

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.** All enquiries concerning the 150,000 Special Issue should be addressed to the Registrars of SMPC, Securities Services (Holdings) Sdn Bhd (36869-T), 11<sup>th</sup> Floor, Bangunan FOP, Jalan Anson, 10400 Penang ; Telephone Number: 04-2281966; Facsimile: 04-2279544.

The 150,000 Special Issue is only to Encik Makhtar bin Mohamed, one of the Bumiputra Investors approved by the Ministry of International Trade and Industry. This Prospectus is not intended to be issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the 150,000 Special Issue complies with the laws of any countries or jurisdictions other than the laws of Malaysia. SMPC and Utama Merchant Bank Berhad shall not accept any responsibility or liability in the event that any acceptance is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions.

Copies of this document have been registered with the Securities Commission and lodged with the Registrar of Companies, who takes no responsibility for the contents of this documents. The registration of the Prospectus shall not be taken to indicate that the Securities Commission recommends the 150,000 Special Issue or assumes responsibility for the correctness of any statement made or opinions or reports expressed in the Prospectus.

Approval for the Special Issue has been obtained from the Securities Commission on 18 April 2000 and 14 June 2000. Approval-in-principle has been obtained from the Kuala Lumpur Stock Exchange for the listing of and quotation for all the new ordinary shares arising from the Special Issue. Official quotation of the new ordinary shares arising from the 150,000 Special Issue will commence after receipt of confirmation from Malaysian Central Depository Sdn Bhd that the Central Depository System Account of Encik Makhtar bin Mohamed has been duly credited and Notice of Allotment has been despatched to him.

Neither the Kuala Lumpur Stock Exchange nor the Securities Commission takes any responsibility for the correctness of any statement made or opinions expressed herein. Admission to the Official List and quotation of the said new securities are in no way reflective of the merits of the 150,000 Special Issue.

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

All the documentation relating to this 150,000 Special Issue has been seen and approved by the directors of SMPC Metal Industries Bhd and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in these documents false or misleading.

The Adviser acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitute a full and true disclosure of all material facts concerning this 150,000 Special Issue, and are satisfied that the consolidated profit forecast (for which the Directors are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

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



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

**SPECIAL ISSUE OF 150,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.55 PER SHARE TO MR. MAKHTAR BIN MOHAMED, ONE OF THE BUMIPUTRA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY**

Adviser



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

This Prospectus is dated 12 October 2000

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

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

## DEFINITIONS

Except where the context otherwise requires, the abbreviations below shall have the following meanings throughout this Prospectus dated 12 October 2000: -

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

**DEFINITIONS**

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

The directors and shareholders of KPSB are as follows:-

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

**DEFINITIONS**

“MCD”	:	Malaysian Central Depository Sdn Bhd ( <i>165570-W</i> ) and where the context requires, its nominee company
“MITI”	:	Ministry of International Trade and Industry
“Mr. Makhtar”	:	Mr. Makhtar bin Mohamed, one of the Bumiputra Investors approved by MITI
“NTA”	:	Net Tangible Assets
“PAL”	:	Provisional Allotment Letter
“PE”	:	Price Earning
“PNS”	:	Perbadanan Nasional Berhad ( <i>9157-K</i> )
“Price Fixing Date”	:	26 April 2000, which is the date the Directors of SMPC fixed the issue price of the Special Issue, Rights with Warrants Issue and Duro Acquisition and the exercise price of the Rights Warrants
“Proposals”	:	The Special Issue, Rights with Warrants Issue, Duro Acquisition, ESOS, Increase in Authorised Share Capital and Proposed Waiver, collectively known as the Proposals.
“Proposed Waiver”	:	The proposed waiver for KPSB and its Concert Parties to extend a mandatory offer for the remaining shares in SMPC
“Prospectus”	:	The prospectus for the 150,000 Special Issue
“Rights with Warrants Issue” or “Rights Issue”	:	Renounceable rights issue of up to a maximum of 14,999,500 new ordinary shares of RM1.00 each with up to a maximum of 14,999,500 free detachable new warrants on the basis of one (1) new ordinary share with one (1) new warrant attached for every two (2) existing ordinary shares of RM1.00 each held at an issue price of RM1.55 per share
“Rights Shares”	:	Up to a maximum of 14,999,500 new ordinary shares of RM1.00 each to be issued pursuant to the Rights with Warrants Issue
“Rights Warrants”	:	Up to a maximum of 14,999,500 free detachable new warrants to be issued pursuant to the Rights with Warrants Issue
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“ROC”	:	Registrar of Companies
“Rules”	:	The rules of the MCD
“SC”	:	Securities Commission

**DEFINITIONS**

“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"
“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 ( <i>Co No: 79082-V</i> )
“SMPC Group” or the “Group”	:	SMPC and its subsidiary companies, collectively
“Special Issue”	:	Special issue of 10,000,000 new ordinary shares of RM1.00 each to Bumiputra Investors at an issue price of RM1.55 per share
“Special Issue Shares”	:	10,000,000 new ordinary shares of RM1.00 each to be issued pursuant to the Special Issue
“UMBB” or “Utama Merchant”	:	Utama Merchant Bank Berhad ( <i>23878-X</i> )
“Warrant”	:	Warrant in the Company and "Warrants" mean more than one (1) new Warrant
“150,000 Special Issue”	:	The issue of 150,000 ordinary shares of RM1.00 to Mr. Makhtar pursuant to the Special Issue

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**CORPORATE INFORMATION****SMPC METAL INDUSTRIES BHD**

(79082-V)

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

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

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**CORPORATE INFORMATION (Cont'd)**

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**AUDIT COMMITTEE**

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

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**CORPORATE INFORMATION (Cont'd)**

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- REGISTERED OFFICE** : 11<sup>th</sup> Floor, Bangunan FOP  
Jalan Anson  
10400 Penang  
Tel. No.: 04-2281966  
Fax No.: 04-2279544  
Email : [sspg@pd.jaring.my](mailto:sspg@pd.jaring.my)  
Website : <http://www.netrade-asia.com/mes/smpc>
- REPORTING ACCOUNTANTS** : Arthur Andersen & Co  
No. AF 0103  
Public Accountants  
Suite 11, 2A, Level 11,  
Menara Pelangi,  
2, Jalan Kuning,  
Taman Pelangi, 80400  
Johor Bahru, Johor.
- AUDITORS** : Arthur Andersen & Co.  
No. AF 0103  
Public Accountants  
Penthouse, 11<sup>th</sup> Floor  
Kompleks Mutiara  
Jalan Anson  
10400 Penang
- SOLICITORS FOR THE RIGHTS WITH  
WARRANTS ISSUE** : Presgrave & Matthews  
Suite 15.01, Level 15  
Menara Genesis  
33, Jalan Sultan Ismail  
50250 Kuala Lumpur
- COMPANY SECRETARIES** : Nagarajan a/l Thambiah  
(MIA 1565)  
58, Jalan Tanjung 12  
Taman Seputeh  
58000 Kuala Lumpur
- Thum Sook Fun  
(MAICSA 7025619)  
6-5-3, Taman Air Itam  
Jalan Padang Tembak  
11400 Penang
- SHARE REGISTRARS** : Securities Services (Holdings) Sdn Bhd (36869-T)  
11<sup>th</sup> Floor, Bangunan FOP  
Jalan Anson  
10400 Penang  
Tel. No.: 04-2281966  
Fax No.: 04-2279544
- PRINCIPAL BANKERS** : Bumiputra-Commerce Bank Berhad  
15, Lebu Pantai  
10300 Penang

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**CORPORATE INFORMATION (Cont'd)**

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HSBC Bank Malaysia Berhad  
11, Beach Street  
10300 Penang

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

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

Southern Bank Berhad  
21, Beach Street  
10300 Penang

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

**ADVISER**

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

**STOCK EXCHANGE LISTING**

: Second Board Of The Kuala Lumpur Stock Exchange

# SMPC METAL INDUSTRIES BHD

(79082-V)

(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:**

11<sup>th</sup> Floor  
Bangunan FOP  
Jalan Anson  
10400 Penang

12 October 2000

**THE BOARD OF DIRECTORS : -**

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

**TO : MR. MAKHTAR BIN MOHAMED**

Dear Sir,

**SPECIAL ISSUE OF 150,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.55 PER SHARE TO MR MAKHTAR BIN MOHAMED, ONE OF THE BUMIPUTRA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY**

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**1. INTRODUCTION**

At an EGM held on 7 July 2000, the shareholders of SMPC approved among others the Special Issue of 10,000,000 new ordinary shares of RM1.00 each to Bumiputra Investors approved by the MITI at an issue price of RM1.55 per share. A certified extract of the EGM Minutes containing the ordinary resolutions approving among others the Special Issue is reproduced in Appendix I of this Prospectus.

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

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

- i) The proceeds from the Special Issue and Rights with Warrants Issue are to be utilised as mentioned in Section 7 of this Prospectus must be recorded in a special account before it can be utilised. Documented evidence certified by an external Auditor must be submitted to the SC after the proceeds are utilised;

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

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

- (i) Further to the Special Issue, Rights with Warrant Issue and Acquisition of Duro, the shareholding of KPSB and its Concert Parties in SMPC will be reduced from 37.35% to 28.80%;

- (ii) KPSB and its Concert Parties 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.

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

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

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

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")

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

**Table 1**

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

- (i) *The repayment of short-term and long-term bank borrowings will reduce the total bank borrowings of the Group from RM148,802,041 (as at 30 September 2000) to RM141,520,041 which will result in an estimated interest savings of RM835,200 per annum based on the interest rates as at 30 September 2000 which range from 8.8% to 10.3%.*
- (ii) *The sum of RM30.267 million shall be utilised to finance the working capital of the Group, which will be applied towards the payment to suppliers (for purchase of raw materials to increase base stocks) as well as financial and operating expenses. This utilisation is intended to improve the Group's liquidity and reduce its reliance on borrowings to fund daily operations.*
- (iii) *Includes all expenses and commissions incidental to the Proposals, estimated at RM1.2 million which shall be borne by the Company.*

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

Approval-in-principle has been obtained from the KLSE for the dealing in and quotation of all the new ordinary shares arising from the Special Issue. The official listing of and quotation for the 150,000 Special Issue Shares will commence after receipt of confirmation from the MCD that the securities account of Mr. Makhtar has been duly credited and notice of allotment has been despatched to him.

On 12 September 2000, 9,850,000 new ordinary shares pursuant to the Special Issue were allotted to PNS and Y. Bhg. Dato' Mohd Taufik bin Abdullah. Subsequently, these shares would be entitled to the Rights Issue.

## 2. DETAILS OF THE SPECIAL ISSUE

The 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. 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 Special Issue, Rights with Warrants Issue and Duro Acquisition, the Bumiputra shareholdings in SMPC will increase to 18,059,432 ordinary shares representing approximately 33.09% of the issued and paid-up share capital of SMPC.

### 2.1 Terms and conditions of the Special Issue

SMPC is implementing 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 (which were approved by MITI on 17 July 2000) as follows:-

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

The issue of 9,850,000 Special Issue Shares which was completed before the Entitlement Date will rank pari passu in all respects with existing ordinary shares of SMPC inclusive of entitlement to the 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 Special Issue. The 150,000 Special Issue Shares which are the subject of this Prospectus will rank pari passu in all respects with existing ordinary shares of SMPC 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 their allotment.



As the KLSE has prescribed all SMPC securities to be deposited with MCD under the Central Depositories Act, any dealings in the 150,000 Special Issue Shares arising from the 150,000 Special Issue will be subject to the Central Depositories Act and the Rules. Accordingly, the 150,000 Special Issue Shares will be credited directly into the respective valid and subsisting securities account of Mr. Makhtar and no physical certificates will be issued to him. However, a notice of allotment will be despatched to Mr Makhtar.

## 2.2 Basis for determining the Special Issue Price

The 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 Undertaking from Bumiputra Investors

The following Bumiputra Investors had 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 Special Issue as follows:-

<b>Bumiputra Investors</b>	<b>No. of shares held as at 31 May 2000</b>	<b>% of issued and paid-up share capital as at 31 May 2000</b>	<b>No. of Special Issue shares undertaken to subscribe</b>	<b>No. of shares held after the Proposed Special Issue</b>	<b>% of total issue and paid-up share capital*</b>
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
	<b>356,500</b>	<b>1.78</b>	<b>10,000,000</b>	<b>10,356,500</b>	<b>34.52</b>

Note:-

\* After the Special Issue

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

^ Completed on 20 September 2000

## 3. ADVISER'S DECLARATION OF INTERESTS

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

Mr Machendran a/l Pitchai Chetty, a Director and deemed substantial shareholder of SMPC is also a Director and deemed substantial shareholder of Pitchai Metal Sdn Bhd and Tresight Vision Sdn Bhd. The current facilities granted to the abovementioned companies as at 30 September 2000 are as disclosed below:-

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

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

#### 4. INSTRUCTIONS FOR ACCEPTANCE AND PAYMENT

##### 4.1 Instructions for Acceptance and Payment

A Notice of Subscription with your entitled number of shares will be sent to you shortly. Thereafter, you are required to make the payment by the date as specified in the notice. Acceptance is deemed to be received by the Company upon payment. You are also required to provide the Company with your CDS account number in writing to enable the deposit of your shares upon allocation.

##### 4.2 Notice of Allotment

Notice of Allotment will be issued and despatched to you upon filing of the Form 24 with the ROC.

##### 4.3 CDS Accounts

The KLSE has prescribed the SMPC Shares listed on the Second Board of the KLSE to be deposited with MCD and will be prescribing the Special Issue Shares to be listed on the KLSE to be deposited with MCD. Accordingly, the 150,000 Special Issue Shares issued pursuant to the Special Issue are prescribed securities and as such will be subject to the Securities Industry (Central Depositories) Act, 1991 and the Rules of MCD. No Share certificates will be issued to Mr. Makhtar.

#### 5. RISK FACTORS

Notwithstanding the prospects of the industry and the SMPC Group as described in the Section 9, the Proposals and the business activities of the SMPC Group are exposed to certain risks. Among the factors (which may not be exhaustive) that may have an impact on the shareholders of the Company and the SMPC Group are as follows:

##### 5.1 Market Price

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

## **5.2 Increase in Share Capital**

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

## **5.3 Profit forecast**

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

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

## **5.4 Business risks**

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

## **5.5 Dependence on key personnel**

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

## **5.6 Political, economic and regulatory considerations**

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

## **5.7 High level of borrowings**

As at 30 September 2000, SMPC's total bank borrowings including interest amounted to approximately RM149 million. After the Rights with Warrants issue, SMPC's total bank borrowings including interest will be reduced to approximately RM142 million. Shareholders should take note the high level of borrowings after the Rights with Warrants Issue which may be a burden to the Group in the future.

## 5.8 Control by substantial shareholders

Following the completion of the Proposals, PNS, KPSB, Y.Bhg. Dato' Mohd. Taufik bin Abdullah, Ravendran a/l Sivalingam, Nissho Iwai Corporation and Jacob Rabindranath a/l Krishnan collectively will hold 69.15% of the issued and paid-up capital of the Company as at 29 September 2000. Depending on how they choose to vote and because of the size of their shareholdings, these substantial shareholders will have a significant influence over the outcome of certain matters requiring the vote of the Company's shareholders.

## 5.9 Future Prospects

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

## 6. RATIONALE

The proceeds raised from the Special Issue will provide the Company with funds for working capital for the SMPC Group.

## 7. UTILISATION OF PROCEEDS

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

## 8. FINANCIAL EFFECTS OF THE PROPOSALS

### 8.1 Share Capital

#### (i) *Authorised share capital*

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

#### (ii) *Issued and paid-up share capital*

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

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

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

**8.2 Earnings**

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

**Before Proposals**

<b>Year ending 31 January</b>	<b>Forecast 2001 RM'000</b>
Turnover (RM'000)	234,693
Pretax profit after MI (RM'000)	2,669
Profit after tax after MI (RM'000)	1,439
No. of shares in issue ('000)	19,999
Gross EPS (sen)	13.4
Net EPS (sen)	7.2

**After Proposals**

<b>Year ending 31 January</b>	<b>Forecast 2001 RM'000</b>
Turnover (RM'000)	266,822
Pretax profit after MI (RM'000)	5,190
Profit after tax after MI (RM'000)	3,456
No. of shares in issue ('000)	*27,841
Gross EPS (sen)	18.6
Net EPS (sen)	12.4

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

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

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### 8.3 Dividends

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

### 8.4 NTA

Based on the audited consolidated accounts as at 31 January 2000, the NTA of the SMPC Group is expected to increase from RM1.01 per ordinary share to RM1.15 per ordinary share upon completion of the Special Issue. Details of the changes in NTA are tabled as follows :-

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

Note :

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

<sup>#</sup> *The goodwill on consolidation arising from the acquisition of the Duro Group is based on the Audited Consolidated Balance Sheet of Duro as at 31 December 1999.*

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

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

## 8.5 Gearing

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

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

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

## 9. PROSPECTS AND INDUSTRY REVIEW

### Malaysian Economy – Overview

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

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

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

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

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

*References:*

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

**Iron and Steel Industry – Outlook and Prospects**

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

Underpinned by a recovery in external and domestic demand, value-added in the manufacturing turned around to record positive growth in 1999, while the contraction in the construction sector moderated. In response to a strengthening of overseas sales orders as well as the improvement in domestic demand, the output of the manufacturing sector recovered strongly since February 1999 to record a significant rate of growth averaging 10% through August. The recovery is seen to be driven by a significant increase in the production of transport equipment, following a surge in demand for 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*

**Overview of the Prospects of the Company and its subsidiaries**

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

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

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

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

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

*Reference:*

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

**10. PROFIT AND DIVIDEND RECORD**

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

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

**Notes:-**

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

**11. WORKING CAPITAL, BORROWINGS AND CONTINGENT LIABILITIES**

As at 30 September 2000, the Group had bank borrowings amounted to approximately RM149 million consisting of term loans, overdrafts and hire purchase financing facilities.

	<u>Interest Bearing (Yes/No)</u>	<u>Amount RM'000</u>
<u>Long Term Borrowings</u>		
i) Term Loan	Yes	18,146,078
ii) Hire Purchase Facilities	Yes	849,652
<u>Short Term Borrowings</u>		
i) Overdraft	Yes	38,649,747
ii) Trade Finance	Yes	91,156,564
		<u><b>148,802,041</b></u>

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

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

**12. DIRECTORS' INTEREST**

Directors	Existing at 29 September 2000 No. of Ordinary Shares Held				After Full Completion of the Special Issue No. of Ordinary Shares Held			
	Direct		Indirect		Direct		Indirect	
	RM	%	RM	%	RM	%	RM	%
Y. Bhg. Dato' Mohd Taufik Bin Abdullah	1,250,000	4.19	-	-	1,250,000	4.17	-	-
Nagarajan a/l Thambiah	250,015	0.84	-	-	250,015	0.83	-	-
Tye Lean Tee @ Tan Lean Tee	26,000	0.09	-	-	26,000	0.09	-	-
Machendran a/l Pitchai Chetty	-	-	7,469,831 <sup>(1)</sup>	25.03	-	-	7,469,831	24.90
Dhanabalan a/l M. Pitchai Chetty	-	-	7,469,831 <sup>(1)</sup>	25.03	-	-	7,469,831	24.90
Ramakrishnan a/l Thangasamy Chettiar	-	-	-	-	-	-	-	-
Vijayan a/l O.M.V. Devan	-	-	-	-	-	-	-	-
Makhtar Bin Mohamed	-	-	-	-	150,000	0.50	-	-
Daisuke Kadono	-	-	-	-	-	-	-	-

Note:-

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

**13. TERMS AND CONDITIONS**

The offer of 150,000 Special Issue Shares is governed by the terms and conditions set out in this Prospectus.

**14. ADDITIONAL INFORMATION**

Mr. Makhtar is requested to refer to the attached Appendices for further information.

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

**Machendran a/l Pitchai Chetty**  
Managing Director

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