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The approval of the Securities Commission for the Proposals contained in this Circular shall not be taken to indicate that the Securities Commission recommends the Proposals. Investors should rely on their own evaluation to assess the merits and risks of the Proposals.



SMPC METAL INDUSTRIES BHD

(79082-V)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

in relation to the

- I **PROPOSED SPECIAL ISSUE OF 10,000,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.55 PER SHARE TO BUMIPUTRA INVESTORS;**
- II **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 14,999,500 NEW ORDINARY SHARES OF RM1.00 EACH WITH 14,999,500 NEW DETACHABLE 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 ON A DATE TO BE DETERMINED LATER;**
- III **PROPOSED ACQUISITION BY SMPC METAL INDUSTRIES BHD OF 1,500,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 100% EQUITY INTEREST IN DURO METAL INDUSTRIAL (M) SDN BHD (CO. NO 225220-W) 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;**
- IV **PROPOSED EMPLOYEES' SHARE OPTION SCHEME OF UP TO 10% OF THE ENLARGED ISSUED AND PAID - UP SHARE CAPITAL OF SMPC METAL INDUSTRIES BHD;**
- V **PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL OF SMPC METAL INDUSTRIES BHD FROM RM50,000,000 TO RM100,000,000 BY THE CREATION OF AN ADDITIONAL 50,000,000 NEW ORDINARY SHARES OF RM1.00 EACH;**
- VI **PROPOSED WAIVER FOR KUMPULAN PITCHAI SDN BHD AND ITS CONCERT PARTIES TO EXTEND A MANDATORY OFFER FOR THE REMAINING SHARES IN SMPC METAL INDUSTRIES BHD;**

AND

**NOTICE OF EXTRAORDINARY GENERAL MEETING
ADVISER**



UTAMA MERCHANT BANK BERHAD

(23878-X)

(Incorporated in Malaysia under the Companies Act, 1965)

The Notice of Extraordinary General Meeting together with the Form of Proxy are enclosed herewith. The Extraordinary General Meeting will be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, 11, Lebuhr Tenggiri 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Friday, 7 July 2000 at 12.00 noon or any adjournment thereof. The Form of Proxy should be lodged at the office of the Company's registered office, 11th Floor, Bangunan FOP, Jalan Anson, 10400 Penang not less than 48 hours before the time appointed for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting at the meeting if you are able to do so.

Last date and time for lodging the Form of Proxy	:	Wednesday, 5 July 2000 at 12.00 noon
Date and time of Extraordinary General Meeting	:	Friday, 7 July 2000 at 12.00 noon

DEFINITIONS

In this Circular and the accompanying appendices, unless otherwise stated, the abbreviations below shall have the following meanings:-

“AMMB” or “Independent Adviser”	:	Arab-Malaysian Merchant Bank Berhad (23742-V)
"Bumiputra Investors"	:	PNS, Dato' Mohd Taufik bin Abdullah and Mr Makhtar bin Mohamed and/or any other Bumiputra investor(s) to be nominated and approved by MITI acceptable to SMPC
“Bye-Laws”	:	The bye-laws of the proposed Scheme
"CDS"	:	Central Depository System
"Central Depositories Act"	:	Securities Industry (Central Depositories) Act 1991
"Date of Expiry"	:	The last day of the duration of the Scheme as defined in Clause 17 of the ESOS Bye-Laws
“Deed Poll”	:	The Deed Poll constituting the proposed Rights Warrants to be executed by SMPC
"Director"	:	A director for the time being of the Company
“Duro”	:	Duro Metal Industrial (M) Sdn Bhd (225220-W)
“Duro Group”	:	Duro and its subsidiary companies
"EGM"	:	Extraordinary General Meeting
"Eligible Employee"	:	Any natural person who is at least eighteen (18) years of age at the date of the offer and is employed full-time by and on the payroll of the Group and any non-listed company comprised in the Group and falling within any of the categories of employees as set out in Clause 5 of the Bye-Laws who is confirmed with not less than one (1) year service immediately before the Offer and designated in writing by the ESOS Committee to be eligible for the Scheme and is not an employee of a subsidiary which is dormant
"Entitlement Date"	:	The date on which shareholders of SMPC must be entered in the Record of Depositors in order to be entitled to the Proposed Rights with Warrants Issue
"EPS"	:	Earnings Per Share
"ESOS"	:	Employees' Share Option Scheme
"ESOS Committee"	:	The committee appointed by the Board of SMPC to administer the Scheme
"Executive Director"	:	A Director who is a full time employee and performs an executive function
"FIC"	:	Foreign Investment Committee
"Grantee"	:	An Eligible Employee who accepts the Offer of an Option in accordance with the terms of the Scheme

DEFINITIONS

"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 Chettiar Sdn Bhd (45781-H)

The directors and/or 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

"Maximum Allowable Allotment"	:	The maximum number of Scheme Shares that can be offered and allotted to an Eligible Employee falling within a particular category of Eligible Employees as provided in Clause 5 of the ESOS Bye-Laws
"MCD"	:	Malaysian Central Depository Sdn Bhd (165570-W) and where the context requires, its nominee company
"MITI"	:	Ministry of International Trade and Industry
"NTA"	:	Net Tangible Assets
"Offer Date"	:	The date on which an Eligible Employee is notified of the Offer in writing by the ESOS Committee

DEFINITIONS

"Offer"	:	A written offer made by the ESOS Committee to any Eligible Employee in the manner indicated in Clause 6 of the ESOS Bye-Laws
"Option"	:	The right of a Grantee to subscribe for the Scheme Shares pursuant to the contract constituted by acceptance in the manner indicated in Clause 7 of the ESOS Bye-Laws
"Option Period"	:	A period commencing on the Offer Date pursuant to Clause 6 of the ESOS Bye-Laws and expiring on the Date of Expiry or such shorter period as may be specifically stated in such Offer provided that no Option Period shall extend beyond the five (5) year period referred to in Clause 17 of the ESOS Bye-Laws
"Option Price"	:	The price at which the Grantee is entitled to subscribe for each Scheme Share as defined in Clause 9 of the ESOS Bye-Laws
"PNS"	:	Perbadanan Nasional Berhad (9157-K)
"Price Fixing Date"	:	26 April 2000, which is the date on which the Directors of SMPC fixed the issue price of the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition and the exercise price of the Rights Warrants
"Proposals"	:	The Proposed Special Issue, Proposed Rights with Warrants Issue, Proposed Duro Acquisition, Proposed ESOS, Proposed Increase in Authorised Share Capital and Proposed Waiver, collectively known as the Proposals.
"Proposed Duro Acquisition"	:	Proposed 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
"Proposed ESOS"	:	Proposed ESOS of up to 10% of the enlarged issued and paid-up share capital of SMPC after the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Acquisition of Duro
"Proposed Increase in Authorised Share Capital"	:	The proposed 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
"Proposed Rights with Warrants Issue" or "Rights Issue"	:	Proposed renounceable rights issue of 14,999,500 new ordinary shares of RM1.00 each with 14,999,500 new detachable 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 on a date to be determined later

DEFINITIONS

“Proposed Special Issue” or “Special Issue”	:	Proposed 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
"Proposed Waiver"	:	The proposed waiver for KPSB and its Concert Parties to extend a mandatory offer for the remaining shares in SMPC
“Rights Shares”	:	14,999,500 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Rights with Warrants Issue
“Rights Warrants”	:	14,999,500 new warrants to be issued pursuant to the Proposed 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"
"Scheme Shares"	:	The Shares to be issued under the Scheme and "Scheme Share" means one of the Scheme Shares
"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 Shares”	:	10,000,000 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Special Issue
"UMBB” or “Utama Merchant"	:	Utama Merchant Bank Berhad (23878-X)
"Warrant"	:	Warrant in the Company and "Warrants" mean more than one (1) Warrant

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NOTICE OF EXTRAORDINARY GENERAL MEETING

FORM OF PROXY (enclosed)

SMPC METAL INDUSTRIES BHD

(79082-V)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

11th Floor, Bangunan FOP,
Jalan Anson,
10400 Penang.

22 June 2000

Directors:-

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

- I PROPOSED SPECIAL ISSUE OF 10,000,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.55 PER SHARE TO BUMIPUTRA INVESTORS;**
 - II PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 14,999,500 NEW ORDINARY SHARES OF RM1.00 EACH WITH 14,999,500 NEW DETACHABLE 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 ON A DATE TO BE DETERMINED LATER;**
 - III PROPOSED 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 RM2.02 PER SHARE;**
 - IV PROPOSED EMPLOYEES' SHARE OPTION SCHEME OF UP TO 10% OF THE ENLARGED ISSUED AND PAID - UP SHARE CAPITAL OF SMPC;**
 - V PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL OF SMPC FROM RM50,000,000 TO RM100,000,000 BY THE CREATION OF AN ADDITIONAL 50,000,000 NEW ORDINARY SHARES OF RM1.00 EACH; AND**
 - VI PROPOSED WAIVER FOR KUMPULAN PITCHAI SDN BHD AND ITS CONCERT PARTIES TO EXTEND A MANDATORY OFFER FOR THE REMAINING SHARES IN SMPC.**
-

1. INTRODUCTION

On 12 November 1999, the Board of Directors of SMPC announced that the Company proposed to undertake the following:-

- i) Proposed special issue of 10,000,000 new ordinary shares of RM1.00 each to Bumiputra Investors at an issue price of RM1.50 per share;
- ii) Proposed renounceable rights issue of 7,499,750 new ordinary shares of RM1.00 each with 7,499,500 new detachable warrants on the basis of one (1) share with one (1) new warrant attached for every four (4) existing ordinary shares of RM1.00 each held at an issue price of RM1.50 per share on a date to be determined later;
- iii) Proposed 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 12,187,500 new ordinary shares of RM1.00 each in SMPC at RM1.60 per share;
- iv) Proposed employees' share option scheme for eligible employees and executive directors of SMPC and its subsidiaries;
- v) Proposed 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; and
- vi) Proposed waiver for KPSB and its Concert Parties to extend a mandatory offer for the remaining shares in SMPC.

Subsequently, on 30 March 2000, the Board of Directors of SMPC announced a revision to the Proposed Rights with Warrants Issue from one (1) share with one (1) new warrant attached for every four (4) existing ordinary shares of RM1.00 each held to one (1) share with one (1) new warrant attached for every two (2) existing ordinary shares of RM1.00 each held.

1.1 The above Proposals were approved by the FIC on 4 January 2000 and 7 June 2000 and MITI on 6 January 2000, 17 May 2000 and 13 June 2000 respectively. The Proposals were also approved by the SC vide its letter dated 18 April 2000 as follows:-

- (i) Special Issue of 10,000,000 new ordinary shares of RM1.00 each to Bumiputra Investors, as proposed;
- (ii) Rights Issue of 14,999,500 new ordinary shares of RM1.00 each with 14,999,500 new detachable warrants on the basis of one (1) new ordinary share with one (1) new warrant attached for every two (2) existing ordinary shares after the Special Issue, as proposed;
- (iii) Acquisition of 100% equity interest in Duro for a purchase consideration of RM19,500,000 to be satisfied with the issuance of new ordinary shares of RM1.00 each in SMPC at an issue price to be fixed according to the "theoretical ex-all" price with a premium of at least 5.25% instead of the proposed 12,187,500 new ordinary shares of RM1.00 each in SMPC at an issue price of RM1.60;
- (iv) ESOS of up to 10% of the issue and paid-up share capital of SMPC, as proposed; and
- (v) The listing and quotation on the Second Board of the Kuala Lumpur Stock Exchange of the new ordinary shares of RM1.00 of SMPC after the completion of the Special Issue, Rights Issue, acquisition of Duro and ESOS.

1.2 The above approval is subject to the following conditions:-

- (i) The proceeds from the Proposed Special Issue and Proposed Rights with Warrants Issue must be utilised as proposed in the following manner:-

	RM
(a) Repayment of short-term bank borrowings	2,000,000
(b) Repayment of long-term bank borrowings	5,282,000
(c) Working capital	29,017,250
(d) Estimated expenses relating to Proposals	1,200,000
Total	37,499,250*

* *Depending on the actual total proceeds raised from the Special Issue and Rights Issue*

The proceeds from the above Proposals 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 Issue 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 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.

- 1.3 The SC has 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 Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition, 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 proposes 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.
- 1.4 The Proposed Waiver in Section 1.3 above will be reviewed by the SC upon the following being obtained.
- (i) KPSB and its Concert Parties obtaining approval from shareholders of SMPC through voting at an EGM where all parties whom are deemed interested will abstain from voting. The vote 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 Circular 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.

The Proposals were approved by FIC subject to the following conditions:-

- i) the approval of the shareholders of SMPC on the Proposed Duro Acquisition be obtained at an EGM where all parties deemed interested in the Proposed Duro Acquisition are to abstain from voting;
- ii) the provision of competent independent advice to the shareholders of SMPC in respect of the Proposed Duro Acquisition and the approval of the FIC be obtained on the appointment of the independent adviser;
- iii) the approval of the FIC be obtained for the circular to shareholders of SMPC, which should contain detailed information on the Proposed Duro Acquisition, parties interested in the Proposed Duro Acquisition and parties acting in concert; and
- iv) that the approval of MITI be obtained for the Proposals.

The Proposals were also approved by MITI subject to the following conditions:-

- i) The Bumiputra Investors for the Proposed Special issue is subject to the approval of MITI;
- ii) SMPC is to restore the Bumiputra equity interest in the Company to 30% upon completion of the Proposals within one (1) year from the date of MITI's approval; and
- iii) All shares in Duro must be owned by SMPC upon completion of the Proposed Duro Acquisition.

The approval from MITI for item (i) above is currently pending.

On 26 April 2000, UMBB, on behalf of the Board of Directors of SMPC, announced that the price for the Proposed Special Issue and Proposed 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 was 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 Proposed Special Issue and Proposed Rights with Warrants Issue will raise a total proceeds of RM38,749,225 which will be utilised, as set out in Table 1 below.

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 ^(iv)
(d) Estimated expenses relating to Proposals ⁽ⁱⁱⁱ⁾	1,200,000
Total	38,749,225^(iv)

Note:-

- (i) *The repayment of short-term and long-term bank borrowings will reduce the total bank borrowings of the Group from RM145,936,980 (as at 31 May 2000) to RM138,654,980 which will result in an estimated interest savings of RM835,200 per annum based on the interest rates as at 31 May 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) of RM30.0 million and the balance for 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.*
- (iv) *As the Special and Rights Issue Price were revised from RM1.50 per share to RM1.55 per share at the Price Fixing Date, the total proceeds to be raised from the Proposed Special Issue and Proposed Rights with Warrants Issue is RM38,749,225, an additional proceeds of RM1,249,975.*

Application to the SC has been made on 24 May 2000 seeking approval for the additional proceeds to be raised from the Proposed Special Issue and the Proposed Rights with Warrants Issue and the proposed utilisation of the additional proceeds for working capital purposes. The said approval from SC was received on 14 June 2000.

The issue price for the Proposed Duro Acquisition has also been fixed at RM2.02 per new ordinary share (“Duro Acquisition Issue Price”). The Duro Acquisition Issue Price was arrived at based on a premium of 11 sen or 5.76% as compared to the Theoretical Ex-all Price.

Based on the above Duro Acquisition Issue Price of RM2.02, the number of new SMPC shares issued as consideration for the Proposed Duro Acquisition is 9,653,465 ordinary shares.

In view of the interests of certain directors and substantial shareholders of SMPC in the Proposed Duro Acquisition and Proposed Waiver as set out in Section 11 and in compliance with the KLSE listing requirements and the Malaysian Code on Take-overs and Mergers, 1998, AMMB has been appointed by the independent Board of Directors of SMPC to act as the Independent Adviser to advise the independent shareholders of SMPC in relation to the Proposed Duro Acquisition and Proposed Waiver.

The Independent Advise Circular of AMMB will be despatched to you shortly.

SHAREHOLDERS ARE ADVISED TO READ THIS CIRCULAR AND THE INDEPENDENT ADVICE CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

The purpose of this Circular is to provide you with the information pertaining to the Proposals and to seek your approval for the resolutions to be tabled at the EGM to be convened on 7 July 2000.

Ordinary Resolution 1 as set out in the Notice of EGM is to authorise the issue and allotment of shares to the Bumiputra Investors in relation to the Proposed Special Issue.

Ordinary Resolution 2 as set out in the Notice of EGM is to authorise the issue and allotment of shares and warrants in relation to the Proposed Rights with Warrants Issue.

Ordinary Resolution 3 as set out in the Notice of EGM is to approve the acquisition of the entire issued and paid up capital of Duro and to authorise the issue of shares in the Company as consideration for the acquisition.

Ordinary Resolution 4 as set out in the Notice of EGM is to establish and administer a Scheme in accordance with the Bye-Laws and to authorise the issue and allotment of shares to eligible employees and Executive Directors of the Group pursuant to the Scheme.

Ordinary Resolution 5 as set out in the Notice of EGM is to approve the offer and issue of 500,000 shares to Mr. Machendran a/l Pitchai Chetty, the Managing Director of the Company pursuant to the Scheme conditional upon the passing of Ordinary Resolution 4 above.

Ordinary Resolution 6 as set out in the Notice of EGM is to approve the offer and issue of 500,000 shares to Mr. Dhanabalan a/l M. Pitchai Chetty, the Executive Director of the Company pursuant to the Scheme conditional upon the passing of Ordinary Resolution 4 above.

Ordinary Resolution 7 as set out in the Notice of EGM is to approve the offer and issue of 500,000 shares to Mr. Ramakrishnan a/l Thangasamy Chettiar, the Executive Director of the Company pursuant to the Scheme conditional upon the passing of Ordinary Resolution 4 above.

Ordinary Resolution 8 as set out in the Notice of EGM is to approve the offer and issue of 500,000 shares to Mr. Vijayan a/l O.M.V. Devan, the Executive Director of the Company pursuant to the Scheme conditional upon the passing of Ordinary Resolution 4 above.

Ordinary Resolution 9 as set out in the Notice of EGM is to approve the offer and issue of 500,000 shares to Mr. Makhtar bin Mohamed, the Executive Director of the Company pursuant to the Scheme conditional upon the passing of Ordinary Resolution 4 above.

Ordinary Resolution 10 as set out in the Notice of EGM is to approve the increase in the authorised share capital of the Company to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

Ordinary Resolution 11 as set out in the Notice of EGM is to approve the Proposed Waiver to KPSB and its Concert Parties from having to extend a mandatory offer on the remaining shares in SMPC not held by them under Practice Note 2.9.1 of the Malaysian Code on Take-overs and Mergers 1998.

Ordinary Resolution 12 as set out in the Notice of EGM is to approve the issue and allotment of 1,000,000 ordinary shares of RM1.00 each to Dato' Mohd Taufik bin Abdullah, the Chairman of the Company pursuant to the Proposed Special Issue conditional upon the passing of Ordinary Resolution 1 above and the approval of MITI.

Ordinary Resolution 13 as set out in the Notice of EGM is to approve the issue and allotment of 150,000 ordinary shares of RM1.00 each to Mr. Makhtar bin Mohamed, a Director of the Company pursuant to the Proposed Special Issue conditional upon the passing of Ordinary Resolution 1 above and the approval of MITI.

2. DETAILS OF THE PROPOSED SPECIAL ISSUE

The current Bumiputra shareholdings in SMPC is 2,089,621 ordinary shares or 10.45% of the issued and paid-up share capital of the Company as at 31 May 2000 (Please refer to Appendix I for further details). As such, the Company is taking steps to restructure the Bumiputra shareholdings in SMPC in compliance with the National Development Policy ("NDP") in respect of Bumiputra equity participation of at least 30.0% in the Company.

After the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition, the Bumiputra shareholdings in SMPC will increase to 18,134,432 ordinary shares representing approximately 33.18% of the issued and paid-up share capital of SMPC.

After full exercise of the Warrants pursuant to the Proposed Rights with Warrants issue and ESOS options pursuant to the Proposed ESOS, the Bumiputra shareholdings in SMPC will be 24,679,242 ordinary shares representing approximately 32.85% of the issued and paid-up share capital of SMPC.

2.1 Terms and conditions of the Proposed Special Issue

SMPC is proposing to implement a special issue of 10,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.55 per share to the following Bumiputra investors (subject to the approval of MITI) as follows:-

Bumiputra Investors	No. of Special Issue Shares to be issued at RM1.55 per share
PNS	8,850,000
Dato' Mohd Taufik bin Abdullah	1,000,000
Mr Makhtar bin Mohamed	150,000
	<hr/>
	10,000,000
	<hr/> <hr/>

and/or any other Bumiputra investor(s) to be nominated and approved by MITI acceptable to SMPC.

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

As the KLSE has prescribed all SMPC securities to be deposited with MCD under the Central Depositories Act, any dealings in the Special Issue Shares arising from the Proposed Special Issue will be subject to the Central Depositories Act and the Rules. Accordingly, the Special Issue Shares will be credited directly into the respective valid and subsisting securities accounts of the respective Bumiputra Investors and no physical certificates will be issued to them. However, a notice of allotment will be despatched to the respective Bumiputra Investors.

2.2 Basis for determining the Special Issue Price

The Proposed Special Issue of 10,000,000 new ordinary shares at RM1.55 per share (“Special 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 (“Price Fixing Date”) of RM2.37. The Special 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”).

2.3 Utilisation of Proceeds

The Proposed Special Issue will raise gross proceeds of RM15,500,000 which will be utilised for working capital purposes.

2.4 Undertaking from Bumiputra Investors

The following Bumiputra Investors have given their written undertakings to subscribe for the shares set out below which together constitutes 100% or the entire 10,000,000 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Special Issue as follows:-

Bumiputra Investors	No. of shares held as at 31 May 2000	% of issued and paid-up share capital as at 31 May 2000	No. of Special Issue shares undertaken to subscribe	No. of shares held after the Proposed Special Issue	% of total issue and paid-up share capital*
PNS	106,500	0.53	8,850,000	8,956,500	29.85
Dato' Mohd Taufik bin Abdullah	250,000**	1.25	1,000,000	1,250,000	4.17
Mr Makhtar bin Mohamed	-	-	150,000	150,000	0.5
	356,500	1.78	10,000,000	10,356,500	34.52

* *After the Proposed Special Issue*

** *Held through EB Nominees (Tempatan) Sendirian Berhad*

3. DETAILS OF THE PROPOSED RIGHTS WITH WARRANTS ISSUE

3.1 Terms and conditions of the Proposed Rights with Warrants Issue

The Rights Shares

SMPC is proposing a renounceable rights issue of 14,999,500 ordinary shares of RM1.00 each at an issue price of RM1.55 per share payable in full, upon acceptance 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 (after the Proposed Special Issue) on a date to be determined later.

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 Proposed 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, 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.

In determining shareholders' entitlements to the Proposed Rights with Warrants Issue, fractional entitlements of Rights Shares and Warrants will be disregarded. Fractional entitlements of new ordinary shares and Rights Warrants which are not otherwise taken up or allotted for any reason shall be disposed of in such manner as the Directors of SMPC in their absolute discretion think expedient in the interest of the Company.

The Rights Shares will 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 Proposed Rights with Warrants Issue.

The Entitlement Date of the Proposed Rights with Warrants Issue will be determined later.

Salient Features of the Rights Warrants

Number of Warrants : 14,999,500 Warrants to subscribe for 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 registrar, 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.
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 to be 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	:	Admission of the Rights Warrants to the Official List of the KLSE and the listing of and quotation for the Rights Warrants and the new ordinary shares in SMPC arising from the subsequent exercise of the Warrants shall be sought from the KLSE at a later date.
Governing Law	:	Governed by Malaysian Law.

3.2 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.

3.3 Utilisation of Proceeds

The Proposed Rights with Warrants Issue will raise gross proceeds of RM23,249,225 which will be utilised in the following manner:-

	Amount RM
(a) Repayment of short-term borrowings ⁽ⁱ⁾	2,000,000
(b) Repayment of long-term bank borrowings ⁽ⁱ⁾	5,282,000
(c) Additional Working Capital ⁽ⁱⁱ⁾	14,767,225
(d) To defray expenses relating to the Proposals ⁽ⁱⁱⁱ⁾	1,200,000
	<hr/> 23,249,225 <hr/>

Note:-

- (i) *The repayment of short-term and long-term bank borrowings will reduce the total bank borrowings of the Group from RM145,936,980 (as at 31 May 2000) to RM138,654,980 which will result in an estimated interest savings of RM835,200 per annum based on the interest rates as at 31 May 2000 which range from 8.8% to 10.3%.*
- (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, shall be borne by the Company.*

The future proceeds from the exercise of the 14,999,500 Rights Warrants will be utilised to part retire long term-borrowings. The long term borrowings of SMPC as at 31 May 2000 is RM18,360,678.

3.4 Substantial Shareholders' Undertaking and Underwriting of Shares

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 Proposed Rights with Warrants Issue. Therefore, these shares will not be underwritten.

Shareholders as at 31 May 2000	No. of Ordinary Shares Held	% of Existing Issued and Paid up Capital	Proposed Special Issue	No. of Ordinary Shares Held after Proposed Special Issue	% of Issued and Paid up Capital after Proposed Special Issue	No. of Rights Shares given undertaking	% of total Rights Shares
KPSB	7,461,301*	37.31	-	7,461,301	24.87	3,730,650	24.87
Dallah Al-Baraka (Malaysia) Holdings Sdn Bhd	500,000**	2.50	-	500,000	1.67	250,000	1.67
PNS	106,500	0.53	8,850,000	8,956,500	29.85	4,425,000	29.50
	8,067,801	40.34	8,850,000	16,917,801	56.39	8,405,650	56.04

Notes:-

* Held through UMB Nominees (Tempatan) Sdn Bhd

** Held through RHB Nominees (Tempatan) Sdn Bhd

The remaining 6,593,850 new ordinary shares representing 43.96% of the total Rights Shares to be issued pursuant to the Proposed Rights with Warrants Issue will be fully underwritten at an underwriting commission of 1.75% of the issue price of RM1.55 per share by the Managing Underwriter, UMBB and other underwriters to be determined later. All underwriting expenses will be incurred by SMPC.

Pursuant to the Proposed Waiver as mentioned in Section 6 of this Circular, in order for KPSB and its Concert Parties to restore their shareholdings to above 33% and up to 37.35% (their shareholdings before the Proposals) of the enlarged issued and paid-up share capital of SMPC after the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition, KPSB and its Concert Parties has proposed to subscribe for up to an additional 4,671,192 of the renounceable Rights Shares not taken up by entitled shareholders pursuant to the Proposed Rights with Warrants Issue. Please refer to Section 6 of this Circular for further information.

3.5 Foreign shareholders

The abridged prospectus which will be issued in connection with the Proposed Rights with Warrants Issue including the accompanying documents will not be registered under applicable securities legislation of any overseas jurisdiction. Accordingly, the Proposed Rights with Warrants Issue will not be offered for subscription in any country other than Malaysia.

Therefore, the documents relating to the Proposed Rights with Warrants Issue will not be sent to foreign shareholders who have not provided an address in Malaysia ("Foreign Shareholders") for the service of documents as at the close of business on the Entitlement Date (to be determined and announced later). The Foreign Shareholders may, prior to the Entitlement Date, provide an address in Malaysia for service of documents.

Alternatively, such Foreign Shareholders may collect the abridged prospectus from the Registrars of the Company, in which event, the Registrars shall be entitled to request for such evidence as they may deem necessary to satisfy themselves as to the identity and authority of the person collecting the abridged prospectus.

A shareholder of the Company may only exercise his/her rights in respect of the Proposed Rights with Warrants Issue to the extent that it would be lawful to do so, and the Company would not, in connection with the Proposed Rights with Warrants Issue, be in breach of the laws of any jurisdiction that the shareholders of the Company might be subject to. The shareholders of the Company shall be solely responsible for seeking advice as to the laws of any jurisdiction that they may subject to, and a participation by a shareholder of the Company in the Proposed Rights with Warrants Issue shall be on the basis of a warranty by the shareholder that he/she may lawfully participate without the Company being in breach of the laws of any jurisdiction.

The foreign shareholders who do not provide an address in Malaysia will have no claim whatsoever against the Company in respect of their rights entitlement or any net proceeds arising from the Proposed Rights with Warrants Issue.

4. DETAILS OF THE PROPOSED DURO ACQUISITION

4.1 Background

SMPC had on 10 November 1999, entered into a Share Sale Agreement (“Agreement”) to acquire the entire issued and paid-up share capital of Duro of 1,500,000 ordinary shares of RM1.00 each for a total purchase consideration of RM19,500,000 to be satisfied by the issuance of 12,187,500 new ordinary shares of RM1.00 each in SMPC at an issue price of RM1.60 per share. Pursuant to clause 7.2 of the Agreement, the number of shares to be issued were deemed varied to 9,653,465 new ordinary shares of RM1.00 each in SMPC at an issue price of RM2.02 to accord with the variation by SC in its letter of approval dated 18 April 2000.

Duro was incorporated in Malaysia on 18 September 1991 under the Companies Act, 1965 and is principally engaged in the manufacturing of steel roofing, wall-cladding sheets, steel related products and provision of related services. Its subsidiaries are involved in the trading of steel roofing, construction material, manufacturing of structural decking and provision of related services (Please refer to Appendix III for further information).

Based on the audited accounts of the Duro Group as at 31 December 1999, the NTA of the Duro Group is RM9,905,828 or RM6.60 per share and the total liabilities of the Duro Group amounted to approximately RM15,803,528. SMPC will be assuming all the liabilities of the Duro Group as at the date of completion of the Proposed Duro Acquisition. Other than the above, there are no other liabilities to be assumed by SMPC as at the date of completion of the Proposed Duro Acquisition.

The substantial shareholders of Duro and their respective shareholdings in Duro as at 31 May 2000 are as follows:-

Shareholders	No. of Duro shares held	%	No. of new SMPC shares to be issued pursuant to the Proposed Duro Acquisition	
				%
1. KPSB*	555,000	37	3,571,782	37
2. Machendran a/l Pitchai Chetty	150,000	10	965,347	10
3. Lim Eng Chai	420,000	28	2,702,970	28
4. Cheng Kien Wing	375,000	25	2,413,366	25
TOTAL	1,500,000	100	9,653,465	100

Note:-

* The directors and shareholders of KPSB and their respective shareholdings in KPSB as at 31 May 2000 are as follows:-

	No. of KPSB shares of RM1.00 each held	%
a) Machendran a/l Pitchai Chetty (Director)	1,159,722	17.4
b) Dhanabalan a/l M. Pitchai Chetty (Director)	1,081,900	16.3
c) Ramakrishnan a/l Thangasamy Chettiar (Director)	509,188	7.7
d) Estate of Manickam Chetti a/l Somu Chettiar (deceased)	874,407	13.2
e) Ganapathi Chettiar a/l Korakki Chettiar	20,000	0.3
f) T.S.A.P Ganesan Chetty a/l Ponnuchamy	100,000	1.5
g) Natarajan Chettiar a/l Selvasamy Chettiar	35,937	0.5
h) K. Ramu a/l Korakki Chettiar	70,000	1.1
i) Kassiamal a/p Somu Chettiar	470,524	7.1
j) Dhanaletchumi a/p Pitchai Chetty	399,000	6.0
k) Amutha w/o Machendran (Director)	964,387	14.5
l) Natarajan Shanti w/o Dhanabalan	960,288	14.4
TOTAL	6,645,353	100.0

The original cost of investment of the above shareholders in Duro were at RM1.00 per share upon subscription (please refer to Section 4 Appendix III for date of subscription) or a total of RM1,500,000.

The vendors in the Proposed Duro Acquisition are KPSB, Mr Machendran a/l Pitchai Chetty, Mr Lim Eng Chai and Mr Cheng Kien Wing, representing 100% of the equity in Duro (collectively the “Vendors”).

The Duro shares are to be acquired free from any mortgage, charge (whether fixed or floating), pledge, lien, incumbrance, hypothecation, security interest, title retention or other security arrangement of any kind or any other incumbrance of any nature whatever and with all attached or accrued rights as at the date of completion of the Proposed Duro Acquisition.

Upon completion of the Proposed Duro Acquisition, Duro will become a wholly owned subsidiary of SMPC.

4.2 Key Terms of the Share Sale Agreement

- (i) Purchase consideration of RM19,500,000 is to be satisfied by the issuance of 9,653,465 new ordinary shares of RM1.00 in SMPC ("Consideration Shares") at an issue price of RM2.02 per share to be credited as fully paid-up.
- (ii) A profit guarantee has been provided by the Vendors for 100% of Duro's profit after tax for the financial years ended/ending:-

**Profit after tax and after minority
interests (if any) guaranteed
(RM)**

a) 31 December 1999	2,255,000
b) 31 January 2001	3,690,167
c) 31 January 2002	3,997,250

- (iii) If the actual profit after tax and after minority interests (if any) for any of the financial years ended / ending 31 December 1999, 31 January 2001 and 31 January 2002 is less than the profit after tax and after minority interests (if any) guaranteed by the Vendors of Duro as stated above, the Vendors of Duro shall jointly and severally pay to SMPC the sum equal to such shortfall by way of bankers draft, bankers cheque, telegraphic transfer or such other manner which SMPC may require within fourteen (14) days of the issue of a notice by SMPC specifying the amount of the shortfall required to be paid by the Vendors of Duro together with a certificate from the Auditors confirming the profit after tax and after minority interests (if any) of Duro for the respective financial years ended / ending 31 December 1999, 31 January 2001 and 31 January 2002.
- (iv) The payment of the profit guarantee referred to in (iii) above shall be secured on or over the Consideration Shares and for the purpose of creating such security, the Vendors shall execute and/or enter into such agreements, charges, arrangements and or other documents including (without limitation) any stakeholders agreement for the holding of all or any of the Consideration Shares by a stakeholder acceptable to SMPC to secure the payment of any of such payments on such terms and/or conditions as SMPC may in its absolute discretion require.
- (v) The Agreement dated 10 November 1999 is conditional upon, amongst others, the approvals of all relevant authorities as well as the shareholders of SMPC at an EGM to be convened.

Subject to the Vendors executing and/or entering into such agreements, charges, arrangements and or other documents including (without limitation) any stakeholders agreement for the holding of all or any of the Consideration Shares by a stakeholder acceptable to SMPC to secure the payment of any of such payments on such terms and/or conditions as SMPC may in its absolute discretion require, the payment of the profit guarantee shortfall in (ii) above if not paid within fourteen (14) days of the issue of a notice by SMPC specifying the amount of the shortfall required to be paid by the Vendors of Duro, the stakeholders and/or its nominees will upon receipt of instruction from the authorised representative of the Board of SMPC dispose off the Consideration Shares with the stakeholder and the proceeds from the disposal will be paid to SMPC to meet the shortfall.

4.3 Rationale

SMPC has undergone growth since its listing on the Second Board of KLSE in early 1996. As part of its long term strategy to position itself for further growth, it is timely for the Company to embark on an expansion plan inter-alia using the capital market.

The Proposed Duro Acquisition represents an immediate expansion to the business of SMPC.

4.4 Purchase Consideration

The purchase consideration of RM19,500,000 for the entire equity interests in Duro was arrived at on a “willing buyer willing seller” basis after taking into consideration Duro’s profitability for the past two (2) financial years ended 31 December 1997 and 1998 and the forecast and projected performance for the next four (4) financial years ended/ending 31 December 1999, 2000, 2001 and 2002.

The purchase consideration would be satisfied wholly by the issue of 9,653,465 new SMPC ordinary shares of RM1.00 each at an issue price of RM2.02 per share, which is at a premium of 11 sen or 5.76% to the theoretical ex-all price of SMPC shares as at 26 April 2000.

The 9,653,465 new ordinary shares in SMPC to be issued pursuant to the Proposed Duro Acquisition shall, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up share capital of SMPC except that they will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the allotment of the new ordinary shares pursuant to the Proposed Duro Acquisition. The new SMPC shares to be issued pursuant to the proposed Duro Acquisition are not entitled to the Proposed Rights with Warrants Issue.

5. DETAILS OF THE PROPOSED ESOS

5.1 Particulars of the Scheme

The enlarged issued and paid-up share capital of SMPC after the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition will be 54,651,965 ordinary shares of RM1.00 each. Hence, the total SMPC shares available under the Proposed ESOS would amount to 5,465,197 ordinary shares or 10% of the enlarged issued and paid-up share capital of RM1.00 each, as specified by SC’s guidelines on ESOS.

5.2 Rationale for the Proposed ESOS

The Proposed ESOS has been designed to serve the following purposes :-

- To recognise the commitment to existing staff and hence continue rewarding and retaining key employees whose service is vital to the overall business growth of the Company and the Group;
- To motivate employees towards performing through greater dedication and loyalty to the Company and the Group with a view to enhance productivity, growth and profitability of the Group;
- To facilitate new staff to participate in the Scheme after the flotation of the Company; and
- To enable employees to relate directly to the overall performance of the Company and the Group.

5.3 Principal Features of the Scheme

The terms of the ESOS are as follows:-

- (i) Not more than 10 percent of the issued and paid-up share capital of the Company shall be offered under the Scheme at any point of time during the existence of the Scheme as referred to in Clause 17 of the ESOS Bye-Laws.

Pursuant to the approval granted by the SC on 18 April 2000, the total number of SMPC shares to be issued by the Company under the Scheme is 5,465,197 ordinary shares of RM1.00 each.

- (ii) Any natural person who is at least eighteen (18) years of age at the date of the offer and is employed full-time by and on the payroll of the Group and any non-listed company comprised in the Group and falling within any of the categories of employees as set out in Clause 5 of the ESOS Bye-Laws who is confirmed with not less than one (1) year service immediately before the offer and designated in writing by the ESOS Committee to be eligible for the Scheme and is not an employee of a subsidiary which is dormant will be entitled to participate in the Scheme.

All full-time foreign employees of the Group who are in service for at least one (1) year as at the date of offer and are under contract employment for at least three (3) years are eligible to participate in the Scheme.

- (iii) The maximum number of ESOS shares that may be offered to an Eligible Employee in accordance with the Scheme which is at the discretion of the ESOS Committee are as follows:-

Category/Ranking	Maximum Allowable Allotment ('000)
Group Managing Director	500
Group Executive Director	500
Executive Director	300
General Manager	300
Senior Manager	250
Manager & Assistant Manager	150
Executive I	90
Executive II	60
Executive III	40
Skilled Workers	30
Clerical	20
General Workers	12

- (iv) The price at which the Grantee is entitled to subscribe for each ESOS share shall not be less than the market price at the time the Option is granted and shall be based on the 5-day weighted average price of the Shares of the Company at the date the Option is granted. The Option Price is allowed to be set at a discount of not more than 10% from the 5-day weighted average price of the Shares of the Company at the date the Option is granted.

- (v) The Option granted to a Grantee under the Scheme shall be exercisable in accordance with the following table:-

Number of Shares granted under the Option	< --- Percentage of Shares Exercisable --- >				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 20,000	100%	-	-	-	-
20,000 to less than 100,000	40% ¹	30%	30% ²	-	-
100,000 and above	20%	20%	20%	20%	20%

¹ 40% or 20,000 shares, whichever is the higher.

² 30% or the remaining number of shares unexercised.

- (vi) The Scheme shall continue to be in force for a period of five (5) years from :-
- The date of approval by the ROC pursuant to the Companies Act, 1965; or
 - The date of approval by the SC pursuant to the Securities Commission Act, 1993; or
 - The date of approval by the KLSE; or
 - The date of approval by the shareholders of the Company in a general meeting; or
 - The date of approval of any other relevant regulatory authority whose approval is necessary in respect of the Scheme;

whichever shall be the latest subject however to any extension for a further period of five (5) years commencing from the date of expiration of the existing five (5) years period as may be approved by all or any of the parties in paragraphs (a) to (e) above.

No further options shall be granted after the expiration of the period of five (5) years unless the Company in a general meeting agrees to continue the Scheme with or without variation and provided that the approval of SC, the KLSE and/or other relevant authorities and stock exchanges be obtained to such continuance.

The ESOS Shares allotted upon any exercise of an Option shall rank pari passu in all respects with the then existing shares of the Company and will be subject to all the provisions of the Articles of the Association of the Company relating to transfer transmission and otherwise. However, ESOS Shares so issued shall not rank for any dividend or other distribution declared, made or paid to the shareholders prior to the exercise of the Option.

The terms used in this section are defined in the draft ESOS Bye-Laws as set out in Appendix VII of this Circular.

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6. DETAILS OF THE PROPOSED WAIVER

KPSB is currently a substantial shareholder in SMPC with a total direct and indirect shareholdings of 7,469,831 ordinary shares representing 37.35% of the issued and paid-up share capital of SMPC as at 31 May 2000. After the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition, KPSB and its Concert Parties will hold a total of 15,741,876 ordinary shares representing 28.80% of the enlarged issued and paid-up share capital of SMPC, a decrease of 8.55% as compared to their interests of 37.35% before the Proposals. This will effectively reduce their shareholdings to below 33%, the threshold under the Malaysian Code on Take-Over and Mergers, 1998 (the "Code").

	As at 31 May 2000				After Proposed Special Issue				After Proposed Rights with Warrants Issue				After Proposed DURO Acquisition			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	% Held	No. of Shares	% Held	No. of Shares	% Held	No. of Shares	% Held	No. of Shares	% Held	No. of Shares	% Held	No. of Shares	% Held	No. of Shares	% Held
1. KPSB	7,461,301	37.31	8,530 ⁽¹⁾	0.04	7,461,301	24.87	8,530**	0.03	11,191,952	24.87	12,795	0.03	14,763,734	27.01	12,795	0.02
2. Machendran a/l Pitchai Chetty	-	-	7,469,831 ⁽³⁾	37.35	-	-	7,469,831	24.90	-	-	11,204,747	24.90	965,347	1.77	11,204,747	20.50
3. Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831 ⁽³⁾	37.35	-	-	7,469,831	24.90	-	-	11,204,747	24.90	-	-	11,204,747	20.50
4. Ramakrishnan a/l Thangasamy Chettiar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. T.S.A.P. Ganesan Chetty a/l Ponnuchamy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Dhanaletchumi a/p Pitchai Chetty	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Kassiamal a/p Somu Chettiar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Amutha w/o Machendran	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Natarajan Shanti w/o Dhanabalan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10. The Estate of Manickam Chetti a/l Somu Chettiar (deceased)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11. Natarajan Chettiar a/l Selvasamy Chettiar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12. Ganapathi Chettiar a/l Korakki Chettiar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13. K. Ramu a/l Korakki Chettiar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14. S.M. Pitchai Chettiar Sdn. Bhd. ⁽²⁾	8,530	0.04	-	-	8,530	0.03	-	-	12,795	0.03	-	-	12,795	0.02	-	-
TOTAL	7,469,831	37.35	-	-	7,469,831	24.90	-	-	11,204,747	24.90	-	-	15,741,876	28.80	-	-

Note:-

⁽¹⁾ Held through S.M. Pitchai Chettiar Sdn Bhd

⁽²⁾ A wholly owned subsidiary of KPSB

⁽³⁾ Deemed interested by virtue of his shareholding of more than 15% in KPSB

In order for KPSB and its Concert Parties to restore their shareholdings to above 33% and up to 37.35% (their shareholdings before the Proposals) of the enlarged issued and paid-up share capital of SMPC after the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition, KPSB and its Concert Parties have proposed to subscribe for up to an additional 4,671,192 of the renounceable Rights Shares not taken up by entitled shareholders pursuant to the Proposed Rights with Warrants Issue.

As such, UMBB, on behalf of KPSB and its Concert Parties, has applied to the SC on 20 January 2000 to seek a waiver for KPSB and its Concert Parties from the obligation to extend a mandatory offer for the remaining shares not held by them after the Proposals under Practice Note 2.9.1 of the Code. It is important to note however, that this waiver will not be required if insufficient number of shares are available to KPSB and its Concert Parties to trigger a mandatory offer, or if the Rights Shares are fully subscribed for.

The SC has indicated vide its letter dated 18 April 2000 that they are willing to consider the abovementioned application for the Proposed Waiver subject to fulfillment of the conditions stipulated under Practice Note 2.9.1, of which the approval of the independent shareholders of SMPC on a poll at a general meeting is one of the conditions.

In this connection, the position of the application made by KPSB and its Concert Parties vis-a-vis the conditions precedents under Practice Note 2.9.1 are as follows: -

Conditions Precedents Under Practice Note 2.9.1	Comments
<p>(a) there has been no disqualifying transaction;</p> <p>(b) approval has been obtained from the independent holders of voting shares of the offeree, on a poll, at a meeting of the holders of the relevant class of securities for the Party concerned to gain control of the company without having to make a mandatory offer under Part II of the Code. For the purpose of this meeting, the following procedures should have been observed.</p> <p>(i) the holders of the relevant class of voting shares of the offeree must have been provided with competent independent advice regarding the proposed waiver by an independent adviser whose appointment must have been approved by the SC;</p> <p>(ii) the independent adviser's circular to holders of the relevant class of voting shares of the offeree, setting out details of the proposed waiver, have also been consented by the SC before being circulated;</p> <p>(iii) Interested Party have abstained from voting at that meeting; and</p> <p>(iv) prior consultation has been held on the matter with the SC by the applicant for an exemption, persons acting in concert with the applicant and their advisers.</p>	<p>KPSB and its Concert Parties have confirmed that they have not purchased any shares in SMPC in the six (6) months prior to the posting to the holders of voting shares of this Circular through their Declaration Letter dated 20 June 2000 which will be available for inspection at the Registered Office of SMPC.</p> <p>SMPC will convene an EGM on 7 July 2000 to seek the Shareholders' approval on a poll basis.</p> <p>The Board of Directors of SMPC has appointed AMMB as the independent adviser to the Shareholders of SMPC on the Proposed Waiver. The appointment of AMMB was approved by the SC on 28 February, 2000.</p> <p>AMMB obtained clearance from the SC on 19 June 2000 for the Independent Advice Circular as having complied with the disclosure requirement under the Code.</p> <p>KPSB and its Concert Parties will abstain from voting at the EGM to be convened.</p> <p>UMBB, on behalf of KPSB and its Concert Parties, have consulted the SC.</p>

7. RATIONALE FOR THE PROPOSALS

Since the flotation of SMPC on the Second Board of the KLSE, the Company has not undertaken any corporate exercises. The Board of Directors and Management are of the view that it is now timely for the expansionary move into down-stream activities via the acquisition of Duro. In addition to adhering to the requirements of the NDP on Bumiputra participation in the Company, the Special Issue would also provide the Group with additional working capital. The Government's efforts to revive the local economy has been encouraging and the demand for steel products is expected to improve in the coming years. To better position itself for the recovery, the Proposed Rights with Warrants Issue would strengthen the Balance Sheet and also reduce the gearing of the SMPC Group.

In conjunction with the Proposals, the Company is also restructuring its financial obligations. The exercise of the Proposed Rights Warrants and Proposed ESOS options are intended to provide funds for part retirement of debts. In totality, the Proposals would enlarge SMPC's capital base to reflect more fairly the increased level of activity and asset backing of the Group.

Recognising the importance of the company's employees, the Proposed ESOS has been put in place to reward and retain the skill base available as well as to attract new employees into the Group.

As for the Proposed Waiver, KPSB and its Concert Parties's equity interest in SMPC essentially represents the SMPC management team's interest in the Company. They were promoters for SMPC's listing on the KLSE Second Board in 1996. Their shareholdings in SMPC upon listing were 7,469,831 shares and this equity stake has been maintained to date. This reflects KPSB and its Concert Parties' long term commitment to SMPC. With the Proposed Waiver, KPSB and its Concert Parties will strengthen their commitment to the Company which should benefit both SMPC and its shareholders.

8. FINANCIAL EFFECTS OF THE PROPOSALS

8.1 Proposed Special Issue, Proposed Rights with Warrants Issue, Proposed Duro Acquisition and Proposed ESOS

The effects of the Proposals on the share capital, net tangible assets, shareholding structure, substantial shareholders, earnings, net cashflow, dividends and gearing are as follows:-

(a) *Authorised share capital*

The authorised share capital of SMPC is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each. The Company proposes to increase its authorised share capital to RM100,000,000 comprising 100,000,000 new ordinary shares of RM1.00 each by the creation of an additional 50,000,000 new ordinary shares of RM1.00 each.

(b) *Issued and paid-up share capital*

On completion of the Proposals, SMPC's present issued and paid-up capital of RM19,999,000 comprising 19,999,000 ordinary shares of RM1.00 each will be increased to RM54,651,965 comprising 54,651,965 ordinary shares of RM1.00 each.

Assuming full exercise of the Rights Warrants and ESOS options, the issued and paid-up share capital of SMPC will increase to RM75,116,662 comprising 75,116,662 ordinary shares of RM1.00 each.

The proforma effects of the Proposals on the issued and paid-up capital of the Company is summarised below: -

	Before Exercise of ESOS		Full Exercise of ESOS	
	No. of shares of RM1.00 each	Amount RM	No. of shares of RM1.00 each	Amount RM
Issued and paid-up share capital as at 31 May 2000	19,999,000	19,999,000	19,999,000	19,999,000
<u>To be issued pursuant to:</u>				
• Proposed Special Issue	10,000,000	10,000,000	10,000,000	10,000,000
• Proposed Rights with Warrants Issue	14,999,500	14,999,500	14,999,500	14,999,500
• Proposed Duro Acquisition	9,653,465	9,653,465	9,653,465	9,653,465
• Proposed ESOS (10% of enlarged after Proposals)	-	-	5,465,197	5,465,197
• Upon full exercise of all Warrants issued pursuant to the Proposed Rights with Warrants Issue	14,999,500	14,999,500	14,999,500	14,999,500
Enlarged issued and paid-up share capital	69,651,465	69,651,465	75,116,662	75,116,662

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(c) *Net Tangible Assets*

The Proposals will have the following effects on the net tangible assets of the SMPC Group based on the audited accounts as at 31 January 2000 presented for illustrative purposes only:-

	Audited As at 31 Jan 2000 RM'000	(I) After Proposed Special Issue RM'000	(II) After (I) and Proposed Rights with Warrants Issue RM'000	(III) After (II) and Proposed Duro Acquisition RM'000	(IV) After (III) and Assumed Full Exercise of ESOS RM'000	(V) After (IV) and Assumed Full Exercise of Warrants 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	19,999,000	29,999,000	44,998,500	54,651,965	60,117,162	75,116,662
NTA per share (RM)	1.01	1.15	1.28	1.24	1.30	1.39

Note :

The proposed ESOS' exercise price is assumed to be RM1.91 (based on the Theoretical Ex-all Price) 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 Metal Industrial (M) Sdn Bhd as at 31 December 1999.

** Net of estimated expenses of RM1,200,000 for the Proposals.*

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(d) **Substantial Shareholders**

The effects of the Proposals on substantial shareholders of SMPC based on the Register of Substantial Shareholders as at 31 May 2000 are as follows:-

Shareholders	Existing at 31 May 2000				After Proposed Special Issue				After Proposed Rights with Warrants Issue				After Proposed Duro Acquisition			
	No. of Ordinary Shares Held Direct		No. of Ordinary Shares Held Indirect		No. of Ordinary Shares Held Direct		No. of Ordinary Shares Held Indirect		No. of Ordinary Shares Held Direct		No. of Ordinary Shares Held Indirect		No. of Ordinary Shares Held Direct		No. of Ordinary Shares Held Indirect	
		%		%		%		%		%		%		%		%
KPSB	7,461,301 ⁽¹⁾	37.31	8,530 ⁽²⁾	0.04	7,461,301	24.87	8,530	0.03	11,191,952	24.87	12,795	0.03	14,763,734	27.01	12,795	0.
Ravendran a/l Sivalingam	1,139,000 ⁽³⁾	5.70	460,514 ⁽⁴⁾	2.30	1,139,000	3.80	460,514	1.54	1,708,500	3.80	690,771	1.54	1,708,500	3.13	690,771	1.
Jacob Rabindranath a/l Krishnan	740,000 ⁽³⁾	3.70	-	-	740,000	2.47	-	-	1,110,000	2.47	-	-	1,110,000	2.03	-	-
Nissho Iwai Corporation	1,093,274 ⁽⁵⁾	5.47	-	-	1,093,274	3.64	-	-	1,639,911	3.64	-	-	1,639,911	3.00	-	-
Dallah Al-Baraka (Malaysia) Holdings Sdn Bhd	500,000 ⁽⁶⁾	2.50	-	-	500,000	1.67	-	-	750,000	1.67	-	-	750,000	1.37	-	-
Zanor Sdn Bhd	460,000 ⁽⁷⁾	2.30	-	-	460,000	1.53	-	-	690,000	1.53	-	-	690,000	1.26	-	-
Lim Eng Chai	-	-	-	-	-	-	-	-	-	-	-	-	2,702,970	4.95	-	-
Cheng Kien Wing	-	-	-	-	-	-	-	-	-	-	-	-	2,413,366	4.42	-	-
Machendran a/l Pitchai Chetty	-	-	7,469,831 ⁽⁸⁾	37.35	-	-	7,469,831	24.90	-	-	11,204,747	24.90	965,347	1.77	14,776,529	27
Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831 ⁽⁸⁾	37.35	-	-	7,469,831	24.90	-	-	11,204,747	24.90	-	-	14,776,529	27
PNS	106,500	0.53	-	-	8,956,500	29.86	-	-	13,434,750	29.86	-	-	13,434,750	24.58	-	-
Dato' Mohd Taufik bin Abdullah	250,000	1.25	-	-	250,000	0.83	-	-	375,000	0.83	-	-	375,000	0.69	-	-
Makhtar bin Mohamed	-	-	-	-	150,000	0.50	-	-	225,000	0.50	-	-	225,000	0.41	-	-

Notes:-

(1) Held through UMB Nominees (Tempatan) Sdn Bhd

(2) Held through S. M. Pitchai Chettiar Sdn Bhd., a wholly-owned subsidiary of KPSB.

(3) Held through Multi-Purpose Bank Nominees (Tempatan) Sdn Bhd.

(4) 460,000 ordinary shares held through Zanor Sdn Bhd and 514 ordinary shares held through Bonafide Traders Sdn Bhd.

(5) Held through BBMB Securities Nominees (Asing) Sdn Bhd.

(6) Held through RHB Nominees (Tempatan) Sdn Bhd

(7) 393,100 ordinary shares held through UMB Nominees (Tempatan) Sdn Bhd

(8) Deemed interested by virtue of their individual shareholdings of more than 15% interest in KPSB

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Shareholders	After Exercise of ESOS				After Full Exercise of Warrants			
	No. of Ordinary Shares Held		No. of Ordinary Shares Held		No. of Ordinary Shares Held		No. of Ordinary Shares Held	
	Direct	%	Indirect	%	Direct	%	Indirect	%
KPSB	14,763,734	24.56	12,795	0.02	18,494,384	24.62	17,060	0.02
Ravendran a/l Sivalingam	1,708,500	2.84	690,771	1.15	2,278,000	3.03	-	-
Jacob Rabindranath a/l Krishnan	1,110,000	1.85	-	-	1,480,000	1.97	-	-
Nissho Iwai Corporation	1,639,911	2.73	-	-	2,186,548	2.91	-	-
Dallah Al-Baraka (Malaysia) Holdings Sdn Bhd	750,000	1.25	-	-	1,000,000	1.33	-	-
Zanor Sdn Bhd	690,000	1.15	-	-	920,000	1.22	-	-
Lim Eng Chai	2,702,970	4.50	-	-	2,702,970	3.60	-	-
Cheng Kien Wing	2,413,366	4.01	-	-	2,413,366	3.21	-	-
Machendran a/l Pitchai Chetty	1,465,347	2.44	14,776,529	24.56	1,465,347	1.95	18,511,444	
Dhanabalan a/l M. Pitchai Chetty	-	-	14,776,529	24.56	-	-	18,511,444	
PNS	13,434,750	22.35	-	-	17,913,000	23.85	-	-
Dato' Mohd Taufik bin Abdullah	375,000	0.62	-	-	500,000	0.67	-	-
Makhtar bin Mohamed	725,000	1.20	-	-	800,000	1.07	-	-

(e) **Earnings**

The Directors of SMPC forecast and project that, barring any unforeseen circumstances, the consolidated profit after taxation and minority interest and the net EPS for the financial years ending 31 January 2001 to 2003 will be as follows:-

Before Proposals

	Forecast 2001 RM'000	Projection 2002 RM'000	Projection 2003 RM'000
Year ending 31 January			
Turnover	234,693	247,126	257,331
Pretax profit after MI	2,669	3,149	4,956
Profit after tax after MI	1,439	1,725	3,425
No. of shares in issue ('000)	19,999	19,999	19,999
Gross EPS (RM)	13.35	15.75	24.78
Net EPS (RM)	7.2	8.6	17.1

After Proposals

	Forecast 2001 RM'000	Projection 2002 RM'000	Projection 2003 RM'000
Year ending 31 January			
Turnover	266,822	309,898	323,632
Pretax profit after MI	6,190	10,878	13,149
Profit after tax after MI	4,176	7,814	9,927
No. of shares in issue ('000)	40,126#	54,652	54,652
Gross EPS (RM)	15.43	19.90	24.06
Net EPS (RM)	10.41	14.3	18.2

* *The above are illustrated assuming no ESOS options and Rights Warrants were exercised.*

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

^ *Assuming that the Proposed Special Issue, Proposed Duro Acquisition and Proposed ESOS were completed by 31 August 2000 and the Proposed Rights with Warrants issue was completed by 31 October 2000.*

(f) **Dividends**

Although the Proposals detailed 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 in view of the accumulated losses carried forward from the financial years ended 1998, 1999 and 2000. The Company is also not expected to declare any dividends for the financial years ending 31 January 2002 and 31 January 2003.

(g) **Gearing**

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

	(I)	(II)	(III)	(IV)	(V)	
	Audited As at 31 Jan 2000 RM'000	After Proposed Special Issue RM'000	After (I) and Proposed Rights with Warrants Issue RM'000	After (II) and Proposed Duro Acquisition RM'000	After (III) and Assumed Full Exercise of ESOS RM'000	After (IV) and Assumed Full Exercise of Warrants 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 (based on the Theoretical Ex-all Price) and the Rights Warrants' exercise price is RM1.75.

8.2 Proposed Waiver

The Proposed Waiver will not have any effect on the share capital, NTA, substantial shareholders, earnings and gearing of the SMPC Group.

9. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The present authorised share capital of the Company is RM50,000,000 divided into 50,000,000 ordinary shares of RM1.00 each of which 19,999,000 has been fully paid-up. In order to accommodate the issue of up to an additional 55,117,662 new ordinary shares of RM1.00 each arising from the Proposals, the Board proposes to increase the authorised share capital of SMPC to RM100,000,000 comprising 100,000,000 ordinary shares at RM1.00 each by the creation of an additional 50,000,000 new ordinary shares of RM1.00 each.

10. CONDITIONS OF THE PROPOSALS

The Proposals have been approved by the following authorities:-

- (a) SC for the Proposals which was obtained on 18 April 2000 and 14 June 2000;
- (b) FIC for the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition which was obtained on 4 January 2000 and 7 June 2000; and
- (c) MITI for the Proposed Special Issue, Proposed Rights with Warrants Issue and Proposed Duro Acquisition which was obtained on 6 January 2000, 17 May 2000 and 13 June 2000.

The Proposals are further conditional upon obtaining the following approvals:-

- (a) The shareholders of SMPC at an extraordinary general meeting to be convened for the Proposals;
- (b) The KLSE for the listing and quotation of the new shares and Rights Warrants to be issued pursuant to the Proposed Special Issue, Proposed Rights with Warrants Issue, Proposed Duro Acquisition, and Proposed ESOS and new ordinary shares to be issued upon exercise of the Rights Warrants;
- (c) The KLSE for the ESOS Bye-Laws;
- (d) ROC for the lodgement and registration of the Abridged Prospectus pursuant to the Proposed Rights with Warrants Issue;
- (e) Approval of the ROC for the Proposed ESOS;
- (f) MITI for the approval of Bumiputra Investors in relation to the Proposed Special Issue; and
- (g) Any other relevant approvals, if required.

11. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Proposed Special Issue

The Directors of SMPC who are deemed interested in the Proposed Special Issue are as follows:-

Shareholdings in SMPC as at 31 May 2000	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Dato' Mohd Taufik Bin Abdullah	250,000	1.25	-	-
Mr Makhtar bin Mohamed	-	-	-	-

Dato' Mohd Taufik bin Abdullah is a Director of SMPC and holds 250,000 ordinary shares representing 1.25% of the issued and paid-up share capital of SMPC as at 31 May 2000. Dato' Mohd Taufik bin Abdullah is also one of the Bumiputra Investors identified (subject to approval from MITI) to subscribe for 1,000,000 new ordinary shares in SMPC under the Proposed Special Issue.

Mr Makhtar bin Mohamed is a Director of SMPC and is also one of the Bumiputra Investors identified (subject to approval from MITI) to subscribe for 150,000 new ordinary shares in SMPC under the Proposed Special Issue. As at 31 May 2000, Mr Makhtar bin Mohamed does not hold any shares either directly or indirectly in SMPC.

Accordingly, Dato' Mohd Taufik bin Abdullah and Mr Makhtar bin Mohamed, being interested Directors of SMPC in relation to the Proposed Special Issue have abstained from voting on the SMPC Board's deliberation pertaining to the Proposed Special Issue. They will also abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution relating to the Proposed Special Issue at the forthcoming EGM.

Proposed Duro Acquisition

The Directors of SMPC who are deemed interested in the Proposed Duro Acquisition are as follows:-

Shareholdings in SMPC as at 31 May 2000	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Mr Machendran a/l Pitchai Chetty	-	-	7,469,831*	37.35
Mr Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831*	37.35
Mr Ramakrishnan a/l Thangasamy Chettiar	-	-	-	-

* *Deemed interested by virtue of his shareholdings of more than 15% in KPSB.*

Shareholdings in KPSB as at 31 May 2000	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Mr Machendran a/l Pitchai Chetty	1,159,722	16.99	-	-
Mr Dhanabalan a/l M. Pitchai Chetty	1,081,900	15.85	-	-
Mr Ramakrishnan a/l Thangasamy Chettiar	509,188	7.46	-	-

Shareholdings in Duro as at 31 May 2000	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Mr Machendran a/l Pitchai Chetty	150,000	10.00	555,000**	37.00
Mr Dhanabalan a/l M. Pitchai Chetty	-	-	555,000**	37.00

** *Deemed interested by virtue of his shareholdings of more than 15% in KPSB.*

Both Mr Machendran a/l Pitchai Chetty and Mr Dhanabalan a/l M. Pitchai Chetty are Directors of SMPC, Duro and KPSB. Mr Ramakrishnan a/l Thangasamy Chettiar is a Director of SMPC and KPSB.

KPSB is a substantial shareholder of SMPC with a direct shareholding of 7,461,301 ordinary shares representing 37.31% and indirect shareholding of 8,530 ordinary shares representing 0.04% (held through S.M. Pitchai Chettiar Sdn Bhd) of the issued and paid-up share capital of SMPC as at 31 May 2000. S.M. Pitchai Chettiar Sdn Bhd is a wholly-owned subsidiary of KPSB. KPSB is also a substantial shareholder of Duro with a direct shareholding of 555,000 ordinary shares representing 37.00% of the issued and paid-up share capital of Duro as at 31 May 2000.

Mr Machendran a/l Pitchai Chetty is deemed to be a substantial shareholder of SMPC with an indirect interest of 7,469,831 ordinary shares representing 37.35% of the issued and paid-up share capital of SMPC as at 31 May 2000. He is also a substantial shareholder of KPSB with a direct shareholding of 1,159,722 ordinary shares representing 16.99% of the issued and paid-up share capital of KPSB as at 31 May 2000. He is also a substantial shareholder of Duro with a direct shareholding of 150,000 ordinary shares representing 10.00% and an indirect shareholding of 555,000 representing 37.00% of the issued and paid-up share capital of Duro as at 31 May 2000.

Mr Dhanabalan a/l M. Pitchai Chetty is deemed to be a substantial shareholder of SMPC with an indirect interest of 7,469,831 ordinary shares representing 37.35% of the issued and paid-up share capital of SMPC as at 31 May 2000. He is also a substantial shareholder of KPSB with a direct shareholding of 1,018,900 ordinary shares representing 15.85% of the issued and paid-up share capital of KPSB as at 31 May 2000 and is also a substantial shareholder of Duro with an indirect shareholding of 555,000 representing 37.00% of the issued and paid-up share capital of Duro as at 31 May 2000. Mr Ramakrishnan a/l Thangasamy Chettiar is a substantial shareholder of KPSB with a direct shareholding of 509,188 ordinary shares representing 7.46% of the issued and paid-up capital of KPSB as at 31 May 2000.

Accordingly, Mr Machendran a/l Pitchai Chetty, Mr Dhanabalan a/l M. Pitchai Chetty and Mr Ramakrishnan a/l Thangasamy Chettiar, being interested Directors have abstained from voting on the SMPC Board's deliberation pertaining to the Proposed Duro Acquisition.

KPSB, Mr Machendran a/l Pitchai Chetty, Mr Dhanabalan a/l M. Pitchai Chetty and Mr Ramakrishnan a/l Thangasamy Chettiar will also abstain from voting in respect of their direct and/or indirect shareholdings on the ordinary resolution relating to the Proposed Duro Acquisition at the forthcoming EGM.

Proposed ESOS

The Directors of SMPC who are deemed interested in the Proposed ESOS are as follows:-

Shareholdings in SMPC as at 31 May 2000	Maximum Allotment	Direct		Indirect	
		No. of shares held	%	No. of shares held	%
Mr Machendran a/l Pitchai Chetty	500,000	-	-	7,469,831*	37.35
Mr Dhanabalan a/l M. Pitchai Chetty	500,000	-	-	7,469,831*	37.35
Mr Ramakrishnan a/l Thangasamy Chettiar	500,000	-	-	-	-
Mr Vijayan a/l O.M.V. Devan	500,000	-	-	-	-
Mr Makhtar bin Mohamed	500,000	-	-	-	-

* *Deemed interested by virtue of his shareholdings of more than 15% in KPSB.*

The executive Directors of SMPC (namely Mr Machendran a/l Pitchai Chetty, Mr Dhanabalan a/l M. Pitchai Chetty, Mr Ramakrishnan a/l Thangasamy Chettiar, Mr Vijayan a/l O.M.V. Devan and Mr Makhtar bin Mohamed) are deemed interested in the Proposed ESOS and accordingly have abstained from all Board deliberations and will abstain from voting in respect of their direct and/or indirect interests in SMPC relating to the Proposed ESOS and their respective proposed allocation under the Proposed ESOS at the forthcoming EGM.

Proposed Waiver

The Directors of SMPC who are deemed interested in the Proposed Waiver are as follows:-

Shareholdings in SMPC as at 31 May 2000	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Mr Machendran a/l Pitchai Chetty	-	-	7,469,831*	37.35
Mr Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831*	37.35
Mr Ramakrishnan a/l Thangasamy Chettiar	-	-	-	-

* *Deemed interested by virtue of his shareholdings of more than 15% in KPSB.*

KPSB is a substantial shareholder of SMPC with a direct shareholding of 7,461,301 ordinary shares representing 37.31% and indirect shareholding of 8,530 ordinary shares representing 0.04% (held through S.M.Pitchai Chettiar Sdn Bhd) of the issued and paid-up share capital of SMPC as at 31 May 2000. S.M. Pitchai Chettiar Sdn Bhd is a wholly-owned subsidiary of KPSB.

Accordingly, KPSB and S.M. Pitchai Chettiar Sdn Bhd will abstain from voting in respect of their direct and/or indirect interests in SMPC relating to the Proposed Waiver at the forthcoming EGM

Shareholdings in KPSB as at 31 May 2000	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Mr Machendran a/l Pitchai Chetty	1,159,722	16.99	-	-
Mr Dhanabalan a/l M. Pitchai Chetty	1,081,900	15.85	-	-
Mr Ramakrishnan a/l Thangasamy Chettiar	509,188	7.46	-	-

Mr Machendran a/l Pitchai Chetty, Mr Dhanabalan a/l M. Pitchai Chetty, Mr Ramakrishnan a/l Thangasamy Chettiar, are deemed interested in the Proposed Waiver and accordingly have abstained from all Board deliberations and will abstain from voting in respect of their direct and/or indirect interests in SMPC relating to the Proposed Waiver at the forthcoming EGM.

Save and except as disclosed for the above, none of the other Directors and/or substantial shareholders or persons connected to the Directors and substantial shareholders of the Company have any interest, direct or indirect, in the Proposals.

12. DISCLOSURE 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, is a Director and deemed substantial shareholder of SMPC, Pitchai Metal Sdn Bhd and Tresight Vision Sdn Bhd. The current facilities granted to the abovementioned companies as at 25 May 2000 are as disclosed below:-

Company	Facility	Approved Limit	Outstanding Amount
i) Pitchai Metal Sdn Bhd	Term Loan	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 the SMPC Group and parties related to them.

13. FUTURE 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 economic 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 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 nation's 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 sector 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 passenger 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 broadbased 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*

14. DIRECTORS' RECOMMENDATIONS

Your Directors, after taking into consideration all financial and other factors, are of the opinion that the Proposals are in the best and long term interests of the Company. Accordingly:-

- i) your Directors (save for those interested in the Proposed Special Issue as mentioned in Section 11 above) recommend that you vote in favour of the relevant resolution to be tabled at the forthcoming EGM to approve the Proposed Special Issue;
- ii) your Directors recommend that you vote in favour of the relevant resolution to be tabled at the forthcoming EGM to approve the Proposed Rights with Warrants Issue;

- iii) your Directors (save for those interested in the Proposed Duro Acquisition Issue as mentioned in Section 11 above) recommend that you vote in favour of the relevant resolution to be tabled at the forthcoming EGM to approve the Proposed Duro Acquisition;
- iv) your Directors (save for those interested in the Proposed ESOS Issue as mentioned in Section 11 above) recommend that you vote in favour of the relevant resolution to be tabled at the forthcoming EGM to approve the Proposed ESOS;
- v) your Directors recommend that you vote in favour of the relevant resolution to be tabled at the forthcoming EGM to approve the Proposed Increase in Authorised Share Capital; and
- vi) your Directors (save for those interested in the Proposed Waiver as mentioned in Section 11 above) recommend that you vote in favour of the relevant resolution to be tabled at the forthcoming EGM to approve the Proposed Waiver.

15. INDEPENDENT ADVISER

AMMB, has been appointed as the Independent Adviser to advise the independent shareholders of SMPC on the Proposed Duro Acquisition in view of the Directors' and substantial shareholders' interests mentioned above and the Proposed Waiver. The advice of the Independent Adviser together with its recommendations will be despatched to you shortly.

Shareholders should carefully read the Independent Advice Circular so as to be able to be in the position to make an informed judgement of the merits or otherwise of the Proposed Duro Acquisition and Proposed Waiver.

16. NOTICE OF EXTRAORDINARY GENERAL MEETING

For the purpose of passing the ordinary resolutions to give effect to the Proposals, an EGM, notice of which is enclosed with the Circular, will be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, 11, Lebuh Tenggiri 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang at 12.00 noon on Friday, 7 July 2000 or any adjournment thereof.

You will also find enclosed with this Circular, a Form of Proxy which you are requested to complete, sign and return in accordance with the instruction contained thereon as soon as possible but in any event, so as to arrive at the Company's registered office, not later than 12.00 noon on Wednesday, 5 July 2000. The completion and lodgement of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you find you are able to do so.

17. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully
for and on behalf of the Board of Directors of
SMPC METAL INDUSTRIES BHD

NAGARAJAN A/L THAMBIAH
Independent Director

SMPC METAL INDUSTRIES BHD (79082-V)
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1. History and Business

SMPC was incorporated in Malaysia on 14 December 1981 under the Companies Act, 1965 as SMPC Metal Industries Sdn Bhd. Pursuant to its listing exercise, it was converted to a public limited company on 18 February 1995, and assumed its present name since then. The Company was listed on the KLSE on 15 February 1996.

The core business of the Group is that of a steel service centre which is principally involved in an array of steel related activities. These include processing of steel coils into sheared sheets, and slitted coils; drawing, straightening, annealing and cutting of wire rods, as well as the industrial recycling of ferrous scrap metals to be used as steel rolling mill feeder stock. It is also involved in the processing of non-ferrous scrap metal.

Currently, the authorised and paid-up share capital of SMPC is RM50,000,000 and RM19,999,000 respectively, comprising of 50,000,000 and 19,999,000 ordinary shares of RM1.00 each.

2. Authorised, Issued and Paid-Up Share Capital as at 31 May 2000

Type	No. of Shares	Par Value (RM)	Amount (RM)
Authorised	50,000,000	1.00	50,000,000
Paid-Up	19,999,000	1.00	19,999,000

3. Changes in Issued and Paid-Up Share Capital as at 31 May 2000

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
14.12.1981	3	1.00	Subscribers' share	3
29.07.1982	199,997	1.00	Cash	200,000
30.05.1983	30,000	1.00	Cash	230,000
28.05.1983	70,000	1.00	Cash	300,000
15.09.1983	300,000	1.00	Share for acquisition of investment	600,000
01.12.1984	100,000	1.00	Cash	700,000
07.11.1985	1,050,000	1.00	Bonus (3 : 2)	1,750,000
30.06.1988	50,000	1.00	Cash	1,800,000
31.05.1989	1,200,000	1.00	Cash	3,000,000
01.04.1991	144,444	1.00	Cash	3,144,444

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
22.11.1995	779,000	1.00	Issued at approximately RM7.28 per share as consideration for the acquisition of the remaining shareholding in SMPC Steel Service Centre Sdn Bhd	3,923,444
22.11.1995	365,000	1.00	Issued at approximately RM6.47 per share as consideration for the acquisition of Syarikat Perkilangan Besi Gaya Sdn Bhd	4,288,444
22.11.1995	618,000	1.00	Issued at approximately RM6.47 per share as consideration for the acquisition of landed properties	4,906,444
22.11.1995	1,247,000	1.00	Special Issue	6,153,444
22.11.1995	13,845,556	1.00	Bonus Issue (approximately 9:4 on 6,153,444 ordinary shares)	19,999,000

4. **Shareholding Structure as at 31 May 2000**

Category Shareholders	No. of Shares Held RM	%
MALAYSIAN :		
Bumiputra	2,089,621	10.45
Other Malaysian	16,384,105	81.92
Total Malaysian	18,473,726	92.37
FOREIGN:	1,525,274	7.63
TOTAL	19,999,000	100.00

5. Substantial Shareholders as at 31 May 2000 (2% shareholdings and above)

Shareholders	No. of Shares Held			
	Direct		Indirect	
	RM	%	RM	%
Kumpulan Pitchai Sdn Bhd	7,461,301 ¹	37.31	8,530 ²	0.04
Ravendran a/l Sivalingam	1,139,000 ⁴	5.70	460,514 ³	2.30
Jacob Rabindranath a/l Krishnan	740,000 ⁴	3.70	-	-
Nissho Iwai Corporation	1,093,274 ⁵	5.47	-	-
Dallah Al-Baraka (Malaysia) Holdings Sdn Bhd	500,000 ⁶	2.50	-	-
Zanor Sdn Bhd	460,000 ⁷	2.30	-	-
Machendran a/l Pitchai Chetty	-	-	7,469,831 ⁸	37.35
Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831 ⁸	37.35

Notes:-

- ¹ Held through UMB Nominees (Tempatan) Sdn Bhd
- ² Held through S.M Pitchai Chettiar Sdn Bhd, a wholly-owned subsidiary of KPSB
- ³ 460,000 ordinary shares held through Zanor Sdn Bhd and 514 ordinary shares held through Bonafide Traders Sdn Bhd
- ⁴ Held through Multi-Purpose Bank Nominees (Tempatan) Sdn Bhd
- ⁵ Held through BBMB Securities Nominees (Asing) Sdn Bhd
- ⁶ Held through RHB Nominees (Tempatan) Sdn Bhd
- ⁷ 393,100 ordinary shares held through UMB Nominees (Tempatan) Sdn Bhd
- ⁸ Deemed interested by virtue of his more than 15% interest in KPSB

6. Changes in substantial shareholders holdings 2% or more and their respective shareholdings for the past three (3) years as per the Register of Substantial Shareholders are as follows :

Shareholders	As at 31.1.98				As at 31.1.99				Existing at 31 May 2000			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	RM	%	RM	%	RM	%	RM	%	RM	%	RM	%
KPSB	7,461,301 ⁽¹⁾	37.31	8,530 ⁽²⁾	0.04	7,461,301 ⁽¹⁾	37.31	8,530 ⁽²⁾	0.04	7,461,301 ⁽¹⁾	37.31	8,530 ⁽²⁾	0.04
Ravendran a/l Sivalingam	1,773,000 ⁽³⁾	8.87	446,514	2.23	1,773,000 ⁽³⁾	8.87	460,514 ⁽⁴⁾	2.30	1,139,000 ⁽³⁾	5.70	460,514 ⁽⁴⁾	2.30
Jacob Rabindranath a/l Krishnan	1,373,000 ⁽³⁾	6.87	-	-	1,373,000 ⁽³⁾	6.87	-	-	740,000 ⁽³⁾	3.70	-	-
Nissho Iwai Corporation	1,093,274 ⁽⁵⁾	5.47	-	-	1,093,274 ⁽⁵⁾	5.47	-	-	1,093,274 ⁽⁵⁾	5.47	-	-
Dallah Al-Baraka (Malaysia) Holdings Sdn Bhd	-	-	-	-	500,000 ⁽⁶⁾	2.50	-	-	500,000 ⁽⁶⁾	2.50	-	-
Zanor Sdn Bhd	446,000	2.23	-	-	460,000 ⁽⁷⁾	2.30	-	-	460,000 ⁽⁷⁾	2.30	-	-
Machendran a/l Pitchai Chetty	-	-	7,469,831 ⁽⁸⁾	37.35	-	-	7,469,831 ⁽⁸⁾	37.35	-	-	7,469,831 ⁽⁸⁾	37.35
Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831 ⁽⁸⁾	37.35	-	-	7,469,831 ⁽⁸⁾	37.35	-	-	7,469,831 ⁽⁸⁾	37.35

Notes:

- (1) *Held through UMB Nominees (Tempatan) Sdn Bhd*
(2) *Held through S. M. Pitchai Chettiar Sdn Bhd., a wholly-owned subsidiary of KPSB*
(3) *Held through Multi-Purpose Bank Nominees Sdn Bhd.*
(4) *460,000 ordinary shares held through Zanor Sdn Bhd and 514 ordinary shares held through Bonafide Traders Sdn Bhd.*
(5) *Held through BBMB Securities Nominees (Asing) Sdn Bhd.*
(6) *Held through RHB Nominees (Tempatan) Sdn Bhd*
(7) *393,000 ordinary shares held through UMB Nominees (Tempatan) Sdn Bhd.*
(8) *Deemed interested by virtue of his shareholding of more than 15% in KPSB.*

7. Directors and their shareholdings as at 31 May 2000

Name	No. of Shares of RM1.00 Each Held			Shareholdings %	Nationality
	Direct	Indirect	Total		
Dato' Mohd Taufik Bin Abdullah	250,000	-	250,000	1.25	Malaysian
Nagarajan a/l Thambiah	250,015	-	250,015	1.25	Malaysian
Tye Lean Tee @ Tan Lean Tee	26,000	-	26,000	0.13	Malaysian
Machendran a/l Pitchai Chetty	-	7,469,831	7,469,831 ⁽¹⁾	37.35	Malaysian
Dhanabalan a/l M. Pitchai Chetty	-	7,469,831	7,469,831 ⁽¹⁾	37.35	Malaysian
Ramakrishnan a/l Thangasamy Chettiar	-	-	-	-	Malaysian
Vijayan a/l O.M.V. Devan	-	-	-	-	Malaysian
Makhtar bin Mohamed	-	-	-	-	Malaysian
Daisuke Kadono	-	-	-	-	Japanese

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

8. Subsidiary and Associated Companies

(i) Subsidiary Companies

Name	Date and Place of Incorporation	Effective Equity Interest (%)	Principal Activity(ies)
SMPC Steel Service Centre Sdn Bhd	9 Oct 1990 Kuala Lumpur	100	Metal sheet and coil processing centre with main services in shearing, down-shearing and slitting.
Syarikat Perkilangan Besi Gaya Sdn Bhd	17 Aug 1985 Kuala Lumpur	100	Drawing, straightening and annealing of iron rods and wire related products
SMPC Marketing Sdn Bhd	3 Nov 1994 Kuala Lumpur	99.99	Trading in building materials, hardware items and mining requisites
Progerex Sdn Bhd (Wholly owned by SMPC Marketing Sdn Bhd)	26 Jan 1993 Kuala Lumpur	100	Shredding and processing of ferrous and non-ferrous scrap metals.
Edit Systems (M) Sdn Bhd	24 Feb 1998 Kuala Lumpur	70	Operation of an educational institution
Besi Gaya (Klang) Sdn Bhd	9 Dec 1996 Kuala Lumpur	51	Manufacture of steel stirrups for the construction industry

(ii) Associated Companies

Name	Date and Place of Incorporation	Effective Equity Interest (%)	Principal Activity(ies)
JP Container Services Sdn Bhd	22 May 1997 Kuala Lumpur	40	Container repair and refurbishment plant

9. Profit and Dividend Record

The audited results of SMPC Group/Company for the past three (5) financial years ended 31 January 1996 to 2000 are summarised as follows:-

SMPC Group Financial Year Ended 31 January	----- Audited -----				
	1996 RM	1997 RM	1998 RM	1999 RM	2000 RM
Turnover	157,443,817	236,013,197	244,048,289	207,550,799	215,158,188
Profit/(Loss) before taxation	11,196,009	13,325,837	4,785,973	(40,667,962)	412,050
Pre-acquisition profit	(3,032,359)	-	-	-	-
Taxation	(1,195,094)	(2,713,748)	(1,475,674)	1,589,000	215,949
Profit/(Loss) after taxation but before minority interest	6,968,556	10,612,089	3,310,299	(39,078,962)	627,999
Minority interest	(1,608,632)	-	(3,668)	119,887	185,580
Profit/(loss) after taxation and minority interest	5,359,924	10,612,089	3,306,631	(38,959,075)	813,579
Issued and paid-up share capital ('000)	19,999	19,999	19,999	19,999	19,999
Gross EPS (sen)	60.0	66.6	23.9	(202.8)	2.1
Net EPS (sen)	26.8	53.1	16.5	(194.8)	4.0
Gross Dividend (%)	30.0	5.0	5.0	-	-
Net Dividend (%)	21.0	3.5	3.6	-	-

Notes:-

* *There are no exceptional and extraordinary items for the five (5) financial years under review.*

Review of the financial year ended 31 January, 1996

Turnover was registered at RM157 million compared with RM124 million for the previous year, representing an increase of 26.6%. The Group posted a pretax profit before pre-acquisition profit of RM11.2 million compared with RM4.8 million in the previous year, an increase of 133.3%.

This increase was mainly due to the construction sector which grew at an average of 13.3% per annum. This growth was supported by the implementation of large infrastructure projects coupled with continued expansion in the construction quarter.

Review of the financial year ended 31 January, 1997

Turnover grew by 50% to RM236 million compared with RM157 million for the previous year. This is mainly due to the consolidation of the Group's diversified business.

The Group posted a pretax profit of RM13.3 million compared with RM11.2 million for the previous year, reflecting an increase of 19%. This was mainly due to intensive marketing effort, optimum product mix and penetration into new markets.

Review of the financial year ended 31 January, 1998

Turnover increased by 3% to RM244 million compared with RM236 million for the previous financial year. The increase was due to the satisfactory performance of the metal recycling division.

The Group registered a pretax profit of RM4.8 million compared with RM13.3 million posted for the previous financial year. The decline in profitability is attributed to the regional economic crisis and foreign exchange losses incurred by volatile movement of the Ringgit against the US Dollars.

Review of the financial year ended 31 January, 1999

The turnover declined by 15% to RM208 million compared with RM244 million for the previous financial year. The decrease in turnover is mainly due to lack of domestic demand for the steel and wire rod products.

The Group registered a loss before taxation of RM40.7 million compared with an operating profit before tax of RM4.8 million posted for the previous financial year. The significant decrease in the profit before tax is chiefly due to the prolonged economic recession. The adverse foreign exchange rates coupled with high interest rates and negative growth in the Gross Domestic Product were the main contributing factors for the loss.

There was no tax charged for the year as the Company was in a tax loss position. The credit in taxation was due to the net transfer from deferred taxation account.

Review of the financial year ended 31 January, 2000

SMPC registered a higher turnover of RM 215 million which represented a growth of 4% over the previous year. The increase was due to the satisfactory performance of the steel and metal recycling division.

The Group registered a profit before tax of RM 412,050 compared with a loss of RM 40.7 million for the previous year. This impressive turnaround in revenue and profitability can be attributed to its proactive and pragmatic business approach to change and adapt to its competitive business environment.

The Company	----- Audited -----				
Financial Year Ended 31 January	1996 RM	1997 RM	1998 RM	1999 RM	2000 RM
Turnover	3,243,296	4,577,468	2,547,726	2,495,741	2,508,355
Profit/(Loss) before taxation	1,559,264	1,421,746	461,589	35,805	(2,162,559)*
Taxation	(464,594)	(714,000)	(159,000)	-	372,278
Profit/(Loss) after taxation but before minority interest	1,094,670	707,746	302,589	35,805	(1,790,281)
Minority interest	-	-	-	-	-
Profit/(loss) after taxation and minority interest	1,094,670	707,746	302,598	35,805	(1,790,281)
Issued and paid-up share capital ('000)	19,999	19,999	19,999	19,999	19,999
Gross EPS (sen)	7.8	7.1	2.3	0.18	(10.8)
Net EPS (sen)	5.5	3.5	1.5	0.18	(8.9)
Gross Dividend (%)	30.0	5.0	5.0	-	-
Net Dividend (%)	21.0	3.5	3.6	-	-

Notes:-

- (i) *The loss of RM2.163 million for the financial year ended 31 January 2000 was mainly due to a provision for diminution in value of an associated company of RM1.6 million.*
- (ii) *There are no exceptional and extraordinary items for the five (5) financial years under review.*

10. Market Price of SMPC Shares

The monthly high and low share prices of SMPC as traded on the KLSE for the past twelve (12) months from June 1999 to May 2000 are as follows:-

	High RM	Low RM
<u>1999</u>		
June	2.25	1.80
July	2.55	1.70
August	1.77	1.45
September	1.70	1.46
October	1.84	1.50
November	1.64	1.50
December	1.70	1.48
<u>2000</u>		
January	2.20	1.72
February	3.52	1.86
March	3.28	2.16
April	3.00	2.20
May	2.72	2.10

(Source : The KLSE Daily Diary)

Last transacted market price on 9 November 1999 (being the latest practicable date immediately prior to the announcement of the Proposals on 12 November 1999) RM1.55

Five (5) days weighted average market price of SMPC shares prior to the date on which the terms of the Proposed Duro Acquisition were agreed upon on 10 November 1999 RM1.51

Last transacted market price on 19 June 2000 (being the latest practicable date immediately prior to the printing of this Circular) RM1.80

BACKGROUND INFORMATION OF BUMIPUTRA INVESTORS

Perbadanan Nasional Berhad (9157-K)

1. Date and Place of Incorporation :29th November 1969, Selangor**2. Principal Activities :**

Investment Holding Company

3. Authorised, Issued and Paid-up Share Capital as at 31 May 2000

Type	No. of Shares	Par Value (RM)	Amount (RM)
Authorised	1,000,000,000	1.00	1,000,000,000
Issued and Paid-up Capital	751,012,180	1.00	751,012,180

4. Changes in Issued and Paid-up Capital as at 31 May 2000

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
19.12.75	106,000,002	1.00	Cash	116,250,002
26.07.86	34,000,000	1.00	Cash	150,250,002
31.10.87	135,000,000	1.00	Cash	285,250,002
30.01.88	350,305,998	1.00	Cash	635,556,000
08.10.88	115,456,180	1.00	Cash	751,012,180

5. Shareholding Structure as at 31 May 2000

Category of Shareholders	No. of Shares Held	%
MALAYSIAN		
Bumiputra	751,012,180	100.00
Other Malaysian	-	-
Total Malaysian	751,012,180	100.00
FOREIGN	-	-
TOTAL	751,012,180	100.00

6. Bumiputra Shareholders

Shareholders	No. of Shares Held	%	% Effective Bumiputra
Ministry of Finance (Incorporated)	746,762,178	99.43	99.43
BBMB Kewangan Berhad	2,000,000	0.27	0.27
Syarikat Nominee Bumiputra Tempatan	1,000,000	0.13	0.13
Lembaga Tabung Haji	500,000	0.07	0.07
Perbadanan Kemajuan Negeri Selangor	500,000	0.07	0.07
Perbadanan Kemajuan Negeri Perak	250,000	0.03	0.03
The Estate of Mohd Raslan b Dato' Abdullah	1	-	-
Federal Land Commissioner	1	-	-
	751,012,180	100.00	100.00

7. Major Shareholders

Major Shareholders	No. of Shares Held	%
Ministry of Finance (Incorporated)	746,762,178	99.43
BBMB Kewangan Berhad	2,000,000	0.27
Syarikat Nominee Bumiputra Tempatan	1,000,000	0.13

8. Directors and their Shareholdings

Name	No. of Shares of RM1.00 Each Held			Shareholdings %	Nationality
	Direct	Indirect	Total		
Dato' Md. Desa b Pachi	-	-	-	-	Malaysian
Dato' Haji Hanafi bin Ramli	-	-	-	-	Malaysian
Mat Hassan b Esa	-	-	-	-	Malaysian
Dato' Dr. Abdullah bin Mohd Tahir	-	-	-	-	Malaysian
Syed Tamim Ansari bin Syed Mohamed	-	-	-	-	Malaysian
Hanifah bte Hassan	-	-	-	-	Malaysian
Mustaffa Kamil bin Md Ismail	-	-	-	-	Malaysian
Kamariah bt. Hussain	-	-	-	-	Malaysian

9. Subsidiary and Associated Companies

List of Subsidiaries

1. PNS Capital Resource (L) Ltd
2. PNS Capital resource Management (L) Ltd
3. Pan Asian Sub Fund (L) Ltd (a 100% subsidiary of PNS Capital Resource (L) Ltd)

List of Associate Companies

1. Yoa Han Sdn bhd
2. Kian Lee Fatt Motors Sdn Bhd
3. Rinda Perusahaan Makanan Sdn Bhd
4. Stone Empire Sdn Bhd
5. Salcon Engineering Sdn Bhd
6. Ingress Engineering Sdn Bhd
7. Supercomal Technologies Berhad
8. Seacera Tiles Berhad
9. Leo Fasteener Sdn Bhd
10. Television Airtime Services Sdn Bhd
11. Tool Consult & Press Sdn Bhd
12. Aldwich Enviro-Management Sdn Bhd
13. Konsortium Pakatan Didik Sdn Bhd
14. Powerfoam Industries Sdn Bhd
15. Progressive Impact Corporation Sdn Bhd
16. Lankhorst Berhad
17. Yong Tai Berhad
18. The Ball Fastfood Sdn Bhd
19. D'or Rue Sdn Bhd
20. Nineteen O One Sdn Bhd
21. Aneka Selera Sdn Bhd
22. Hexariang Sdn Bhd
23. S. I. Consolidated Sdn Bhd
24. Pusrawi Corporation Sdn Bhd
25. Powernet Industries Sdn Bhd
26. San Soon Seng Food Industries Sdn Bhd
27. Pusat Emas & Permata Ahmad Ismail Sdn Bhd
28. IRIS Technology (M) Sdn Bhd
29. Tres Chic Sdn Bhd
30. Tomisho Holdings Berhad
31. PMMC (M) Sdn Bhd
32. Bellcorp Technology (M) Sdn Bhd
33. Italio Collection Centre Sdn Bhd

BACKGROUND INFORMATION OF BUMIPUTRA INVESTORS

BIODATA

1. Name : Dato' Mohd Taufik bin Abdullah
2. Address : Apt 5-4C, Pantai Towers,
Lorong Bukit Pantai,
59100 Kuala Lumpur.
3. Date of Birth : 17 May 1943
4. Place of birth : Negeri Sembilan
5. Citizenship : Malaysian
6. Name of spouse : Rashidah bte Pakeh Amin
7. Qualifications and profession : Completed secondary education in Malay College, Kuala Kangsar (1952-1961)

B.Sc (University Malaya) (1963-1966)

Post-Graduate Diploma in Operational Research (Woolwich Polytechnic, London) (1967-1968)

M.Sc in Statistics and Operations Research (Easex University, U.K) (1968-1969)

Fellow of the Institute of Bankers Malaysia (FIBM) (since February 1986)
8. Previous working experience : a) Joint Bank Negara Malaysia on February 2, 1970.

Served in the Economic Research and Statistics Department (now called Economics Department) for many years. Arising to post of Assistant Chief Economist.

Promoted to post of Secretary of the Bank in November 1977 until June 1980.

Appointed to post of Manager, Bank Regulation Department in June 1980 and served there until 31 December 1984.

Promoted to post of Adviser in August 1983 and was responsible for a number of departments in the Bank in addition to being Manager, Bank Regulation Department.

- b) Joined Bank Bumiputra Malaysia Berhad as Executive Director on 1 January 1985.
- c) Joined United Asian Bank Berhad as Director/Chief Executive on 1 June 1989.
- d) Completed service on 30 June 1991.
- e) Appointed Executive Chairman of Johor Port Berhad on 22 September 1995.

9. Name of companies involved and position :-

Company	Position
<u>Public Listed Companies</u>	
1. Malaysian National Reinsurance Berhad	Director
2. Johor Port Berhad	Director
3. SMPC Metal Industries Bhd	Director
4. Minply Holdings (M) Berhad	Director
<u>Private Companies</u>	
1. R. P. A. Holdings Sdn Bhd	Director
2. Pakatan Mawar (M) Sdn Bhd	Director
3. Golden Taurus Corporation Sdn Bhd	Director
4. SMPC Steel Services Centre Sdn Bhd	Director
5. Imygar Desisgn Sdn Bhd	Director
6. Prestasi Laksana Sdn Bhd	Director
7. Median Resources Sdn Bhd	Director
8. Seaport Terminal (Johore) Sdn Bhd	Director
9. Indra Cita Sdn Bhd	Director
10. Seaport Development (Johore) Sdn Bhd	Director
11. Pelabuhan Tanjung Pelepas Sdn Bhd	Director
12. JP Logistics Sdn Bhd	Director
13. Midland Merchantile Holdings Sdn Bhd	Director
14. Minply Sdn Bhd	Director

BACKGROUND INFORMATION OF BUMIPUTRA INVESTORS

BIODATA

1. Name : Makhtar Bin Mohamed
2. Address : Lot 2477
Mukim Kenali
16150, Kubang Kerian
Kota Bharu
Kelantan
3. Date of Birth : 10 November 1953
4. Place of birth : Bachok, Kelantan
5. Citizenship : Malaysian
6. NRIC No : 531110-03-5187
7. Name of spouse : Kamaliah Bte Hj Mohd Noor
8. Qualifications and profession : Completed Secondary Education at Sultan Ismail College, Kota Bharu-1973
B. Econs (Hons) In Accounting, University Malaya (1974-1977)
Post –Graduate Diploma in Accounting, University Malaya (1977-1979)
9. Previous working experience : a) Joined Bank Bumiputra (M) Berhad as Bank Officer on 1 March 1977
b) Joined South Kelantan Land Development Authority (KESEDAR) as an Accountant on 1 July 1979
c) Joined Kelantan State Land Development and Rehabilitation Corporation (TAKDIR) as Finance Manager on 1 August 1980
d) Joined University Sains Malaysia as Deputy Treasurer on 1 May 1983
e) Joined FELCRA as General Manager-Business Development on 1 March 1999
f) Joined SMPC Metal Industries Bhd as Financial Consultant - Business Development on 1 August 1999

10. Name of companies involved and position :

Company	Position
1. SMPC Metal Industries Bhd	Director
2. Best Synergy Sdn. Bhd.	Director
3. Exclusive Three Sdn. Bhd.	Director
4. Delcowest Sdn. Bhd.	Director

DURO METAL INDUSTRIAL (M) SDN BHD (225220-W)

1. Date and Place of Incorporation :

18th September 1991, Kuala Lumpur under the Companies Act, 1965.

2. Principal Activities**Duro Metal Industrial (M) Sdn Bhd:**

The principal activities of the company is that of manufacturing of steel roofing, wall cladding sheets, steel related products and provision of related services.

Duro operates from a factory with a total built-up area of 43,000 square feet situated at Lot 113, Lorong AM11, Arab-Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan and a marketing branch at 78A, Jalan Serampang, Taman Pelangi, 80400 Johor Bahru. The factory has six (6) lines with an estimated annual production capacity of 8,000 tons (based on single shift) and the current output per annum is 7,200 tons (single shift @8 hours per shift).

About 20% of its output is exported, mainly to China, Hong Kong, Bangladesh, Sri Lanka, Maldives and the Middle East.

Duro's subsidiaries:**a) Duro Structural Products (M) Sdn Bhd ("DSP")**

The principal activities of DSP is in the manufacturing of floor decks and structures for steel roofing and wall cladding as well as trading in steel roofing. DSP shares the same factory premises and facilities with Duro and is currently operating with 2 lines. The annual production capacity is 10,000 tons while the annual output is 3,500 tons based on single shift production at 8 hours per shift. DSP's marketing activities are carried out by its related company, DM. The sales of DSP comprised of 80% for local market and 20% for overseas market. The countries that DSP export to include China, Hong Kong, Bangladesh, Sri Lanka, Maldives, Singapore and Indonesia.

b) Duro Marketing (M) Sdn Bhd ("DM")

The principal activities of DM is in the trading of steel roofing, construction material and provision of related services. The products marketed by DM are manufactured by Duro and DSP. DM largely depends on Duro's marketing network of which 20% of the products are mainly exported to China, Hong Kong, Bangladesh, Sri Lanka, Maldives and the Middle East. DM is also involved in the installation of roofing and wall cladding. At present, there are three outlets of DM which are located in Kuala Lumpur, Nilai and Johor Bahru.

3. Authorised, Issued and Paid-up Share Capital as at 31 May 2000

Type	No. of Shares	Par Value (RM)	Amount (RM)
Authorised	5,000,000	1.00	RM5,000,000
Paid-up	1,500,000	1.00	RM1,500,000

4. Changes In Issued and Paid-up Share Capital as at 31 May 2000

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
18.09.91	2	1.00	Cash	2
22.10.91	19,998	1.00	Cash	20,000
15.12.93	480,000	1.00	Cash	500,000
20.01.97	500,000	1.00	Cash	1,000,000
12.08.97	500,000	1.00	Cash	1,500,000

5. Shareholdings Structure as at 31 May 2000

Category of Shareholder	No. of Shares Held (RM)	%
MALAYSIAN		
Bumiputra	-	-
Other Malaysian	1,500,000	100.00
Total Malaysian	<u>1,500,000</u>	<u>100.00</u>
FOREIGN	-	-
TOTAL	<u><u>1,500,000</u></u>	<u><u>100.00</u></u>

6. Substantial Shareholders as at 31 May 2000 (2% Shareholding and above)

Shareholders	No of Shares Held RM	%
Lim Eng Chai	420,000	28
Machendran a/l Pitchai Chetty	150,000	10
Cheng Kien Wing	375,000	25
Kumpulan Pitchai Sdn Bhd	<u>555,000</u>	<u>37</u>
	<u><u>1,500,000</u></u>	<u><u>100</u></u>

7. Change in substantial shareholders holding 2% or more and their respective shareholdings for the past three (3) years as per the Register of Substantial Shareholders are as follows :-

There has not been any change in substantial shareholders holding 2% or more and their respective shareholdings for the past three (3) years.

8. Directors and their shareholdings

Name	No. of Shares Held			Shareholding %	Nationality
	Direct	Indirect	Total		
Lim Eng Chai	420,000	-	420,000	28	Malaysian
Cheng Kien Wing	375,000	-	375,000	25	Malaysian
Machendran a/l Pitchai Chetty	150,000	555,000 ⁽¹⁾	705,000	47	Malaysian
Dhanabalan a/l M. Pitchai Chetty	-	555,000 ⁽¹⁾	555,000	37	Malaysian
Vijayan a/l O. M. V. Devan (alternate Director to Machendran a/l Pitchai Chetty)	-	-	-	-	Malaysian

Note : ⁽¹⁾ Held through Kumpulan Pitchai Sdn Bhd.

9. Subsidiary and Associated Companies :

Name	Date and Place of Incorporation	Effective Equity Interest (%)	Issued and Paid-Up Capital (RM)	Principal Activity(ies)
Duro Marketing (M) Sdn Bhd	19 November 1993 Kuala Lumpur	100	4	Trading in steel roofing, construction material and provision of related services.
Duro Structural Products (M) Sdn Bhd	31 October 1997 Kuala Lumpur	70	500,000	Trading in steel roofing and manufacturing of floor decks and structures for steel roofing and wall cladding

The Company does not have any associated companies.

10. Financial Data for the last Five (5) Financial Years :

The following are the audited financial results of the group/company for the five (5) years ended 31 December 1995 to 31 December 1999.

GroupYear ended.....				
	1995	1996	1997	1998	1999
Financial Year Ended 31 December	RM	RM	RM	RM	RM
Turnover (RM)	35,663,642	33,622,488	35,385,455	27,123,951	31,584,435
Profit before taxation (RM)	2,370,213	2,542,124	2,479,727	1,472,695	2,714,216
Taxation (RM)	(696,258)	(906,000)	(710,840)	(112,146)	(294,000)
Profit after taxation (RM)	1,573,955	1,636,124	1,768,887	1,360,549	2,420,216
Paid-up Capital (RM'000)	500	500	1,167*	1,500	1,500
Gross earning per share (RM)	4.74	5.08	2.12	0.98	1.81
Net Tangible Asset (NTA)	2,483,989	3,302,360	6,049,538	7,466,758	9,905,828
NTA per share (RM)	4.97	6.60	4.03	4.98	6.60
Dividend – Interim :	-	-	-	-	-
Final :	-	997,500	-	-	-

Note:-

- i) *There were no exceptional or extraordinary items for the five (5) years under review.*
- ii) *Duro achieved a 5.24% growth rate in turnover from RM33.62 million in 1996 to RM35.39 million in 1997. Profit before taxation decreased slightly from RM2.54million in 1996 to RM2.48 million in 1997. This was mainly due to the disproportionate increase in the operation and financial expenses as compared with the increase in sales. The increase in interest expenses was mainly attributable to the utilization of higher banking facilities as a result of investment in capital expenditures.*
- iii) *The turnover for the year ended 1998 declined by 23% as compared to the previous financial year. This is mainly due to the downturn in the economy that has effected the overall consumers spending in the Asia – Pacific region. The demand for property dropped significantly as compared to the previous years due to economic slow down which affected the demand for metal roofing and wall cladding products.*

The net profit before taxation in 1998 decreased to RM1.47 million as compared to RM2.48 million in 1997. The decline in profit margin is attributed to the lower turnover and also due to provision for doubtful debts amounting to RM860,000.

- iv) *Duro achieved an 18% growth rate in turnover from RM27 million in 1998 to RM32 million in 1999. Net profit before taxation increased from RM1.47 million in 1998 to RM2.7 million this year. This was attributable to the steady demand for its products with the recovery of the Malaysian economy with significant growth in the manufacturing and construction sectors.*

* *The weighted average number of shares for the financial year 31 December 1997 is determined as follows:*

<i>1 January – 20 January</i>	<i>500,000 x 20/365</i>	<i>=</i>	<i>27,397</i>
<i>21 January – 12 August</i>	<i>1,000,000 x 203/365</i>	<i>=</i>	<i>556,164</i>
<i>13 August – 31 December</i>	<i>1,500,000 x 142/365</i>	<i>=</i>	<i>583,562</i>
			<i>1,167,123</i>

CompanyYear ended.....				
	1995	1996	1997	1998	1999
Financial Year Ended 31 December	RM	RM	RM	RM	RM
Turnover (RM)	32,668,996	32,700,414	35,614,921	25,264,138	27,609,265
Profit before taxation (RM)	2,013,466	2,309,336	2,332,259	1,620,006	2,893,616
Taxation (RM)	619,258	836,000	633,890	144,691	294,000
Profit after taxation (RM)	1,394,208	1,473,336	1,689,369	1,475,315	2,599,616
Paid-up Capital (RM'000)	500	500	1,167*	1,500	1,500
Gross earning per share (sen)	4.03	4.62	2.00	1.08	1.93
Net Tangible Asset (NTA) (RM'000)	2,484	2,960	5,658	7,134	9,733
NTA per share (RM)	4.97	5.92	3.77	4.76	6.49
Dividend – Interim :	-	-	-	-	-
Final :	-	997,500	-	-	-

Note:-

- i) *There were no exceptional or extraordinary items for the five (5) years under review.*
- ii) *The increase in turnover for the first half of 1997 was partly due to the ability of Duro to offer competitive prices which resulted in securing substantial contracts before the economic downturn in the second half of the year.*

The profit before tax decreased from 7% in 1996 to 6.5% in 1997 due to lower margin and higher interest costs due to increase in bank borrowings as a result of investment in capital expenditure.

- iii) *The turnover for the year ended 1998 declined by 29% as compared to the previous financial year. This is mainly due to the downturn in the economy that has effected the overall consumers spending in the Asia – Pacific region. The demand for property dropped significantly as compared to the previous years due to economic slow down which affected the demand for metal roofing and wall cladding products.*

The net profit before taxation in 1998 decreased to RM1.62 million as compared to RM2.33 million in 1997. The decline in profit margin is attributed to the lower turnover and also due to provision for doubtful debts amounting to RM860,000.

iv) *Duro achieved an 9.28% growth rate in turnover from RM25.3 million in 1998 to RM27.61 million in 1999. Net profit before taxation increased from RM1.62 million in 1998 to RM2.89 million in 1999. This was attributable to the steady demand for its products with the recovery of the Malaysian economy with significant growth in the manufacturing and construction sectors.*

* *The weighted average number of shares for the financial year 31 December 1997 is determined as follows:*

<i>1 January – 20 January</i>	<i>500,000 x 20/365</i>	<i>=</i>	<i>27,397</i>
<i>21 January – 12 August</i>	<i>1,000,000 x 203/365</i>	<i>=</i>	<i>556,164</i>
<i>13 August – 31 December</i>	<i>1,500,000 x 142/365</i>	<i>=</i>	<i>583,562</i>
			<u><u><i>1,167,123</i></u></u>

ACCOUNTANTS REPORT ON DURO

CONSOLIDATED PROFIT FORECAST AND PROJECTION OF SMPC FOR THE YEARS ENDING 31 JANUARY 2001, 2002 AND 2003 TOGETHER WITH THE PRINCIPAL BASES AND ASSUMPTIONS AND THE AUDITORS' LETTER THEREON

**PROFORMA CONSOLIDATED BALANCE SHEET OF SMPC AS AT 31 JANUARY 2000 BEFORE
AND AFTER THE PROPOSALS AND THE AUDITORS' LETTER THEREON**

DRAFT ESOS BYE-LAWS FOR THE PROPOSED ESOS
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SMPC METAL INDUSTRIES BHD

BYE-LAWS OF THE EMPLOYEES' SHARE OPTION SCHEME

1. Definitions

The following terms have the following meanings:

Articles	Articles of Association of the Company, as amended from time to time
Board	the board of directors for the time being of the Company.
Bye-Laws	the bye-laws of the proposed ESOS.
CA	the Companies Act, 1965.
Central Depositories Act	Securities Industry (Central Depositories) Act 1991
Company	SMPC Metal Industries Bhd (Company No.79082-V) whose registered office is at 11 th Floor, Bangunan FOP, Jalan Anson, 10400 Penang.
Date of Expiry	the last day of the duration of the ESOS as defined in Clause 17 of the Bye-Laws.
Date of Offer	the date on which an Eligible Employee is notified of the Offer in writing by the ESOS Committee.
ESOS Committee	the committee appointed by the Board of SMPC to administer the ESOS
Eligible Employee	any natural person who is at least eighteen (18) years of age at the date of the offer and is employed full-time by and on the payroll of the Group and any non-listed company comprised in the Group and falling within any of the categories of employees as set in Clause 5 of this Bye-Laws who is confirmed with not less than 1 year service immediately before the Offer and designated in writing by the ESOS Committee to be eligible for the ESOS and is not an employee of a subsidiary company which is dormant.
ESOS	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 Bye-Laws and such scheme to be known as "SMPC Metal Industries Bhd Employees' Share Option Scheme".

ESOS Shares	the new ordinary shares of RM1.00 each in the Company to be issued pursuant to the execution of an Option under the ESOS.
Grantee	an Eligible Employee who has accepted the Offer of an Option in accordance with the terms of the ESOS.
Group	the Company and its Subsidiaries.
KLSE	Kuala Lumpur Stock Exchange.
Market Day	a day on which the KLSE is open for trading.
Maximum Allowable Allotment	the maximum number of ESOS Shares that can be offered and allotted to an Eligible Employee falling within a particular category of employees as provided in Clause 5 of the Bye-Laws.
MCD	Malaysian Central Depositories Sdn. Bhd. and its nominees
Offer	an offer made in writing by the ESOS Committee to any Eligible Employee in accordance with the terms of the ESOS. Option the rights of a Grantee to subscribe for new shares in the capital of the Company pursuant to the contract constituted by acceptance by him in the manner indicated in Clause 7 of the Bye-Laws made in accordance with the terms of the ESOS
Option Period	a period commencing on the Date of Offer pursuant to Clause 6 of the ESOS and expiring on the Date of Expiry or such shorter period as may be specifically stated in such Offer provided that no Option Period shall extend beyond the five (5) year period referred to in Clause 17 of the Bye-Laws
Option Price	the price at which the Grantee shall be entitled to subscribe for each new ordinary share of RM1.00 each in the Company as set out in Clause 8 of the Bye-Laws
ROC	Registrar of Companies, Malaysia
Rules	Rules of MCD
Share	1 ordinary share of RM1.00 each in the Company
Securities Account	an account established by the MCD for the holder of the account to record the deposit of securities by the holder of the accounts and any dealings in deposited securities by him
Subsidiary	'subsidiary' as defined in Section 5 of CA

2. Interpretation

- 2.1 Words importing one gender include all other genders and words importing the singular include the plural and vice versa.
- 2.2 Any reference to a specific written law or any general reference to written laws include any statutory extension, modification, amendment or re-enactment of it or them and any regulations, orders or other subsidiary legislation made under it or them.
- 2.3 The expression 'Bye-Laws' means this bye-laws, as varied from time to time in accordance with its terms.

3. Maximum Amount Of Shares Available Under The ESOS

- 3.1 Not more than 10 % of the issued and paid-up ordinary share capital of the Company shall be offered under the ESOS at any point of time during the existence of the ESOS as referred to in Clause 17 of this Bye-Laws.
- 3.2 The Company will keep available sufficient unissued Shares in the share capital of the Company to satisfy all outstanding Options for the duration of the ESOS.

4. Eligibility

Subject to the discretion of the ESOS Committee, any employee of the company, shall be eligible to participate in the ESOS if the employee is, at the Date of Offer, of at least eighteen (18) years of age and :-

- 4.1 a natural person who is employed by and is on the payroll of a company within the Group (save for any company which is dormant) and who is confirmed in writing as an employee and has served in the employment of the Group for at least one (1) year of continuous service on or prior to the Date of Offer. However, where the employee is serving under an employment contract, the contract should be for a duration of at least three (3) years.
- 4.2 Subject to the provisions of Clause 21 below, to qualify for selection for participation in the ESOS, an Eligible Employee must be a confirmed employee with at least one (1) year of service as at the Date of Offer.
- 4.3 A full-time Executive Director of a company within the Group (save for any company which is dormant) who has been confirmed in service and has served for at least one (1) year of continuous service on or prior to the Date of Offer. In the case of a full-time Executive Director, his specific entitlement shall be approved by the shareholders of the Company in a general meeting. However, where the Executive Director is serving under an employment contract, the contract should be for a duration of at least three (3) years;
- 4.4 All full-time foreign employees of the Group who are in service for at least 1 year as at the Date of Offer and are under contract employment for at least 3 of years are eligible to participate in the ESOS.
- 4.5 Eligible Employees who have accepted the Offer to participate in the ESOS shall not be eligible to participate in another employees' share option scheme implemented or to be implemented by any other company within the Group.

5. Basis Of Allotment And Maximum Allowable Allotment Of Shares

- 5.1 No option shall be granted for less than 1,000 new ordinary shares ESOS Shares not more than 500,000 new ordinary shares, save in accordance with Clause 28 hereof to any Eligible Employee.
- 5.2 The Eligible Employees of the Group who are entitled to participate in the ESOS shall be those who fall within any of the categories listed hereunder.
- 5.3 Subject to any adjustments which may be made under Clause 28 hereof, the Maximum Allowable Allotment that may be offered and allotted to an Eligible Employee shall be determined at the discretion of the ESOS Committee and shall not exceed the amount set opposite their respective categories:

Category of employees	Maximum number of new ordinary shares that may be allotted to each Eligible Employee ('000)
Group Managing Director	500
Group Executive Director	500
Executive Director	300
General Manager	300
Senior Manager	250
Manager & Assistant Manager	150
Executive I	90
Executive II	60
Executive III	40
Skilled Workers	30
Clerical	20
General Workers	12

- 5.4 The actual entitlement of an Eligible Employee shall be determined by the ESOS Committee based on seniority in position and length of service with the Group. For an employee who falls under more than one category, the entitlement of ESOS Shares will be based on the higher category in which the employee falls under.
- 5.5 An Eligible Employee who is promoted during the tenure of the ESOS shall be eligible for consideration for additional offer of Shares (to be decided by the ESOS Committee) subject to the Maximum Allowable for the category to which he has been promoted.
- 5.6 Nothing herein shall prevent the ESOS Committee from making more than one Offer to each Grantee Provided Always that the total aggregate number of new ordinary shares of the Company to be so offered to each Grantee (inclusive of new ordinary shares of the Company already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allotment for the Grantee.

6. Offer

- 6.1 Upon implementation of the ESOS, the ESOS Committee shall offer Options to all confirmed Eligible Employees based on the criteria for allotment as in Clause 5 above. Subsequently, further offers of Options shall be made to those who become eligible for allotment. The actual number of ESOS Shares which may be offered to such Eligible Employee shall be at the discretion of the ESOS Committee and shall not be less than 1,000 Shares or more than the Maximum Allotment as set out in Clause 5 above.

- 6.2 The ESOS Committee will in their offer letter state (among others) the number of ESOS Shares granted in respect of seniority and/or length of service.
- 6.3 An offer shall state the Option Price and the number of new ordinary shares for the Option.
- 6.4 Such Offer is personal to the Eligible Employee and is non-assignable and shall automatically lapse and shall be null and void in the event of the Eligible Employee dying or ceasing to be employed by the company for any reason whatsoever, if such death or cessation as the case may be, takes place prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 7 hereof
- 6.5 No Option will be granted to any full-time Executive Director of the Company unless the specific grant of Option and the related allotment of ESOS Shares to that Executive Director shall have previously been approved by the shareholders of the Company in General Meeting.
- 6.6 Every Executive Director can only be allocated ESOS Shares once irrespective of their sitting on more than one board.
- 6.7 The Company will keep available sufficient unissued ordinary shares in the capital of the Company to satisfy all outstanding Options.

7. Acceptance Of Offer

- 7.1 An Offer shall be valid for a period of 30 days from the Date of Offer or such longer period as maybe determined by the ESOS Committee on a case to case basis at its discretion. The Acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to whom the Offer is to the ESOS Committee in the form prescribed by the ESOS Committee. In the event the Eligible Employee fails to accept the offer or pay the Option Price within the prescribed period and the manner aforesated, the Offer shall be deemed to have lapsed.
- 7.2 If the Offer is not accepted in the manner mentioned above in clause 7.1, such Offer shall upon the expiry of the 30 days automatically lapse and shall be null and void and be of no further force and effect.
- 7.3 In the event the Offer is accepted, the Grantee shall pay to the company a sum of Ringgit Malaysia One (RM1.00) only as consideration for the Offer.

8. Option Price

- 8.1 The price at which the Grantee is entitled to subscribe for each ESOS Share shall not be less than the market price at the time the Option is granted and shall be based on the 5-day weighted average market price of the Shares of the Company as shown in the Daily Official List issued by the KLSE for the (5) market days immediately preceding the Date of Offer or at par value of the ordinary shares of the Company, whichever is the higher.
- 8.2 The Option Price is allowed to be set at a discount of not more than 10% from the 5-day weighted average price of the Shares of the Company at the date the Option is granted.

9. Exercise of Options

- 9.1 Subject to Clauses 15 and 21 hereof, the Option granted to a Grantee under the ESOS is exercisable only by the Grantee during his/her lifetime and whilst he/she is in the employment of the Group and within the Option Period subject to Clause 15.1 below. The Option is personal to the Grantee and is non-assignable except under the provisions of Clause 15.2 below.

- 9.2 Subject to Clause 9.8 below, upon acceptance of the Offer and subject to Clause 17.1, an Option may be exercised by the Grantee on any Market Day during the period commencing on the Date of Offer and expiring on the Date of Expiry.
- 9.3 The Grantee shall notify the Company in writing of his/her intention to exercise the Option. The Option may be exercised in respect of such lesser number of ESOS Shares as the Grantee may decide to exercise provided that the number shall be in multiples of and not less than 1,000 Shares. Such partial exercise of the Option shall not preclude the Grantee from exercising the Option as to the balance ESOS Shares of his/her entitlement under the ESOS, if any. When an Option is exercised only in part, a new Option certificate for the balance of the Option not exercised shall be issued accordingly by the ESOS Committee to the Grantee within twenty (20) days after partial exercise.
- 9.4 Every such notice to exercise the Option shall be accompanied by the relevant option certificate and a remittance (calculated in accordance with the provisions of Clause 8 and Clause 10 for the full amount of subscription moneys in relation to the number of ESOS Shares in respect of which the written notice is given. The Company shall, within 20 Market Days of the receipt of such notice and remittance from the Grantee, allot and issue the relevant number of ESOS Shares to MCD for the credit of the Securities Account of the Grantee and issue a notice of allotment to the Grantee. No physical share certificate will be issued.
- 9.5 Upon exercise of the Options, there is no retention period on the sale of ESOS Shares issued.
- 9.6 The Option granted to a Grantee under the ESOS shall be exercisable in accordance with the following table:

Number of Shares granted under the Option	← Percentage of Shares Exercisable →				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 20,000	100%	-	-	-	-
20,000 to less than 100,000	40% ¹	30%	30% ²	-	-
100,000 and above	20%	20%	20%	20%	20%

1. 40% or 20,000 shares, whichever is the higher
2. 30% or the remaining number of shares unexercised

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years subject to the time limit of the ESOS.

- 9.7 Full-time foreign executive directors/employees of the Group who are eligible to participate in the ESOS are only allowed to exercise the option up to a maximum of 20% of the total ESOS Shares allotted on an annual basis. However, where the employee is serving under an employment contract of which should be for a duration of at least 3 years and expected to continue serving for another period of at least 1 year, any remaining Option unexercised can be exercised on expiry of the employment contract if this date falls before the Expiry date of the Option.
- 9.8 Where an Option is exercised only in part, the ESOS Committee shall endorse on the Option Certificate, among others, the number of new Shares comprised in the Option which remain capable of exercise.

10. Rights attaching to shares

The ESOS Shares to be allotted upon any exercise of the Option will upon allotment rank pari passu in all respects with the then existing issued ordinary shares of the Company and will be subjected to all the provisions of the Articles relating to transfer transmission and otherwise. However, ESOS Shares so issued shall not rank for any dividend or other distribution declared, made or paid to the shareholders prior to the exercise of the Option.

11. Alteration of Share Capital

11.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, consolidation of shares, sub-division of shares, redemption of capital, reduction of capital or otherwise howsoever, taking place, such corresponding alterations (if any) shall be made in:

11.1:1 the number of ESOS Shares relating to the Option so far as unexercised; and

11.1:2 the Option Price.

Provided always that such alterations would give the Grantee the same proportion of the issued share capital of the Company to which he/she was entitled prior to such alterations as the approved Company auditors as defined under Section 8 of CA (acting as experts and not as arbitrators) shall, at the request of any Grantee or the Company by writing under their hands, certify either generally or as regards any particular Grantee to be in their opinion fair and reasonable and such certification shall be final and binding on all parties. Adjustments other than on a capitalisation issue must be confirmed in writing by the approved Company auditors to be in their opinion (acting as experts and not as arbitrators) fair and reasonable.

11.2 The provisions of the above clause shall not apply where the alteration in the capital structure of the Company arises from the issue of securities as consideration for an acquisition or as a special issue to Bumiputras nominated by the Ministry of International Trade and Industry, Malaysia or any relevant authority and exercise of Options pursuant to the ESOS.

11.3 Upon any adjustment being made pursuant to this Clause 11, the ESOS Committee shall notify the Grantee (or his/her legal or pursuant representative(s) where applicable) within 14 days in writing informing him/her of the Option Price in effect, method of exercise of the Option and/or the number of ESOS Shares to be issued on the exercise of the Option.

12. Quotation of Shares

The Shares referred to in Clause 3 above and the ESOS Shares (if any) to be allotted to the Grantee will not be listed or quoted on the KLSE, and/or any other relevant stock exchanges until the Option is exercised in accordance with Clause 9 above whereupon the Company shall, subject to it having obtained the prior written approval of the SC and making applications to the KLSE and/or other relevant stock exchanges for the listing and quotation for such ESOS Shares, use its best endeavours to obtain permission for dealing for such ESOS Shares.

13. Administration

The ESOS shall be administered by the ESOS Committee as appointed by the Board of Directors of the Company. The Board shall have the power from time to time to rescind the appointment of any person where the Board deems fit. For the purpose of administering the ESOS, the ESOS Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations, or impose terms and conditions or delegate part of its power relating to the ESOS, as the ESOS Committee may in its discretion deem fit. The ESOS Committee shall so administer the ESOS in such manner as it shall in its discretion deem fit and with powers and duties as are conferred upon it. The committee members will comprise persons from the Board of Directors and senior management of the Company.

14. Amendment and/or Modification to the ESOS

Subject to the approvals of the SC, the ROC, other regulatory authorities, the KLSE and/or any other relevant stock exchanges, the ESOS Committee shall recommend to the Board of Directors who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the provisions of the ESOS provided that no such amendment and/or modification shall be made which would either prejudice the rights then accrued to any Grantee who has accepted an Option without his prior consent or, without the prior approval of the Company in general meeting, alter to the advantage of any Grantee the provisions of the ESOS.

15. Termination of Options

15.1 In the event of the death or termination of employment or appointment of a Grantee with the Group for whatever reason prior to the exercise of the Option or prior to full exercise of an Option, such Option shall forthwith cease without any claim against the Company provided always that subject to the written approval of the ESOS Committee in its discretion where the Grantee ceases his/her employment or appointment with the Group by reasons of :

15.1:1 his/her retirement at or after attaining normal retirement age under the Group's retirement policy;

15.1:2 retirement before attaining the normal retirement age but with the consent of the ESOS Committee;

15.1:3 ill-health or accident, injury or physical and mental disability;

15.1:4 redundancy;

15.1:5 any other causes which are acceptable to the ESOS Committee

he/she may exercise his/her unexercised Option(s) within the relevant Option Period(s).

15.2 However, where the Grantee ceases his/her employment or appointment with the Group by reason of resignation other than the above, any of his/her unexercised Option or Options shall cease with immediate effect.

15.3 Where the Grantee dies before the expiry of any Option Period and at the date of his/her death held an Option(s) unexercised such Option(s) may be exercised after, but not later than 24 months after the date of his/her death by the legal or personal representatives of the Grantee provided that such Option(s) fall(s) within the Option Period(s).

15.4 The Option shall immediately become void and of no effect on the bankruptcy of the Grantee.

15.5 An Option shall lapse forthwith upon the resignation of the Grantee from his employment with the Group and the Shares comprised in such Option or the balance thereof to the extent that it is then unexercised may at the discretion of the ESOS Committee, be re-allotted to other Eligible Employees.

16. Liquidation of the Company

In the event that an order is made or resolution is passed for the liquidation of the Company, all unexercised or partially exercised Options shall terminate and become null and void and be of no further force and effect .

17. Duration of the ESOS

17.1 The ESOS shall continue to be in force for a period of 5 years from:

17.1:1 the date of approval by the ROC pursuant to CA; or

17.1:2 the date of approval by the SC pursuant to the Securities Commission Act 1993; or

17.1:3 the date of approval by the KLSE; or

17.1:4 the date of approval by the shareholders of the Company in a general meeting; or

17.1:5 the date of approval of any other relevant regulatory authority whose approval is necessary in respect of the ESOS;

whichever shall be the latest date subject however to any extension for a further period of 5 years commencing from the date of expiration of the existing 5 year period as may be approved by all or any of the parties referred to in paragraph 17.1:1 to 17.1:5 above.

17.2 No further Options will be granted after the expiration of the period of 5 years unless the Company in a general meeting agrees to continue the ESOS with or without variation and provided that the approval of the SC, the KLSE and/or other relevant authorities and stock exchanges be obtained to such continuance.

18. Disputes

Any disputes or differences of any nature arising between the ESOS Committee and any Eligible Employee or Grantee, as the case may be, then the ESOS Committee shall determine such dispute or difference by written decision (without any obligation to give any reason whatsoever) given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen days (14) days of the receipt of the written decision, in which case such dispute or difference shall hereunder be referred to the decision of the external auditors for the time being of the Company acting as experts and not as arbitrators, whose decision shall be final and binding in all respects.

19. Costs and Expenses

All fees, costs and expenses incurred in relation to the ESOS including but not limited to the fees, costs and expenses relating to the administration of the ESOS, issue and allotment of the ESOS Shares pursuant to the exercise of any Option shall be borne by the Company.

20. Taxes

All taxes (including income tax), if any, arising from the exercise of any Option under the ESOS shall be borne by the Grantee.

21. Transfers from other companies to the Group

In the event :

- (i) an employee who was employed in a company which is related to the Company pursuant to Section 6 of CA (that is to say, a company which does not fall within the definition of “the Group”) is subsequently transferred from such company to any company within the Group; or
- (ii) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in clause 21(i) above.

(the first mentioned company in clauses 21(i) and 21(ii) above referred to as “Previous Company”)

such an employee of the Previous Company (“Affected Employee”) will, if the Affected Employee satisfies all the conditions of this Bye-Laws, be eligible to participate in the ESOS provided that the Affected Employee:

- 21.1:1 shall be entitled to continue all such unexercised option(s) which were granted to him under the employees' share option scheme (if any) which he was participating ("Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the bye-laws of such Previous ESOS but he shall not, upon such transfer of restructuring or divestment at the case may be, be eligible to participate for further options of such Previous ESOS.
- 21.1:2 will only be eligible to participate in the ESOS for its remaining duration; and
- 21.1:3 if the Affected Employee has participated in a Previous ESOS, the number of ESOS Shares to be offered to such Affected Employee under the ESOS shall be that number of shares as shall be equivalent to the difference between the Affected Employees' total share entitlement under the ESOS and the total number of shares which were offered to the Affected Employee under the Previous ESOS.

22. Divestment from the Group

If an employee is in the employment of a company in the Group which is subsequently divested from the Group, then such employee:

- 22.1 will, notwithstanding such divestment and subject to the provisions of Clause 9 and 15 above, be entitled to continue to exercise all such unexercised option(s) which were granted to him under the ESOS within a period of 6 months from the date of such divestment failing which the right of such employee to subscribe for that number of Shares or any part of such Shares granted under such unexercised options shall automatically lapse upon the expiration of the 6 months period and be null and void and of no further force and effect; and
- 22.2 shall not be eligible to participate for further options under the ESOS.

23. ESOS not a term of Employment

This ESOS does not form part of or constitute or shall in any way be construed as a term or condition of employment of an employee.

24. Inspection of Audited Accounts

All Grantee shall be entitled to inspect a copy of the latest audited accounts of the Company which shall be made available at the Registered Office of the Company during normal business hours on any working day of the Company.

25. Compensation

No Eligible Employee or Grantee or his legal or personal representatives shall bring any claim, action or proceedings against the Company or the ESOS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Bye-Laws, as the same may be amended from time to time in accordance with Clause 13 and 14 hereof.

Participation in the ESOS by a Grantee is a matter entirely separate from his terms or conditions of employment and participation in the ESOS shall in no respects whatever affect in any way a Grantee's terms and conditions of employment. In particular (but not limiting the generality of the foregoing words) any Grantee who leaves employment shall not be entitled to any compensation for any loss of any right or benefit or prospective right or benefit under this ESOS which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office or otherwise howsoever.

26. General

Notwithstanding the terms and conditions herein, if a situation of conflict should arise between the ESOS and the Articles, the provisions of the Articles shall at all times prevail.

27. Retention Period

A Grantee may deal with the new SMPC ordinary shares allotted and issued to him in any way he pleases. Grantees should note that the new SMPC ordinary shares are intended for them to hold as an investment rather than for realization to yield immediate profit.

28. Takeover

In the event of a takeover offer being made for the Company by a general offer or otherwise, the Grantee shall, regardless of whether such offer becoming or being declared unconditional, be entitled to exercise in full or in part the subscription of any ESOS Shares as yet unexercised under the Option until the expiry of the Option Period in accordance with the provisions of Clause 9 above. Provided however that if during a period of 6 months a company making the offer become entitled or bound to exercise rights of compulsory acquisition of the Shares of the Company under the provisions of CA and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specified Date"), the Option shall, notwithstanding the provisions of the Clause 9 above, remain exercisable by the Grantee with respect to any ESOS Shares as yet unexercised till the Specified Date and in such circumstances if the Grantee elects to exercise only in respect of a portion of such ESOS Shares then the Option in relation to the balance shall automatically lapse and shall then be null and void.

29. Scheme of Arrangement, Amalgamation, Reconstruction, etc

Notwithstanding Clause 9 hereof and subject to the discretion of the ESOS Committee, in the event of the Court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Companies Act, 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act, 1965, a Grantee may be entitled to exercise all or any part of his Option at any time commencing from the date upon which the compromise or arrangement is sanctioned by the Court and ending with the date upon which it becomes effective upon the compromise or arrangement becoming effective, all Options, to the extent unexercised shall automatically lapse and shall become null and void.

30. Notice

- 30.1 Any notice which under the ESOS is required to be given to or served upon the ESOS Committee by an Eligible Employee or Grantee or any correspondence to be made between the Eligible Employee or Grantee and the ESOS Committee shall be given or served in writing and either delivered by hand or sent to the registered office of the Company by courier or by prepaid registered post. Proof of posting shall not be evidence of receipt of the letter.
- 30.2 Any notice which under the ESOS is required to be given to or served in writing and either delivered by hand or sent to the Eligible Employee or Grantee by courier or prepaid registered post addressed to the Eligible Employee or Grantee at the place of employment or at the last address known by the Company as being his address. Any notice served by post as aforesaid shall be deemed to have been on the third day after the day the letter is posted, including that day.
- 30.3 Any notice served by a party after the Company's official working hours shall be deemed to have been served on the next working day.

DIRECTORS' REPORT OF DURO
(Prepared for inclusion in this Circular)



堅 潤 工 業 (馬) 有 限 公 司

DURO METAL INDUSTRIAL (M) SDN. BHD. (225220-W)

Factory/ Marketing : Lot 113, Lorong AM 11, Arab-Malaysian Industrial Park, 71800 Nilai, Negeri Sembilan, Malaysia
 Tel : 606-7997890 (5 Lines) Fax : 606-7997860

Johor Branch : 78A, Jalan Serampang, Taman Pelangi, 80400 Johor Bahru, Johor, Malaysia.
 Tel : 607-3320868 Fax : 607-3324868

Date: 15 June 2000

The Board of Directors
SMPC METAL INDUSTRIES BHD.
 2521, Tingkat Perusahaan 6
 Prai Industrial Estate
 13600 Prai.

Dear Sir / Madam,

On behalf of the Board of Directors of Duro Metal Industrial (M) Sdn Bhd ("Duro"), I wish to report that after due enquiry during the period from 31 December 1999 (being the date to which the last audited accounts of Duro and its subsidiaries have been made up) up to 15 June 2000 (being a date not earlier than fourteen days before the issue of the Circular to Shareholders), that:-

- a) the business of Duro and its subsidiaries has in the opinion of the Directors been satisfactory maintained;
- b) in the opinion of the Directors no circumstances have arisen subsequent to the last audited accounts of Duro and its subsidiaries which has adversely affected the trading or the value of the assets of Duro and its subsidiaries;
- c) the current assets of Duro and its subsidiaries appear in the books at values which are believed to be realised in the ordinary course of business;
- d) no contingent liabilities have arisen by reason of any guarantees given by Duro and its subsidiaries; and
- e) since the last audited accounts of Duro and its subsidiaries, there have been no changes in published reserves, or any unusual factors affecting the profit of Duro and its subsidiaries.

Yours faithfully
 On behalf of the Board
 For **DURO METAL INDUSTRIAL (M) SDN BHD**

Lim Eng Chai
 Director

FURTHER STATUTORY AND OTHER GENERAL INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board of Directors of SMPC who collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement in this Circular misleading.

2. CONSENTS

UMBB, AMMB and Messrs. Arthur Andersen & Co have given and have not subsequently withdrawn their written consents to the inclusion in this Circular of their names and/or letters and all references thereto in the form and contexts in which they appear.

3. MATERIAL LITIGATIONS

Neither the SMPC Group nor the Duro Group are involved in any material litigation, either as plaintiff or defendant, which had or may have a material effect on the financial positions of the SMPC Group and the Duro Group and their Directors are not aware of any proceedings, pending or threatened against the SMPC Group and the Duro Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the SMPC Group and the Duro Group.

4. MATERIAL CONTRACTS

Save as disclosed below, the SMPC Group and the Duro Group has not entered into any material contract (not being entered into in the ordinary course of business) during the two (2) years preceding the date of this Circular.

SMPC

- (a) On 10 November 1999, SMPC entered into a conditional Share Sale Agreement with Mr. Machendran a/l Pitchai Chetty, Mr. Lim Eng Chai, Mr. Cheng Kien Wing and Kumpulan Pitchai Sdn Bhd ("the Share Sale Agreement") to acquire the entire issued and paid-up share capital of Duro on the terms and conditions referred to in the Share Sale Agreement in respect of the Proposed Duro Acquisition.
- (b) On 14 March 2000, SMPC entered into a Supplemental Agreement with Mr. Machendran a/l Pitchai Chetty, Mr. Lim Eng Chai, Mr. Cheng Kien Wing and Kumpulan Pitchai Sdn Bhd to remove a term in the Share Sale Agreement.

5. CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at the date of this Circular, the SMPC Group has not incurred any contingent liabilities or capital commitment outside the ordinary course of business.

6. MANAGEMENT AGREEMENT AND SERVICE CONTRACTS

There are no existing or proposed management agreements or service contracts which have been entered/ to be entered between SMPC or any of its subsidiary companies and its Directors.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Registered Office of SMPC at 11th Floor, Bangunan FOP, Jalan Anson, 10400 Penang, during the normal office hours on Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM referred to in this Circular:-

- i) The Memorandum and Articles of Association of SMPC and Duro;
- ii) The letters of Consents referred to in Section 2 Appendix IX above;
- iii) The audited accounts of SMPC for the past three (3) financial years ended 31 January 1998 to 2000;
- iv) The audited accounts of Duro and its subsidiary companies for the past five (5) financial years ended 31 December 1995 to 1999;
- v) The Accountants' Report on Duro Group, prepared by Messrs. Arthur Andersen and Co. referred to in Appendix IV of this Circular;
- vi) The consolidated profit forecast and projection of SMPC for the years ending 31 January 2001, 2002 and 2003 together with the principal bases and assumptions and the auditors' letter thereon, as referred to in Appendix V of this Circular;
- vii) The proforma consolidated balance sheet of SMPC as at 31 January 2000 before and after the Proposals and the auditors' letter thereon, as referred to in Appendix VI of this Circular;
- viii) Directors Report on Duro;
- ix) Declaration Letter of KPSB and Concert Parties referred to in Section 6 of this Circular; and
- x) Material Contracts referred to in Section 4 Appendix XI above.

SMPC METAL INDUSTRIES BHD

(Company No : 79082-V)

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of SMPC Metal Industries Bhd will be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, 11, Lebuh Tenggiri 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Friday, 7 July 2000 at 12.00 noon or any adjournment thereof, for the purpose of considering and if thought fit, passing the following resolutions:-

Ordinary Resolution No. 1

- **Proposed Special Issue of 10,000,000 new ordinary shares of RM1.00 each (“Special Issue Shares”) at an issue price of RM1.55 per Special Share to Bumiputra investors.**

THAT :

1. Subject to the approval-in-principle from the Kuala Lumpur Stock Exchange for the listing of and quotation for all the new ordinary shares of RM1.00 each to be issued by way of a special bumiputra issue, the directors of the Company (“the Director”) be authorised to issue and allot 10,000,000 new ordinary shares of RM1.00 each to the following institution/persons (subject to the approval of the Ministry of International Trade and Industry) in the following amounts:

Name	No. of Special Bumiputra Shares
1. Perbadanan Nasional Berhad (Company No. 9157-K)	8,850,000
2. Dato’ Mohd Taufik bin Abdullah	1,000,000
3. Mr Makhtar bin Mohamed	150,000
	<hr/>
	10,000,000
	<hr/>

and/or any other Bumiputra Investor(s) to be nominated and approved by the Ministry of International Trade and Industry acceptable to the Company at an issue price of RM1.55 per Special Share payable in full upon application (“Proposed Special Issue”);

In the event that any or all of the Bumiputra Investor(s) mentioned above are not approved by Ministry of International Trade and Industry, the other Bumiputra Investor(s) to be nominated and approved by the Ministry of International Trade and Industry acceptable to the Company shall not be directors, substantial shareholders or persons connected to them.

2. Any new ordinary shares of RM1.00 each issued under the Proposed Special Issue will rank pari passu in all respects with the existing ordinary shares of the Company and will be entitled to the Proposed Rights with Warrants Issue (referred to in Ordinary Resolution 2 below) except that they shall not be entitled to any dividends, allocations and/or distributions with an entitlement date (being the date as at the close of business on which shareholders must be entered in the Record of Depositors in order to participate in any such dividends, allocations and/or distributions) which is before the date of allotment of such new ordinary shares;
3. The Directors be authorised to give effect to the above with (to the extent permitted by the Articles of Association of the Company) full power to assent to any modification, variation and/or amendment, including, to the number of ordinary shares which the Bumiputra investors mentioned above have agreed to subscribe as may be imposed by the relevant authorities and to take steps and to enter into all such agreements, arrangements, undertaking, indemnities, transfers, assignments and guarantees with any party or parties as may be required to implement, finalise and give full effect to the Proposed Special Issue.

Ordinary Resolution No. 2

- **Proposed rights issue of 14,999,500 new ordinary shares of RM1.00 each (“Rights Shares”) together with 14,999,500 detachable warrants (“Warrants”) on the basis of 1 Rights Share and 1 Warrant attached for every 2 existing ordinary shares of RM1.00 each held in the Company at an issue price of RM1.55 per Rights Share.**

THAT :

1. Subject to the approval-in-principle of the Kuala Lumpur Stock Exchange for the listing of and quotation for all the ordinary shares of RM1.00 each and the Warrants to be issued by way of rights referred to below in this paragraph, the Directors be authorised to offer 14,999,500 new ordinary shares of RM1.00 each together with 14,999,500 detachable Warrants by way of rights (“the Proposed Rights with Warrants Issue”) (and through a renounceable provisional allotment) to persons whose names appear in the Record of Depositors at the close of business on an entitlement date to be determined by the Directors as the holders of ordinary shares of RM1.00 each in the Company on the basis of one (1) Rights 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 Rights Share payable in full on application and on such other terms and conditions as the Directors may determine;
2. The Directors be authorised to issue such new ordinary shares of RM1.00 each and Warrants as may be required to give effect to the Proposed Rights with Warrants Issue including, to any persons entitled to a renunciation of a provisional allotment or to any persons entitled to excess shares and accompanying Warrants;
3. No person entitled to ordinary shares of RM1.00 each together with Warrants under the Proposed Rights with Warrants Issue shall be entitled to fractional entitlements to ordinary shares of RM1.00 each and Warrants and :
 - 3.1 Such entitlement shall be ignored;
 - 3.2 Such persons shall not be entitled to fractional certificates or to payments in lieu of them;
 - 3.3 The Directors shall be entitled to deal with all or any of the fractional entitlements arising from the Proposed Rights with Warrants Issue on such terms and at such time or times as the Directors may consider appropriate.
4. The new Warrants to be issued together with the new ordinary shares of RM1.00 each under the Proposed Rights with Warrants Issue be in registered form and be constituted by a Deed Poll (“Deed Poll”) (in the form produced to and approved by this meeting) under which each Warrants would entitle its holder to subscribe (by exercise of such Warrants during the period commencing on and including the date of issue of the Warrants under the Proposed Rights with Warrants Issue and ending five (5) years from the date of issue of the Warrants as provided for under the provisions of the Deed Poll) for one (1) new ordinary share of RM1.00 each in the Company at the price of RM1.75 per share subject to adjustments under the provisions of the Deed Poll;
5. The Directors be authorised to allot and issue such shares in the Company as are required to be issued pursuant to any exercise of such warrants (including any arising from any adjustment to their number under the provisions of the Deed Poll). The Directors be authorised to issue such number of Warrants arising from any adjustments to the existing number of Warrants in issue in accordance with the Deed Poll;
6. Any new ordinary shares of RM1.00 each issued under the Proposed Rights with Warrants Issue or on exercise of Warrants referred to in paragraph 5 above will rank pari passu in all respects with the ordinary shares of the Company existing at the time of such issue except for any dividends, allocations, and/or distributions with an entitlement date (being the date as at the close of business on which shareholders must be entered in the Record of Depositors in order to participate in any such dividends, allocations and/or distributions) which is before the date of allotment of such new ordinary shares;

7. The Directors be authorised to give effect to the above with (to the extent permitted by the Articles of Association of the Company) full power to assent to any modification, variation and/or amendment, including to the number of ordinary shares which a shareholder is entitled to subscribe together with Warrants under the Proposed Rights with Warrants Issue as may be imposed by the relevant authorities and to take steps and to enter into all such agreements, arrangements, undertaking, indemnities, transfers, assignments and guarantees with any party or parties as may be required to implement, finalise and give full effect to the Proposed Rights with Warrants Issue.

Ordinary Resolution No. 3

- **Proposed Acquisition of 1,500,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Duro Metal Industrial (M) Sdn Bhd (Company No. 225220-W) for a purchase consideration of RM19,500,000 to be satisfied entirely by the issue of 9,653,465 new ordinary shares of RM1.00 each in the Company at RM2.02 per share (“the Proposed Acquisition”)**

THAT :

1. Approval be given to the Company to acquire 1,500,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Duro Metal Industrial (M) Sdn Bhd (Company No. 225220-W) from Mr Lim Eng Chai, Mr Cheng Kien Wing, Mr Machendran a/l Pitchai Chetty and Kumpulan Pitchai Sdn Bhd for a purchase consideration of RM19,500,000 to be satisfied entirely by the issue of 9,653,465 new ordinary shares of RM1.00 each in the Company at RM2.02 per share on the terms and conditions of the conditional Share Sale Agreement dated 10 November 1999;
2. Subject to the approval-in-principle of the Kuala Lumpur Stock Exchange for the listing of and quotation for all the new ordinary shares of RM1.00 each to be issued as consideration for the Proposed Acquisition, the Directors be authorised to issue 9,653,465 new ordinary shares of RM1.00 each to the shareholders of Duro Metal Industrial (M) Sdn Bhd, namely Mr Lim Eng Chai, Mr Cheng Kien Wing, Mr Machendran a/l Pitchai Chetty and Kumpulan Pitchai Sdn Bhd.
3. The conditional Share Sale Agreement dated 10 November 1999 entered into between the Company and the shareholders of Duro Metal Industrial (M) Sdn Bhd, namely Mr Lim Eng Chai, Mr Cheng Kien Wing, Mr Machendran a/l Pitchai Chetty and Kumpulan Pitchai Sdn Bhd be approved and ratified;
4. The Directors be authorised to give effect to the above with (to the extent permitted by the Articles of Association of the Company) full power to assent to any modification, variation and/or amendment to the Proposed Acquisition as may be imposed by the relevant authorities and to do all such acts, matters or deeds as may be required to implement, finalise, give effect to and complete the Proposed Acquisition.

Ordinary Resolution No. 4

- **Proposed Employees’ Share Option Scheme (“Proposed ESOS”)**

THAT :

1. Subject to the approval-in-principle of the Kuala Lumpur Stock Exchange for the listing or and quotation for the new ordinary shares of RM1.00 each to be issued pursuant to the Proposed ESOS, the Directors be authorised to:

- 1.1 Establish and administer an ESOS for the benefit of eligible employees and Executive Directors of the Company and its subsidiary companies (“the Group”) to be known as the “SMPC Metal Industries Bhd—Employees’ Share Option Scheme” under which options will be granted to such eligible employees and Executive Directors to subscribe for new ordinary shares in the share capital of the Company (“Options”) in accordance with the Bye-Laws (“the ESOS Bye-Laws”) (in the form produced to and approved by this meeting) (“the Scheme”)
- 1.2 Modify and/or amend the Scheme from time to time pursuant to the ESOS Bye-Laws and to do all such acts or things and to enter into all such transactions, arrangements and agreements as may be necessary or expedient to give full effect to the Scheme;
- 1.3 Allot and issue from time to time such number of new ordinary shares in the Company as may be required to be issued pursuant to the exercise of the Options under the Scheme provided that the aggregate number of new ordinary shares to be issued and allotted shall not exceed 10% of the total enlarged issued and paid-up share capital of the Company at any time during the existence of the Scheme and that such new ordinary shares to be issued upon any exercise of the Option, will upon allotment and issue, rank pari passu in all respects with the ordinary shares of the Company existing at the time of such allotment except for any dividends, allocations, and/or distributions with an entitlement date (being the date as at the close of business on which shareholders must be entered in the Record of Depositors in order to participate in any such dividends, allocations and/or distributions) which is before or on the date of allotment of such new ordinary shares;
- 1.4 Assent to any modification, variation and/or amendment to the ESOS Bye-Laws and/or the Scheme if required by the relevant authorities.

Ordinary Resolution No. 5

- **ESOS Allocation to Mr. Machendran a/l Pitchai Chetty**

THAT, conditional upon the passing of Ordinary Resolution 4 above and the approval-in-principle of the Kuala Lumpur Stock Exchange, the Company be authorised to offer and if accepted, to allot and issue to Mr. Machendran a/l Pitchai Chetty, the Managing Director of the Company, 500,000 new ordinary shares of RM1.00 each in the Company pursuant to the Scheme subject to the terms and conditions of the ESOS Bye-Laws.

Ordinary Resolution No. 6

- **ESOS Allocation to Mr. Dhanabalan a/l M. Pitchai Chetty**

THAT, conditional upon the passing of Ordinary Resolution 4 above and the approval-in-principle of the Kuala Lumpur Stock Exchange, the Company be authorised to offer and if accepted, to allot and issue to Mr. Dhanabalan a/l M. Pitchai Chetty, the Executive Director of the Company, 500,000 new ordinary shares of RM1.00 each in the Company pursuant to the Scheme subject to the terms and conditions of the ESOS Bye-Laws.

Ordinary Resolution No. 7

- **ESOS Allocation to Mr. Ramakrishnan a/l Thangasamy Chettiar**

THAT, conditional upon the passing of Ordinary Resolution 4 above and the approval-in-principle of the Kuala Lumpur Stock Exchange, the Company be authorised to offer and if accepted, to allot and issue to Mr. Ramakrishnan a/l Thangasamy Chettiar, the Executive Director of the Company, 500,000 new ordinary shares of RM1.00 each in the Company pursuant to the Scheme subject to the terms and conditions of the ESOS Bye-Laws.

Ordinary Resolution No. 8

- **ESOS Allocation to Mr. Vijayan a/l O.M.V. Devan**

THAT, conditional upon the passing of Ordinary Resolution 4 above and the approval-in-principle of the Kuala Lumpur Stock Exchange, the Company be authorised to offer and if accepted, to allot and issue to Mr. Vijayan a/l O.M.V. Devan, the Executive Director of the Company, 500,000 new ordinary shares of RM1.00 each in the Company pursuant to the Scheme subject to the terms and conditions of the ESOS Bye-Laws.

Ordinary Resolution No. 9

- **ESOS Allocation to Mr. Makhtar bin Mohamed**

THAT, conditional upon the passing of Ordinary Resolution 4 above and the approval-in-principle of the Kuala Lumpur Stock Exchange, the Company be authorised to offer and if accepted, to allot and issue to Mr. Makhtar bin Mohamed, the Executive Director of the Company, 500,000 new ordinary shares of RM1.00 each in the Company pursuant to the Scheme subject to the terms and conditions of the ESOS Bye-Laws.

Ordinary Resolution No. 10

- **Proposed increase in the authorised share capital of the Company from RM50,000,000 to RM100,000,000 by the creation of an additional 50,000,000 new ordinary shares of RM1.00 each**

THAT the authorised share capital of the Company be increased from RM50,000,000 to RM100,000,000 by the creation of 50,000,000 new ordinary shares of RM1.00 each ranking pari passu for all purposes with the existing shares of RM1.00 each in the present authorised share capital of the Company.

Ordinary Resolution No. 11

- **Proposed Waiver to Kumpulan Pitchai Sdn Bhd and its Concert Parties**

THAT subject to the passing of Ordinary Resolution 2, consent be given to waive the obligations of Kumpulan Pitchai Sdn Bhd and its Concert Parties from extending a mandatory offer on the remaining shares in SMPC which may arise from the undertaking by Kumpulan Pitchai Sdn Bhd to subscribe up to a maximum of 4,671,192 of the undersubscribed Rights Shares pursuant to the Proposed Rights with Warrants Issue.

Ordinary Resolution No. 12

- **Special Issue to Dato' Mohd Taufik bin Abdullah**

THAT, conditional upon the passing of Ordinary Resolution 1 above, the Ministry of International Trade and Industry and approval-in-principle from the Kuala Lumpur Stock Exchange, the Company be authorised to allot and issue to Dato' Mohd Taufik bin Abdullah, the Chairman of the Company, 1,000,000 new ordinary shares of RM1.00 each in the Company pursuant to the Proposed Special Issue.

Ordinary Resolution No. 13

- **Special Issue to Mr. Makhtar bin Mohamed**

THAT, conditional upon the passing of Ordinary Resolution 1 above, the Ministry of International Trade and Industry and approval-in-principle from the Kuala Lumpur Stock Exchange, the Company be authorised to allot and issue to Mr. Makhtar bin Mohamed, a Director of the Company, 150,000 new ordinary shares of RM1.00 each in the Company pursuant to the Proposed Special Issue.

BY ORDER OF THE BOARD

Nagarajan a/l Thambiah (MIA No. PA 1565)
Kulwant Kaur a/p Tara Singh (MAICSA 7011885)
Company Secretaries

Penang
22 June 2000

Notes:-

1. *A proxy may but need not be a member of the Company. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*
2. *All proxy forms must be duly executed and deposited at the registered office of the Company at 11th Floor, Bangunan FOP, Jalan Anson, 10400 Penang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
3. *The instruments appointing a proxy, shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*

SMPC METAL INDUSTRIES BHD

(Company No : 79082-V)
(Incorporated in Malaysia)

FORM OF PROXY

Shareholding represented by Proxy	
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I/We.....
(FULL NAME IN CAPITAL LETTERS)

I.C. or Company No. CDS Account No.

of.....
(ADDRESS)

being a member/members of SMPC Metal Industries Bhd ("the Company"), hereby appoint

..... I.C. No.
(FULL NAME)

of.....
(FULL ADDRESS)

or failing him/her..... I.C. No.
(FULL NAME)

of.....

or failing him/her the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us at the EXTRAORDINARY GENERAL MEETING of the Company to be held at Semangkok Room, Level 2, Sunway Hotel Seberang Jaya, 11 Lebuh Tenggara 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Friday, 7 July 2000 at 12.00 noon and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be cast on the ordinary resolutions specified in the Notice of Meeting. If no specific direction as to the voting is given, the Proxy will vote or abstain at his/her discretion.

	FOR	AGAINST
ORDINARY RESOLUTION NO.1		
ORDINARY RESOLUTION NO.2		
ORDINARY RESOLUTION NO.3		
ORDINARY RESOLUTION NO.4		
ORDINARY RESOLUTION NO.5		
ORDINARY RESOLUTION NO.6		
ORDINARY RESOLUTION NO.7		
ORDINARY RESOLUTION NO.8		
ORDINARY RESOLUTION NO.9		
ORDINARY RESOLUTION NO.10		
ORDINARY RESOLUTION NO.11		
ORDINARY RESOLUTION NO.12		
ORDINARY RESOLUTION NO.13		

Dated this day of 2000

.....
Signature of Member/ Common Seal

No. of ordinary shares held

Notes:-

- 1. A proxy may but need not be a member of the Company. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.*
- 2. All proxy forms must be duly executed and deposited at the registered office of the Company at 11th Floor, Bangunan FOP, Jalan Anson, 10400 Penang not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
- 3. The instruments appointing a proxy, shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. In the case where a member is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.*