions	258,333	–	175,773	317,320	–	751,426
Disposals	–	–	(188)	–	–	(188)
At end of year	1,150,880	–	1,491,933	1,201,194	–	3,844,007
Net Book Value	14,349,120	10,134,636	9,156,824	945,905	–	34,586,485

9. FIXED ASSETS (cont'd)

* LAND, BUILDINGS AND RENOVATION

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Renovation RM	Total RM
2000				
Cost				
At beginning of year	34,627,116	10,648,756	121,665	45,397,537
Additions	1,187,451	135,006	268,744	1,591,201
At end of year	35,814,567	10,783,762	390,409	46,988,738
Accumulated Depreciation				
At beginning of year	540,892	1,491,933	3,380	2,036,205
Additions	432,239	151,638	40,551	624,428
At end of year	973,131	1,643,571	43,931	2,660,633
Net Book Value	34,841,436	9,140,191	346,478	44,328,105
1999				
Cost				
At beginning of year	18,075,083	9,955,869	–	28,030,952
Additions	2,860,074	135,000	121,665	3,116,739
Disposals	–	(135,007)	–	(135,007)
Transfers	13,691,959	692,894	–	14,384,853
At end of year	34,627,116	10,648,756	121,665	45,397,537
Accumulated Depreciation				
At beginning of year	171,273	1,316,348	–	1,487,621
Additions	369,619	175,773	3,380	548,772
Disposals	–	(188)	–	(188)
At end of year	540,892	1,491,933	3,380	2,036,205
Net Book Value	34,086,224	9,156,823	118,285	43,361,332

9. FIXED ASSETS (cont'd)

Certain freehold land and buildings of the Group have been charged to a bank for banking facilities as disclosed in Notes 6 and 13.

Part of the freehold land of the Group has been leased to a third party for a period of 30 years and a prepayment for the lease of RM1,528,922 (1999: RM1,589,270) has been received as disclosed in Note 7.

No depreciation is provided for certain machinery of the Group amounting to RM5,761,282 (1999:Nil) as they were still not in use as at the end of the financial year.

The freehold land and long term leasehold land and buildings were revalued by an independent professional valuer in February, 1994 based on the open market value basis. The surplus arising on the revaluation has been capitalised in the revaluation reserve.

Had the long term leasehold land and buildings been carried at historical cost less depreciation, the net book value that would have been included in the accounts as at the end of the financial year would be RM5,428,866 (1999: RM5,552,250).

Assets Held Under Hire-Purchase Agreements

Included in the fixed assets are assets under hire-purchase as follows:

Group	Cost RM	Accumulated Depreciation RM	Net Book Value RM	31
				Annual Report 2000
2000				
Computers	750,367	375,183	375,184	
Cranes and forklifts	1,583,150	749,748	833,402	
Motor vehicles	2,107,389	964,987	1,142,402	
	<u>4,440,906</u>	<u>2,089,918</u>	<u>2,350,988</u>	
1999				
Plant and machinery	4,375,806	1,568,568	2,807,238	
Computers	750,367	187,591	562,776	
Cranes and forklifts	2,945,054	1,321,938	1,623,116	
Motor vehicles	1,975,005	736,320	1,238,685	
	<u>10,046,232</u>	<u>3,814,417</u>	<u>6,231,815</u>	
Company				
2000				
Computers	<u>750,367</u>	<u>375,183</u>	<u>375,184</u>	
1999				
Computers	<u>750,367</u>	<u>187,591</u>	<u>562,776</u>	

10. INTANGIBLE ASSETS

	Group	
	2000 RM	1999 RM
At cost		
Pre-trading expenses	530,127	530,127
Licence fee	152,800	152,800
	682,927	682,927
Less: Accumulated amount written off	(463,248)	(353,417)
	219,679	329,510

11. INVESTMENT IN SUBSIDIARIES

	2000 RM	1999 RM
Unquoted shares, at cost	23,987,716	23,987,716

The following are the subsidiaries, all of which are incorporated in Malaysia.

32 Annual Report 2000	Effective interest		Principal activities
	2000	1999	
	%	%	
SMPC Steel Service Centre Sdn. Bhd. *	100	100	Metal sheet and coil processing centre with main services in shearing, down-shearing and slitting.
Syarikat Perkilangan Besi Gaya Sdn. Bhd.	100	100	Drawing, straightening and cutting of iron rods and wire related products.
SMPC Marketing Sdn. Bhd.	99.99	99.99	Trading in building materials, hardware items and mining requisites.
Progerex Sdn. Bhd. (wholly owned by SMPC Marketing Sdn. Bhd.)	99.99	99.99	Shredding and processing of ferrous and non-ferrous scrap metals.
Edit Systems Sdn. Bhd. *	70	70	Operation of an educational institution.
Besi Gaya (Klang) Sdn. Bhd. (a subsidiary of Syarikat Perkilangan Besi Gaya Sdn. Bhd.)	51	51	Manufacture of steel stirrups for the construction industry.

* The auditors' report of the subsidiary has been modified with an emphasis statement that the preparation of the accounts on a going concern basis is on the assumption that the holding company or bankers will continue to provide financial support to the subsidiary.

All subsidiaries are audited by Arthur Andersen & Co.

12. INVESTMENT IN ASSOCIATED COMPANY

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
At cost				
Unquoted shares	1,600,000	1,600,000	1,600,000	1,600,000
Share of post acquisition losses	(1,130,840)	(441,991)	–	–
	469,160	1,158,009	1,600,000	1,600,000
Provision for diminution in value	(469,160)	–	(1,600,000)	–
	–	1,158,009	–	1,600,000

The associated company is JP Container Services Sdn. Bhd., a company incorporated in Malaysia, in which the Group has 40% (1999: 40%) equity interest. Its principal activities are container repairs and refurbishment.

13. TERM LOANS

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Term loan repayable by 71 monthly instalments commencing May, 1995	933,800	1,733,000	–	–
Term loan repayable by 59 monthly instalments commencing June, 1995	399,202	565,952	399,202	565,952
Term loan repayable by 72 monthly instalments commencing January, 1996	1,232,500	1,572,500	–	–
Term loan repayable by 38 monthly instalments commencing March, 1996	–	140,000	–	140,000
Term loan repayable by 60 monthly instalments commencing June, 1996	8,699,750	9,666,500	8,699,750	9,666,500
Term loan repayable by 36 monthly instalments commencing December, 1997	181,839	365,600	–	–
Term loan repayable by 60 monthly instalments commencing January, 1998	2,454,597	2,926,196	–	–
Term loan repayable by 60 monthly instalments commencing September, 1999	5,500,000	6,000,000	–	–
	19,401,688	22,969,748	9,098,952	10,372,452
Less: Repayable within 12 months (Note 6)	(8,419,891)	(6,047,600)	(4,072,852)	(3,240,400)
	10,981,797	16,922,148	5,026,100	7,132,052

The term loan of RM933,800 (1999: RM1,733,000) is secured by a first legal charge over a freehold land and building of a subsidiary.

The Company has given a negative pledge on its entire assets for the term loans of the Group. The term loans bear interest of 1.50% to 2.00% (1999: 1.50% to 2.00%) above the banks' base lending rates per annum.

14. HIRE-PURCHASE CREDITORS

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Hire-purchase creditors	1,089,878	2,071,521	35,546	348,845
Less: Repayable within 12 months (Note 7)	(660,172)	(1,232,512)	(35,546)	(318,972)
	<u>429,706</u>	<u>839,009</u>	<u>-</u>	<u>29,873</u>

The hire-purchase creditors are analysed as follows:

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Hire-purchase payable in:				
2000	-	1,492,257	-	361,560
2001	725,117	614,998	41,380	41,380
2002	509,996	396,163	-	-
2003	92,386	23,132	-	-
2004	17,580	-	-	-
2005	7,025	-	-	-
Total future hire-purchase payments	<u>1,352,104</u>	<u>2,526,550</u>	<u>41,380</u>	<u>402,940</u>
Less: Amount representing interest	<u>(262,226)</u>	<u>(455,029)</u>	<u>(5,834)</u>	<u>(54,095)</u>
Principal of future hire-purchase payments	<u>1,089,878</u>	<u>2,071,521</u>	<u>35,546</u>	<u>348,845</u>

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15. DEFERRED TAXATION

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
At beginning of year	750,278	2,339,278	372,278	372,278
Transfer to profit and loss account	(239,278)	(1,589,000)	(372,278)	-
At end of year	<u>511,000</u>	<u>750,278</u>	<u>-</u>	<u>372,278</u>

Deferred taxation is provided for the Group and the Company in respect of timing differences for the excess of capital allowances claimed over book depreciation of fixed assets.

Deferred taxation is not provided on the surplus arising from the revaluation of freehold land and leasehold land and buildings as it is not the intention of the directors to dispose these properties.

16. RETIREMENT BENEFITS

	Group	
	2000 RM	1999 RM
At beginning of year	452,750	457,945
Provision made during the year	60,325	11,055
	513,075	469,000
Less: Payments made during the year	(8,796)	(16,250)
At end of year	504,279	452,750

17. SHARE CAPITAL

	2000 RM	1999 RM
Ordinary shares of RM1 each:		
Authorised	50,000,000	50,000,000
Issued and fully paid	19,999,000	19,999,000

18. RESERVES**NON-DISTRIBUTABLE:**

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Share Premium	2,135,166	2,135,166	2,135,166	2,135,166
Capital Reserve				
Reserve arising on transfer of business operation to a subsidiary	–	–	7,445,000	7,445,000
Revaluation Reserve	8,004,601	8,004,601	8,004,601	8,004,601
Reserve On Consolidation				
Excess of fair value of net assets over purchase consideration of subsidiaries	7,963,802	7,963,802	–	–
Less: Credited to the profit and loss account	(3,318,250)	(2,521,870)	–	–
	4,645,552	5,441,932	–	–
Total Non-Distributable	14,785,319	15,581,699	17,584,767	17,584,767
DISTRIBUTABLE:				
(Accumulated losses)/ Retained profits	(14,304,922)	(15,118,501)	1,103,702	2,893,983
Total Reserves	480,397	463,198	18,688,469	20,478,750

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2000**19. TURNOVER**

Turnover of the Group represents invoiced value of sales and services net of discounts and returns.

Turnover of the Company represents rental from letting of industrial and commercial assets, interest income and management consultancy fees.

The cost of sales incurred in relation to the Group's turnover was RM188,221,732 (1999: RM213,096,695) consisting of cost of raw materials, labour and overheads.

20. OPERATING PROFIT/(LOSS)

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
This has been arrived at after charging:				
Auditors' remuneration	84,000	74,500	11,000	10,000
Amortisation of intangible assets	109,831	58,903	-	-
Depreciation	5,857,928	6,522,637	770,171	751,426
Directors' remuneration				
- fees	379,500	499,500	379,500	499,500
- salaries and other emoluments	143,185	153,180	-	-
Interest expense				
- bank borrowings	12,570,751	15,234,463	1,222,210	559,581
- hire-purchase	264,688	427,680	47,354	48,248
- others	23,013	-	-	-
Provision for diminution in value of investment in associated company	469,160	-	1,600,000	-
Provision for doubtful debts	1,360,276	5,091,317	-	-
Provision for slow moving stocks	7,889	34,663	-	-
Rental expense				
- building	396,315	258,920	-	-
- other fixed asset	2,160	-	-	-
Provision for retirement benefits	60,325	11,055	-	-
Realised loss on foreign exchange	29,302	-	-	-
Preliminary expenses written off	-	5,424	-	-
and crediting:				
Amortisation of reserve on consolidation	796,380	796,380	-	-
Doubtful debts recovered	806,629	-	-	-
Gain on disposal of fixed assets	383,006	-	29,999	-
Gain on foreign exchange				
- realised	-	335,688	-	-
- unrealised	-	15,384	-	-
Interest income				
from overdue balances	260,904	345,213	-	-
Provision for slow moving stocks written back	24,981	-	-	-
Rental income:				
- building	352,348	252,352	192,000	192,000
- other fixed assets	36,000	94,000	36,000	94,000
Charged to subsidiaries				
- interest on overdue balances	-	-	-	72,155
- management fees	-	-	300,000	300,000
- rental of premises	-	-	1,668,356	1,638,240
- rental of other fixed assets	-	-	276,000	180,000

21. TAXATION

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Corporate taxation				
- current year provision	151,000	-	-	-
- overprovision in respect of prior year	(127,671)	-	-	-
	<u>23,329</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer from deferred taxation	(239,278)	(1,589,000)	(372,278)	-
	<u>(215,949)</u>	<u>(1,589,000)</u>	<u>(372,278)</u>	<u>-</u>

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

As at 31 January, 2000, the Company has unutilised capital allowances and unabsorbed losses brought forward of approximately RM1,552,000 (1999: RM814,000) and RM396,000 (1999: RM396,000) which can be used to offset future taxable profits subject to the agreement with the Inland Revenue Board.

The Company has sufficient tax exempt income and tax credit under Section 108(6) of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained profits as at 31 January, 2000. This is subject to the agreement with the Inland Revenue Board.

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22. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share has been calculated based on the Group's profit/(loss) after taxation and minority interests of RM813,579 (1999: RM38,959,075) and the number of ordinary shares in issue of 19,999,000 (1999: 19,999,000).

23. SUBSEQUENT EVENTS

On 18 April, 2000, the Company obtained the approval of the Securities Commission for the following proposed corporate exercise:

- i) Special issue of 10,000,000 new ordinary shares of RM1.00 each to Bumiputra investors (Issue price was subsequently determined at RM1.55 per share.);
- ii) Rights issue of 14,999,500 new ordinary shares of RM1.00 each with 14,999,500 new warrants on the basis of one (1) new ordinary share with one (1) warrant attached for every two (2) existing ordinary shares after the special issue (Rights issue price was subsequently determined at RM1.55 per share and the warrants exercise price was determined at RM1.75 per share.);
- iii) Acquisition of 100% equity interest in Duro Metal Industrial (M) Sdn. Bhd. for a purchase consideration of RM19,500,000 to be satisfied by the issuance of new ordinary shares of RM1.00 each in the Company (Issue price was subsequently determined at RM2.02 per share.);
- iv) Formulation of Employee's Share Option Scheme (ESOS) of up to 10% of issued and paid-up share capital of the Company; and

23. SUBSEQUENT EVENTS (cont'd)

- v) The listing and quotation on the Second Board of the Kuala Lumpur Stock Exchange of the new ordinary shares of RM1.00 of the Company after the completion of the Special Issue, Rights Issue, Acquisition of Duro Metal Industrial (M) Sdn. Bhd. and ESOS.

The above proposals are subject to approval from the shareholders of the Company.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2000 RM	Group	1999 RM
Sales to companies connected to directors	19,047,380		6,615,648
Purchases from companies connected to directors	<u>11,806,180</u>		<u>4,460,567</u>

The directors are of the opinion that the above transactions have been entered into in the normal course of business.

25. CONTINGENT LIABILITIES

	2000	1999
Group and Company		
Guarantee for loan facilities given to:		
Associated company		
- JP Container Services Sdn. Bhd.	RM2,800,000	RM2,800,000
Other investee company		
- Vinanic Steel Processing Company (Vietnam)	<u>USD266,833</u>	<u>USD266,833</u>
Company		
Guarantee for banking facilities given to subsidiaries	<u>RM135,114,834</u>	<u>RM141,111,517</u>

26. SEGMENTAL ANALYSIS

	Turnover RM	Profit/(Loss) before taxation RM	Total assets employed RM
2000			
Investment holding	2,508,355	(2,162,559)	58,960,526
Manufacturing	104,549,978	(949,048)	131,110,892
Trading	119,991,366	1,559,405	72,208,060
Education	399,505	(300,385)	472,425
	<u>227,449,204</u>	<u>(1,852,587)</u>	<u>262,751,903</u>
Consolidation adjustments	(12,291,016)	2,264,637	(61,636,535)
	<u>215,158,188</u>	<u>412,050</u>	<u>201,115,368</u>
1999			
Investment holding	2,495,741	35,805	61,250,310
Manufacturing	105,632,823	(40,105,703)	125,239,924
Trading	115,976,198	875,249	72,319,272
Education	–	(35,159)	449,149
	<u>224,104,762</u>	<u>(39,229,808)</u>	<u>259,258,655</u>
Consolidation adjustments	(16,553,963)	(1,438,154)	(61,885,884)
	<u>207,550,799</u>	<u>(40,667,962)</u>	<u>197,372,771</u>

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

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

28. CURRENCY

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