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

Directors' Report and Audited Financial Statements
31 January 2007

79082 V

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 JANUARY 2007

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SMPC CORPORATION BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2007.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are described in Note 13 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Loss for the year	(14,786,666)	(14,137,773)
Attributable to:		
Equity holders of the Company	(14,898,097)	(14,137,773)
Minority interests	111,431	-
	(14,786,666)	(14,137,773)

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to adoption of the new and revised FRSs which has resulted in an decrease in the Group's loss for the year by RM478,612 as disclosed in Note 3.3(d) to the financial statements.

DIVIDEND

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

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Machendran a/l Pitchai Chetty
Ibrahim Hussain
Dhanabalan a/l M. Pitchai Chetty
Mohd Shahril Fitri Bin Hashim
Sanmarkan a/l T.S. Ganapathi
Ahmad Bin Darus
Sudesh a/l K.V. Sankaran

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

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

	← Number of Ordinary Shares of RM1 Each →			
The Company	**1 February 2006**	**Bought**	**Sold**	**31 January 2007**
Direct Interest				
Machendran a/l Pitchai Chetty	265,347	496,900	414,800	347,447
Sudesh a/l K.V. Sankaran	2,000	-	-	2,000
Indirect Interest				
Machendran a/l Pitchai Chetty*	15,305,329	-	248,500	15,056,829
Dhanabalan a/l M. Pitchai Chetty*	15,305,329	-	248,500	15,056,829

DIRECTORS' INTERESTS (CONTD.)

The Company	Number of Warrants 1 February 2006	Bought	Sold/ Exercised	31 January 2007
Direct Interest				
Machendran a/l Pitchai Chetty	95,000	-	-	95,000
Indirect Interest				
Machendran a/l Pitchai Chetty*	1,324,666	-	-	1,324,666
Ibrahim Hussain	353,150	-	-	353,150
Dhanabalan a/l M. Pitchai Chetty*	1,324,666	-	-	1,324,666

The Company	Number of Options over Ordinary Shares of RM1 Each 1 February 2006	Granted	Exercised	31 January 2007
Machendran a/l Pitchai Chetty	403,560	-	-	403,560
Ibrahim Hussain	358,720	-	-	358,720
Dhanabalan a/l M. Pitchai Chetty	358,720	-	-	358,720

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

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

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

WARRANTS AND SHARE OPTIONS

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

The Company had on 28 August 2000 executed a Deed Poll in relation to the creation and issuance of up to 14,999,500 Warrants ("Warrants"), each of such warrant giving the Warrant Holder an option to subscribe for one (1) new ordinary share of RM1.00 in the share capital of the Company. The said Deed Poll contains an express provision to extend the exercise period of the warrants. The exercise price of Warrants is RM1.75 and is subject to adjustment under the terms and conditions as set out in the Deed Poll. The existing exercise period is 5 years commencing from and including the date of issue of the Warrants, i.e. 22 November 2000 and ending on and inclusive of 21 November 2005 and falling on a Market Day. On 28 July 2005, the expiry date of the warrants has been extended up to and including 21 November 2010.

WARRANTS AND SHARE OPTIONS (CONTD.)

As at 31 January 2007, the details of the warrants are as follows:

Year Issued	Warrant Price	Balance as at 1 February 2006	Exercised	Balance as at 31 January 2007
2000	RM1.75	14,924,500	-	14,924,500

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

The main features of the ESOS are as follows:

(a) The ESOS'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.

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

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

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

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

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

As at 31 January 2007, the details of the share options are as follows:

Year Granted	Option Price	Balance as at 1 February 2006	Granted	Exercised	Balance as at 31 January 2007	Exercisable Period
2002	RM1.00	4,484,000	-	-	4,484,000	11.7.2001 - 6.7.2010

OTHER STATUTORY INFORMATION

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

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

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

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

(i) the amount written off for bad debts of the Group and of the Company or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent nor are they aware of any circumstances that would render it necessary to make any provision for doubtful debts in respect of the financial statements of the Company; and

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, except as disclosed in Note 34 to the financial statements.

OTHER SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 13 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 34 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 May 2007.

MACHENDRAN A/L PITCHAI CHETTY IBRAHIM HUSSAIN

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

We, MACHENDRAN A/L PITCHAI CHETTY and IBRAHIM HUSSAIN, being two of the directors of SMPC CORPORATION BHD., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 75 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 January 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 May 2007.

MACHENDRAN A/L PITCHAI CHETTY   IBRAHIM HUSSAIN

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

I, IBRAHIM HUSSAIN, being the Director primarily responsible for the financial management of SMPC CORPORATION BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 75 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed IBRAHIM HUSSAIN
at Georgetown in the State of Penang
on 28 May 2007:   IBRAHIM HUSSAIN

Before me,

CHAI CHOON KIAT, PJM
No. P 073
Commissioner for Oaths

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

We have audited the financial statements set out on pages 11 to 75. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

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

  (i) the financial position of the Group and of the Company as at 31 January 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(a) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

We have considered the financial statements and the auditors' report thereon of the subsidiary of which we have not acted as auditors as indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Group and the Company incurred net losses of RM14,786,666 and RM14,137,773 respectively for the year ended 31 January 2007 and, as at that date, the Group’s current liabilities exceeded the current assets by RM28,568,628. These conditions indicate the existence of an uncertainty which may raise doubt about the ability of the Group and the Company to continue as going concerns. The directors have set out in Note 2 to the financial statements the steps they have taken and plan to take to improve the financial position of the Group.

The ability of the Group and the Company to continue as going concerns is dependent upon the success of the plans as set out in Note 2 to the financial statements to improve the future operations of the Group and the Company to generate adequate cash flows from operating activities and the continuing support of the bankers. The financial statements of the Group and of the Company do not include any adjustments that may be required to the amounts and the classifications of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

ERNST & YOUNG	ABRAHAM VERGHESE A/L T.V. ABRAHAM
AF: 0039	No. 1664/10/08(J)
Chartered Accountants	Partner

Penang, Malaysia
Date: 28 May 2007

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Revenue	4	213,814,928	260,027,963	4,095,870	3,865,857
Other income	5	2,695,689	433,307	-	-
Changes in inventories of work in progress, trading inventories and finished goods		(4,842,280)	(4,860,376)	-	-
Raw materials and consumables used		(86,068,998)	(106,511,695)	-	-
Trading goods purchased		(95,810,629)	(125,962,913)	-	-
Employee benefits expense	6	(13,860,671)	(11,516,398)	(2,664,556)	(3,018,304)
Depreciation		(6,630,837)	(6,477,836)	(998,097)	(1,259,749)
Other operating expenses	8	(14,878,282)	(19,697,506)	(14,547,624)	(13,536,580)
Loss from operations		(5,581,080)	(14,565,454)	(14,114,407)	(13,948,776)
Finance costs	9	(9,555,791)	(7,793,753)	(68,192)	(86,810)
Loss before taxation		(15,136,871)	(22,359,207)	(14,182,599)	(14,035,586)
Taxation	10	350,205	(74,453)	44,826	44,826
Loss for the year		(14,786,666)	(22,433,660)	(14,137,773)	(13,990,760)
Attributable to:					
Equity holders of the Company		(14,898,097)	(22,162,294)	(14,137,773)	(13,990,760)
Minority interests		111,431	(271,366)	-	-
		(14,786,666)	(22,433,660)	(14,137,773)	(13,990,760)
Loss per share attributable to equity holders of the Company (sen):					
- Basic, for loss for the year	11	(23.05)	(34.28)		
- Diluted, for loss for the year	11	(23.05)	(34.28)		

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

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 JANUARY 2007

	Note	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	115,652,417	109,523,888	21,779,650	22,036,403
Investments in subsidiaries	13	-	-	33,120,575	34,327,545
Other investment	14	-	-	-	-
Goodwill	15	1,875,643	957,154	-	-
		117,528,060	110,481,042	54,900,225	56,363,948
Current assets					
Inventories	16	18,764,380	27,608,499	-	-
Trade receivables	17	43,316,022	47,851,436	7,929,259	7,937,186
Other receivables	18	8,276,267	17,988,528	4,519,360	13,354,001
Short term investments	19	190,971	162,322	-	-
Cash and bank balances	20	5,025,379	4,623,290	543,852	397,892
		75,573,019	98,234,075	12,992,471	21,689,079
TOTAL ASSETS		193,101,079	208,715,117	67,892,696	78,053,027
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	21	64,644,965	64,644,965	64,644,965	64,644,965
Reserves	22	(22,200,336)	(7,518,804)	(8,001,417)	6,021,090
		42,444,629	57,126,161	56,643,548	70,666,055
Minority interests		86,169	1,048,186	-	-
Total equity		42,530,798	58,174,347	56,643,548	70,666,055

SMPC CORPORATION BHD.
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BALANCE SHEETS (CONTD.)
AS AT 31 JANUARY 2007

		GROUP		COMPANY	
	Note	**2007 RM**	**2006 RM**	**2007 RM**	**2006 RM**
Non-current liabilities					
Provision for liabilities	23	239,374	161,968	-	-
Borrowings	24	30,984,301	15,551,944	1,489,433	1,748,647
Trade payables	26	12,186,557	13,256,557	-	-
Deferred tax liabilities	27	3,018,402	2,047,762	1,178,460	1,338,552
		46,428,634	31,018,231	2,667,893	3,087,199
Current liabilities					
Borrowings	24	77,850,293	89,478,322	1,044,510	717,923
Trade payables	26	18,960,799	24,594,670	-	-
Other payables	28	6,665,280	5,068,294	7,536,745	3,581,850
Taxation		665,275	381,253	-	-
		104,141,647	119,522,539	8,581,255	4,299,773
Total liabilities		150,570,281	150,540,770	11,249,148	7,386,972
TOTAL EQUITY AND LIABILITIES		193,101,079	208,715,117	67,892,696	78,053,027

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

SMPC CORPORATION BHD.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2007

	← Attributable to Equity Holders of the Company →							Minority Interests	Total Equity
		← Reserves →							
		← Non-Distributable →							
GROUP	**Share Capital RM**	**Share Premium RM**	**Asset Revaluation Reserve RM**	**Foreign Currency Translation Reserve RM**	**Accumulated Losses RM**	**Total Reserves RM**	**Total RM**	**RM**	**RM**
At 1 February 2005	64,644,965	23,751,705	5,763,313	-	(14,822,262)	14,692,756	79,337,721	1,319,552	80,657,273
Foreign exchange translation, representing net expense recognised directly in equity	-	-	-	(49,266)	-	(49,266)	(49,266)	-	(49,266)
Loss for the year	-	-	-	-	(22,162,294)	(22,162,294)	(22,162,294)	(271,366)	(22,433,660)
Total recognised income and expense for the year	-	-	-	(49,266)	(22,162,294)	(22,211,560)	(22,211,560)	(271,366)	(22,482,926)
At 31 January 2006	64,644,965	23,751,705	5,763,313	(49,266)	(36,984,556)	(7,518,804)	57,126,161	1,048,186	58,174,347

SMPC CORPORATION BHD.
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STATEMENTS OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2007

	← Attributable to Equity Holders of the Company →							Minority Interests	Total Equity
		← Reserves →							
		← Non-Distributable →							
GROUP	**Share Capital RM**	**Share Premium RM**	**Asset Revaluation Reserve RM**	**Foreign Currency Translation Reserve RM**	**Accumulated Losses RM**	**Total Reserves RM**	**Total RM**	**RM**	**RM**
At 1 February 2006	64,644,965	23,751,705	5,763,313	(49,266)	(36,984,556)	(7,518,804)	57,126,161	1,048,186	58,174,347
Effect of changes in tax rates on deferred tax	-	-	115,266	-	-	115,266	115,266	-	115,266
Foreign exchange translation	-	-	-	101,299	-	101,299	101,299	-	101,299
Net income recognised directly in equity	-	-	115,266	101,299	-	216,565	216,565	-	216,565
Disposal of subsidiary	-	-	-	-	-	-	-	(1,073,448)	(1,073,448)
Loss for the year	-	-	-	-	(14,898,097)	(14,898,097)	(14,898,097)	111,431	(14,786,666)
Total recognised income and expense for the year	-	-	115,266	101,299	(14,898,097)	(14,681,532)	(14,681,532)	(962,017)	(15,643,549)
At 31 January 2007	64,644,965	23,751,705	5,878,579	52,033	(51,882,653)	(22,200,336)	42,444,629	86,169	42,530,798

SMPC CORPORATION BHD.
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STATEMENTS OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2007

COMPANY	Share Capital RM	Share Premium RM	Capital Reserve RM	Asset Revaluation Reserve RM	Accumulated Losses RM	Total Reserves RM	Total RM
		← Reserves (Non-Distributable)					
At 1 February 2005	64,644,965	23,751,705	7,445,000	5,763,313	(16,948,168)	20,011,850	84,656,815
Loss for the year, representing total recognised income and expense for the year	-	-	-	-	(13,990,760)	(13,990,760)	(13,990,760)
At 31 January 2006	64,644,965	23,751,705	7,445,000	5,763,313	(30,938,928)	6,021,090	70,666,055
At 1 February 2006	64,644,965	23,751,705	7,445,000	5,763,313	(30,938,928)	6,021,090	70,666,055
Effect of changes in tax rates on deferred tax, representing net income recognised directly in equity	-	-	-	115,266	-	115,266	115,266
Loss for the year	-	-	-	-	(14,137,773)	(14,137,773)	(14,137,773)
Total recognised income and expense for the year	-	-	-	115,266	(14,137,773)	(14,022,507)	(14,022,507)
At 31 January 2007	64,644,965	23,751,705	7,445,000	5,878,579	(45,076,701)	(8,001,417)	56,643,548

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

SMPC CORPORATION BHD.
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2007

		GROUP		COMPANY	
	Note	**2007**	**2006**	**2007**	**2006**
		RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		(15,136,871)	(22,359,207)	(14,182,599)	(14,035,586)
Adjustments for:					
Amortisation of goodwill	8	-	386,763	-	-
Amortisation of other intangible asset	8	-	2,230	-	-
Amortisation of negative goodwill	8	-	(663,652)	-	-
Bad debts recovered	8	(97,914)	-	-	-
Bad debts written off	8	-	166,035	-	42,433
Depreciation		6,630,837	6,477,836	998,097	1,259,749
Deposits written off	8	8,200	5,000	-	-
Increase in liability for defined benefit plan	6	222,664	90,000	-	-
Interest expense		8,771,113	7,011,823	60,602	52,270
Impairment loss on investments in subsidiaries	8	-	-	13,206,967	12,329,070
Impairment loss on property, plant and equipment	8	-	1,449,000	-	-
(Gain)/loss on disposal of property, plant and equipment	8	(101,643)	1,024,420	965	-
Loss on disposal of a subsidiary	8	122,762	-	-	-
Property, plant and equipment written off	8	629,154	316,257	-	-
Provision for doubtful debts	8	2,059,900	4,040,620	-	-
Reversal of provision for diminution in other investment	8	(28,649)	-	-	-
Reversal of provision for doubtful debts	8	(25,000)	(60,295)	-	-

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2007

		GROUP		COMPANY	
	Note	2007 RM	2006 RM	2007 RM	2006 RM
Unrealised foreign exchange loss	8	71,641	91,507	-	-
Write down of inventories	8	158,357	-	-	-
Interest income	5	(60,448)	(15,315)	-	-
Operating profit/(loss) before working capital changes		3,224,103	(2,036,978)	84,032	(352,064)
Decrease in receivables		13,655,479	14,541,939	6,058,402	1,418,766
Decrease in inventories		8,667,360	5,351,672	-	-
(Decrease)/Increase in payables		(5,474,464)	1,384,167	3,954,895	2,488,508
Cash generated from operations		20,072,478	19,240,800	10,097,329	3,555,210
Retirement benefits paid		(145,258)	(74,419)	-	-
Tax paid		(298,277)	(870,519)	(115,834)	(492,620)
Net cash generated from operating activities		19,628,943	18,295,862	9,981,495	3,062,590
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries	13(a)	(10,069,103)	-	(9,000,000)	(10,004)
Acquisition of property, plant and equipment		(4,333,380)	(9,218,112)	(156,577)	(72,125)
Additional investments in subsidiaries		-	-	(99,998)	(1,990,000)
Interest received		60,448	15,315	-	-
Proceeds from disposal of a subsidiary	13(b)	574,161	-	-	-
Decrease in short term investments		-	74,458	-	-
Proceeds from disposal of property, plant and equipment		834,618	3,623,968	8,181	-
Net cash used in investing activities		(12,933,256)	(5,504,371)	(9,248,394)	(2,072,129)

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENTS (CONTD.)
FOR THE YEAR ENDED 31 JANUARY 2007

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	(8,771,113)	(7,011,823)	(60,602)	(52,270)
Net changes in short term borrowings	(13,587,558)	(2,599,066)	-	-
Drawdown of term loans	18,050,773	2,039,004	-	-
Repayment of term loans	(3,178,952)	(3,376,796)	(92,066)	(564,219)
Repayment of hire purchase	(1,576,873)	(1,740,723)	(434,473)	(391,473)
Net cash used in financing activities	(9,063,723)	(12,689,404)	(587,141)	(1,007,962)
NET(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(2,368,036)	102,087	145,960	(17,501)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	183,579	(49,266)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(12,042,452)	(12,095,273)	397,892	415,393
CASH AND CASH EQUIVALENTS AT END OF YEAR	(14,226,909)	(12,042,452)	543,852	397,892

Cash and cash equivalents comprise:

	Note	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	20	5,025,379	4,623,290	543,852	397,892
Bank overdrafts	24	(19,252,288)	(16,665,742)	-	-
Cash and cash equivalents		(14,226,909)	(12,042,452)	543,852	397,892

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

SMPC CORPORATION BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 2007

1. CORPORATE INFORMATION

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

The principal activities of the Company are investment holding, letting of industrial and commercial assets and management consultancy. The principal activities of the subsidiaries are described in Note 13. There have been no significant changes in the nature of the principal activities during the financial year other than as disclosed in Note 13.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 May 2007.

2. GOING CONCERN ASSUMPTION

The financial statements of the Group and of the Company for the year ended 31 January 2007 have been prepared on a going concern basis. For the year ended 31 January 2007, the Group and the Company incurred net losses of RM14,786,666 and RM14,137,773 respectively and as at that date, the Group's current liabilities exceeded the current assets by RM28,568,628.

The directors and management are presently in the midst of restructuring and reorganising their business operations to improve the profitability of their operations in order to be able to generate adequate operational cash flows to meet their obligations as and when they fall due.

The Group commenced a review of all its business units at the beginning of the current financial year. The objective of this review was to assess the financial viability of certain business units and devise a strategy to optimise the utilisation of all resources under the Group's control, encompassing human, financial and physical assets.

This review resulted in the cessation of certain businesses and reallocation of resources to more value added segments such as the enhancement of the Group's steel furniture division.

The Group is also in the process of implementing a consolidation exercise in which the key operations of the Group in Malaysia will be situated in two primary locations. All service centre, roll forming, roofing, floor decking operations will be located in Kapar, while the furniture and metal recycling operations will be located in the Prai Industrial Estate.

2. GOING CONCERN ASSUMPTION (CONTD.)

This consolidation will result in tighter management control as well as a reduction in overall operating and administrative costs. In addition, the resultant vacation of certain land and buildings is proposed to be disposed off to reduce the current debt obligations of the Group.

On the domestic front, the Group's short term objective is to stabilise the current operations and commit more focus and resources on enhancing and growing the value added business entities.

On the international front, the Group has expanded its operations in India with the entry of Ohmi Industries Limited as a long term strategic partner on 9 February 2007. The expansion of its current premises as well as the introduction of additional plant and equipment will result in significant increase in operational capacity of the company.

In addition, the Group has entered into a Joint Venture with High Q Pack Industries Co. Ltd. on 3 March 2007 to jointly operate a high end steel strapping plant in Sadoa, Thailand.

The future improvement in the financial performance of the Group will be dependent on the successful and timely implementation of its business strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 3.3.

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

The financial statements are presented in Ringgit Malaysia (RM).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

ii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries′ equity since then.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(b) Intangible Assets

i. 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.

(c) Property, Plant and Equipment, and Depreciation

All items of 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 period in which they are incurred.

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

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis 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% to 15%
Fittings and equipment	15% to 25%
Office equipment	15%
Motor vehicles	20%
Renovation	2% to 33%

The residual values, useful life and depreciation method are reviewed at each financial year end 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(c) Property, Plant and Equipment, and Depreciation (Contd.)

Certain freehold land and short-term leasehold 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.

(d) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories, and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's 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 groups of units.

An asset's recoverable amount is the higher of an asset's or 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 asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses 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 group 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 profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(d) Impairment of Non-financial Assets (Contd.)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(e) Inventories

Inventories are stated at 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 in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) 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 and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group 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.

i. Cash and Cash Equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(f) Financial Instruments (Contd.)

ii. Short Term Investments

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

iii. Receivables

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

v. Payables

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

iv. Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

v. Equity Instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(g) 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. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

ii. Hire Purchase or Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum 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.

Hire purchase or lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total 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.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3.2(c).

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.

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 recognised on a straight-line basis over the term of the relevant lease (Note 3.2(m)(ii)).

(h) Borrowing Costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(i) Income Tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(k) Employee Benefits

i. Short Term Benefits

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

ii. Defined Contribution Plans

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").

iii. Defined Benefit Plans

The Group operates unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. Benefits are determined based on the length of service and last drawn wages and are payable to employees upon retirement.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(k) Employee Benefits (Contd.)

iii. Defined Benefit Plans (Contd.)

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

iv. 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. A 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.

(l) Foreign Currencies

i. Functional and Presentation Currency

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.

ii. Foreign Currency Transactions

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, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Summary of Significant Accounting Policies (Contd.)

(l) Foreign Currencies (Contd.)

iii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS above do not have any other significant impact on the financial statements of the Group and the Company:

(a) FRS 2: Share-based Payment

Prior to 1 February 2006, no compensation expense was recognised in profit or loss for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

The Group has applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after 31 December 2004 but had not yet vested on 1 January 2006.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(b) FRS 3: Business Combinations

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

i. Goodwill

Prior to 1 February 2006, goodwill was amortised on a straight-line basis over its estimated useful life which range from 10 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 February 2006 amounting to RM2,427,206 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 February 2006 of RM957,154 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2006 or prior periods. The effects on the consolidated balance sheet as at 31 January 2007 and consolidated income statement for the year ended 31 January 2007 are set out in Note 3.3(d)(i) and Note 3.3(d)(ii) respectively. This change has no impact on the Company's financial statements.

ii. Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Prior to 1 February 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in profit or loss as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss.

This change has no impact to the Group's financial statements as the negative goodwill has been fully amortised prior to 1 February 2006.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(b) FRS 3: Business Combinations (Contd.)

iii. Accounting for acquisitions

Prior to 1 February 2006, the Group did not recognise separately the acquiree′s contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137_{2004}: Provisions, Contingent Liabilities and Contingent Assets.

The change did not materially affect the financial statements of the Group and of the Company.

(c) FRS 101: Presentation of Financial Statements

i. Presentation of Minority Interests

Prior to 1 February 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

This change in presentation has been applied retrospectively and as disclosed in Note 3.3(e), certain comparative has been restated. The effects on the consolidated balance sheet as at 31 January 2007 are set out in Note 3.3(d)(i). These changes in presentation has no impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(d) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 January 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

i. Effects on Balance Sheets as at 31 January 2007

	Increase/(Decrease)		
Description of change	**FRS 3 Note 3.3(b)(i) RM**	**FRS 101 Note 3.3(c)(i) RM**	**Total RM**
GROUP			
Goodwill	478,612	-	478,612
Retained earnings	478,612	-	478,612
Total equity	-	86,169	86,169

ii. Effects on Income Statements for the Year Ended 31 January 2007

	Increase/(Decrease)	
Description of change	**FRS 101 Note 3.3(b)(i) RM**	**Total RM**
GROUP		
Other operating expenses	(478,612)	(478,612)
Loss from operations	478,612	478,612
Loss before taxation	478,612	478,612
Loss for the year	478,612	478,612
Earnings per share (sen):		
Basic, for loss for the year	0.74	0.74
Diluted, for loss for the year	0.74	0.74

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(e) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs and are reclassified to conform with current year's presentation:

Description of change	Previously Stated	Reclassification	Increase/ (Decrease) FRS 101 Note 3.3(c)(i)	Restated
	RM	RM	RM	RM
At 31 January 2006				
GROUP				
Total equity	57,126,161	-	1,048,186	58,174,347
For the year ended 31 January 2006				
GROUP				
Other income	2,004,809	(1,571,502)	-	433,307
Other operating expenses	(20,986,519)	1,289,013	-	(19,697,506)
Finance costs	(8,076,242)	282,489	-	(7,793,753)
COMPANY				
Revenue	3,778,113	87,744	-	3,865,857
Other operating expenses	(13,448,836)	(87,744)	-	(13,536,580)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, Amendments to FRS and Interpretations	**Effective for financial periods beginning on or after**
FRS 117: Leases	1 October 2006
FRS 124: Related Party Disclosure	1 October 2006
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
FRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119_{2004}: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
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 above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for FRS 117, FRS 124 and FRS 139.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117, FRS 124 and FRS 139.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.5 Significant Accounting Estimates and Judgments

(a) Critical Judgments Made in Applying Accounting Policies

There are no critical judgments 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.

(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 a 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. The carrying amounts of goodwill as at 31 January 2007 was RM1,875,643 (2006: RM957,154). Further details are disclosed in Note 15(a).

ii. 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.

iii. Deferred tax assets

Deferred tax assets are recognised for all 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 27.

4. REVENUE

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Sale of goods	213,814,928	259,785,943	-	-
Tuition fees	-	242,020	-	-
Rental of industrial and commercial assets	-	-	735,870	205,857
Management consultancy fees	-	-	3,360,000	3,660,000
	213,814,928	260,027,963	4,095,870	3,865,857

5. OTHER INCOME

Included in other income are:

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Other rental income	276,767	162,410	-	-
Interest income	60,448	15,315	-	
Dividend income	800	2,800	-	-

6. EMPLOYEE BENEFITS EXPENSE

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Wages and salaries	11,790,045	9,280,949	2,452,865	2,188,569
Social security costs	89,317	135,657	10,177	8,703
Contributions to defined contribution plans	758,443	652,561	92,971	222,088
Increase in liability for defined benefit plan (Note 23)	222,664	90,000	-	-
Other benefits	1,000,202	1,357,231	108,543	598,944
	13,860,671	11,516,398	2,664,556	3,018,304

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,783,572 (2006: RM1,775,382) and RM1,545,012 (2006: RM1,430,940) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	1,320,000	1,243,000	1,320,000	1,243,000
Bonus	108,216	51,500	108,216	51,500
Contributions to defined contribution plans	116,796	136,440	116,796	136,440
	1,545,012	1,430,940	1,545,012	1,430,940
Non-executive:				
Fees	72,000	94,000	72,000	94,000
Other directors				
Executive:				
Salaries and other emoluments	200,000	288,000	-	-
Bonus	13,000	19,700	-	-
Contributions to defined contribution plans	25,560	36,742	-	-
	238,560	344,442	-	-
Total	1,855,572	1,869,382	1,617,012	1,524,940
Analysed as:				
Total executive directors' remuneration (Note 6)	1,783,572	1,775,382	1,545,012	1,430,940
Total non-executive directors' remuneration (Note 8)	72,000	94,000	72,000	94,000
Total directors' remuneration	1,855,572	1,869,382	1,617,012	1,524,940

7. DIRECTORS' REMUNERATION (CONTD.)

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

	Number of Directors 2007	2006
Executive directors:		
Below RM50,000	-	1
RM50,001 - RM100,000	1	-
RM400,001 - RM450,000	1	1
RM450,001 - RM500,000	1	1
RM500,001 - RM550,000	-	1
RM550,001 - RM600,000	1	-
Non-executive directors:		
Below RM50,000	3	3

8. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Amortisation of goodwill	-	386,763	-	-
Amortisation of negative goodwill	-	(663,652)	-	-
Amortisation of other intangible asset	-	2,230	-	-
Auditors' remuneration				
- statutory audits	210,338	139,229	34,000	26,000
- underprovision in prior year	2,000	-	-	-
Bad debts written off	-	166,035	-	42,433
Bad debt recovered	(97,914)	-	-	-
Deposits written off	8,200	5,000	-	-
Impairment losses on investments in subsidiaries	-	-	13,206,967	2,329,070
Impairment loss on property, plant and equipment	-	1,449,000	-	-
(Gain)/Loss on disposal of property, plant and equipment	(101,643)	1,024,420	965	-
Loss on disposal of a subsidiary	122,762	-	-	-
Non-executive directors' remuneration (Note 7)	72,000	94,000	72,000	94,000
Property, plant and equipment written off	629,154	316,257	-	-

8. OTHER OPERATING EXPENSES (CONTD.)

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Provision for doubtful debts	2,059,900	4,040,620	-	-
Write-down of inventories	158,357	-	-	-
Reversal of provision for diminution in other investment	(28,649)	-	-	-
Reversal of provision for doubtful debts	(25,000)	(60,295)	-	-
Rental expense				
- buildings	169,444	102,907	98,069	99,600
- other property, plant and equipment	559,795	465,605	-	96,417
Net foreign exchange loss	71,641	91,507	-	-

9. FINANCE COSTS

Included in finance costs are:

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Interest expense on:				
- hire purchase	271,967	199,646	60,602	52,270
- other borrowings	8,499,146	6,812,177	-	-

10. INCOME TAX EXPENSE

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Malaysian income tax:				
Current income tax	553,184	59,252	-	-
(Over)/Underprovision in prior years	(395,843)	3,217	-	-
	157,341	62,469		-
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(253,995)	218,884	(44,826)	(44,826)
Relating to changes in tax rates	(12,124)	-	-	-
Overprovision in prior years	(241,427)	(206,900)	-	-
	(507,546)	11,984	(44,826)	(44,826)
Total income tax expense	(350,205)	74,453	(44,826)	(44,826)

10. INCOME TAX EXPENSE (CONTD.)

Domestic income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. During the year, the domestic statutory tax rate has been reduced from 28% to 27%. The domestic statutory tax rate will be reduced to 26% effective year of assessment 2008. The computation of deferred tax as at 31 January 2007 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of the statutory income tax rate to the effective income tax rate of the Group and the Company is as follows:

GROUP	**2007 RM**	**2006 RM**
Loss before tax	(15,136,871)	(22,359,207)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(4,086,955)	(6,260,578)
Effect of income subject to tax rate of 20%	(70,000)	(23,753)
Income not subject to tax	(49,864)	(6,768)
Expenses not deductible for tax purposes	808,639	1,106,383
Effect of changes in tax rates on deferred tax	(12,124)	-
Effect of utilisation of previously unrecognised tax losses and capital allowances	(70,884)	(139)
Deferred tax assets not recognised during the year	3,768,253	5,462,991
Overprovision of deferred tax in prior years	(241,427)	(206,900)
(Over)/underprovision of income tax expense in prior years	(395,843)	3,217
Income tax expense for the year	(350,205)	74,453

COMPANY		
Loss before taxation	(14,182,599)	(14,035,586)
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	(3,829,302)	(3,929,964)
Expenses not deductible for tax purposes	3,776,780	3,683,168
Deferred tax assets not recognised during the year	7,696	201,970
Income tax expense for the year	(44,826)	(44,826)

Tax savings during the financial year arising from:

	GROUP		**COMPANY**	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Utilisation of current year tax losses	-	24,804	-	-

11. LOSS PER SHARE

(a) Basic:

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2007	**2006**
Loss attributable to ordinary equity holders of the Company (RM)	(14,898,097)	(22,162,294)
Weighted average number of ordinary shares in issue (RM)	64,644,965	64,644,965
Basic loss per share for loss for the year (sen)	(23.05)	(34.28)

(b) Diluted:

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.

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Capital work-in-progress RM	Total RM
At 31 January 2007						
Cost/Valuation						
At 1 February 2006						
At cost	48,830,347	14,819,798	68,515,482	14,828,439	211,443	147,205,509
At valuation	5,800,000	15,500,000	-	-	-	21,300,000
	54,630,347	30,319,798	68,515,482	14,828,439	211,443	168,505,509
Additions	475,922	-	912,567	1,287,094	2,640,177	5,315,760
Disposals/written-off	-	-	(2,767,923)	(877,625)	-	(3,645,548)
Reclassification	2,466,996	-	143,987	-	(2,610,983)	-
Acquisition of a subsidiary (Note 13(a))	1,100,000	2,100,000	7,214,095	1,286,352	-	11,700,447
Disposal of a subsidiary (Note 13(b))	-	-	(1,265,767)	(463,199)	-	(1,728,966)
Exchange differences	(18,403)	-	(55,927)	(9,040)	-	(83,370)
At 31 January 2007	58,654,862	32,419,798	72,696,514	16,052,021	240,637	180,063,832

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Capital work-in-progress RM	Total RM
Representing:						
At cost	51,754,862	14,819,798	66,332,088	16,052,021	240,637	149,199,406
At valuation	6,900,000	17,600,000	6,364,426	-	-	30,864,426
At 31 January 2007	58,654,862	32,419,798	72,696,514	16,052,021	240,637	180,063,832
Accumulated depreciation and impairment						
At 1 February 2006:						
Accumulated depreciation	3,609,521	6,092,701	36,126,213	11,285,386	-	57,113,821
Accumulated impairment	418,800	-	1,449,000	-	-	1,867,800
	4,028,321	6,092,701	37,575,213	11,285,386	-	58,981,621
Depreciation charge for the year	844,323	489,000	3,959,204	1,338,310	-	6,630,837
Disposals/written off	-	-	(1,418,655)	(864,764)	-	(2,283,419)
Acquisition of a subsidiary (Note 13(a))	24,159	25,375	1,171,835	649,612	-	1,870,981
Disposal of a subsidiary (Note 13(b))	-	-	(538,166)	(249,350)	-	(787,516)
Exchange differences	(154)	-	(664)	(271)	-	(1,089)
At 31 January 2007	4,896,649	6,607,076	40,748,767	12,158,923	-	64,411,415
Analysed as:						
Accumulated depreciation	4,477,849	6,607,076	39,299,767	12,158,923	-	62,543,615
Accumulated impairment	418,800	-	1,449,000	-	-	1,867,800
	4,896,649	6,607,076	40,748,767	12,158,923	-	64,411,415
Net carrying amount						
At cost	46,930,078	11,366,689	30,821,288	3,893,098	240,637	93,251,790
At valuation	6,828,135	14,446,033	1,126,459	-	-	22,400,627
At 31 January 2007	53,758,213	25,812,722	31,947,747	3,893,098	240,637	115,652,417

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Capital work-in-progress RM	Total RM
At 31 January 2006						
Cost/Valuation						
At 1 February 2005						
At cost	44,323,326	14,819,798	69,260,811	15,206,520	937,224	144,547,679
At valuation	5,800,000	15,500,000	-	-	-	21,300,000
	50,123,326	30,319,798	69,260,811	15,206,520	937,224	165,847,679
Additions	4,507,021	-	7,121,401	1,749,241	215,599	13,593,262
Disposals/written-off	-	-	(8,808,110)	(2,127,322)	-	(10,935,432)
Reclassification	-	-	941,380	-	(941,380)	-
At 31 January 2006	54,630,347	30,319,798	68,515,482	14,828,439	211,443	168,505,509
Representing:						
At cost	48,830,347	14,819,798	68,515,482	14,828,439	211,443	147,205,509
At valuation	5,800,000	15,500,000	-	-	-	21,300,000
At 31 January 2006	54,630,347	30,319,798	68,515,482	14,828,439	211,443	168,505,509
Accumulated depreciation and impairment						
At 1 February 2005:						
Accumulated depreciation	2,890,003	5,622,221	37,141,756	10,952,481	-	56,606,461
Accumulated impairment	418,800	-	-	-	-	418,800
	3,308,803	5,622,221	37,141,756	10,952,481	-	57,025,261
Depreciation charge for the year	719,518	470,480	3,584,980	1,703,169	-	6,478,147
Impairment loss for the year	-	-	1,449,000	-	-	1,449,000
Disposals/written off	-	-	(4,600,523)	(1,370,264)	-	(5,970,787)
At 31 January 2006	4,028,321	6,092,701	37,575,213	11,285,386	-	58,981,621
Analysed as:						
Accumulated depreciation	3,609,521	6,092,701	36,126,213	11,285,386	-	57,113,821
Accumulated impairment	418,800	-	1,449,000	-	-	1,867,800
	4,028,321	6,092,701	37,575,213	11,285,386	-	58,981,621

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP	Freehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Capital work-in-progress RM	Total RM
Net carrying amount						
At cost	44,802,026	11,546,680	30,940,269	3,543,053	211,443	91,043,471
At valuation	5,800,000	12,680,417	-	-	-	18,480,417
At 31 January 2006	50,602,026	24,227,097	30,940,269	3,543,053	211,443	109,523,888

COMPANY	Short term leasehold land and buildings RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Total RM
At 31 January 2007			
Cost/Valuation			
At 1 February 2006			
At cost	10,987,165	5,792,388	16,779,553
At valuation	15,500,000	-	15,500,000
	26,487,165	5,792,388	32,279,553
Additions	-	750,488	750,488
Disposal	-	(12,619)	(12,619)
At 31 January 2007	26,487,165	6,530,257	33,017,422
Representing:			
At cost	10,783,763	6,530,257	17,314,020
At valuation	15,703,402	-	15,703,402
At 31 January 2007	26,487,165	6,530,257	33,017,422
Accumulated depreciation			
At 1 February 2006	5,748,751	4,494,399	10,243,150
Depreciation charge for the year	474,146	523,951	998,097
Disposal	-	(3,475)	(3,475)
At 31 January 2007	6,222,897	5,014,875	11,237,772

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Short term leasehold land and buildings RM	Fittings, equipment, office equipment, motor vehicles and renovation RM	Total RM
Net carrying amount			
At cost	7,874,339	1,515,382	9,389,721
At valuation	12,389,929	-	12,389,929
At 31 January 2007	20,264,268	1,515,382	21,779,650
At 31 January 2006			
Cost/Valuation			
At 1 February 2005			
At cost	10,987,165	5,150,263	16,137,428
At valuation	15,500,000	-	15,500,000
	26,487,165	5,150,263	31,637,428
Additions	-	642,125	642,125
At 31 January 2006	26,487,165	5,792,388	32,279,553
Representing:			
At cost	10,987,165	5,792,388	16,779,553
At valuation	15,500,000	-	15,500,000
At 31 January 2006	26,487,165	5,792,388	32,279,553
Accumulated depreciation			
At 1 February 2005	5,276,331	3,707,070	8,983,401
Depreciation charge for the year	472,420	787,329	1,259,749
At 31 January 2006	5,748,751	4,494,399	10,243,150
Net carrying amount			
At cost	8,057,997	1,297,989	9,355,986
At valuation	12,680,417	-	12,680,417
At 31 January 2006	20,738,414	1,297,989	22,036,403

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

Details of independent professional valuations of the properties of the Group and of the Company are as follows:

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

Had the revalued freehold land, short term leasehold land and buildings been carried at cost model, the net carrying amounts that would have been included in the financial statements of the Group and of the Company as at 31 January would be as follows:

	GROUP		**COMPANY**	
	2007 RM	**2006 RM**	**2007 RM**	**2006 RM**
Freehold land	4,865,381	4,865,381	-	-
Short term leasehold land and buildings	4,399,985	4,546,968	4,399,985	4,546,968
	9,265,366	9,412,349	4,399,985	4,546,968

(b) Included in property, plant and equipment of the Group and of the Company are motor vehicles with net book value of RM1,856,574 (2006: RM2,188,287) and RM1,281,331 (2006: RM1,114,186) held under hire-purchase arrangements.

(c) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM5,315,760 (2006: RM13,593,262) and RM750,488 (2006: RM642,125) respectively of which RM982,380 (2006: RM1,629,680) and RM593,911 (2006: RM570,000) respectively of the Group and the Company was acquired by means of hire purchase arrangements and in previous financial year, RM2,745,470 was transferred from the inventories of the Group.

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(d) The net book values of property, plant and equipment pledged to financial institutions for bank borrowings as referred to in Note 24 are as follows:

	GROUP 2007 RM	GROUP 2006 RM
Freehold land and buildings	53,630,213	50,474,026
Short term leasehold land and buildings	25,812,722	24,227,097
	79,442,935	74,701,123

(e) Included in property, plant and equipment of the Group is a freehold land costing RM930,053 (2006: RM930,053) that has been leased to a third party as disclosed in Note 28.

13. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2007 RM	COMPANY 2006 RM
Unquoted shares, at cost	78,013,543	66,013,545
Accumulated impairment losses	(44,892,968)	(31,686,000)
	33,120,575	34,327,545

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest 2007 %	Effective equity interest 2006 %	Principal activities
SMPC Industries Sdn. Bhd.*	Malaysia	100	100	Metal sheet and coil processing centre with main services in shearing and reshearing. During the year, the company has transferred its manufacturing of steel furniture to SMPC Dexon Sdn. Bhd. and ceased its slitting and strapping services.
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.

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of subsidiaries	Country of incorporation	Effective equity interest 2007 %	2006 %	Principal activities
SMPC Marketing Sdn. Bhd.	Malaysia	100	100	Trading in steel furniture.
Progerex Sdn. Bhd.* (wholly owned by SMPC Marketing Sdn. Bhd.)	Malaysia	100	100	Shredding, processing and trading of ferrous and non-ferrous scrap metals.
Edit Systems (M) Sdn. Bhd.*	Malaysia	70	70	Operation of an educational institution. The company has ceased its operations and became 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.
Duro Structural Products Sdn. Bhd. (a subsidiary of Duro Metal Industrial (M) Sdn. Bhd.)	Malaysia	70	70	Trading in steel roofing and manufacturing of floor decks and structures for steel roofing and wall cladding.
Duro Marketing Sdn. Bhd. (wholly owned by Duro Metal Industrial (M) Sdn. Bhd.)	Malaysia	100	100	Trading in steel roofing, construction material and provision of related services.
SMPC Industries (India) Private Limited **	India	100	100	Manufacture of steel products.
Park Avenue Construction Sdn. Bhd.*	Malaysia	100	100	Dormant.
SMPC Dexon Sdn. Bhd.	Malaysia	100	100	The company commenced its manufacturing of steel furniture during the year.
Metal Perforators (Malaysia) Sdn. Bhd.	Malaysia	100	-	Manufacturing and marketing of perforated screen plates, perforated materials, G-Loc splices and industrial chains.

* The auditors' reports of the financial statements of these subsidiaries for the year ended 31 January 2007 contain emphasis of matter on uncertainties over their ability to continue as going concerns.

** Audited by firm of auditors other than Ernst & Young.

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

(a) Acquisition of subsidiaries

On 1 February 2006, the Company acquired 100% equity interest in Metal Perforators (M) Sdn. Bhd. ("MPM"), a company incorporated in Malaysia for a total cash consideration of RM9,000,000. MPM is involved in the manufacturing and marketing of perforated screen plates, perforated materials, G-Loc splices and industrial chains.

During the previous financial year, the Group acquired:

i. 10,000 shares in the capital of SMPC Industries (India) Private Limited, representing 100% of its issued equity interest from two of the Company's directors and a person related to a director of the Company, for a total cash consideration of Indian Rupee 100,000 (approximately RM10,000);

ii. 2 ordinary shares of Park Avenue Construction Sdn. Bhd., representing 100% of its equity interest for a total consideration of RM2; and

iii. 2 ordinary shares of SMPC Dexon Sdn. Bhd., representing 100% of its equity interest for a total consideration of RM2.

The acquired subsidiaries have contributed the following results to the Group:

	2007 RM	2006 RM
Revenue	11,084,102	45,941
Profit/(Loss) for the year	1,160,579	(971,567)

The fair values of the assets and liabilities arising from the acquisitions are as follows:

	2007 RM	2006 RM
Property, plant and equipment (Note 12)	9,829,466	-
Inventories	1,818,874	-
Trade and other debtors	3,672,254	-
Cash and bank balances	1,646	10,004
Taxation	(309,692)	-
Trade and other creditors	(2,957,418)	-
Borrowings	(2,242,267)	-
Deferred tax liabilities (Note 27)	(1,731,352)	-
Fair value of net assets	8,081,511	10,004
Goodwill on acquisition (Note 15)	918,489	-
Cost of acquisition	9,000,000	10,004

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

(a) Acquisition of subsidiaries (Contd.)

	2007 RM	2006 RM
The cash outflow on acquisition is as follows:		
Purchase considerations satisfied by cash	9,000,000	10,004
Cash and cash equivalents of subsidiaries acquired	1,069,103	(10,004)
Net cash outflow of the Group	10,069,103	-

(b) Disposal of a subsidiary

On 31 May 2006, the Group disposed of its 51% equity interest in Besi Gaya (Klang) Sdn. Bhd. for a total consideration of RM994,500 in cash. The subsidiary was previously reported as part of the manufacturing segment.

The disposal had the following effects on the financial position of the Group:

	2007 RM
Property, plant and equipment (Note 12)	941,450
Inventories	1,837,277
Trade and other receivables	2,247,623
Cash and bank balances	420,339
Trade and other payables	(2,474,573)
Borrowings	(643,506)
Deferred tax liabilities (Note 27)	(137,900)
Net assets disposed	2,190,710
Minority interests	(1,073,448)
Share of net assets	1,117,262
Total disposal proceeds	(994,500)
Loss on disposal to the Group	122,762
Disposal proceed settled by cash	994,500

The cash inflow arising on disposal is as follows:

Cash consideration	994,500
Cash and cash equivalents of subsidiary disposed of	(420,339)
Net cash inflow of the Group	574,161

There was no disposal of subsidiary in previous financial year.

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

(c) Additional investment in a subsidiary

During the year, the Company subscribed an additional 2,999,998 ordinary shares issued by SMPC Dexon Sdn. Bhd. for a cash consideration amounting to RM99,998 and by way of capitalisation of debts owing by SMPC Dexon Sdn. Bhd. amounting to RM2,900,000.

14. OTHER INVESTMENT

	GROUP AND COMPANY	
	2007 RM	2006 RM
Unquoted shares, at cost	299,838	299,838
Provision for diminution in value	(299,838)	(299,838)
	-	-

15. GOODWILL

GROUP	Goodwill RM	Negative Goodwill RM	Total RM
Cost			
At 1 February 2005, 31 January 2006 and 1 February 2007	3,384,180	(7,963,802)	(4,579,622)
Effects of adopting FRS 3 (Note 3.3(b)(i) & (ii))	(2,427,026)	7,963,802	5,536,776
Acquisition of subsidiary	918,489	-	918,489
At 31 January 2007	1,875,643	-	1,875,643
Accumulated amortisation and impairment			
At 1 February 2006	(2,040,263)	7,963,802	5,923,539
Amortisation (Note 8)	(386,763)	-	(386,763)
At 31 January 2006 and 1 February 2007	(2,427,026)	7,963,802	5,536,776
Effects of adopting FRS 3 (Note 3.3(b)(i) & (ii))	2,427,026	(7,963,802)	(5,536,776)
At 31 January 2007	-	-	-
Net carrying amount			
At 31 January 2006	957,154	-	957,154
At 31 January 2007	1,875,643	-	1,875,643

15. GOODWILL (CONT'D.)

(a) Impairment tests for goodwill

Allocation of goodwill

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

	2006 RM	2005 RM
Manufacturing of steel roofing and related products	957,154	957,154
Manufacturing of perforated materials	918,489	-
	1,875,643	957,154

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 five-year period. 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 increased for expected efficiency improvements.

(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.

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 materially exceed their recoverable amounts.

16. INVENTORIES

	GROUP 2007 RM	GROUP 2006 RM
Cost		
Raw materials	6,671,857	9,205,091
Work-in-progress	1,529,945	242,947
Finished goods	4,335,567	8,702,974
Trading goods	6,106,825	9,457,444
Consumables	120,186	43
	18,764,380	27,608,499

The inventories of a subsidiary with a carrying value of RM4,989,436 (2006: RM4,873,867) have been charged to financial institutions as securities for bank borrowings obtained.

17. TRADE RECEIVABLES

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Due from:				
Subsidiaries	-	-	7,907,526	7,874,786
Related parties	9,377,237	11,276,979	21,733	62,400
Third parties	50,556,828	52,902,109	-	-
	59,934,065	64,179,088	7,929,259	7,937,186
Provision for doubtful debts	(16,618,043)	(16,327,652)	-	-
	43,316,022	47,851,436	7,929,259	7,937,186

Due from related parties:

	GROUP 2007 RM	GROUP 2006 RM	COMPANY 2007 RM	COMPANY 2006 RM
Pitchai Metal Sdn. Bhd.*	9,304,504	10,415,724	-	2,400
S.M. Pitchai Chettiar Sdn. Bhd.*	-	16,200	-	-
Kumpulan Pitchai Sdn. Bhd.**	72,733	60,000	21,733	60,000
Sin Yee Hup Construction Sdn. Bhd.***	-	189,988	-	-
Yee Hup Construction Co.***	-	595,067	-	-
	9,377,237	11,276,979	21,733	62,400

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

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

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

17. TRADE RECEIVABLES (CONTD.)

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month to three months. Each customer has a maximum credit limit. The Group has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

18. OTHER RECEIVABLES

	GROUP		COMPANY	
	2007	**2006**	**2007**	**2006**
	RM	**RM**	**RM**	**RM**
Due from subsidiaries	-	-	1,952,906	1,985,342
Deposits	1,080,478	10,700,569	431,339	9,437,096
Prepayments	675,449	2,621,577	-	-
Tax recoverable	1,782,709	1,158,390	608,454	492,620
Sundry receivables	4,831,906	3,723,762	1,526,661	1,438,943
	8,370,542	18,204,298	4,519,360	13,354,001
Provision for doubtful debts	(94,275)	(215,770)	-	-
	8,276,267	17,988,528	4,519,360	13,354,001

The amounts due from subsidiaries are unsecured, non-interest bearing, have no fixed terms of repayment and are to be settled in cash.

Included in the deposits of the Group and of the Company is a deposit amounting to RM380,000 (2006: RM380,000) held by a lender as security for a term loan as referred to in Note 24. Included in the deposits of the Group in previous year was share application monies amounting to RM9,000,000.

Included in sundry receivables of the Group and of the Company is an amount of RM1,319,435 (2006: RM1,319,435) receivable from the previous shareholders (vendors) of Duro Metal Industrial (M) Sdn. Bhd. The amount receivable is secured and is in relation to the shortfall between the profit guaranteed by the vendors and the actual consolidated results of the subsidiary for the prior financial year. The vendors are Kumpulan Pitchai Sdn. Bhd., a substantial corporate shareholder of the Company; Machendran a/l Pitchai Chetty, a director and shareholder of the Company; and two other individuals.

19. SHORT TERM INVESTMENTS

	GROUP 2007 RM	GROUP 2006 RM
Quoted:		
Unit trusts in Malaysia	148,931	128,322
Shares in Malaysia	42,040	34,000
	190,971	162,322
Market value of quoted investments	190,971	162,322

20. CASH AND BANK BALANCES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash on hand and at banks	3,630,930	2,937,017	208,352	62,392
Deposits with licensed banks	1,394,449	1,686,273	335,500	335,500
Cash and bank balances	5,025,379	4,623,290	543,852	397,892

Deposits with licensed banks of the Group and of the Company amounting to RM1,344,664 (2006: RM1,440,419) and RM335,000 (2006: RM335,000) respectively, are pledged to banks for bank borrowings granted to certain subsidiaries as referred to in Note 24.

Other information on financial risks of cash and bank balances are disclosed in Note 32.

21. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	64,644,965	64,644,965	64,644,965	64,644,965

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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.

21. SHARE CAPITAL (CONTD.)

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% of the shares in the Company available under the ESOS.

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

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

As at 31 January 2007, the details of the share options are as follows:

Year Granted	Option Price	Balance as at 1 February 2006	Granted	Exercised	Balance as at 31 January 2007	Exercisable Period
2002	RM1.00	4,484,000	-	-	4,484,000	11.7.2001 - 6.7.2010

22. RESERVES

The nature and purpose of each category of reserve are as follows:

(a) Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of freehold land, short term leasehold land and buildings and decreases on the same asset previously recognised in equity.

22. RESERVES (CONTD.)

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Capital reserve

The capital reserve represents the excess of sales consideration over the carrying amount of the net assets transferred to a subsidiary.

23. PROVISION FOR LIABILITIES

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

	GROUP	
	2007	**2006**
	RM	**RM**
Retirement Benefits Scheme		
At beginning of year	161,968	146,387
Recognised in income statement (Note 6)	222,664	90,000
Utilised during the year	(145,258)	(74,419)
At end of year	239,374	161,968
At 31 January		
Current	-	-
Non-current:		
Later than 1 year but not later than 2 years	60,900	26,885
Later than 2 years but not later than 5 years	64,266	53,770
Later than 5 years	114,208	81,313
	239,374	161,968
	239,374	161,968

The amounts recognised in the income statement are as follows:

	2007	**2006**
	RM	**RM**
Current service cost	192,813	34,930
Interest cost	29,476	30,284
Net actuarial losses recognised during the year	375	24,786
Total, included in employee benefits expense (Note 6)	222,664	90,000

23. PROVISION FOR LIABILITIES (CONTD.)

Principal actuarial assumptions used:

	2007 %	2006 %
Discount rate	6.5	6.5
Expected rate of salary increases	5.0	5.0

24. BORROWINGS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	19,252,288	16,665,742	-	-
Bankers' acceptances	30,674,952	43,118,860	-	-
Letter of credits	1,367,132	-	-	-
Revolving credits	12,250,000	12,250,000	-	-
Trust receipts	847,231	3,358,013	-	-
Term loans	12,112,747	12,703,198	698,123	395,095
Hire purchase payables (Note 25)	1,345,943	1,382,509	346,387	322,828
	77,850,293	89,478,322	1,044,510	717,923
Long Term Borrowings				
Secured:				
Term loans	28,888,716	13,926,444	767,399	1,162,495
Hire purchase payables (Note 25)	2,095,585	1,625,500	722,034	586,152
	30,984,301	15,551,944	1,489,433	1,748,647
Total Borrowings				
Bank overdrafts	19,252,288	16,665,742	-	-
Revolving credits	12,250,000	12,250,000	-	-
Bankers' acceptances	30,674,952	43,118,860	-	-
Letter of credits	1,367,132	-	-	-
Trust receipts	847,231	3,358,013	-	-
Term loans	41,001,463	26,629,642	1,465,522	1,557,590
	105,393,066	102,022,257	1,465,522	1,557,590
Hire purchase payables (Note 25)	3,441,528	3,008,009	1,068,421	908,980
	108,834,594	105,030,266	2,533,943	2,466,570

24. BORROWINGS (CONTD.)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Maturity of borrowings (excluding hire purchase payables):				
Within one year	76,504,350	88,095,813	698,123	395,095
More than 1 year and less than 2 years	21,217,014	12,134,298	395,096	395,095
More than 2 years and less than 5 years	7,671,702	1,792,146	372,303	767,400
	105,393,066	102,022,257	1,465,522	1,557,590

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

(a) Legal charges and deed of assignment over freehold and leasehold land and buildings as referred in Note 12;

(b) Negative pledge on all assets of the Company and certain subsidiaries;

(c) Debenture on the fixed and floating charge on the present and future assets of a subsidiary;

(d) A deposit of RM380,000 held in trust by a lender as referred in Note 18;

(e) Deposits with licensed banks of the Group and of the Company as referred in Note 20; and

(f) Corporate guarantee of the Company and its subsidiaries.

Other information on financial risks of borrowings are disclosed in Note 32.

25. HIRE PURCHASE PAYABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Future minimum hire purchase payments:				
Not later than 1 year	1,511,077	1,504,094	393,788	363,924
Later than 1 year and not later than 2 years	1,214,598	917,296	335,960	270,273
Later than 2 years and not later than 5 years	1,029,096	857,719	440,392	358,388
Total future minimum hire purchase payments	3,754,771	3,279,109	1,170,140	992,585
Less: Future finance charges	(313,243)	(271,100)	(101,719)	(83,605)
Present value of hire purchase liabilities (Note 24)	3,441,528	3,008,009	1,068,421	908,980
Analysis of present value of hire purchase payables:				
Not later than 1 year	1,345,943	1,382,509	346,387	322,828
Later than 1 year and not later than 2 years	1,111,807	837,482	306,606	246,535
Later than 2 years and not later than 5 years	983,778	788,018	415,428	339,617
	3,441,528	3,008,009	1,068,421	908,980
Less: Amount due within 12 months (Note 24)	1,345,943	1,382,509	346,387	322,828
Amount due after 12 months (Note 24)	2,095,585	1,625,500	722,034	586,152

26. TRADE PAYABLES

	GROUP	
	2007	2006
	RM	RM
Due to third parties	31,147,356	37,851,227
Analysed as:		
- Current	18,960,799	24,594,670
- Non-current	12,186,557	13,256,557
	31,147,356	37,851,227

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months.

Included in trade payables of the Group is an amount of RM14,226,557 (2006: RM15,296,557) payable in 60 equal monthly instalments of RM170,000 and a final instalment of RM5,946,557. This amount is secured by corporate guarantee given by the Company.

Other information on financial risks of trade payables are disclosed in Note 32.

27. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
At beginning of financial year	2,047,762	2,035,778	1,338,552	1,383,378
Recognised in income statement (Note 10)	(507,546)	11,984	(44,826)	(44,826)
Recognised in equity	(115,266)	-	(115,266)	-
Acquisition of a subsidiary (Note 13(a))	1,731,352	-	-	-
Disposal of a subsidiary (Note 13(b))	(137,900)	-	-	-
At end of financial year	3,018,402	2,047,762	1,178,460	1,338,552

27. DEFERRED TAX LIABILITIES (CONTD.)

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

Deferred Tax Liabilities of the Group:

	Accelerated capital allowances RM	Revaluation of land and buildings RM	Others RM	Total RM
At 1 February 2006	1,420,961	1,777,552	(3,517)	3,194,996
Recognised in income statement	(518,550)	(100,704)	-	(619,254)
Recognised in equity	-	(115,266)	-	(115,266)
Acquisition of a subsidiary	327,029	1,404,323	-	1,731,352
Disposal of a subsidiary	(148,628)	-	-	(148,628)
At 31 January 2007	1,080,812	2,965,905	(3,517)	4,043,200
At 1 February 2005	1,453,551	1,822,378	5,178	3,281,107
Recognised in income statement	(32,590)	(44,826)	(8,695)	(86,111)
At 31 January 2006	1,420,961	1,777,552	(3,517)	3,194,996

Deferred Tax Assets of the Group:

	Provisions RM	Unabsorbed capital allowances RM	Other payables RM	Total RM
At 1 February 2006	(761,072)	(320,000)	(66,162)	(1,147,234)
Recognised income statement	111,708	-	-	111,708
Disposal of subsidiary	10,728	-	-	10,728
At 31 January 2007	(638,636)	(320,000)	(66,162)	(1,024,798)
At 1 February 2005	(859,167)	(406,000)	(66,162)	(1,331,329)
Recognised in income statement	98,095	86,000	-	184,095
At 31 January 2006	(761,072)	(320,000)	(66,162)	(1,147,234)

27. DEFERRED TAX LIABILITIES (CONTD.)

Deferred Tax Liabilities/(Assets) of the Company:

	Revaluation of leasehold land RM	Unabsorbed capital allowances RM	Total RM
At 1 February 2006	1,658,552	(320,000)	1,338,552
Recognised in income statement	(44,826)	-	(44,826)
Recognised in equity	(115,266)	-	(115,266)
At 31 January 2007	1,498,460	(320,000)	1,178,460
At 1 February 2005	1,703,378	(320,000)	1,383,378
Recognised in income statement	(44,826)	-	(44,826)
At 31 January 2006	1,658,552	(320,000)	1,338,552

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

	GROUP	
	2007 RM	2006 RM
Unused tax losses	94,993,162	81,409,578
Unabsorbed capital allowances	16,145,363	16,376,112
Deductible temporary differences	4,544,846	3,404,400
	115,683,371	101,190,090

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the companies incorporated in Malaysia are subject to no substantial changes in shareholdings of the Company and the said subsidiaries under Sections 44(5A), 44(5B) and Paragraphs 75(A) and 75(B) of Schedule 3 of the Income Tax Act, 1967.

28. OTHER PAYABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Due to subsidiaries	-	-	7,178,282	3,318,405
Prepayment of lease rental	1,106,486	1,166,837	-	-
Accrued interest on bank borrowings	1,440,935	1,131,328	-	-
Other accruals	1,475,366	854,092	251,567	204,995
Sundry payables	2,642,493	1,916,037	106,896	58,450
	6,665,280	5,068,294	7,536,745	3,581,850

28. OTHER PAYABLES (CONTD.)

The prepayment of lease rental is received from a third party, for lease of part of the freehold land as disclosed in Note 12(e).

	GROUP	
	2007 RM	2006 RM
Included in the sundry payables is an amount due to a related party:		
S.M. Pitchai Chettiar Sdn. Bhd. *	2,800	63,416

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

The amount due to a related party is unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

29. CAPITAL COMMITMENT

	GROUP	
	2007 RM	2006 RM
Property, plant and equipment:		
Approved and contracted for	145,900	-

30. CONTINGENT LIABILITIES (UNSECURED)

	2007 RM	2006 RM
GROUP AND COMPANY		
Guarantee for loan facilities given to Vinanic Steel Processing Company (Vietnam), an investee company	944,000	987,000
COMPANY		
Guarantee for banking facilities given to subsidiaries	103,927,544	100,464,667
Guarantee for trade payable given to a subsidiary	14,226,557	15,296,557

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

GROUP	2007 RM	2006 RM
Rental expense paid to Pitchai Metal Sdn. Bhd.*	360,000	360,000

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

COMPANY	2007 RM	2006 RM
Rental income from subsidiaries	735,870	118,113
Management consultancy fees received from subsidiaries	3,360,000	3,660,000

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

32. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk, foreign currency risk, liquidity risk and credit 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.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group′s interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates.

32. FINANCIAL INSTRUMENTS (CONTD.)

(b) Interest Rate Risk (Contd.)

The following tables set out the carrying amounts, the range of interest rates per annum during the financial year and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Interest Rate (%) Highest	Interest Rate (%) Lowest	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	Total RM
At 31 January 2007									
GROUP									
Fixed rate									
Hire purchase	25	8.7	4.8	1,345,943	1,111,807	725,484	208,241	50,053	3,441,528
Floating rate									
Deposits with licensed banks	20	3.0	2.8	1,394,449	-	-	-	-	1,394,449
Trade payables	26	6.2	6.2	2,040,000	2,040,000	2,040,000	2,040,000	6,066,557	14,226,557
Bank overdrafts	24	9.9	8.5	19,252,288	-	-	-	-	19,252,288
Letter of credits	24	8.0	8.0	1,367,132	-	-	-	-	1,367,132
Revolving credits	24	8.5	5.3	12,250,000	-	-	-	-	12,250,000
Bankers' acceptances	24	9.9	5.2	30,674,951	-	-	-	-	30,674,951
Trust receipts	24	9.9	8.3	847,231	-	-	-	-	847,231
Term loans	24	9.9	5.3	12,112,747	21,217,014	7,671,702	-	-	41,001,463
COMPANY									
Fixed rate									
Hire purchase	25	4.8	4.8	346,387	306,606	218,630	152,323	44,475	1,068,421
Floating rate									
Deposits with licensed banks	20	3.0	2.8	335,500	-	-	-	-	335,500
Term loan	24	6.8	5.3	698,123	395,095	372,304	-	-	1,465,522
At 31 January 2006									
GROUP									
Fixed rate									
Hire purchase	25	7.3	5.0	1,382,509	837,482	587,827	156,804	43,388	3,008,010
Floating rate									
Deposits with licensed banks	20	3.0	2.8	1,686,273	-	-	-	-	1,686,273
Trade payables	26	7.6	6.2	2,040,000	2,040,000	2,040,000	2,040,000	7,136,557	15,296,557
Bank overdrafts	24	9.9	8.5	16,665,742	-	-	-	-	16,665,742
Revolving credits	24	5.3	5.1	12,250,000	-	-	-	-	12,250,000
Bankers' acceptances	24	6.3	5.2	43,118,860	-	-	-	-	43,118,860
Trust receipts	24	8.8	8.3	3,358,013	-	-	-	-	3,358,013
Term loans	24	7.8	4.5	12,703,198	11,799,028	1,755,112	372,304	-	26,629,642

32. FINANCIAL INSTRUMENTS (CONTD.)

(b) Interest Rate Risk (Contd.)

	Note	Interest Rate (%) Highest	Interest Rate (%) Lowest	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	Total RM
COMPANY									
Fixed rate									
Hire purchase	25	7.3	5.0	322,828	246,535	199,338	106,390	33,889	908,980
Floating rate									
Deposits with licensed banks	20	3.0	2.8	335,500	-	-	-	-	335,500
Term loan	24	6.9	4.5	395,095	395,095	395,095	372,304	-	1,557,589

(c) Foreign Exchange Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars and Singapore Dollar.

The net unhedged financial assets of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Net Financial Assets Held in Non-Functional Currency: United States Dollar RM	Singapore Dollar RM	Total RM
At 31 January 2007			
Ringgit Malaysia	3,744,442	-	3,744,442
At 31 January 2006			
Ringgit Malaysia	4,273,269	389,049	4,662,318

As at balance sheet date, the Group had not entered into any forward foreign exchange contracts.

(d) Liquidity Risk

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

32. FINANCIAL INSTRUMENTS (CONTD.)

(e) Credit Risk

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

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

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values.

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

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.

33. SEGMENT 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; and

(ii) Trading - trading of metal related products

Other operations of the Group mainly comprise of letting of industrial and commercial assets and provisions of management consultancy and corporate services, neither of which constitutes a separately reportable segment.

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.

33. SEGMENT INFORMATION (CONTD.)

(b) Business Segments (Contd.)

The following table provides an analysis of the Group′s revenue, results, assets, liabilities and other information by business segment:

	Manufacturing		Trading		Others		Eliminations		Consolidated	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
REVENUE AND EXPENSES										
Revenue										
External sales	113,439,153	144,650,915	100,375,775	115,135,028	-	242,020	-	-	213,814,928	260,027,963
Inter-segment sales	5,543,967	1,946,784	-	-	4,095,870	3,778,113	(9,639,837)	(5,724,897)	-	-
Total revenue	118,983,120	146,597,699	100,375,775	115,135,028	4,095,870	4,020,133	(9,639,837)	(5,724,897)	213,814,928	260,027,963
Results										
Segment results	(2,125,011)	(8,766,510)	(1,266,290)	(3,312,071)	(637,561)	(827,978)	-	-	(4,028,862)	(12,906,559)
Unallocated corporate expenses									(1,552,218)	(1,658,895)
Loss from operations									(5,581,080)	(14,565,454)
Finance costs									(9,555,791)	(7,793,753)
Taxation									350,205	(74,453)
Loss after taxation									(14,786,666)	(22,433,660)

33. SEGMENT INFORMATION (CONTD.)

(b) Business Segments (Contd.)

	Manufacturing		Trading		Others		Eliminations		Consolidated	
	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM	2007 RM	2006 RM
ASSETS AND LIABILITIES										
Segment assets	122,924,833	136,780,846	43,388,913	38,065,700	26,787,333	33,868,571	-	-	193,101,079	208,715,117
Consolidated total assets									193,101,079	208,715,117
Segment liabilities	32,479,032	39,703,948	4,870,813	2,774,395	702,166	603,146	-	-	38,052,011	43,081,489
Unallocated corporate liabilities									112,518,270	107,459,281
Consolidated total liabilities									150,570,281	150,540,770
OTHER INFORMATION										
Capital expenditure	4,141,687	9,110,215	423,585	3,818,890	750,488	664,157	-	-	5,315,760	13,593,262
Depreciation	3,997,974	3,750,626	1,634,766	1,447,513	998,097	1,279,697	-	-	6,630,837	6,477,836
Amortisation	-	(386,763)	-	-	-	(2,230)	-	-	-	(388,993)
Impairment losses	-	1,449,000	-	-	-	-	-	-	-	1,449,000
Non-cash expenses other than depreciation, amortisation and impairment losses	3,398,951	2,233,623	612,715	2,434,380	964	(214,293)	-	-	4,012,630	4,453,710

33. SEGMENT INFORMATION (CONTD.)

(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 manufacture and trading of metal related products. In India, the Group is principally involved in manufacturing of metal related products.

	Revenue from external customers		Segment assets		Capital expenditure	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
Malaysia	194,927,205	253,998,063	186,511,509	204,032,458	5,135,323	9,900,244
India	1,095,550	45,941	4,856,884	4,682,659	180,437	3,693,018
Others	17,792,173	5,983,959	-	-	-	-
	213,814,928	260,027,963	191,368,393	208,715,117	5,315,760	13,593,262

34. SUBSEQUENT EVENTS

(a) On 9 February 2007, the Company has entered into a Shareholders' Agreement with Ohmi Industries Limited ("Ohmi"), incorporated in Japan, for Ohmi to subscribe 806,152 ordinary shares of Rupee 10 each for a total consideration of Rupee 29,827,624 (equivalent to RM2,465,093) representing 26% equity interest in SMPC Industries (India) Private Limited.

(b) On 3 March 2007, a subsidiary, SMPC Industries Sdn Bhd ("SISB") has entered into a Shareholders' Agreement with High Q Pack Industries Co. Ltd ("HQPI"), incorporated in Thailand, to set up a new company in Thailand to undertake the manufacturing and sale of metal/steel strapping and steel component activities in Thailand.

Under the proposed joint venture, the equity participation in the company shall be 50% from SISB and 50% from HQPI.