

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

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in **SMPC CORPORATION BHD** ("SMPC"), you should at once send this Circular together with the accompanying Form of Proxy to the agent through whom the sale or transfer was contracted for onward transmission to the purchaser or the transferee.

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Pursuant to paragraph 4.1 of Practice Note No. 18/2005 of the Listing Requirements of Bursa Securities, Bursa Securities has only conducted limited review on the information and/or documents relating to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for day-to-day operations of the SMPC Group, whereby Bursa Securities will only focus on areas which in its opinion poses a high risk on terms of disclosure and/or compliance with the Listing Requirements.



**SMPC CORPORATION BHD**

(Company No. 79082 V)

(Incorporated in Malaysia under Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

in relation to the

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

**FOR RECURRENT RELATED PARTY TRANSACTIONS**

**OF A REVENUE OR TRADING NATURE**

**WHICH ARE NECESSARY FOR DAY-TO-DAY OPERATIONS OF THE SMPC**

**GROUP**

This Circular is dated 5 July 2006

Last day and time for lodging the Proxy Form	:	25 July 2006, Tuesday at 11.30 a.m.
Date and time of the Annual General Meeting	:	27 July 2006, Thursday at 11.30 a.m.

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

2006 Annual Report	-	Annual Report of SMPC for the financial year ended 31 January 2006
Act	-	Companies Act, 1965
AGM	-	Annual General Meeting
Board	-	The Board of Directors of SMPC
Bursa Securities or the Exchange	-	Bursa Malaysia Securities Berhad (635998 W)
DM	-	Duro Marketing Sdn Bhd (282058 H)
DMI	-	Duro Metal Industrial (M) Sdn Bhd (225220 W)
DSP	-	Duro Structural Products (M) Sdn Bhd (451501 X)
ES	-	Edit Systems (M) Sdn Bhd (458176 U)
KPSB	-	Kumpulan Pitchai Sdn Bhd (167350 T)
Listing Requirements	-	Listing Requirements of Bursa Securities
Major Shareholder	-	is a person who has (which includes any person who is or was within the preceding 12 months of the date on which the terms of the transaction were agreed upon) an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the Company. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act.
M&A	-	Memorandum and Articles of Association
MPM	-	Metal Perforators (Malaysia) Sdn Bhd (12583 P)
NA	-	Net assets
PAC	-	Park Avenue Construction Sdn Bhd (702371 T)
PMSB	-	Pitchai Metal Sdn Bhd (197452 W)

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## DEFINITIONS

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PROGX	-	Progerex Sdn Bhd (257136 V)
Proposed Shareholders' Mandate	-	Proposed Renewal for the Shareholders' Mandate for Recurrent Related Party Transactions as set out in Section 2.4 of this Circular
Recurrent Transactions	-	Related party transactions involving recurrent transactions of a revenue or trading nature, which are necessary for the Group's day-to-day operations
Related Party	-	A Director, Major Shareholder or person(s) connected with such Director or Major Shareholder
RM and sen	-	Ringgit Malaysia and sen respectively
Share(s)	-	Ordinary Share(s) of RM1.00 each
Shareholders' Mandate	-	Shareholders' approval for the SMPC Group to enter into Recurrent Transaction, which was obtained on 28 July 2005
SISB	-	SMPC Industries Sdn Bhd (205920 H)
SMPC Dexon	-	SMPC Dexon Sdn Bhd (formerly known as Sphinx Odyssey Sdn Bhd) (720108 H)
SMPC India	-	SMPC Industries (India) Private Limited
SMPC or "Company"	-	SMPC Corporation Bhd. (79082 V)
SMPC Group or "Group"	-	SMPC Corporation Bhd. and its subsidiaries
SMPC Mktg	-	SMPC Marketing Sdn Bhd (322341 U)
SMPCSB	-	S.M. Pitchai Chettiar Sdn Bhd (45781 H)
SPBG	-	Syarikat Perkilangan Besi Gaya Sdn Bhd (143716 K)

In this Circular, unless there is something in the subject or context inconsistent herewith, the singular includes the plural; references to gender include both genders and the neuter.

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**TABLE OF CONTENTS**

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**LETTER TO THE SHAREHOLDERS OF SMPC CONTAINING: -**

	PAGE
1. INTRODUCTION	1-2
2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE	2-8
3. RATIONALE FOR AND BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE	9
4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE	10
5. CONDITION OF THE PROPOSED SHAREHOLDERS' MANDATE	10
6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM	10
7. DIRECTORS' RECOMMENDATION	11
8. AGM	11
9. FURTHER INFORMATION	11
 <b>APPENDIX</b>	
APPENDIX I : ADDITIONAL INFORMATION	12

**SMPC CORPORATION BHD**  
(Company No. 79082 V)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office:-**

Suite 18.05, MWE Plaza,  
No.8, Lebuhr Farquhar,  
10200 Penang

Date: 5 July 2006

**Board of Directors:-**

Machendran a/l Pitchai Chetty (*Executive Chairman*)  
Ibrahim Hussain (*Managing Director*)  
Dhanabalan a/l M. Pitchai Chetty (*Executive Director*)  
Mohd Shahril Fitri Bin Hashim (*Executive Director*)  
Sanmarkan a/l T S Ganapathi (*Independent Non-Executive Director*)  
Sudesh a/l K.V. Sankaran (*Independent Non-Executive Director*)  
Ahmad Bin Darus (*Non Independent Non-Executive Director*)

**To: The Shareholders of SMPC**

Dear Sir/Madam,

**PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE WHICH ARE NECESSARY FOR DAY-TO-DAY OPERATIONS**

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**1. INTRODUCTION**

At our AGM held on 28 July 2005, we obtained your mandate to enter into various Recurrent Transactions of revenue or trading nature which are necessary for day-to-day operations of our Group. The aforesaid Shareholders' Mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM, unless the authority is renewed by a resolution passed at our forthcoming AGM.

Consequently, on 21 June 2006, we announced our intention to seek shareholders' approval on the renewal of the Proposed Shareholders' Mandate in order to allow our Company and our subsidiaries to enter into Recurrent Transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Group in compliance with paragraph 10.09, Part E of Chapter 10 of the Listing Requirements.

The Proposed Shareholders' Mandate, if approved by you at our forthcoming AGM, will be subject to annual renewal and shall continue to be in force until:-

- (a) the conclusion of our next AGM following the forthcoming AGM at which the ordinary resolution for the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the general meeting; or
- (b) the expiration of the period within which our next AGM after the date it is required to be held pursuant to Section 143(1) of the Act, (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or
- (c) revoked or varied by ordinary resolution passed by you in a general meeting of the Company;

whichever is the earlier.

Disclosure will be made in the annual report of our Company and in the annual reports for the subsequent financial years during which a shareholders' mandate is in force in respect of the breakdown of the aggregate value of Recurrent Transactions conducted pursuant to the shareholders' mandate during the financial year, the type of Recurrent Transactions made, the names of the related parties involved in each type of Recurrent Transactions and the nature of their relationship with our Company.

The purpose of this Circular is to provide you with the relevant details of the Proposed Shareholders' Mandate and to seek your approval on the resolutions to be tabled at our forthcoming 25th AGM of SMPC to be convened on Thursday, 27 July 2006 at 11.30 a.m.

## **2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**

### **2.1 Mandate for Recurrent Transactions**

Under paragraph 10.09, Part E of Chapter 10 of the Listing Requirements, where there are Recurrent Transactions, we may seek your mandate in respect of such transactions subject to the following:-

- (a) The transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) The mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the mandate during the financial year;
- (c) The issuance of a circular to you which includes information as set out in the Listing Requirements; and
- (d) In a meeting to obtain the mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with the interested director or interested major shareholder abstains from voting on the resolution approving the transactions.

## 2.2 The companies within the Group in which the Proposed Shareholders' Mandate are applicable

The principal activities of our Company are investment holding, letting of industrial and commercial assets and management consultancy while our subsidiaries are involved in operation of metal sheet and coil processing centre, manufacture of steel roofing, wall cladding sheets and other steel related products and provision of related services.

Due to the diversity and size of our Group, our Group, in the ordinary course of business, enters into transactions with classes of related party as set out in Section 2.3. Our subsidiaries are as follows:-

<u>Name of subsidiaries</u>	<u>Effective interest (%)</u>	<u>Principal Activities</u>
<b>Subsidiary companies of SMPC</b>		
SISB	100	Metal sheet and coil processing centre with main services in shearing, down-shearing, slitting, steel strapping and manufacture of steel tubes
SPBG	100	Drawing, straightening and cutting iron rods and wire related products. The Company had temporarily ceased its operations
SMPC Mktg	100	The Company had temporary ceased operations in prior year but commenced trading in steel furniture during the year
DMI	100	Manufacture of steel roofing, wall cladding sheets and other steel related products and provision of related services
MPM	100	Manufacturing and marketing of perforated screen plates, perforate materials, g-loc splices and industrial chains
SMPC Dexon	100	Manufacturing and trading of steel and other types of furniture and provision of related services
SMPC India	100	Metal sheet and coil processing centre with main services in shearing, down-shearing and manufacturing of steel products

PAC	100	Project Development and Construction
ES	70	Operation of an educational institution.
<b>Subsidiary company of SMPC Mktg</b>		
PROGX	100	Shredding, processing and trading of ferrous and non-ferrous scrap metals.
<b>Subsidiary company of DMI</b>		
DSP	70	Trading in steel roofing and manufacturing of floor decks and structures for steel roofing and wall cladding.
DM	100	Trading in steel roofing, construction material and provision of related services.

### 2.3 The Class of the related party with whom the transactions will be carried out

The Proposed Shareholders' Mandate would apply to transactions with the Related Parties comprising of Directors, Major Shareholders or persons connected with such Directors or Major Shareholders of our Company and which includes any person who is or was within the preceding 12 months of the date on which the terms of the transactions were agreed upon, a Director or major shareholder of our Company or any other company which is our subsidiary. Such Related Parties are those described below-

#### a) Interested Directors

1. Mr. Machendran a/l Pitchai Chetty
2. Mr. Dhanabalan a/l M. Pitchai Chetty
3. Mr. Cheng Kien Wing

**Mr. Machendran a/l Pitchai Chetty** is the Executive Chairman and a major shareholder of SMPC by virtue of his deemed interest in SMPC held through KPSB and SMPCSB. He is also brother to Mr. Dhanabalan a/l M. Pitchai Chetty, who is an Executive Director of our Company. He is therefore deemed interested in the Proposed Shareholders' Mandate.

**Mr. Dhanabalan a/l M. Pitchai Chetty** is an Executive Director and a major shareholder of SMPC by virtue of his deemed interest in SMPC held through KPSB and SMPCSB. He is also brother to Mr. Machendran a/l Pitchai Chetty, who is the Executive Chairman of our Company. He is therefore deemed interested in the Proposed Shareholders' Mandate.

**Mr. Cheng Kien Wing** had been a Director of DMI and DM within the preceding twelve (12) months from the date of the Proposed Shareholders' Mandate, as he only resigned as a Director of DMI and DM on 27 January 2006. He is also a shareholder of SMPC.



The details of shareholdings in SMPC held by the interested Directors of SMPC as at 15 June 2006 are as follows:-

<u>Name of Directors</u>	←-----Direct-----→		←-----Indirect-----→	
	No. of shares held	%	No. of shares held	%
Machendran a/l Pitchai Chetty	265,047	0.41	15,605,329*	24.14
Dhanabalan a/l M. Pitchai Chetty	-	-	15,605,329*	24.14
Cheng Kien Wing	882,366	1.36	-	-

\* Deemed interested by virtue of their interests in KPSB and SMPCSB

**b) Interested Major Shareholder**

1. KPSB

The details of shareholdings in SMPC held by our interested Major Shareholder of our Company as at 15 June 2006 is as follows:-

<u>Name of Major Shareholder</u>	←-----Direct-----→		←-----Indirect-----→	
	No. of shares held	%	No. of shares held	%
KPSB	15,592,534	24.12	12,795*	0.02

\* By virtue of its subsidiary, SMPCSB's interest in the Company, KPSB is deemed to have interest in these shares.

**c) Persons and corporation connected to Directors and Major Shareholders**

<u>Name</u>	<u>Relationship</u>
1. PMSB	PMSB is a corporation connected to our Company's major shareholder, namely KPSB as its 100% shareholdings are held by KPSB. Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty who are our Directors, are also directors and deemed to have an interests in PMSB by virtue of their interests held through KPSB.
2. SMPCSB	SMPCSB is a corporation connected to our Company's major shareholder, namely KPSB as its 100% shareholdings are held by KPSB. Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty who are our Directors, are also directors in SMPCSB and deemed to have an interests by virtue of their interests held through KPSB.
3. Yee Hup Construction Co. (Yee Hup)	Mr. Cheng Kien Wing, who had been a Director of DMI and DM within the preceding twelve (12) months from the date of the Proposed Shareholders' Mandate, is also the sole proprietor of Yee Hup.

The details of shareholdings of the persons and corporations connected to our Directors and our Major Shareholders as at 15 June 2006 are as follows:-

<u>Name</u>	<u>&lt;---Direct--&gt;</u>		<u>&lt;---Indirect--&gt;</u>	
	<u>No. of shares held</u>	<u>%</u>	<u>No. of shares held</u>	<u>%</u>
PMSB	-	-	-	-
SMPCSB	12,795	0.02	-	-
Yee Hup	-	-	-	-

The principal activity of the corporations connected to Directors and Major Shareholders are as follows:-

<u>Name</u>	<u>Principal activities</u>
1. PMSB	Manufacturing of steel tubes and pipes and rental of certain equipment for the purpose of manufacturing of steel tubes.
2. SMPCSB	Investment and rental of property
3. Yee Hup	Trading in steel material & building contractor

A schematic diagram showing class of related party with whom the transactions have or will be carried out are as follows:-

<b>Name and Class of Related Parties</b>	<b>SMPC</b>	<b>KPSB</b>	<b>PMSB</b>	<b>SMPCSB</b>	<b>Yee Hup</b>
Machendran a/l Pitchai Chetty • Director • Shareholder	Yes Yes	Yes Yes	Yes No	Yes No	No No
Dhanabalan a/l M. Pitchai Chetty • Director • Shareholder	Yes No	Yes Yes	Yes No	Yes No	No No
Cheng Kien Wing • Director * • Shareholder	No Yes	No No	No No	No No	Sole Proprietor

\* *Mr. Cheng Kien Wing had been a Director of DMI and DM within the preceding twelve (12) months from the date of the Proposed Shareholders' Mandate, as his resignation as Director in DMI and DM only effected on 27 January 2006.*

## 2.4 The nature of related party transactions contemplated under the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate sets forth the shareholders' mandate relating to the Recurrent Transactions within our Group for a period from our forthcoming AGM to the date of our next AGM as follows:

	Nature of Transactions <sup>^</sup>	Interested Related Parties*	Estimated Value during validity of the Proposed Shareholders' Mandate from date of our forthcoming AGM to our next AGM # (RM)
1.	Rental of equipment from PMSB to SISB <sup>(i)</sup> for the purpose of manufacturing of steel tubes, tubular and steel furniture.	<ul style="list-style-type: none"> <li>• KPSB</li> <li>• Machendran a/l Pitchai Chetty</li> <li>• Dhanabalan a/l M. Pitchai Chetty</li> <li>• SMPCSB</li> <li>• PMSB</li> </ul>	1,440,000
2.	Sale of steel material from SISB to PMSB <sup>(ii)</sup>	<ul style="list-style-type: none"> <li>• KPSB</li> <li>• Machendran a/l Pitchai Chetty</li> <li>• Dhanabalan a/l M. Pitchai Chetty</li> <li>• SMPCSB</li> <li>• PMSB</li> </ul>	7,000,000
3.	Rental of premises (house) which is located at Taman Ceri, Butterworth for a period of 2 years commencing from 01.02.2006 and expiring on 31.01.2008 for the purpose of dwelling at a monthly rental of RM1,000.00 pursuant to the Tenancy Agreement dated 1 February 2006. The rental was based on the existing market rate at the area concerned. The landlord is SMPCSB and the tenant is SISB and the size of the premises is 950 sq. ft.	<ul style="list-style-type: none"> <li>• KPSB</li> <li>• Machendran a/l Pitchai Chetty</li> <li>• Dhanabalan a/l M. Pitchai Chetty</li> <li>• SMPCSB</li> <li>• PMSB</li> </ul>	12,000
4.	Sale of steel materials such as steel roofing sheets from DMI to Yee Hup	<ul style="list-style-type: none"> <li>• Cheng Kien Wing</li> <li>• Yee Hup</li> </ul>	1,000,000
5.	Sale of steel material such as structural floor decking and purlins from DM to Yee Hup for the purpose of construction of buildings <sup>(iii)</sup>	<ul style="list-style-type: none"> <li>• Cheng Kien Wing</li> <li>• Yee Hup</li> </ul>	300,000

Note:-

- \* Kindly refer to Section 2.3 of this circular on the relationship of our interested related parties.
- # For the period from 27 July 2006 (being the date of our forthcoming AGM) to the date of our next AGM to be held in year 2007. The estimated values are based on the expected values of the transactions over the course of this period as determined by our Group's management.
- ^ A mandate has been granted by our shareholders to allow our Group to carry the Recurrent Transactions as shown above at our AGM held on 28 July 2005.

Additional explanatory notes for the transactions:-

- (i) The rental of equipment comprise of Dewas ERW Tube Mill and Kusakabe ERW Tube Mill for the purpose of manufacturing of steel tubes.
- (ii) The sale of steel material to PMSB comprise mainly of mild steel plates and cold rolled steel plates for the purpose of manufacturing tubes.
- (iii) Yee Hup is a contractor directly involved in projects, which procure steel material from various suppliers including DM. DM is involved in marketing steel material viz roofing sheets and structural floor decking which are supplied to contractors with projects including Yee Hup.

## **2.5 Review Procedures and Practices**

To ensure that the Recurrent Transactions of our Group are conducted at arms-length basis and on normal commercial terms which are consistent with our Group's usual business practices, on terms not more favourable to the Related Party than those generally available to the third parties / public and are not detrimental to our minority shareholders, the following procedures will apply to the review and approval of Recurrent Transactions:-

- a) Our Group will maintain a record of Recurrent Transactions.
- b) Our Board who have an interest in the transactions to be reviewed, shall declare their interest in the transactions and abstain from deliberations and voting in respect of the related party transactions.
- c) Our Audit Committee shall review on a quarterly basis any related party transactions that may arise within our Company or our Group to ensure that such transactions will be carried out at arm's length, on normal commercial terms, on terms not more favourable to the Related Parties than those generally available to the public and on terms not detrimental to our minority shareholders.
- d) We have made disclosure in our Annual Report of the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year (or financial period, as the case may be) to which the Annual Report relates, so long as the Shareholders' Mandate continues in force.
- e) The methods and procedures on which the price of transaction are to be determined by market forces, under similar commercial terms for transactions with third parties which depend on the demand and supply, quality and delivery of the products of the domestic market and subject to the availability of the products.

## **2.6 Statement by Audit Committee**

Our Audit Committee has reviewed the procedures mentioned in Section 2.5 above and is of the view that the said procedures should be sufficient to ensure that the Recurrent Transactions are not more favourable to Related Party than those generally available to the public and are not to the detriment of our minority shareholders.

### **3. RATIONALE FOR AND BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Recurrent Transactions to be entered into by our Group are all in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and arise at any time or from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions and it may be impractical to seek shareholders' approval on a case-by-case before entering into such Recurrent Transactions. As such, our Board is seeking a shareholders' mandate pursuant to paragraph 10.09, Part E of Chapter 10 of the Listing Requirements for the Recurrent Transactions (as described in Sections 2.4) to allow our Group to enter into such Recurrent Transactions made on an arms-length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of our minority shareholders and which are not prejudicial to the interests of our shareholders.

Our Group has a long-standing business relationship with the Related Parties. The Recurrent Transactions entered into by our Group with the Related Parties are to enhance its ability to explore beneficial business opportunities. Furthermore, the Related Parties have long established themselves in the steel industry and thus has the expertise and resources required to carry out the works with utmost expertise.

The long established relationships have been beneficial to our Group throughout these years such as:-

- a) our Group benefits from better utilization and allocation of resources.
- b) due to in-depth understanding of our Group's environment of steel industry and also long established relationship, prompt and better services in terms of delivery and support are obtained and also prompt payment by the Related Party within the credit term given by our Group;
- c) the rental of premises with the Related Party was mainly due to close proximity to our factory premises in Prai and Bukit Tengah Industrial Estate and availability of storage space.

The goods and services provided by the Related Parties are priced competitively and all transactions between our Group and the Related Parties are carried out on an arms-length basis on normal commercial terms on terms not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders. As the close co-operation between our Group and the Related Parties have reaped mutual benefits for the past years and is expected to continue to be of benefit to the business of our Group, therefore, our Group would like to seek approval for the Proposed Shareholders' Mandate.

The Proposed Shareholders' Mandate shall continue to be in force until our next AGM following our AGM approving the shareholders' mandate and shall be renewable at each general meeting of our Company thereafter. Disclosure will be made in our annual report of the breakdown of the aggregate value of Recurrent Transactions conducted pursuant to the shareholders' mandate during each financial year.

By obtaining the Proposed Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek our shareholders' approval as and when such Recurrent Transactions occur would not arise. This will reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of our Group or adversely affecting the business opportunities available to our Group.

#### 4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will not have any effect on our issued and paid-up share capital and is not expected to have any material effect on the NA per Share and earnings per Share of our Group.

#### 5. CONDITION OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is subject to your approval at our forthcoming AGM under the agenda as Special Business.

#### 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of our Directors and our Major Shareholders or persons connected to them as defined in the Listing Requirements have any interest, directly and/or indirectly, in the Proposed Shareholders' Mandate:-

- (i) **Mr. Machendran a/l Pitchai Chetty** is our Executive Chairman and a major shareholder of SMPC by virtue of his deemed interests held through KPSB and SMPCSB in our Company. Mr. Machendran is also a Director of certain Related Parties namely, KPSB, PMSB and SMPCSB (details of which are set out in Section 2.3 of this Circular) and therefore deemed interested in the Proposed Shareholders' Mandate, have abstained and will continue to abstain from our Board deliberations with regards to the Proposed Shareholders' Mandate. He will also abstain from voting, with regards to his direct and indirect interest in SMPC, on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at our forthcoming AGM.
- (ii) **Mr. Dhanabalan a/l M. Pitchai Chetty** is our Executive Director and a major shareholder of SMPC by virtue of his deemed interests held through KPSB and SMPCSB. Mr. Dhanabalan is also a Director of certain Related Parties namely KPSB, PMSB and SMPCSB (details of which are set out in Section 2.3 of this Circular) and therefore deemed interested in the Proposed Shareholders' Mandate, have abstained and will continue to abstain from our Board deliberations with regards to the Proposed Shareholders' Mandate. Mr. Dhanabalan is also a director of KPSB. He will also abstain from voting, with regards to his indirect interest in SMPC, on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at our forthcoming AGM.
- (iii) **Mr. Cheng Kien Wing** had been a Director of DMI and DM within the preceding twelve (12) months from the date of the Proposed Shareholders' Mandate. He is also a shareholder of SMPC. He will abstain from voting with regards to his direct interest in SMPC, on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.
- (iv) Our interested major shareholders namely **KPSB**, will abstain from voting in respect of its direct and indirect interests (details of which are set out in Section 2.3 of this Circular) on the relevant resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at our forthcoming AGM.
- (v) Our interested Directors and/or interested major shareholders of our Group have undertaken to ensure that all the persons connected to them, namely **SMPCSB** will abstain from voting in respect of its direct interests on the relevant resolutions pertaining to the Proposed Shareholders' Mandate in which they are interested at our forthcoming AGM.

## **7. DIRECTORS' RECOMMENDATION**

We, (with the exception of Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty) having considered all aspects of the Proposed Shareholders' Mandate, are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company of our shareholders. Accordingly, we (with the exception of Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty who being interested parties to the Proposed Shareholders' Mandate have abstained from expressing a recommendation relating to the Proposed Shareholders' Mandate in which they are interested) recommend that you vote in favour of the Ordinary Resolutions for the Proposed Shareholders' Mandate to be tabled at our forthcoming 25th AGM of the Company.

## **8. AGM**

Our AGM, the Notice of which is set out in our 2006 Annual Report, will be held at VIP Lounge, Hotel Equatorial, No. 1, Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 27 July 2006 at 11.30 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing the ordinary resolutions to give effect to the Proposed Shareholders' Mandate.

If you are unable to attend our AGM in person, you will find a Form of Proxy attached in our Annual Report 2006 which you are urged to complete and deposit at the Registered Office at Suite 18.05, MWE Plaza, No. 8, Lebuhr Farquhar, 10200 Penang not less than forty-eight (48) hours before the time set for the 25th AGM or any adjournment thereof. The lodging of the Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

## **9. FURTHER INFORMATION**

You are requested to refer to Appendix I for further information.

Yours faithfully,  
for and on behalf of the Board of Directors  
SMPC Corporation Bhd (79082-V)

**SANMARKAN A/L T S GANAPATHI**  
Independent Non-Executive Director

**FURTHER INFORMATION**

**1. RESPONSIBILITY STATEMENT**

We have seen and we collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries, to the best of our knowledge and belief, there are no other material facts, the omission of which would make any statement herein misleading.

**2. MATERIAL CONTRACTS**

Save as disclosed below, our Group has not entered into any contracts which is or may be material (not being contracts entered into in the ordinary course of business of our Group) during the two (2) years immediately preceding the date of this Circular:-

- (a) Sale and Purchase Agreement dated 20 September 2005 between SMPC and Temasek Berkat Sdn Bhd for the acquisition by SMPC of 500,000 ordinary shares of RM1.00 each, representing 100% of the issued and paid up share capital of Metal Perforators (Malaysia) Sdn Bhd for a total cash consideration of RM9.0 million.

**3. MATERIAL LITIGATION**

Our Group has not entered in any material litigation, claims or arbitration, either as plaintiff or defendant and we are not aware of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceedings which may materially or adversely affect the position or business of our Group, financially or otherwise.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at our Registered Office at Suite 18.05, MWE Plaza, No.8, Lebuhr Farquhar, 10200 Penang from Mondays to Fridays (except public holidays) from the date of this Circular up to the date of our forthcoming AGM:-

- (i) Our Memorandum and Articles of Association;
- (ii) Our Audited Financial Statements for the past two (2) financial years ended 31 January 2006; and
- (iii) Our unaudited quarterly financial results for the period ended 30 April 2006.