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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 METAL INDUSTRIES BHD**, 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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SMPC METAL INDUSTRIES BHD

(Company No. 79082 V)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

in relation to the

- I **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**
- II **PROPOSED ADOPTION OF NEW SET OF THE ARTICLES OF ASSOCIATION**
- III **PROPOSED CHANGE OF NAME TO SMPC CORPORATION BHD**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of the Extraordinary General Meeting together with the Form of Proxy are enclosed herewith. The Extraordinary General Meeting will be held at Balau Room, Level 2, Sunway Hotel Seberang Jaya, 11 Lebuh Tenggiri 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang on Thursday, 27 June 2002 at 11.30 a.m. or any adjournment thereof. The Form of Proxy should be lodged at the office of the Company's Registered Office, Suite 18.05, MWE Plaza, No.8, Lebuhr Farquhar, 10200 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 in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Tuesday, 25 June 2002 at 11.30 a.m.

Date and time of Extraordinary General Meeting : Thursday, 27 June 2002 at 11.30 a.m. or immediately after the conclusion or adjournment (as the case may be) of the 21st Annual General Meeting which will be held at 11.00 a.m., whichever is later

This Circular is dated 5 June 2002

DEFINITIONS

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

Act	- Companies Act, 1965
AGM	- Annual General Meeting
Articles	- Articles of Association
Board	- The Board of Directors of SMPC
Central Depositories Act	- Security Industry (Central Depositories Act), 1991
DM	- Duro Marketing Sdn Bhd (282058 H)
DMI	- Duro Metal Industrial (M) Sdn Bhd (225220 W)
DSP	- Duro Structural Products Sdn Bhd (451501 X)
EGM	- Extraordinary General Meeting
KLSE or the Exchange	- Kuala Lumpur Stock Exchange (30632 P)
KPSB	- Kumpulan Pitchai Sdn Bhd (167350 T)
Listing Requirements	- Listing Requirements of KLSE
Major Shareholder	- 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 interest 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
MCD	- Malaysian Central Depository Sdn Bhd (165570-W)
NTA	- Net Tangible Assets
Prevailing Law	- Any prevailing laws, rules, regulations, orders, guidelines requirements issued by the relevant authorities including but not limited to the Listing Requirements

DEFINITIONS (continued)

Proposed Amendments	- Proposed amendments to the existing Articles of Association of the Company by adopting the new Articles of Association as set out in Appendix I
Proposed Change of Name	- Proposed change of name from SMPC Metal Industries Bhd to SMPC Corporation Bhd
Proposed Shareholders' Mandate	- Proposed Shareholders' Mandate for Recurrent Related Party Transactions and ratification of the Recurrent Related Party Transactions entered into between 1 June 2001 to date of granting of the shareholders' mandate
Recurrent Related Party 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 connected with such director or major shareholder
Related Party Transactions	- Transactions entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a Related Party.
RM and sen	- Ringgit Malaysia and sen respectively
SISB	- SMPC Industries Sdn Bhd (205920 H) (Formerly known as SMPC Steel Services Centre Sdn Bhd)
SMPC or the Company	- SMPC Metal Industries Bhd (79082 V)
SMPC Group or the Group	- SMPC Metal Industries Bhd and its subsidiaries
SMPC Mktg	- SMPC Marketing Sdn Bhd (282058 H)

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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SMPC METAL INDUSTRIES 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 June 2002

Board of Directors

Dato' Mohd Taufik bin Abdullah *(Chairman, Independent Non-Executive Director)*
Machendran a/l Pitchai Chetty *(Vice-Chairman, Executive Director)*
Ibrahim Hussain *(Managing Director)*
Dhanabalan a/l M. Pitchai Chetty *(Executive Director)*
Vijayan a/l O.M.V Devan *(Executive Director)*
Makhtar bin Mohamed *(Executive Director)*
Daisuke Kadono *(Independent Non-Executive Director)*
Sanmarkan a/l T S Ganapathi *(Independent Non-Executive Director)*
Nagarajan a/l Thambiah *(Non Independent Non-Executive Director)*
Mustaffa Kamil Bin Md. Ismail *(Non Independent Non-Executive Director)*
Ramakrishnan a/l Thangasamy Chettiar *(alternate director to Machendran a/l Pitchai Chetty)*

To: The Shareholders of SMPC Metal Industries Bhd

Dear Sir/Madam,

- PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE
- PROPOSED AMENDMENTS TO THE EXISTING ARTICLES OF ASSOCIATION OF THE COMPANY
- PROPOSED CHANGE OF NAME TO SMPC CORPORATION BHD

1. INTRODUCTION

1.1 The Board of Directors of the Company had on 14 May 2002 announced the following proposals:-

- Proposed shareholders' mandate for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature to be in line with the introduction of Paragraph 10.09 of the Listing Requirements;
- Proposed Amendments to the Articles of Association of the Company to incorporate amongst others the relevant provisions of the Listing Requirements issued by KLSE;
- Proposed change of name to SMPC Corporation Bhd.
(hereinafter collectively referred to as the "Proposals")

- 1.2 The purpose of this Circular is to provide you with the details of the proposals set out in paragraph 1.1 above and to seek your approval for the resolutions to be tabled at the EGM. The Notice of the EGM together with the Form of Proxy are enclosed together with this Circular.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTION AND SPECIAL RESOLUTIONS PERTAINING TO THE ABOVE PROPOSALS.

2. PROPOSED SHAREHOLDERS' MANDATE

2.1 Details of the Recurrent Related Party Transactions

The details of the Recurrent Related Party Transactions to be dealt with at the EGM are as follows:-

(i) Part E, Chapter 10.09 of the Listing Requirements

Pursuant to Paragraph 10.09 of the Listing Requirements, the Company or the listed issuer may seek a shareholders' approval for a mandate in respect of the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day to day operations 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 shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year;
- (c) The issuing of a Circular to shareholders, which includes information as set out in the Listing Requirements; and
- (d) In a meeting to obtain shareholders' 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 him abstain from voting on the resolution approving the transactions.

(ii) Shareholders' Mandate for Recurrent Related Party Transactions

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

The Group consists of the following subsidiary companies, all of which are incorporated in Malaysia:

Name of subsidiaries	Effective interest (%)	Principal activities
SISB	100	Metal sheet and coil processing centre with main services in shearing, down-shearing, slitting and steel strapping and manufacturing of steel tubes, tubular and steel furniture.
Syarikat Perkilangan Besi Gaya Sdn Bhd	100	Drawing, straightening and cutting of iron rods and wire related products
SMPC Mktg	100	Trading in building materials, such as wire rods, steel pipes etc, hardware items such as steel tubes and steel channels etc, and mining requisites, steel plates.
Progerex Sdn Bhd <i>(wholly owned by SMPC Mktg)</i>	100	Shredding, processing and trading of ferrous and non-ferrous scrap metals
Edit Systems (M) Sdn Bhd <i>(a subsidiary of Syarikat Perkilangan Besi Gaya Sdn Bhd)</i>	70	Operation of an educational system
Besi Gaya (Klang) Sdn Bhd	51	Manufacture of steel stirrups for the construction industry
DMI	100	Manufacture of steel roofing, wall cladding sheets and other steel related products, such as round bar, poly shaft and provision of related services such as fixing of steel roofing.
DSP <i>(a subsidiary of DMI)</i>	70	Trading in steel roofing and manufacturing of floor decks and structures for steel roofing and wall cladding.
DM <i>(wholly owned by DMI)</i>	100	Trading in steel roofing, construction material, such as steel building material and provision of related services, such as forming, assembling, fixing and dismantling of steel roofing.

The Group had, before the enforcement of Paragraph 10.09 of the Listing Requirements entered into certain Recurrent Related Party Transactions in the ordinary course of business as disclosed under Section 2.3 below. It is anticipated that the companies within the Group would, in the ordinary course of business, continued to enter into these Recurrent Related Party Transactions which are detailed in Section 2.3 below with some degree of frequency and could arise at any time.

In view of time-sensitive, confidential and frequent nature of such Recurrent Related Party Transactions, the Directors are seeking shareholders' approval for the Proposed Shareholders' Mandate which allow the Group, in their normal course of business, to enter into related party transactions with classes of related party set out in Section 2.3 below provided such transactions are entered into at arm's length and on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders. The Recurrent Related Party Transactions will also be subject to the review procedures set out in this Circular.

In addition, the Directors are also seeking shareholders' approval to ratify all such transactions which have been entered into by the Company's subsidiaries from 1 June 2001 to the date of EGM as detailed in Section 2.3 below with the respective related party.

Pursuant to subparagraph 10.09 (1) of the Listing Requirements, the Proposed Shareholders' Mandate if approved by the shareholders at the EGM, is subject to annual renewal. In this respect, any authority conferred by the shareholders under the mandate shall only continue to be in force until:-

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

2.2 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 the Company or its subsidiaries and 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 the Company or its subsidiaries.

Such Related Parties are those described below:-

- a) **Interested Directors**
 1. Mr. Machendran a/l Pitchai Chetty
 2. Mr. Ramakrishnan a/l Thangasamy Chettiar (alternate director to Mr. Machendran a/l Pitchai Chetty)
 3. Mr. Dhanabalan a/l M. Pitchai Chetty
 4. Mr. Cheng Kien Wing

Mr. Machendran a/l Pitchai Chetty is an Executive Vice-Chairman and a major shareholder of SMPC by virtue of his deemed interest in SMPC held through KPSB and S.M. Pitchai Chettiar Sdn Bhd. He is also brother to Mr. Dhanabalan a/l M. Pitchai Chetty, who is an Executive Director of the Company and brother-in-law to Mr. Ramakrishnan a/l Thangasamy Chettiar, who is his alternate Director in the Company. He is therefore deemed interested in the Proposed Shareholders' Mandate.

Mr. Ramakrishnan a/l Thangasamy Chettiar is an alternate director to Mr. Machendran a/l Pitchai Chetty in the Company and a major shareholder of SMPC by virtue of his deemed interest in SMPC through KPSB and S.M. Pitchai Chettiar Sdn Bhd. He is also brother-in-law to Mr. Machendran a/l Pitchai Chetty and Mr. Dhanabalan a/l M. Pitchai Chetty, who are Executive Directors of the 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 through KPSB and S.M. Pitchai Chettiar Sdn Bhd. He is also brother to Mr. Machendran a/l Pitchai Chetty, who is an Executive Vice-Chairman of the Company and brother-in-law to Mr. Ramakrishnan a/l Thangasamy Chettiar, who is his alternate Director in the Company. He is therefore deemed interested in the Proposed Shareholders' Mandate.

Mr. Cheng Kien Wing is a Director of DMI and DM, the subsidiaries of the Company. He is also a shareholder in SMPC.

b) Interested Major Shareholder

1. KPSB

c) Persons connected to Directors and Major Shareholder

	Mandated Related Party	Relationship
1.	Pitchai Metal Sdn Bhd (<i>PMSB</i>)	PMSB is a person connected to the major shareholder of SMPC, namely KPSB in view of its 100% shareholdings are held by KPSB. Mr. Machendran a/l Pitchai Chetty, Mr. Dhanabalan a/l M. Pitchai Chetty, Mr. Ramakrishnan a/l Thangasamy Chettiar who are directors of SMPC, are also directors and deemed to have an interests in PMSB by virtue of their interests held through KPSB.
2.	S.M. Pitchai Chettiar Sdn Bhd (<i>SMPCSB</i>)	SMPCSB is a person connected to the major shareholder of SMPC, namely KPSB as its 100% shareholdings are held by KPSB. Mr. Machendran a/l Pitchai Chetty, Mr. Dhanabalan a/l M. Pitchai Chetty, Mr. Ramakrishnan a/l Thangasamy Chettiar who are directors of SMPC, are also directors in SMPCSB and deemed to have an interest by virtue of their interests held through KPSB.
3.	Euro Dexon Sdn Bhd (<i>EDSB</i>)	EDSB is a person connected to the major shareholder of SMPC, namely KPSB as its 51% shareholdings are held by KPSB. Mr. Machendran a/l Pitchai Chetty, Mr. Dhanabalan a/l M. Pitchai Chetty, Mr. Ramakrishnan a/l Thangasamy Chettiar are deemed to have an interest in EDSB by virtue of their interests held through KPSB.
4.	Yee Hup Construction Co. (<i>Yee Hup</i>)	Mr. Cheng Kien Wing, a director of DMI and DM, is the sole proprietor of Yee Hup.

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

Name and Class of Related Parties	SMPC	PMSB	SMPCSB	EDSB	Yee Hup	KPSB
Machendran a/l Pitchai Chetty • Director • Shareholder	Yes Yes	Yes No	Yes No	No No	No No	Yes Yes
Ramakrishnan a/l Thangasamy Chettiar • Director • Shareholder	Yes No	Yes No	Yes No	No No	No No	Yes Yes
Dhanabalan a/l M. Pitchai Chetty • Director • Shareholder	Yes No	Yes No	Yes No	No No	No No	Yes Yes
Cheng Kien Wing • Director • Shareholder	No Yes	No No	No No	No No	Sole Proprietor	No No

Note :-

The above shareholdings are referred to their direct shareholdings registered in the respective companies.

The principal activity of the Mandated related party are as follows:-

<u>Mandated Related Party</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. EDSB	Manufacture of steel furniture
4. Yee Hup	Trading in steel material & building contractors

2.3 The nature of related party transactions contemplated under the mandate

The recurrent related party transactions of a revenue or trading nature which will be covered by the shareholders' mandate and the benefits to be derived from the Recurrent Related Party Transactions by the Group relating to the provision of, or obtaining from, the related party, products and services in the normal course of business of the Group comprising of the following:-

SMPC and its subsidiaries which entered into the related party transaction	Mandated related Party	Nature of Transaction	Interested related Parties*	Estimated value from 1.6.2001 to 27.6.2002 (RM)	Estimated Value during the duration of the Proposed shareholders' mandate* (RM)
SISB	PMSB	Rental of equipment from PMSB to SISB ⁽ⁱⁱ⁾ for the purpose of manufacturing of steel tubes, tubular and steel furniture.	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	866,500	1,440,000
SISB(Seller)	PMSB(Buyer)	Sale of steel material from SISB to PMSB ⁽ⁱⁱ⁾	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	1,435,105	1,500,000
SISB(Tenant)	SMPCSB (Landlord)	Rental of premises (house) which is located at Taman Ceri, Butterworth for a period of 1 year from 1 February 2002 for the purpose of dwelling at a monthly rental of RM1,000.00 pursuant to the Tenancy Agreement dated 1 February 2002. The rental was based on the existing market rate at the area concerned.	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	3,000	12,000

SMPC and its subsidiaries which entered into the related party transaction	Mandated related Party	Nature of Transaction	Interested related Parties*	Estimated value from 1.6.2001 to 27.6.2002 (RM)	Estimated Value during the duration of the Proposed shareholders' mandate [#] (RM)
SISB(Buyer)	EDSB(Seller)	Sale of steel material such as steel plates from EDSB to SISB due to the transfer of business activity i.e. manufacturing of office steel furniture to SISB.	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	417,278	NIL ⁽ⁱⁱⁱ⁾
SMPC Mktg (Buyer)	PMSB(Seller)	Sale of steel material such as steel tubes from PMSB to SMPC Mktg.	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	1,315,918	1,500,000
SMPC Mktg(Seller)	EDSB(Buyer)	Sale of steel material such as steel plates from SMPC Mktg to EDSB	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	18,242	NIL ⁽ⁱⁱⁱ⁾

SMPC and its subsidiaries which entered into the related party transaction	Mandated related Party	Nature of Transaction	Interested related Parties*	Estimated value from 1.6.2001 to 27.6.2002 (RM)	Estimated Value during the duration of the Proposed shareholders' mandate [#] (RM)
SMPC Mktg(Tenant)	SMPCSB(Landlord)	Rental of premises (a terrace single storey house) which is located at Taman Ceri, Butterworth belonging to SMPCSB for a period of 1 year from 1 February 2001 for the purpose of dwelling at a monthly rental of RM500.00 pursuant to the Tenancy Agreement dated 1 February 2001. The rental was based on the existing market rate at the area concerned.	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	4,000	NIL ⁽ⁱⁱⁱ⁾
DMI (Seller)	Yee Hup(Buyer)	Sale of steel materials such as steel roofing sheets from DMI to Yee Hup	<ul style="list-style-type: none"> • Cheng Kien Wing • Yee Hup 	1,759,210	2,000,000
DM(Seller)	Yee Hup(Buyer)	Sale of steel materials such as structural floor deckings and purlins from DM to Yee Hup for the purpose of construction of buildings ⁽ⁱⁱⁱ⁾	<ul style="list-style-type: none"> • Cheng Kien Wing • Yee Hup 	390,414	500,000

SMPC and its subsidiaries which entered into the related party transaction	Mandated related Party	Nature of Transaction	Interested related Parties*	Estimated value from 1.6.2001 to 27.6.2002 (RM)	Estimated Value during the duration of the Proposed shareholders' mandate [#] (RM)
SMPC Mktg(Tenant)	SMPCSB(Landlord)	Rental of premises (office) which is located at 1040, Jalan Pengkalan, Bkt Tengah, 14000 Bukit Mertajam by SMPCSB to SMPC Mktg for a period of 1 year from 1 February 2001 for the purpose of office and stockyard at a monthly rental of RM20,000 pursuant to the Tenancy Agreement dated 1 February 2001. The rental was arrived at RM0.40 per square feet in accordance with the market rate.	<ul style="list-style-type: none"> • KPSB • Machendran a/l Pitchai Chetty • Ramakrishnan a/l Thangasamy Chettiar • Dhanabalan a/l M. Pitchai Chetty • SMPCSB • EDSB 	160,000	120,000

Note:-

- * Shareholders are requested to refer to the Section 2.2 of this circular on how the interested related parties are interested in the recurrent related party transactions.
- # For the period from 27 June 2002 (being the date of the forthcoming EGM) to the date of the Company's AGM to be held in year 2003. The estimated values are based on the expected values of the transactions over the course of this period as determined by the Group's management
- (i) The rental of equipment comprise of Dewas ERW Tube Mill, 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, cold rolled steel plates for the purpose of manufacturing tubes.
- (iii) No estimated value for certain transactions due to the cessation of certain business activity in EDSB since February 2002, of which EDSB becomes dormant as at now and termination of the tenancy agreement with SMPC Mktg since January 2002.
- (iv) 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.

2.4 Rationale of the Proposed Shareholders' Mandate

The Recurrent Related Party Transactions entered into or to be entered into by the Group are all in the ordinary course of business. There are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time. The said transactions are made on arm's length basis and on normal commercial terms that are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders.

The Recurrent Related Party Transactions entered into by the SMPC Group with the Mandated Related Parties are to enhance its ability to explore beneficial business opportunities. Furthermore, the Mandated Related Parties have long established themselves in the steel industry and thus has the expertise and resources required to carry out the contracts awarded to them with utmost expertise.

Considering the confidentiality and time-sensitive nature of such transactions, it is impractical to seek shareholders' approval on a case by case basis before entering into such Related Party Transaction. As such the Board is seeking shareholders mandate pursuant to paragraph 10.09 of the Listing Requirements for the Related Party Transactions described in 2.3 above to be entered into on an arm's length basis that are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders.

The obtaining of the Proposed Shareholders' Mandate and the renewal of the same on an annual basis would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential Recurrent Related Party Transactions with a Related Party arise, thereby reducing substantially administrative time, inconvenience and expenses associated with the convening of such meetings.

2.5 Benefits of the Proposed Shareholders' Mandate

The SMPC Group has a long-standing business relationship with the Mandated Related Parties. The goods and services provided by the Mandated Related Parties are price competitively and all transactions between the SMPC Group and the Mandated 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 the SMPC Group and the Mandated Related Parties have reaped mutual benefits for the past years and is expected to continue to be of benefit to the business of the SMPC Group, therefore, SMPC Group would like to seek approval for the Proposed Shareholders Mandate.

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

- a) The Group benefits from better utilization and allocation of resources.
- b) Due to in-depth understanding of the 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 Mandated Related Party within the credit term given by the Group;
- c) The rental of premises with the Mandated Related Party was mainly due to close proximity to the factory premises of the Company in Prai and Bukit Tengah Industrial Estate and availability of storage space.

2.6 Review Procedures and Practices for Related Party Transactions

To ensure that the Recurrent Related Party Transactions of the Group are conducted at arms-length basis and on normal commercial terms which are consistent with the 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 the minority shareholders of the Company, the following procedures will apply to the review and approval of Recurrent Related Party Transactions:-

- a) The Group will maintain a record of recurrent related party transactions.
- b) All members of the 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) The Audit Committee shall review on a quarterly basis any related party transactions that may arise within the Company or SMPC Group to ensure that such transactions will be carried out at arm's length, on normal commercial terms, on terms not more favourable than those generally available to the public and on terms not detrimental to the minority shareholders of the Company.
- d) The Company will disclose in its 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.

2.7 Statement by Audit Committee

The Audit Committee of the Company, which consists of a majority Independent Non-Executive Directors, has seen and reviewed the procedures mentioned in Section 2.6 above and are of the view that the said procedures should be sufficient to ensure that the recurrent related party transactions are not more favourable to related party than those generally available to the public and are not to the detriment of the minority shareholders.

2.8 Condition of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate is subject to and conditional upon approvals being obtained from the shareholders of SMPC at the forthcoming EGM.

2.9 Validity Period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate will take effect from the date of the passing of the Ordinary Resolution relating thereto at the forthcoming EGM and is subject to annual renewal.

In this respect, the mandate shall only continue to be in force until:-

- (a) the conclusion of the next AGM of SMPC following the EGM at which such Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the 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 extension as may be allowed pursuant to section 143(2) of the Act; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting, whichever is the earlier.

The Board will seek your approval for the renewal of the said shareholders' mandate at the next AGM of the Company and at each subsequent AGM, subject to the satisfactory review by the Audit Committee of its continued application to the related party transactions.

3. PROPOSED AMENDMENTS

3.1 Details of the Proposed Amendments

The details of the proposed new Articles of Association of the Company are as set out in Appendix I to this Circular.

3.2 Rationale of the Proposed Amendments

The Proposed Amendments are made to update the existing Articles of Association of the Company, where relevant and to incorporate the requirements of the Prevailing Law, to render consistency throughout the said Articles.

3.3 Condition of the Proposed Amendments

The Proposed Amendments is subject to and conditional upon approvals being obtained from the shareholders of the Company at the forthcoming EGM.

4. PROPOSED CHANGE OF NAME

4.1 Details of the Proposed Change of Name

The Company has applied to Companies Commission of Malaysia (formerly known as Registrar of Companies) for the Proposed Change of Name from SMPC Metal Industries Bhd to SMPC Corporation Bhd and the Companies Commission of Malaysia (formerly known as Registrar of Companies) has approved on the Proposed Change of Name on 8 April 2002.

4.2 Rationale for the Proposed Change of Name

The Proposed Change of Name is to better reflect the diversification in the business activities of the Company.

4.3 Condition of the Proposed Change of Name

The Proposed Change of Name is subject to the approval being obtained from the shareholders of the Company at the forthcoming EGM.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

5.1 Proposed Shareholders' Mandate

Save as disclosed below, none of the Directors and substantial shareholders of the Group or persons connected to them have any interest, directly and/or indirectly, in the Proposed Shareholders' Mandate:-

- (i) **Mr. Machendran a/l Pitchai Chetty** is an Executive Director and a substantial shareholder of SMPC by virtue of his deemed interests held through KPSB and SMPCSB in the Company. Mr. Machendran is also a Director of certain Mandated Related Parties namely, PMSB, SMPCSB (as disclosed in Section 2.2 of this Circular) and therefore deemed interested in the Proposed Shareholders' Mandate and will continue to abstain from Board deliberations with regards to the Proposed Shareholders' Mandate. Mr. Machendran is also a director of KPSB. He will also abstain from voting, with regards to his direct and indirect interest in SMPC, on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM.
- (ii) **Mr. Ramakrishnan a/l Thangasamy Chettiar** is an alternate director to Mr. Machendran a/l Pitchai Chetty and a substantial shareholder of SMPC by virtue of his deemed interests held through KPSB and SMPCSB in the Company. Mr. Ramakrishnan is also a Director of certain Mandated Related Parties namely PMSB, SMPCSB (as disclosed in Section 2.2 of this Circular), and therefore deemed interested in the Proposed Shareholders' Mandate and will continue to abstain from Board deliberations with regards to the Proposed Shareholders' Mandate. Mr. Ramakrishnan is also a director of KPSB. He will also abstain from voting, with regards to his indirect interest in SMPC, on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM.
- (iii) **Mr. Dhanabalan a/l M. Pitchai Chetty** is an Executive Director and a substantial shareholder of SMPC by virtue of his deemed interests held through KPSB and SMPCSB. Mr. Dhanabalan is also a Director of certain Mandated Related Parties namely PMSB, SMPCSB (as disclosed in Section 2.2 of this Circular) and therefore deemed interested in the Proposed Shareholders' Mandate and will continue to abstain from 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 resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM.

(vi) **Mr. Cheng Kien Wing** is a Director of DMI and DM, the subsidiaries of the Company. He is also a shareholder in SMPC. He will also abstain from voting with regards to his direct interest in SMPC, on the resolution pertaining to the Proposed Shareholders' Mandate to be tabled at the forthcoming EGM.

The details of shareholdings in SMPC held by the interested Directors in SMPC as at 14 May 2002 are as follows:-

Name of Directors	← Direct →		← Indirect →	
	No. of shares held	%	No. of shares held	%
Machendran a/l Pitchai Chetty	265,347	0.49	13,706,529*	25.11
Ramakrishnan a/l Thangasamy Chettiar	-	-	13,706,529*	25.11
Dhanabalan a/l M. Pitchai Chetty	-	-	13,706,529*	25.11
Cheng Kien Wing	1,878,366	3.44	-	-

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

The interest of the interested Major Shareholder in the Company as at 14 May 2002:-

Name of Major Shareholder	← Direct →		← Indirect →	
	No. of shares held	%	No. of shares held	%
KPSB	13,693,734	25.09	-	-

The interest of the Mandated Related Party in the Company as at 14 May 2002:-

Name of Mandated Related Party	← Direct →		← Indirect →	
	No. of shares held	%	No. of shares held	%
PMSB	-	-	-	-
SMPCSB	12,795	0.02	-	-
EDSB	-	-	-	-
Yee Hup	-	-	-	-

SMPCSB and KPSB will also abstain from voting on the resolution for the Proposed Shareholders' Mandate in respect of their direct interests in the Company.

5.2 Proposed Amendments

None of the Directors and substantial shareholders of SMPC Group or persons connected to them have any interest, direct or indirect in the Proposed Amendments.

5.3 Proposed Change of Name

None of the Directors and substantial shareholders of SMPC Group or persons connected to them have any interest, direct or indirect in the Proposed Change of Name.

6. BOARD OF DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposals, are of the opinion that the Proposals are in the best interest of the Company.

Accordingly, they (with the exception of Mr. Machendran a/l Pitchai Chetty, Mr. Ramakrishnan a/l Thangasamy Chettiar 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) recommend that you vote in favour of the resolutions to be tabled at the forthcoming EGM of the Company.

7. EGM

An EGM, the Notice of which is set out in this Circular will be held on 27 June 2002 at Balau Room, Level 2, Sunway Hotel Seberang Jaya, 11 Lebuh Tenggara 2, Pusat Bandar Seberang Jaya, Seberang Jaya, 13700 Prai, Penang at 11.30 a.m. or immediately after the conclusion or adjournment (as the case may be) of the 21st AGM, which will be held at the same venue and on the same day at 11.00 a.m., for the purpose of considering and if thought fit, passing the special resolutions and ordinary resolution to give effect to the Proposed Amendments and Proposed Shareholders' Mandate together with the Proposed Change of Name.

A Form of Proxy is enclosed for your execution if you are unable to attend and vote in person at the EGM. Kindly complete and deposit the Form of Proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Registered Office at Suite 18.05, MWE Plaza, No.8, Lebu Farquhar, 10200 Penang not less than forty-eight (48) hours before the time set for the EGM 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.

8. FURTHER INFORMATION

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

Yours faithfully
For and on behalf of the Board

DATO' MOHD TAUFIK BIN ABDULLAH
Chairman
Independent Non-Executive Director