

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. If you have sold all your ordinary shares in SMPC Metal Industries Bhd (79082-V) ("SMPC"), you should at once hand this Abridged Prospectus together with the Provisional Allotment Letter to the agent through whom you effected the sale for onward transmission to the purchaser. All enquiries concerning the Rights with Warrants Issue should be addressed to the Registrars of SMPC, Securities Services (Holdings) Sdn Bhd (36869-T), 11th Floor, Bangunan FOP, Jalan Anson, 10400 Penang ; Telephone Number: 04-2281966; Facsimile: 04-2279544.

The Rights with Warrants Issue is only to the shareholders of SMPC who have provided the Company with a registered address in Malaysia by 5.00 p.m on 27 September 2000 ("Entitled Shareholders"). This Abridged Prospectus is not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights with Warrants Issue complies with the laws of any countries or jurisdictions other than the laws of Malaysia. Entitled Shareholders and their renounee(s) (if applicable) resident in countries other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation of the new ordinary shares pursuant to the Rights with Warrants Issue would result in the contravention of any laws of such countries or jurisdictions. SMPC and Utama Merchant Bank Berhad shall not accept any responsibility or liability in the event that any acceptance or renunciation made by Entitled Shareholders or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

Copies of this document, together with copies of the Provisional Allotment Letter and Excess Share/Securities Application Form, have been registered with the Securities Commission and lodged with the Registrar of Companies, who takes no responsibility for the contents of the documents. The registration of the Abridged Prospectus shall not be taken to indicate that the Securities Commission recommends the Rights with Warrants Issue or assumes responsibility for the correctness of any statement made or opinions or reports expressed in the Abridged Prospectus.

Approval for the Rights with Warrants Issue has been obtained from the Securities Commission of Malaysia on 18 April 2000 and 14 June 2000. Application has been made to the Kuala Lumpur Stock Exchange for the admission of the warrants to the Official List and for the listing of and quotation for all the new ordinary shares and all warrants arising from this Rights with Warrants Issue as well as all new ordinary shares arising pursuant to the exercise of the warrants during its exercise period. Such warrants will be admitted to the Official List of the Kuala Lumpur Stock Exchange and official quotation of the new ordinary shares and warrants will commence after receipt of confirmation from Malaysian Central Depository Sdn Bhd that the Central Depository System Accounts of the Entitled Shareholders/renounees have been duly credited and Notices of Allotment have been despatched to the Entitled Shareholders/renounees.

Neither the Kuala Lumpur Stock Exchange nor the Securities Commission takes any responsibility for the correctness of any statement made or opinions expressed herein. Admission to the Official List and quotation of the said new securities are in no way reflective of the merits of the Rights with Warrants Issue.

THE SECURITIES COMMISSION HAS APPROVED THIS RIGHTS WITH WARRANTS ISSUE AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE COMMISSION RECOMMENDS THE RIGHTS WITH WARRANTS ISSUE. THE SECURITIES COMMISSION SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE CORPORATION AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORTS EXPRESSED IN THE ABRIDGED PROSPECTUS. SHAREHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

All the documentation relating to this Rights with Warrants Issue has been seen and approved by the directors of SMPC Metal Industries Bhd and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this document false or misleading.

The Adviser and Managing Underwriter acknowledge that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitute a full and true disclosure of all material facts concerning this Rights with Warrants Issue, and are satisfied that the consolidated profit forecast (for which the Directors are fully responsible) prepared for inclusion in this Abridged Prospectus have been stated by the Directors after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

This Abridged Prospectus has been drawn up in accordance with the Securities Commission Act, 1993.

SMPC METAL INDUSTRIES BHD (79082-V)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF UP TO A MAXIMUM OF 14,999,500 NEW ORDINARY SHARES OF RM1.00 EACH WITH UP TO A MAXIMUM OF 14,999,500 FREE DETACHABLE NEW WARRANTS TO THE SHAREHOLDERS OF SMPC METAL INDUSTRIES BHD ON THE BASIS OF ONE (1) NEW ORDINARY SHARE WITH ONE (1) FREE NEW WARRANT ATTACHED FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD AT 5.00 PM ON 27 SEPTEMBER 2000 AT AN ISSUE PRICE OF RM1.55 PER SHARE PAYABLE IN FULL UPON ACCEPTANCE AT OR BEFORE 5.00 PM ON 8 NOVEMBER 2000.

Adviser and Managing Underwriter

UTAMA MERCHANT BANK BERHAD (23878-X)
(Incorporated in Malaysia under the Companies Act, 1965)

IMPORTANT RELEVANT DATES

LAST DAY AND TIME FOR:-	Splitting	:	12 October 2000 at 5.00 p.m.
	Acceptance and payment	:	8 November 2000 at 5.00 p.m.
	Renunciation and payment	:	8 November 2000 at 5.00 p.m.
	Excess application and payment	:	8 November 2000 at 5.00 p.m.

This Abridged Prospectus is dated 4th October 2000

“THE SECURITIES COMMISSION HAS APPROVED THIS RIGHTS WITH WARRANTS ISSUE AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE COMMISSION RECOMMENDS THE RIGHTS WITH WARRANTS ISSUE.”

“THE SECURITIES COMMISSION SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE CORPORATION AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORTS EXPRESSED IN THIS ABRIDGED PROSPECTUS. SHAREHOLDERS / INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.”

DEFINITIONS

Except where the context otherwise requires, the abbreviations below shall have the following meanings throughout this Abridged Prospectus and the Provisional Allotment Letter dated 4 October 2000: -

“Act” or “Companies Act”	:	Companies Act, 1965
“AP”	:	Abridged Prospectus
“BOD” or “Directors” or “Board”	:	Board of Directors
“Bumiputra Investors”	:	PNS, Y. Bhg. Dato’ Mohd Taufik bin Abdullah and Mr Makhtar bin Mohamed
“Bye-Laws”	:	The bye-laws of the Scheme
“Central Depositories Act”	:	Securities Industry (Central Depositories) Act 1991
“Code”	:	Malaysian Code on Takeovers and Mergers, 1998
“CDS”	:	Central Depository System
“Deed Poll”	:	The Deed Poll constituting the Rights Warrants executed by SMPC
“Director”	:	A director for the time being of the Company
“Duro”	:	Duro Metal Industrial (M) Sdn Bhd (225220-W)
“Duro Acquisition”	:	Acquisition by SMPC of 1,500,000 ordinary shares of RM1.00 each representing 100% equity interest in Duro for a purchase consideration of RM19,500,000 to be satisfied entirely by the issuance of 9,653,465 new ordinary shares of RM1.00 each in SMPC at an issue price of RM2.02 per share
“Duro Group”	:	Duro and its subsidiary companies, collectively.
“EGM”	:	Extraordinary General Meeting
“Entitled Shareholders”	:	Shareholders whose names appear on SMPC’s Record of Depositors on the Entitlement Date.
“Entitlement Date”	:	The date and time on which persons must be entered as holders of shares in the Record of Depositors of SMPC as shareholders in order to be entitled to the Rights with Warrants Issue which has been set as 27 September 2000 at 5 p.m.
“EPS”	:	Earnings Per Share

DEFINITIONS

“ESOS”	:	Employees’ Shares Option Scheme of up to 10% of the enlarged issued and paid-up share capital of SMPC after the Special Issue, Rights with Warrants Issue and Duro Acquisition
“Executive Director”	:	A Director who is a full time employee and performs an executive function
“FIC”	:	Foreign Investment Committee
“Increase in Authorised Share Capital”	:	The increase in the authorised share capital of SMPC from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each
“KLSE”	:	Kuala Lumpur Stock Exchange
“KPSB”	:	Kumpulan Pitchai Sdn Bhd (167350-T)
“KPSB and its Concert Parties”	:	KPSB (including its directors and shareholders) and S. M. Pitchai Sdn Bhd

The directors and shareholders of KPSB are as follows:-

1.	Dhanabalan a/l M. Pitchai Chetty	Director and Shareholder
2.	Ramakrishnan a/l Thangasamy Chettiar	Director and Shareholder
3.	Machendran a/l Pitchai Chetty	Director and Shareholder
4.	T.S.A.P Ganesan Chetty a/l Ponnuchamy	Shareholder
5.	Dhanaletchumi a/p Pitchai Chetty	Shareholder
6.	Kassiamal a/p Somu Chettiar	Shareholder
7.	Amutha w/o Machendran	Director and Shareholder
8.	Natarajan Shanti w/o Dhanabalan	Shareholder
9.	Estate of Manickam Chetti a/l Somu Chettiar (Deceased)	Shareholder
10.	Natarajan Chettiar a/l Selvasamy Chettiar	Shareholder
11.	Ganapathi Chettiar a/l Korakki Chettiar	Shareholder
12.	K. Ramu a/l Korakki Chettiar	Shareholder

DEFINITIONS

“MCD”	:	Malaysian Central Depository Sdn Bhd (<i>165570-W</i>) and where the context requires, its nominee company
“MITI”	:	Ministry of International Trade and Industry
“NTA”	:	Net Tangible Assets
“PAL”	:	Provisional Allotment Letter
“PE”	:	Price Earning
“PNS”	:	Perbadanan Nasional Berhad (<i>9157-K</i>)
“Price Fixing Date”	:	26 April 2000, which is the date the Directors of SMPC fixed the issue price of the Special Issue, Rights with Warrants Issue and Duro Acquisition and the exercise price of the Rights Warrants
“Proposals”	:	The Special Issue, Rights with Warrants Issue, Duro Acquisition, ESOS, Increase in Authorised Share Capital and Proposed Waiver, collectively known as the Proposals.
“Proposed Waiver”	:	The proposed waiver for KPSB and its Concert Parties to extend a mandatory offer for the remaining shares in SMPC not held by them
“Rights with Warrants Issue” or “Rights Issue”	:	Renounceable rights issue of up to a maximum of 14,999,500 new ordinary shares of RM1.00 each with up to a maximum of 14,999,500 free detachable new warrants on the basis of one (1) new ordinary share with one (1) new warrant attached for every two (2) existing ordinary shares of RM1.00 each held at an issue price of RM1.55 per share
“Rights Shares”	:	Up to a maximum of 14,999,500 new ordinary shares of RM1.00 each to be issued pursuant to the Rights with Warrants Issue
“Rights Warrants”	:	Up to a maximum of 14,999,500 free detachable new warrants to be issued pursuant to the Rights with Warrants Issue
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“ROC”	:	Registrar of Companies
“Rules”	:	The rules of the MCD
“SC”	:	Securities Commission
“Scheme”	:	The scheme for the grant of options to the Eligible Employees of the Group to subscribe for new ordinary shares of RM1.00 each in the Company in accordance with the terms set out in the ESOS Bye-Laws and such Scheme to be known as the "SMPC Metal Industries Bhd Employees' Share Option Scheme"

DEFINITIONS

“Share”	:	Ordinary share of RM1.00 each in the Company and “Shares” mean more than one (1) Share
“SMPC” or the “Company”	:	SMPC Metal Industries Bhd (79082-V)
“SMPC Group” or the “Group”	:	SMPC and its subsidiary companies, collectively
“Special Issue”	:	Special issue of 10,000,000 new ordinary shares of RM1.00 each to Bumiputra Investors at an issue price of RM1.55 per share
“Special Issue Shares”	:	10,000,000 new ordinary shares of RM1.00 each to be issued pursuant to the Special Issue
“UMBB” or “Utama Merchant”	:	Utama Merchant Bank Berhad (23878-X)
“Warrant”	:	Warrant in the Company and “Warrants” mean more than one (1) new Warrant

TABLE OF CONTENTS

	PAGES
CORPORATE INFORMATION	i
 LETTER TO SHAREHOLDERS OF SMPC CONTAINING :-	
1. INTRODUCTION	1
2. RIGHTS WITH WARRANTS ISSUE	4
3. ADVISER'S DECLARATION OF INTERESTS	7
4. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS RIGHTS APPLICATION TOGETHER WITH WARRANTS APPLICATION	8
5. RISK FACTORS	11
6. RATIONALE	13
7. UTILIZATION OF PROCEEDS	13
8. FINANCIAL EFFECTS OF THE RIGHTS WITH WARRANTS ISSUE	14
9. PROSPECTS AND INDUSTRY REVIEW	16
10. PROFIT AND DIVIDEND RECORD	19
11. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND COMMITMENT	20
12. DIRECTORS' INTERESTS	20
13. SUBSTANTIAL SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENTS	21
14. TERMS AND CONDITIONS	21
15. ADDITIONAL INFORMATION	21

APPENDICES	PAGES
I. A CERTIFIED EXTRACT OF THE EGM MINUTES CONTAINING THE ORDINARY RESOLUTIONS ADOPTED AT THE EGM OF SMPC HELD ON 7 JULY 2000.	22
II. BACKGROUND INFORMATION ON SMPC.	30
III. AUDITED CONSOLIDATED ACCOUNTS OF SMPC FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2000 AND THE AUDITORS' REPORT RELATING THERETO.	40
IV. UNAUDITED ACCOUNTS OF SMPC FOR THE SIX (6) MONTHS PERIOD ENDED 31 JULY 2000 AND THE CONFIRMATION BY DIRECTORS.	66
V. CONSOLIDATED PROFIT FORECAST OF SMPC AFTER THE PROPOSALS FOR THE FINANCIAL YEAR ENDING 31 JANUARY 2001 TOGETHER WITH THE AUDITORS' LETTER THEREON.	73
VI. PROFORMA CONSOLIDATED BALANCE SHEETS OF SMPC AS AT 31 JANUARY 2000 SHOWING THE EFFECTS OF THE PROPOSALS TOGETHER WITH THE NOTES AND AUDITORS' LETTER THEREON.	77
VII. DIRECTORS' REPORT ON SMPC.	81
VIII. TERMS, CONDITIONS AND PROVISIONS FOR THE WARRANTS.	82
IX. FURTHER STATUTORY AND OTHER GENERAL INFORMATION.	107

CORPORATE INFORMATION**SMPC METAL INDUSTRIES BHD**

(79082-V)

*(Incorporated in Malaysia under the Companies Act, 1965)***BOARD OF DIRECTORS**

Name	Address	Directorship	Occupation	Nationality
Y. Bhg. Dato' Mohd Taufik bin Abdullah	Apt.5-4C, Pantai Towers, Lrg Bukit Pantai, 59100 Kuala Lumpur	Non-Executive Chairman	Company Director	Malaysian
Mr Daisuke Kadono	5-5-8, Corinthian Jalan Binjai, Off Jalan Ampang, 50450 Kuala Lumpur	Non-Executive Vice- Chairman	Company Director	Japanese
Mr Machendran a/l Pitchai Chetty	6886, Taman Abdul Aziz, Jalan Kampung Paya, 12200 Butterworth, Penang	Managing Director	Company Director	Malaysian
Mr Ramakrishnan a/l Thangasamy Chettiar	No. 64, Solok Riang, Taman Abdul Aziz, 12300 Butterworth, Penang	Executive Director	Company Director	Malaysian
Mr Dhanabalan a/l M. Pitchai Chetty	No. 64, Solok Riang, Taman Abdul Aziz, 12300 Butterworth, Penang	Executive Director	Company Director	Malaysian
Mr Vijayan a/l O.M.V. Devan	No. 25, Taman Mutiara, 08000 Sungai Petani, Kedah	Executive Director	Company Director	Malaysian
Mr Makhtar bin Mohamed	Lot 2477, Mukim Kenali, Kubang Kerian, 16150 Kota Bahru, Kelantan	Executive Director	Company Director	Malaysian
Mr Nagarajan a/l Thambiah	No 58, Jalan Tanjung 12, Taman Seputeh, 58000 Kuala Lumpur	Independent Non-Executive Director	Public Accountant	Malaysian
Ms Tye Lean Tee @ Tan Lean Tee	24, Persiaran Batu Uban, Taman Century, 11700 Gelugor, Penang	Independent Non-Executive Director	Advocate and Solicitor	Malaysian

Company No. 79082-V

CORPORATE INFORMATION (Cont'd)

AUDIT COMMITTEE

Name	Directorship	Designation
Mr. Nagarajan a/l Thambiah	Independent Non-Executive Director	Chairman
Ms. Tye Lean Tee @ Tan Lean Tee	Independent Non-Executive Director	Member
Mr. Machendran a/l Pitchai Chetty	Managing Director	Member
Mr. Daisuke Kadono	Non-Executive Vice-Chairman	Member
Mr. Vijayan a/l O.M.V. Devan	Executive Director	Member

CORPORATE INFORMATION (Cont'd)

- REGISTERED OFFICE** : 11th Floor, Bangunan FOP
Jalan Anson
10400 Penang
Tel. No.: 04-2281966
Fax No.: 04-2279544
Email : sspg@pd.jaring.my
Website : <http://www.netrade-asia.com/mes/smpc/>
- REPORTING ACCOUNTANTS** : Arthur Andersen & Co
No. AF 0103
Public Accountants
Suite 11, 2A, Level 11,
Menara Pelangi,
2, Jalan Kuning,
Taman Pelangi, 80400
Johor Bahru, Johor.
- AUDITORS** : Arthur Andersen & Co.
No. AF 0103
Public Accountants
Penthouse, 11th Floor
Kompleks Mutiara
Jalan Anson
10400 Penang
- SOLICITORS FOR THE RIGHTS WITH
WARRANTS ISSUE** : Presgrave & Matthews
Suite 15.1, Level 15
Menara Genesis
33, Jalan Sultan Ismail
50250 Kuala Lumpur
- COMPANY SECRETARIES** : Nagarajan a/l Thambiah
(MIA 1565)
58, Jalan Tanjung 12
Taman Seputeh
58000 Kuala Lumpur
- Thum Sook Fun
(MAICSA 7025619)
6-5-3, Taman Air Itam
Jalan Padang Tembak
11400 Penang
- SHARE REGISTRARS** : Securities Services (Holdings) Sdn Bhd (36869-T)
11th Floor, Bangunan FOP
Jalan Anson
10400 Penang
Tel. No.: 04-2281966
Fax No.: 04-2279544
- PRINCIPAL BANKERS** : Bumiputra-Commerce Bank Berhad
15, Lebu Pantai
10300 Penang

CORPORATE INFORMATION (Cont'd)

HSBC Bank Malaysia Berhad
11, Beach Street
10300 Penang

Overseas Union Bank (M) Bhd
4092-4093, Jalan Bagan Luar
12000 Butterworth

RHB Bank Berhad
2784 & 2785, (1st Floor)
Jalan Chain Ferry
Taman Inderawasih
13600 Prai, Penang

Southern Bank Berhad
21, Beach Street
10300 Penang

Malayan Banking Berhad
Regional Office, 1st Floor
MWE Plaza
8, Farquhar Street
10200 Penang

**ADVISER AND MANAGING
UNDERWRITER**

: Utama Merchant Bank Berhad
27th Floor, Central Plaza
Jalan Sultan Ismail
50250 Kuala Lumpur

UNDERWRITER

: MIDF Sisma Securities Sdn Bhd
17th & 18th Floor
Empire Tower
182 Jalan Tun Razak
50400 Kuala Lumpur

STOCK EXCHANGE LISTING

: Second Board Of The Kuala Lumpur Stock Exchange

SMPC METAL INDUSTRIES BHD

(79082-V)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

11th Floor
Bangunan FOP
Jalan Anson
10400 Penang

4th October 2000

THE BOARD OF DIRECTORS : -

Y. Bhg. Dato' Mohd Taufik bin Abdullah (Chairman)
Mr Daisuke Kadono (Vice-Chairman)
Mr Machendran a/l Pitchai Chetty (Managing Director)
Mr Ramakrishnan a/l Thangasamy Chettiar
Mr Dhanabalan a/l M. Pitchai Chetty
Mr Vijayan a/l O.M.V. Devan
Mr Makhtar bin Mohamed
Mr Nagarajan a/l Thambiah
Ms Tye Lean Tee @ Tan Lean Tee

TO : THE SHAREHOLDERS OF SMPC METAL INDUSTRIES BHD

Dear Sir / Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO A MAXIMUM OF 14,999,500 NEW ORDINARY SHARES OF RM1.00 EACH WITH UP TO A MAXIMUM OF 14,999,500 FREE DETACHABLE NEW WARRANTS TO THE SHAREHOLDERS OF SMPC METAL INDUSTRIES BHD ON THE BASIS OF ONE (1) NEW ORDINARY SHARE WITH ONE (1) FREE NEW WARRANT ATTACHED FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD AT 5.00 PM ON 27 SEPTEMBER 2000 AT AN ISSUE PRICE OF RM1.55 PER SHARE PAYABLE IN FULL UPON ACCEPTANCE AT OR BEFORE 5.00 PM ON 8 NOVEMBER 2000

1. INTRODUCTION

In a Circular to shareholders of SMPC dated 22 June 2000, SMPC proposed to undertake among others a renounceable rights issue of up to a maximum of 14,999,500 new ordinary shares of RM1.00 each with up to a maximum of 14,999,500 free detachable new warrants to the shareholders of SMPC on the basis of one (1) new ordinary share with one (1) free new warrant attached for every two (2) existing ordinary shares of RM1.00 each at an issue price of RM1.55 share after the Special Issue.

At an EGM held on 7 July 2000, the shareholders of SMPC approved among others the Rights with Warrants Issue. A certified extract of the EGM Minutes containing the ordinary resolutions approving among others the Rights with Warrants Issue is reproduced in Appendix I of this AP.

The approvals from FIC for among others the Rights with Warrants Issue were obtained on 4 January 2000 and 7 June 2000 and from MITI on 6 January 2000, 17 May 2000, 13 June 2000 and 17 July 2000 respectively.

The proposal, for which the Rights with Warrants Issue is part of, was approved by the SC on 18 April 2000, subject to the following conditions:-

- i) The proceeds from the Special Issue and Rights with Warrants Issue are to be utilised as mentioned in Section 7 of this AP must be recorded in a special account before it can be utilised. Documented evidence certified by an external Auditor must be submitted to the SC after the proceeds are utilised;
- ii) The issue price of the Rights Shares must be based on the weighted average market price for the five (5) consecutive market days prior to the date of determination of issue price with a discount of not more than 20% on the "theoretical ex-all" price. The exercise price for the Rights Warrants must be based on the weighted average market price for the five (5) consecutive market days prior to the Price Fixing Date (a date between the date of the SC approval and the entitlement date.);
- iii) The issue price of the Special Issue must be pegged to be consistent with the issue price of the Rights Issue, as proposed;
- iv) The issue price of the new ordinary shares of RM1.00 each pursuant to the purchase consideration of 100% equity interest in Duro must be fixed based on the "theoretical ex-all" price, which is according to the weighted average market price of the five (5) consecutive market days prior to the price fixing date, with a premium of at least 5.25%. UMBB is required to inform the SC the issue price that will be fixed and the number of new ordinary shares of SMPC that will be issued to satisfy the purchase consideration of the Proposed Duro Acquisition;
- v) Detailed disclosure has to be enclosed in the Circular to the Shareholders and Prospectus with regards to the utilisation of proceeds raised from the Special Issue and Rights Issue, especially the proceeds allocated for working capital;
- vi) UMBB/SMPC are required to inform the SC of any changes to the total proceeds and the utilization of the proceeds as a result of the fixed issue price of the Special Issue and Rights Issue;
- vii) Detailed disclosure has to be enclosed in the Circular to Shareholders and Prospectus in regards to the business relationship between UMBB, the Directors and Substantial Shareholders of SMPC and any related parties;
- viii) UMBB is required to submit the final draft of the Circular to Shareholders, Prospectus for the Rights Issue and the ESOS Bye-Laws for the perusal of the SC and the list of options under the ESOS for the SC's approval; and
- ix) The Proposals of SMPC must be in full compliance with the Policies and Guidelines on Issue/Offer of Securities of the SC, as especially Chapter 14, 16, 17, 20, 22 and 25 of the Guidelines.

The SC has also taken into consideration the following with regards to KPSB and its Concert Parties, in order for them to get a waiver to extend a mandatory offer for the remaining shares in SMPC under the conditions precedents under Practice Note ("PN") 2.9.1 of the Malaysian Code on Take-Overs & Mergers, 1998 (the "Code"):-

- (i) Further to the Special Issue, Rights with Warrant Issue and Acquisition of Duro, the shareholding of KPSB and its Concert Parties in SMPC will be reduced from 37.35% to 28.80%;
- (ii) KPSB and its Concert Parties propose to subscribe for the Rights Shares not taken-up by Entitled Shareholders in order to restore their shareholdings to the original level of 37.35%;

- (iii) In subscribing for the rights shares that have not been subscribed, the shareholdings of KPSB and its Concert Parties will increase to more than 33%; and
- (iv) According to Part II of the Code, KPSB and its Concert Parties will have to extend a mandatory offer for the remaining shares in SMPC.

The Proposed Waiver will be reviewed by the SC upon the following being obtained:-

- (i) KPSB and its Concert Parties obtaining approval from shareholders of SMPC through a voting at an EGM and where all parties whom are deemed interested will abstain from voting. The votes count has to be certified by an Independent Auditor;
- (ii) Competent independent advice shall be given to shareholders where an independent adviser is appointed and the contents of the Independent Advice Letter to shareholders shall be submitted to the SC for approval; and
- (iii) KPSB and its Concert Parties have to jointly confirm to the SC that there has been no disqualifying transaction as stated in paragraph 6 of PN 2.9.1.

On 26 April 2000, UMBB, on behalf of the Board of Directors of SMPC, announced that the price for the Special Issue and Rights with Warrants Issue has been fixed at RM1.55 per new ordinary shares ("Special and Rights Issue Price") and the exercise price of the Rights Warrants at RM1.75 per new ordinary share ("Warrant Exercise Price").

The Special and Rights Issue Price was arrived at after taking into consideration the weighted average market price of SMPC as traded on the KLSE for the five (5) days ended 26 April 2000 of RM2.37. The Special and Rights Issue Price represents a discount of 36 sen or 18.85% as compared to the theoretical ex-all price of SMPC shares of RM1.91 ("Theoretical Ex-all Price")

The Warrants Exercise Price has been arrived at based on a discount of 16 sen or 8.38% as compared to the Theoretical Ex-all Price.

Based on the Special and Rights Issue Price of RM1.55, the Special Issue and Rights with Warrants Issue will raise a total proceeds of RM38,749,225 which will be utilised, as set out in Table 1.

Table 1

	RM
(a) Repayment of short-term bank borrowings ⁽ⁱ⁾	2,000,000
(b) Repayment of long-term bank borrowings ⁽ⁱ⁾	5,282,000
(c) Working capital ⁽ⁱⁱ⁾	30,267,225
(d) Estimated expenses relating to the Proposals ⁽ⁱⁱⁱ⁾	1,200,000
Total	38,749,225

(i) *The repayment of short-term and long-term bank borrowings will reduce the total bank borrowings of the Group from RM149,027,119 (as at 27 September 2000) to RM141,745,119 which will result in an estimated interest savings of RM835,200 per annum based on the interest rates as at 27 September 2000 which range from 8.8% to 10.3%.*

(ii) *The sum of RM30.267 million shall be utilised to finance the working capital of the Group, which will be applied towards the payment to suppliers (for purchase of raw materials to increase base stocks) as well as financial and operating expenses. This utilisation is intended to improve the Group's liquidity and reduce its reliance on borrowings to fund daily operations.*

(iii) *Includes all expenses and commissions incidental to the Proposals, estimated at RM1.2 million which, shall be borne by the Company.*

On 14 June 2000, SC has further approved the additional proceeds expected to be raised from the Special Issue and the Rights with Warrants Issue.

An application has been made to the KLSE for the dealing in and quotation of all the Rights Shares and Rights Warrants arising from the Rights with Warrants Issue and new ordinary shares arising from the exercise of the Rights Warrants. The official listing of and quotation for the Rights Shares, Rights Warrants and new ordinary shares arising from the exercise of the Rights Warrants will commence after receipt of confirmation from the MCD that all securities accounts of the Entitled Shareholders have been duly credited and notices of allotment have been despatched to them.

The new ordinary shares of RM1.00 each to be issued pursuant to this Rights with Warrants Issue shall, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares of SMPC, except that they shall not be entitled to any rights, dividends, allotment and/or other distributions the entitlement date of which precedes the date of allotment of the Rights Shares pursuant to the Rights with Warrants Issue.

The Rights with Warrants Issue is renounceable. In determining shareholders' entitlements to the Rights with Warrants Issue, fractional entitlements of Rights Shares and Rights Warrants will be disregarded and shall be dealt with in such manner as the Directors of SMPC in their absolute discretion think expedient in the interest of the Company.

If you are a registered shareholder of the Company on the Entitlement Date, you will find enclosed with the AP, the Provisional Allotment Letter in respect of the number of new ordinary shares and new warrants which you are entitled to subscribe for under the terms of the Rights with Warrants Issue.

2. RIGHTS WITH WARRANTS ISSUE

2.1 Terms and conditions of the Rights with Warrants Issue

The Rights Shares

In accordance with the terms of the Rights Issue as approved by the SC and the shareholders of the Company, SMPC has provisionally allotted up to a maximum of 14,999,500 new ordinary shares of RM1.00 each at an issue price of RM1.55 per share and up to a maximum of 14,999,500 free detachable new warrants for subscription by shareholders of SMPC whose names appear in SMPC's Record of Depositors at 5.00pm on 27 September 2000 on the basis of one (1) new ordinary share and one (1) warrant for every two (2) existing ordinary shares held subject to the terms and conditions of the AP and PAL to the Entitled Shareholders. The Rights Issue is renounceable in full or in part. Renunciation must be made as a package, that is the Rights Shares and the Rights Warrants are not separately renounceable.

The issue of Rights Warrants to each of the Entitled Shareholders of SMPC will be based on each shareholder's entitlement to the Rights Shares and on their acceptance of such entitlement. Should the shareholder renounce his entitlement, whether in full or in part, he will not be entitled to the number of Rights Warrants proportionate to his entitlement to the Rights Shares which have been renounced.

As the KLSE has prescribed all SMPC securities to be deposited with MCD under the Central Depositories Act, any dealings in the Rights Shares and Rights Warrants arising from the Rights with Warrants Issue and the new shares to be issued upon exercise of the Rights Warrants will be subject to the Central Depositories Act, and the Rules. Accordingly, the Rights Shares and Rights Warrants and the new shares to be issued upon exercise of the Rights Warrants will be credited directly into the respective valid and subsisting securities account of Entitled Shareholders and no physical certificates will be issued. However, a notice of allotment will be despatched to the Entitled Shareholders.

The official listing of and quotation for the Rights Shares will commence upon receipt of confirmation from MCD that all CDS accounts of the Shareholders who have subscribed to the Rights Shares have been duly credited and notices of allotment have been despatched to them. The Rights Warrants will be admitted to the Official List of the KLSE and official listing of and quotation for the Warrants will commence upon receipt of confirmation from MCD that the CDS accounts of the holders of the Rights Warrants have been duly credited and notices and allotment have been despatched to them. The official listing and quotation for the shares arising from the exercise of Warrants will commence upon receipt of confirmation from MCD that the CDS accounts of the holders of such shares have been duly credited and notices of allotment have been despatched to them.

The Rights Shares will upon allotment and issue, rank pari passu in all respects with the existing shares of SMPC except that they will not be entitled to any dividends, rights, allotment and/or distribution, the entitlement of which is prior to the date of allotment of the new ordinary shares pursuant to the Rights with Warrants Issue.

The Rights Warrants will be detached from the Rights Shares upon issue and separately traded. The Rights Warrants will be issued in registered form and each Rights Warrants will carry the right to subscribe for one (1) new ordinary share of RM1.00 each in SMPC. The new ordinary shares to be issued pursuant to the exercise of the Rights Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares in SMPC except that they shall not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares.

As you are an Entitled Shareholder to the Rights Issue, you will find with this AP, the PAL in respect of the number of Rights Shares and Rights Warrants for which you are entitled to subscribe under the terms of the Rights Issue.

Salient Features of the Rights Warrants

- Number of Warrants : Up to a maximum of 14,999,500 Warrants to subscribe for up to a maximum of 14,999,500 new ordinary shares of RM1.00 each in SMPC. The number of Warrants is subject to adjustments in accordance with the provisions of the Deed Poll constituting the Warrants.
- Form : The Warrants, which are issued with the Rights Shares, are immediately detachable upon issue and allotment and will be separately traded on the KLSE. The Rights Warrants will be issued in registered form and shall be constituted by the Deed Poll. As the KLSE has prescribed all SMPC securities to be deposited with MCD under the Central Depositories Act, the Rights Warrants will be credited directly into the respective valid and subsisting securities accounts of the respective Warrants allottees and no physical certificates will be issued to them. However, a notice of allotment will be despatched to the respective Warrants allottees mentioned above.
- Exercise Period : The Warrants may be exercised at any time during the five (5) years from the date of issue of the Warrants. Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
- Mode of Exercise : The Warrant holders are required to lodge an exercise notice, set out in the Deed Poll, with the Company's Registrars, duly completed, signed and stamped (if required) together with payment of the Exercise Price by banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia.

Issue Price	:	The Warrants are issued free together with the Rights Shares.
Exercise Price	:	The exercise price of the Warrants (subject to adjustments as provided for by the Deed Poll) has been fixed at RM1.75, which represents a discount of 16 sen or 8.38% as compared to the Theoretical Ex-all Price.
Entitlement	:	Subject to the provisions of the Deed Poll, each Warrant will entitle the Warrant holder during the Exercise Period to subscribe for one (1) new ordinary share of RM1.00 each in SMPC at the Exercise Price.
Status of new ordinary shares arising from the exercise of the Rights Warrants	:	The new ordinary shares of RM1.00 each in SMPC to be issued pursuant to the exercise of the Rights Warrants shall upon allotment and issue, rank pari passu in all respects with the existing shares of SMPC except that they will not be entitled to any dividends, rights, allotment and/or distribution, the entitlement of which is prior to the date of allotment of the new ordinary shares following the exercise of the Rights Warrants.
Deed Poll	:	The Rights Warrants shall be constituted by a Deed Poll executed by SMPC.
Board Lot	:	1,000 Rights Warrants carrying the right to subscribe for 1,000 new ordinary shares in SMPC.
Listing of the Warrants	:	Application has been made to KLSE for the admission of the Rights Warrants to the Official List and for the listing of and quotation for the Rights Warrants and the new ordinary shares in SMPC arising from the subsequent exercise of the Rights Warrants.
Governing Law	:	Governed by Malaysian Law.

2.2 Basis for determining the Rights Issue Price and Warrants Exercise Price

The Rights Issue Price of RM1.55 per ordinary share was arrived at after taking into consideration the weighted average market price of SMPC as traded on the KLSE for the five (5) days ended 26 April 2000 of RM2.37. The Rights Issue Price represents a discount of 36 sen or 18.85% as compared to the theoretical ex-all price of SMPC shares of RM1.91 ("Theoretical Ex-all Price")

The Warrants Exercise Price has been arrived at based on a discount of 16 sen or 8.38% as compared to the Theoretical Ex-all Price.

2.3 Laws of Foreign Jurisdictions

This AP, the PAL and their respective accompanying documents have not been (and will not be) made to comply with the laws of any foreign jurisdictions, and have not been (and will not be) lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any foreign jurisdiction, and the Rights Issue will not be made or offered in any foreign jurisdiction.

An Entitled Shareholder or the renounee may accept or renounce (as the case may be) all or any part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and UMBB, other experts and SMPC and its Directors and officers would not, in connection with the Rights Issue, be in breach of the laws of jurisdiction to which that Entitled Shareholder or renounee is or might be subject. The Entitled Shareholders and their respective renounee(s), shall be solely responsible to seek advice as to the laws of the jurisdictions to which they are or might be subject. UMBB, other experts and SMPC and its Directors and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any Entitled Shareholder or renounee, is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

By signing any of the forms accompanying this AP and the PAL, the Entitled Shareholder and/or the renounee is deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) UMBB, other experts and SMPC and its Directors and officers that: -

- (i) The Company would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which that Entitled Shareholder or renounee is or might be subject to:
- (ii) The Entitled Shareholder or renounee has complied with the laws to which the Entitled Shareholder or renounee is or might be subject to in connection with the acceptance or renunciation:
- (iii) The Entitled Shareholder or renounee is not a nominee or agent of a person in respect of whom the Company would, by acting on the acceptance or renunciation be in breach of the laws of any jurisdiction to which that person is or might be subject to;
- (iv) The Entitled Shareholder or renounee is aware that the Rights Shares and the Rights Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) The Entitled Shareholder or renounee has received a copy of this AP and has had access to such financial and other information and has been provided the opportunity to ask such financial and other information and has been provided the opportunity to ask such questions to the representatives of the Company and receive answers thereof as the Entitled Shareholder or renounee deems necessary in connection with the Entitled Shareholder or renounee's decision to subscribe or purchase the Rights Shares together with the Rights Warrants; and
- (vi) The Entitled Shareholder or renounee has or has sought for advice of a person having sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares or the Rights Warrants, and is and will be able, and is prepared to bear the economic and financial risks of investing in and holding the Rights Shares and Rights Warrants.

3. ADVISER'S DECLARATION OF INTERESTS

UMBB has not extended any banking facilities to the SMPC Group. However, UMBB has extended banking facilities to Pitchai Metal Sdn Bhd and Tresight Vision Sdn Bhd. There is currently no equity relationship between SMPC, Pitchai Metal Sdn Bhd and Tresight Vision Sdn Bhd except for a common Director and deemed substantial shareholder as disclosed below.

Mr Machendran a/l Pitchai Chetty, a Director and deemed substantial shareholder of SMPC is also a Director and deemed substantial shareholder of Pitchai Metal Sdn Bhd and Tresight Vision Sdn Bhd. The current facilities granted to the abovementioned companies as at 21 September 2000 are as disclosed below:-

Company	Facility	Approved Limit	Principal Outstanding
i) Pitchai Metal Sdn Bhd	Term Loan	RM5.0 million	RM5.0 million
ii) Tresight Vision Sdn Bhd	Revolving Credit	RM10.5 million	RM10.2million

Save as disclosed above, UMBB has no other material financial relationship with SMPC or parties related to SMPC.

4. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SPLITTING AND EXCESS RIGHTS WITH WARRANTS ISSUE APPLICATION

4.1 PAL

The PAL comprising Forms A,S,R,N and E together with the notes and instructions therein, is issued with this AP and is deemed to form part thereof in accordance with Section 41(1) of the Securities Commission Act, 1993.

The procedures and conditions with regard to application, acceptance and payment which apply to the PAL shall also apply to the split PALs received by Entitled Shareholders and/or his/her renounee(s) as a result of the splitting of the original PAL.

4.2 Instructions for Acceptance

Acceptance and payment for the Rights Shares provisionally allotted to the Entitled Shareholders must be made on the PAL issued with this AP and must be completed in accordance with the notes and instructions printed therein. Acceptances, which do not strictly conform to the terms of this AP or PAL or notes and instructions printed therein, or which are illegible may not be accepted at the absolute discretion of the Board.

The PAL together with this AP will be sent by the Share Registrars to the Entitled Shareholders.

FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WITH RIGHTS WARRANTS PROVISIONALLY ALLOTTED TO YOU AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO DISPOSE OF YOUR RIGHTS TO ALL OR ANY OF THE RIGHTS SHARES WITH RIGHTS WARRANTS ARE SET OUT IN THE PAL. YOU ARE ADVISED TO READ THE PAL AND THE INSTRUCTIONS THEREIN CAREFULLY.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE PAL OR ACCEPTANCE MONIES WILL BE ISSUED BY THE SHARE REGISTRARS OR SMPC IN RESPECT OF THE RIGHTS SHARES WITH RIGHTS WARRANTS. WHERE ANY INCOMPLETE OR INACCURATE APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANTS WITHIN TWENTY (20) MARKET DAYS FROM THE LAST DATE OF ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY REGISTERED POST TO THE ADDRESS SHOWN ON THE PAL AT YOUR OWN RISK.

APPLICANTS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

Each completed PAL must be despatched by ORDINARY POST or DELIVERED BY HAND in the official envelope provided, to the Share Registrars of SMPC, at the following address so as to arrive not later than 5.00 p.m. on 8 November 2000:

Securities Services (Holdings) Sdn Bhd
11th Floor, Bangunan FOP
Jalan Anson
10400 Penang

If acceptance and payment for the Rights Shares with Rights Warrants provisionally allotted to you are not received by the Company's Registrars, Securities Services (Holdings) Sdn Bhd, 11th Floor, Bangunan FOP, Jalan Anson 10400 Penang, by 5.00 p.m. on 8 November 2000, being the LAST DAY AND TIME for acceptance and payment, the said provisional allotment to you will be deemed to have been declined and will be cancelled. Such Rights Shares with Rights Warrants not taken up will be allotted first to applicants for excess Rights Shares with Rights Warrants and if undersubscribed, the balance will then be taken up by underwriters of this Rights with Warrants Issue.

4.3 Acceptance in full

If you wish to FULLY accept the Rights Shares with Rights Warrants provisionally allotted to you, please complete the Form of Acceptance (FORM A) of the PAL accompanied by the necessary payment.

There are no restriction on the minimum number of Rights Shares that can be accepted and the multiples of additional Rights Shares for which you can apply.

Payment by MALAYSIAN RESIDENTS must be made by Banker's Draft, Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and must be made payable to "SMPC RIGHTS ISSUE A/C" for the Rights Issue. The Banker's Draft, Cashier's Order, Money Order or Postal Order should be crossed "A/C PAYEE ONLY" and should be endorsed on the reverse side with your NAME AND ADDRESS IN BLOCK LETTERS AND THE PAL SERIAL NUMBER. The payment must be made for the exact amount. Any excess or insufficient payment or cheques or any other mode of payments may be rejected at the absolute discretion of the Directors of SMPC.

Payment by NON-RESIDENTS OF MALAYSIA must be remitted in equivalent foreign currencies or in RM from External Accounts. In respect of remittance in foreign currencies, instructions must be given by the non-resident to the receiving banks to convert the foreign currencies into RM and to issue a Banker's Draft or Cashier's Order in RM made payable to "SMPC RIGHTS ISSUE A/C". The Banker's Draft or Cashier's Order should be crossed "A/C PAYEE ONLY" and should be endorsed on the reverse side with your NAME AND ADDRESS IN BLOCK LETTERS AND THE PAL SERIAL NUMBER. Cheques or any other mode of payment may be rejected at the absolute discretion of the Directors of SMPC.

Each completed PAL must be despatched by ORDINARY POST or DELIVERED BY HAND in the official envelope provided with this Abridged Prospectus and received by the Company's Registrars, Securities Services (Holdings) Sdn Bhd, 11th Floor, Bangunan FOP, Jalan Anson 10400 Penang, by 5.00 p.m. on 8 November 2000, being the last time and date of acceptance and payment.

4.4 Renunciation of Rights Shares

The Right Issue is on a renounceable basis. You may, by completing the PAL apply for all or part of your entitlements. You may split your entitlements under the Rights with Warrants Issue or renounce all or part thereof in favour of other parties. Should you wish to completely renounce your rights to subscribe for the Rights Shares provisionally allotted to you, and to sell these rights, please complete the Form of Renunciation (FORM R) only and return the PAL in its ENTIRETY to the purchaser of your rights. In this event, please cancel the Form of Acceptance (FORM A).

Shareholders or their renounees should note that if the PAL and payments have been lodged with the Share Registrars, they cannot be subsequently withdrawn.

The Directors of the Company reserve the right to reject any incomplete or inaccurate application.

4.5 Excess Right Shares with Rights Warrants application

If you wish to apply for additional Right Shares with Rights Warrants in excess of your entitlement, you can do so by completing the Excess Shares Application Form (FORM E) which is enclosed with the PAL, and forward it with a separate remittance for the full amount payable on the excess Rights Shares with Rights Warrants applied for to the Company's Share Registrars, Securities Services (Holdings) Sdn Bhd, 11th Floor, Bangunan FOP, Jalan Anson 10400 Penang, so as to arrive not later than 5.00 p.m. on 8 November 2000.

Payment for the application of excess Rights Shares with Rights Warrants under the aforesaid excess Rights Shares with Rights Warrants application should be in the same manner described above for the Rights Shares with Rights Warrants application provisionally allotted to you, except that the Banker's draft, Cashier's Order, Money Order or Postal Order should be made payable to "SMPC EXCESS SHARES APPLICATION A/C".

Your Directors reserve the right to allot the Rights Shares with Rights Warrants applied for under Form E in such manner as they deem fit and they reserve the right to refuse any application without assigning any reason therefor. It is the intention of your Directors to allot excess Rights Shares with Rights Warrants in such manner that the incidence of odd lots will be minimised.

Where no excess shares are allotted to you, the application monies will be refunded to you in full without interest by ordinary post within twenty (20) Market Days from the last date for application of the Excess Right Shares by ordinary post to the address shown on the PAL at your own risk. Where an excess application is accepted in part only, the surplus application monies will be refunded to you without interest and shall be despatched to you within twenty (20) Market Days from the last date for application of the Excess Right Shares by ordinary post to the address shown on the PAL at your own risk.

THE FORM E IS FOR THE PERSON TO WHOM THE PAL IS ADDRESSED AND IS NOT TRANSFERABLE.

4.6 Splitting

If you wish to accept only part of the Rights Shares with Rights Warrants provisionally allotted to you and dispose some or all of the Rights Shares with Rights Warrants provisionally allotted to you, to more than one person, please complete the Request for Splitting (FORM S) only and return the PAL in its ENTIRETY to the Company's Share Registrars, Securities Services (Holdings) Sdn Bhd, 11th Floor, Bangunan FOP, Jalan Anson 10400 Penang, so as to arrive not later than 5.00 p.m. 12 October 2000.

You are allowed to split your PAL at a nominal fee of RM2.00 per split PAL, made payable to the Company's Share Registrars. The Directors of the Company reserve the right to reject any request to split PAL, if in the opinion of the Directors, the Rights Shares and Rights Warrants are in unreasonable denominations.

The split PAL which will be sent to you will not be entitled for further splitting. You will then be able to accept part of your provisional allotment and sell the other part(s) which you do not wish to accept or sell all to different persons. The same instructions with regard to acceptance and payment apply to the split PAL received as a result of the splitting of the original PAL.

The surrender of the PAL purporting to be signed by the shareholder shall be conclusive evidence in favour of the Company of the title of the party depositing the PAL to deal with it and to receive the split PAL in exchange.

Applicants should note that once the PAL and payment have been lodged with the Company's Share Registrars, they cannot subsequently be withdrawn or amended.

4.7 Notice of Allotment

Notice of Allotment will be issued and despatched by ordinary post to Entitled Shareholders or their renounees at their own risk within twenty (20) Market Days from the last date of acceptance and payment for the Rights with Warrants Issue to the address shown on the PAL.

4.8 CDS Accounts

The KLSE has prescribed the SMPC Shares listed on the Second Board of the KLSE to be deposited with MCD and will be prescribing the Rights Shares together with the Rights Warrants and the new Shares pursuant to the exercise of the Rights Warrants to be listed on the KLSE to be deposited with MCD. Accordingly, the Rights Shares, the Rights Warrants and the new Shares issued pursuant to the exercise of the Rights Warrants are prescribed securities and as such will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of MCD.

Where the PAL is issued to you in respect of the relevant deposited securities which are standing to the credit of your valid and subsisting CDS Account, the acceptance of the Rights Shares with Rights Warrants by you shall mean that you consent to receiving such Rights Shares with Rights Warrants as deposited securities credited directly into your CDS Account. No Share or Warrant certificates will be issued to the Entitled Shareholder or renounee.

Where a PAL is issued to you in respect of the relevant deposited securities which are standing to the credit of your valid and subsisting CDS Account, any person who intends to purchase such rights as a renounee shall have to state his/her valid and subsisting CDS Account number whereupon such Rights Shares with Rights Warrants shall be credited directly as deposited securities into his/her valid and subsisting CDS Account.

An applicant of excess Rights Shares with Rights Warrants must state his/her CDS Account number and if the excess Rights Shares with Rights Warrants is accepted in full or in part then, such Rights Shares with Rights Warrants shall be credited directly into his/her valid and subsisting CDS Account.

Where a Warrant holder exercises the Rights Warrants, the new Shares to be issued will be credited directly into his/her valid and subsisting CDS Account and a notice of allotment stating the number of shares credited into his/her valid and subsisting CDS Account will be issued and no physical share certificates will be issued to the Warrant holder exercising the Rights Warrants. In this case, the CDS Account of the Warrant holder must be stated in the exercise notice or exercise form.

Shareholders should note that once the PAL and payment have been lodged with the Company's Share Registrars, they cannot subsequently be withdrawn or amended.

THE LATEST TIME AND DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND RIGHTS WARRANTS WILL BE AT 5.00 P.M. ON 8 NOVEMBER 2000.

5. RISK FACTORS

Notwithstanding the prospects of the industry and the SMPC Group as described in Section 9, the Rights with Warrants Issue and the business activities of the SMPC Group are exposed to certain risks.

Among the factors (which may not be exhaustive) that may have an impact on the shareholders of the Company and the SMPC Group are as follows:

5.1 Market Price

The market price of SMPC Shares and Warrants on the KLSE is dependent on amongst others, prevailing stock market sentiments, the volatility of the share market, interest rates, future profitability of the Group and the industry in which the Group operates. There is no assurance that the market price of the SMPC Shares and Warrants will be maintained at any particular level subsequent to its issue.

5.2 Increase in Share Capital

Upon completion of the Proposals, there may be a dilution effect in SMPC's EPS. depending on whether the improved earnings envisaged upon completion of the Proposals is able to support the enlarged share capital.

5.3 Profit forecast

The profit forecast of the SMPC Group after the completion of the Proposals as set out in Appendix V of this AP are based on assumptions that are subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently may not occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from that shown. This is especially so under current prevailing economic conditions which makes forecasting difficult.

Shareholders are deemed to have read and understood the description of the assumptions and uncertainties underlying the forecast that are contained herein.

5.3 Business risks

The SMPC Group is subject to certain risks inherent in the steel related industry. These include, inter alia, availability of labour, increases in the cost of labour and raw materials, changes in general economic, business, credit and interest rate conditions and changes in the legal environment framework within which the industry operates. Although the Group seeks to limit these risks through, inter-alia, semi-automated operations, large pool of suppliers and expansion of markets, local and export, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

5.5 Dependence on key personnel

The SMPC Group believes that its future success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. The presence in SMPC of key personnel with a strong background in steel related activities is an asset to the Company. The loss of any of the key members of the Board of Directors or senior management could adversely affect the Company's continued ability to compete in the steel related industry. The company's future success will also depend upon its ability to attract and retain skilled personnel.

5.6 Political, economic and regulatory considerations

Like all businesses, changes in the political, economic and regulatory conditions in Malaysia and elsewhere could materially affect the financial and business prospects of the SMPC Group and the markets they serve. Amongst the political and economic regulatory uncertainties are the changes in political leadership, expropriation, nationalisation, re-negotiation or nullification of existing sales contracts, changes in interest rates and methods of taxation and currency exchange rules and contracts.

5.7 High level of borrowings

As at 27 September 2000, SMPC's total bank borrowings including interest amounted to approximately RM149 million. After the Rights with Warrants Issue, SMPC's total bank borrowings including interest will be reduced to approximately RM142 million. Shareholders should take note the high level of borrowings after the Rights with Warrants Issue which may be a burden to the Group in the future.

5.8 Control by substantial shareholders

Following the completion of the Proposals, PNS, KPSB, Y.Bhg. Dato' Mohd. Taufik bin Abdullah, Ravendran a/l Sivalingam, Nissho Iwai Corporation and Jacob Rabindranath a/l Krishnan collectively will hold 69.15% of the issued and paid-up capital of the Company as at 21 September 2000. Depending on how they choose to vote and because of the size of their shareholdings, these substantial shareholders will have a significant influence over the outcome of certain matters requiring the vote of the Company's shareholders.

5.9 Future Prospects

Certain statements in this AP are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies. In light of these and other uncertainties, the inclusion of a forward-looking statement in this AP should not be regarded as a representation or a warranty by the Company or its advisers that the plans and objectives of the Group will be achieved.

6. RATIONALE

The proceeds raised from the Rights Issue will provide the Company with funds for working capital for the SMPC Group. In addition, the Rights Issue will provide the shareholders of SMPC with the opportunity to participate in the long-term growth of SMPC Group and at the same time strengthen the capital base of the Company. The Warrants to be issued act as "sweetener" to make the Rights Issue more attractive to the Shareholders.

7. UTILISATION OF PROCEEDS

The cash proceeds of RM23,249,225 to be raised from the Rights with Warrants Issue are proposed to be utilised as below within six (6) months from the date of completion of the Rights with Warrants Issue :-

	Amount (RM)
1. Repayment of short-term borrowings ⁽ⁱ⁾	2,000,000
2. Repayment of term borrowings ⁽ⁱⁱ⁾	5,282,000
3. Working Capital ⁽ⁱⁱⁱ⁾	14,767,225
4. To defray expenses relating to the Proposals ⁽ⁱⁱⁱ⁾	1,200,000
	23,249,225

Notes:-

(i) The repayment of short-term and long-term bank borrowings will reduce the total bank borrowings of the Group from RM149,027,119 (as at 27 September 2000) to RM141,745,119 which will result in an estimated interest savings of RM835,200 per annum based on the interest rates as at 27 September 2000 which range from 8.870 to 10.370.

(ii) The sum of RM14.767 million shall be utilised to finance the working capital of the Group, which will be applied towards the payment to suppliers (for purchase of raw materials to increase base stocks) as well as financial and operating expenses. This utilisation is intended to improve the Group's liquidity and reduce its reliance on borrowings to fund daily operations.

(iii) Includes all expenses and commissions incidental to the Proposals, estimated at RM1.2 million which shall be borne by the Company.

The Company intends to utilise the future proceeds from the exercise of any of the Rights Warrants to part retire its long term-borrowings as and when the Rights Warrants are exercised. The long term borrowings of SMPC as at 27 September 2000 is approximately RM19 million.

8. FINANCIAL EFFECTS OF THE RIGHTS WITH WARRANTS ISSUE

8.1 Share Capital

(i) Authorised share capital

The existing authorised share capital of SMPC is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

(ii) Issued and paid-up share capital

The Proposals will increase the issued and paid-up share capital of SMPC as below:-

	Par Value (RM)	No. of Ordinary Shares	Cumulative Issued and paid-up share capital (RM)
Existing as at 21 September 2000	1.00	29,849,000	29,849,000
After full completion of Special Issue	1.00	^150,000	29,999,000
After Rights with Warrants Issue to the existing shareholders	1.00	*14,999,500	44,998,500
After Duro Acquisition	1.00	9,653,465	54,651,965
Assuming Full Exercise of Rights Warrants#	1.00	*14,999,500	69,651,465

Note :-
 # Assuming that no options granted under the ESOS will be exercised.
 * Assuming a maximum number of Rights Shares and Rights Warrants have been issued.
 ^ The 150,000 being the balance of the Special Issue Shares to be completed in October 2000.

8.2 Earnings

Barring any unforeseen circumstances, the forecast consolidated profit after taxation and minority interests of SMPC for the financial year ending 31 January 2001 are as follows:-

	<u>Before Proposals</u> Forecast 2001 RM'000	<u>After Proposals</u> Forecast 2001 RM'000
Year ending 31 January		
Turnover (RM'000)	234,693	266,822
Pretax profit after MI (RM'000)	2,669	5,190
Profit after tax after MI (RM'000)	1,439	3,456
No. of shares in issue ('000)	19,999	*27,841
Gross EPS (sen)	13.4	18.6
Net EPS (sen)	7.2	12.4

* Being weighted average number of ordinary shares in issue during the financial year

The consolidated profit forecast of SMPC for the financial year ending 31 January 2001 together with the underlying bases and assumptions thereto and the Auditors' letter thereon are set out in Appendix V of this AP.

8.3 Dividends

Although the Proposals are envisaged to improve the profitability of the SMPC Group, the Board of Directors has decided to defer the declaration and payment of dividends for the financial year ending 31 January 2001 and 31 January 2002 in view of the accumulated losses carried forward from previous financial years.

8.4 NTA

Based on the audited consolidated accounts as at 31 January 2000, the NTA of the SMPC Group is expected to increase from RM1.01 per ordinary share to RM1.28 per ordinary share upon completion of the Rights with Warrants Issue. Details of the changes in NTA are tabled as follows :-

	(I)	(II)	(III)	(IV)	(V)	
	Audited As at 31 Jan 2000	After Special Issue [^]	After (I) and Rights with Warrants Issue	After (II) and Duro Acquisition	After (III) and Assumed Full Exercise of ESOS	After (IV) and Assumed Full Exercise of Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share Capital	19,999	29,999	44,998	54,652	60,117	75,117
Share Premium	2,135	6,435	14,685	24,531	29,504	40,754
Capital Reserve	-	-	-	-	-	-
Reserve on Consolidation	4,645	4,645	4,645	-	-	-
Revaluation Reserve	8,005	8,005	8,005	8,005	8,005	8,005
Retained Profits	(14,305)	(14,305)	(14,305)	(14,305)	(14,305)	(14,305)
Shareholders Funds	20,479	34,779	58,028	72,883	83,321	109,571
Less:						
Goodwill on Consolidation [#]	-	-	-	4,949	4,949	4,949
Intangible Assets	219	219	219	219	219	219
NTA	20,260	34,560	57,809	67,715	78,153	104,403
No of ordinary shares of RM1.00 each ('000)	19,999	29,999	44,998	54,652	60,117	75,117
NTA per share (RM)	1.01	1.15	1.28	1.24	1.30	1.39

Note :

The ESOS' exercise price is assumed to be RM1.91 and the Rights Warrants' exercise price is RM1.75. For Item III above, the Acquisition Method is assumed.

The goodwill on consolidation arising from the acquisition of the Duro Group is based on the Audited Consolidated Balance Sheet of Duro as at 31 December 1999.

^ The issue of 9,850,000 Special Issue Shares was completed on 20 September 2000 and the issue of 150,000 Special Issue Shares will be completed in October 2000.

The proforma consolidated balance sheets of SMPC as at 31 January 2000 together with the auditors' letter thereon are set out in Appendix VI.

8.5 Gearing

Based on the audited consolidated balance sheets as at 31 January 2000 the gearing position of SMPC Group is shown below:-

	(I)	(II)	(III)	(IV)	(V)	
	Audited As at 31 Jan 2000	After Special Issue	After (I) and Rights with Warrants Issue	After (II) and Duro Acquisition	After (III) and Assumed Full Exercise of ESOS	After (IV) and Assumed Full Exercise of Warrants
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Shareholders Funds	20,479	34,779	58,028	72,883	83,321	109,571
Total Borrowings (all interests bearing debts)	148,566	134,266	111,017	118,585	108,147	81,897
Gearing Ratio (against Shareholders' Funds) (Times)	7.25	3.86	1.91	1.63	1.30	0.75

Note : The ESOS' exercise price is assumed to be RM1.91 and the Rights Warrants' exercise price is RM1.75.

9. PROSPECTS AND INDUSTRY REVIEW

Malaysian Economy – Overview

The Malaysian economy has recovered in 1999 from the severe deflationary impact of the regional financial crisis which has resulted in a 7.5% contraction of the economy in 1998. The economy recovery has been underpinned by policies adopted under the National Economy Recovery Plan as well as other favourable domestic and external developments. Real Gross Domestic Product (GDP), which had contracted by an unprecedented 10.9% and 10.3% in the third and fourth quarters of 1998, registered a significantly milder contraction of 1.3% in the subsequent first quarter before recovering with a positive growth of 4.1% in the second quarter of 1999. (*Economic Report, pg. 17*) Thereafter, the GDP continued to soar to a growth of 8.2% in the third quarter and 10.6% in the fourth quarter. (*Budget Speech*)

In light of the economic recovery, average household income increased by 3.7%. (*Budget Speech*) Aggregate domestic demand for goods and services has recorded an increase of an estimated 3.5%. This reflects improvement in employment opportunities as well as the better financial performance of the business sector. (*Economic Report, pg.20*)

Underlying this positive outlook is an economy that is becoming increasingly more resilient to external shocks and systematic risks, made possible by the recent policy measures to strengthen the nations external reserves position, financial system and the corporate sector. (*Economic Report, pg. 28*) Consequently, such measures would provide the necessary impetus for Malaysia's real GDP to expand at a faster rate of 5.8% in year 2000. (*Budget Speech*) Also, underpinning the expected higher output growth would be domestic demand which is forecasted to strengthen further due to stronger growth in private consumption and a recovery in private sector investment as well as through additional fiscal stimulus. (*Economic Report, pg. 28*)

The manufacturing sector is among those sectors that came through the slump with a recorded positive growth in 1999. In response to a strengthening of overseas sales orders as well as an improvement in domestic demand, the manufacturing sector recovered strongly since February 1999 to record a significant rate of growth averaging 10% through August 1999. This growth is said to be driven by Increase in output and demand for transport equipment, manufactured food, chemical and plastics, paper as well as basic metal products. The government forecasted this sector to sustain a robust growth of 8% in 2000. (*Economic Report, pg. 28*) Export-oriented manufacturing industries are expected to increase their output to 7.9% while domestic-oriented to a high of 9.2%; both driven by stronger demand. (*Economic Report, pg. 29*)

Private investment is projected to turn around to register a positive growth of 9% in 2000 to RM 37.9 million mainly in export-oriented manufacturing industries. Malaysian Industrial Development Authority (MIDA) has been giving higher investments approvals in 1999 to export-market-oriented manufacturing industries. However, due to excess capacity, the domestic-market-oriented manufacturing industries are not expected to undertake any major investment in 2000. (*Economic Report, pg.30*) On another note, in order to continue supporting the development of new high technology based industries as the engine of economic growth, sufficient funds will be made available in view of high risks factor. Malaysian-owned companies will have access to venture capital financing to purchase plant, machinery and equipment as well as to build factories for high technology industries. This is in line with the objective of the Second Industrial Master Plan to increase value-added of the manufacturing sector as well as our international competitiveness. (*Budget Speech*)

References:

- (i) *Economic Report 1999/2000, Ministry of Finance, Malaysia.*
- (ii) *The 2000 Budget Speech by Y.B. Tun Daim Zainuddin on 25 February 2000.*

Iron and Steel Industry – Outlook and Prospects

Sectors of the economy such as construction and manufacturing have traditionally been the main drivers of steel consumption. As such, the performance of these two sectors will affect the performance of Iron and Steel Industry significantly.

Underpinned by a recovery in external and domestic demand, value-added in the manufacturing turned around to record positive growth in 1999, while the contraction in the construction sector moderated. In response to a strengthening of overseas sales orders as well as the improvement in domestic demand, the output of the manufacturing sector recovered strongly since February 1999 to record a significant rate of growth averaging 10% through August. The recovery is seen to be driven by a significant increase in the production of transport equipment, following a surge in demand for passengers cars, as well as a positive turnaround in the output of a notable 8.2% of several related industry which included iron and steel products. Civil engineering works for both public and private projects in 1999 following the assistance measures given by the government and the financial sectors. (*Economic Report, pg 18*) In tandem with the turnaround in construction activity in the second half of the year, output of the construction-related material industries such as cement products and iron and steel bars and rods products as a group improved markedly by 14.3%. (*Annual Report, pg.19*)

Following the government's measures to stimulate infrastructure projects as part of their fiscal stimulus programmes, manufacturers of iron and steel products began to step up production in response to increase in domestic demand. During the first eight months, output of the industry rebounded sharply by 29.7%. Furthermore, export of iron and steel flat-rolled products increased sharply by 252.4% to RM307 million following successful efforts by local steelmakers to market their products abroad. (*Economic Report, pg 103*)

The manufacturing sector is expected to benefit from the stronger growth expected in world trade, a robust recovery in the East Asian economies and stronger domestic demand in 2000. Thus, manufacturing output is forecast to sustain a robust growth of 8% in 2000. The construction sector will be expected to recover by 5% in 2000 following the assumption that the acceleration in civil engineering works given by higher budgetary allocation by the government for the construction of infrastructure in the country will underpin such recovery. (*Economic Report, pg 28*)

The year 2000 should see a stronger and more broad based recovery of the Malaysian economy, if the external environment remains favourable. Given the strong recovery in the regional economies and the generally favourable world economic outlook for 2000, export growth is expected to be sustained at a high level. All domestic demand components are expected to record positive growth in 2000. (*Annual Report, pg.112*)

References:

- (i) *Economic Report 1999/2000, Ministry of Finance. Malaysia.*
- (ii) *Annual Report 1999, Bank Negara Malaysia*

Overview of the Prospects of the Company and its subsidiaries

The year 2000 should see a stronger and more broad based recovery of the Malaysian economy, with significant growth in the manufacturing and construction sectors of the economy. (*Report, pg.73*)

The main source of growth is expected to be from domestic demand, stimulated by measures put in place by the government to revive the economy. The external sector is also expected to exert a net expansionary impact as regional economies begin their recovery process. Overall, steel consumption will grow, spurred by the implementation of fiscal measures, such as the RM5 billion Infrastructure Development Fund. (*Report, pg.73*)

The SMPC Group has made inroads into the export markets, like Sri Lanka, Myanmar, India and Nepal. Valuable export orders have beefed up revenue and corporate earnings. The export markets are sustainable and further expansion into new markets are initiated to exploit new growth opportunities.

On the domestic front, the demand for local scrap has been increasing due to the huge requirement by the local steel millers who use the processed scrap as feed stock in the production of steel bars, wire rods and steel sheets. In addition, the Group has initiated an aggressive marketing drive to salvage industrial scrap which are graded and sold at premier prices, thus ensuring higher margins.

As Malaysia recovers economically and continues to industrialise, the demand for steel products in particular the flat products will increase. The steel service centre plant which is strategically located in Kapar and equipped with the state-of-art machinery will be able to cater for the diverse requirements of its customers.

Reference:

- (i) *Report on Status and Outlook of the Malaysian Iron and Steel Industry, August 1999, pg 73*

The remaining of this page is being left blank Intentionally.

10. PROFIT AND DIVIDEND RECORD

The audited financial results of SMPC Group for the years ended 31 January 1996 to 2000 and unaudited financial results for the six (6) month period ended 31 July 2000 are summarised as follows:-

SMPC Group Financial Year Ended 31 January	----- Audited -----					Unaudited
	1996	1997	1998	1999	2000	Six (6) months ended 31 July 2000
	RM	RM	RM	RM	RM	RM
Turnover	157,443,817	236,013,197	244,048,289	207,550,799	215,158,188	119,269,174
Operating Profit/(Loss)	11,196,009	13,325,837	4,910,353	(40,350,351)	1,100,899	1,095,094
Share of Loss in Associated Company	-	-	(124,380)	(317,611)	(688,849)	-
Profit/(Loss) before taxation	11,196,009	13,325,837	4,785,973	(40,667,962)	412,050	1,095,094
Pre-acquisition profit	(3,032,359)	-	-	-	-	-
Taxation	(1,195,094)	(2,713,748)	(1,475,674)	1,589,000	215,949	(321,124)
Profit/(Loss) after taxation but before minority interest	6,968,556	10,612,089	3,310,299	(39,078,962)	627,999	773,970
Minority interest	(1,608,632)	-	(3,668)	119,887	185,580	55,349
Profit/(Loss) after taxation and minority interest	5,359,924	10,612,089	3,306,631	(38,959,075)	813,579	829,319
Issued and paid-up share capital ('000)	19,999	19,999	19,999	19,999	19,999	19,999
Gross EPS (sen)	32.8	66.6	23.9	(202.8)	3.0	5.8
Net EPS (sen)	26.8	53.1	16.5	(194.8)	4.1	4.1
Gross Dividend (%)	30.0	5.0	5.0	-	-	-
Net Dividend (%)	21.0	3.5	3.6	-	-	-

Notes:-

- (i) There are no exceptional and extraordinary items for the period under review.
(ii) Please refer to Appendix II for the commentary of the above financial results.

11. WORKING CAPITAL, BORROWINGS AND CONTINGENT LIABILITIES

As at 27 September 2000, the Group had bank borrowings amounted to approximately RM149 million consisting of term loans, overdrafts and hire purchase financing facilities.

	<u>Interest Bearing (Yes/No)</u>	<u>Amount RM'000</u>
<u>Long Term Borrowings</u>		
i) Term Loan	Yes	18,212,078
ii) Hire Purchase Facilities	Yes	694,945
<u>Short Term Borrowings</u>		
i) Overdraft	Yes	37,578,809
ii) Trade Finance	Yes	92,541,287
		<u>149,027,119</u>

Your directors are of the opinion that, after taking into account the amount to be raised from the Rights with Warrants Issue, the Group should have adequate working capital for its present and foreseeable future requirements.

Save for the usual contingent liabilities and commitments incurred in the ordinary course of business which are stated in the audited accounts of the SMPC Group, there are no other contingent liabilities and commitments incurred by the SMPC Group as at the date of this AP which, in the opinion of the Board of Directors will or may substantially affect the ability of the Company or its subsidiaries to meet its/their obligations when they fall due.

12. DIRECTORS' INTEREST

Directors	Existing at 21 September 2000				After Rights and Warrants Issue			
	Direct		Indirect		Direct		Indirect	
	RM	%	RM	%	RM	%	RM	%
Y. Bhg. Dato' Mohd Taufik Bin Abdullah	1,250,000	4.19	-	-	1,875,000	4.17	-	-
Nagarajan a/l Thambiah	250,015	0.84	-	-	375,023	0.83	-	-
Tye Lean Tee @ Tan Lean Tee	26,000	0.09	-	-	39,000	0.09	-	-
Machendran a/l Pitchai Chetty	-	-	7,469,831 ⁽¹⁾	25.03	-	-	11,204,747	24.90
Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831 ⁽¹⁾	25.03	-	-	11,204,747	24.90
Ramakrishnan a/l Thangasamy Chettiar	-	-	-	-	-	-	-	-
Vijayan a/l O.M.V. Devan	-	-	-	-	-	-	-	-
Makhtar Bin Mohamed	-	-	-	-	150,000 ⁽²⁾	0.33	-	-
Daisuke Kadono	-	-	-	-	-	-	-	-

Note:-

⁽¹⁾ Deemed interested by virtue of his more than 15% interest in KPSB.

⁽²⁾ Assuming completion of the Special Issue of 150,000 ordinary shares of RM1.00 each to Mr. Makhtar bin Mohamed.

13. SUBSTANTIAL SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENTS

The following shareholders of SMPC have given their written irrevocable undertaking to subscribe for their rights entitlement of 8,405,650 new ordinary shares (or approximately 56.04%) of the total Rights Shares to be issued pursuant to the Rights with Warrants Issue. Therefore, these shares will not be underwritten.

Shareholders as at 21 September 2000	No. of Ordinary Shares Held	% of Issued and Paid up Capital	No. of Rights Shares given undertaking	% of total Rights Shares
KPSB	7,461,301*	25.00	3,730,650	24.87
Dallah Al-Baraka (Malaysia) Holdings Sdn Bhd	500,000**	1.68	250,000	1.67
PNS	8,956,500^	30.01	4,425,000	29.50
	16,917,801	56.69	8,405,650	56.04

Notes:-

* Held through UMB Nominees (Tempatan) Sdn Bhd

** Held through RHB Nominees (Tempatan) Sdn Bhd

The written irrevocable undertakings from KPSB, Dallah Al-Baraka (Malaysia) Holdings Sdn Bhd and PNS have been received on 18 April 2000, 18 April 2000 and 26 April 2000 respectively.

The open portion of 6,593,850 Rights Shares ("Underwritten Shares") of RM1.00 each are fully underwritten for an underwriting commission of 1.75% of the issue price of the Underwritten Shares. The underwriting commission will be fully borne by SMPC.

14. TERMS AND CONDITIONS

The offer of Rights Shares is governed by the terms and conditions set out in this AP and in the PAL enclosed herewith.

15. ADDITIONAL INFORMATION

Shareholders are requested to refer to the attached Appendices for further information.

Yours faithfully
for and on behalf of
THE BOARD OF DIRECTORS
SMPC METAL INDUSTRIES BHD


Machendran a/l Pitchai Chetty
Managing Director