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## 8. INDUSTRY OVERVIEW

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The SMIS Group is principally involved in the manufacture of moulded floor carpets and moulded and non-moulded carpet-based interior trims, the manufacture of brake and clutch components, the assembly of ABS for the automotive industry, as well as trading and distribution of mechanical power transmission and industrial machine parts. However, trading and distribution of machinery and industrial parts does not form a substantial part of the Group's activities, contributing to only 26.65% and 14.39% of turnover and profit after tax for the year ended 31 December 2000. As such, the Group is primarily involved in the automotive components and accessories industry.

### 8.1 Overview of the Malaysian Economy

The performance of the Malaysian economy in 2001 has been adversely affected by the greater-than-expected slowdown in the world economy, particularly in the United States of America ("US") as well as the continuing weak performance of the Japanese economy. The recent attack on the US has led to greater uncertainties with respect to the severity and duration of the recovery in the US. There are concerns on the risks of the US economy entering into a recession and its contagion on other industrialised and developing economies. In the light of the more difficult environment, real GDP growth of the Malaysian economy is projected to grow by 1-2% for 2001. Following the lower growth in nominal value, Gross National Product ("GNP") of 1.8%, GNP per capita is forecast to be somewhat lower at RM13,333 or USD3,509 (2000: RM13,411 or USD3,529). In terms of purchasing power parity, however, per capita income is expected to increase by 1.3% to USD8,944 (2000: USD8,831), after taking into account lower domestic inflation.

All major sectors are expected to be adversely affected by the slower growth in the economy, particularly manufacturing which is estimated to record a sharp deterioration in output growth. The steep decline in value added of the manufacturing sector has, however, to some extent been offset by the better performance from the agriculture, construction and services sectors.

Given the growing difficulties in the external environment, growth in real GDP has been largely domestic-led. Expansion in aggregate domestic demand is driven largely by public sector investment and consumption on account of larger fiscal expansion. Private sector demand in nominal value is expected to decline markedly, given the weaker-than-expected external demand which has affected investment in manufacturing activities as well as the continued reduction in investment in the property sector, particularly office space, hotels and retail outlets. Given the significant slowdown in private investment activities, the public sector implemented additional fiscal stimulus packages to stimulate domestic activities. Consequently, public expenditure, both investment and consumption, expanded significantly to continue registering double-digit growth. Notwithstanding the rapid expansion in public sector expenditure, the nation's resource position remains in surplus although gross national savings is estimated to decline on account of lower growth income.

Malaysia's economic growth continues to be achieved within an environment of low inflation and unemployment. Inflation remains subdued and stable largely on account of the moderation in private sector demand as well as measures implemented by the Government to contain price increases. In spite of higher retrenchments, the nation still enjoys full employment.

The outlook of the external sector in 2002 remains uncertain, particularly in the light of the aftermath of the attack on the US. While it is generally viewed that the US may avoid a recession, the recovery would be delayed with an upturn taking place gradually in the later part of 2002. The prospect for growth in Japan continues to be discouraging, with the economy not expected to witness a rapid growth. Given the weaker performance of the US and Japan, world growth has subsequently been revised downwards to 2.6%, with the GDP growth for the major industrialised countries decelerating to 1.3%.

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## 8. INDUSTRY OVERVIEW (Cont'd)

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Taking cognisance of the uncertainties in the external environment, growth for the Malaysian economy will continue to be spearheaded by domestic activities. In this regard, the Government will continue to adopt an expansionary fiscal policy to further strengthen domestic demand to generate growth. At the same time, to increase business confidence and commitment, the Government will ensure a more conducive business environment for the private sector's expansion and initiatives.

*(Source : Economic Report 2001/2002)*

### 8.2 The Automotive Components and Accessories Industry

GCI and Sanyco are involved in the manufacturing and trading of carpets of all descriptions and the manufacturing of automotive braking and motorcycle components.

#### (i) Industry growth and size

The local automotive industry has a strategic role in the industrialisation process. There has been significant investment and growth in the industry since 1985. The two national cars, Proton and Perodua, now collectively command 80% of the local passenger car market. Rapid growth in the industry has also created a network of components and parts vendors and dealers. However, the industry is essentially domestic market-orientated due to the lack of economies of scale and research and design capabilities. It remains significantly exposed to foreign exchange risk particularly the exchange rate between the yen and the ringgit. In addition, the automotive industry is highly susceptible to economic cycles and is among the first to be affected by a slowdown.

*(Source : National Economic Recovery Plan - Agenda for Action published in August 1998)*

The growth momentum of the transport equipment industry remained strong. For the first seven months of 2001, output of the sector increased by 19.3% (January-July 2000: 26.4%), led by higher output of passenger cars. Output of 1600 cc and above passenger car segment recorded a remarkable growth of 164.9% (January-July 2000: 80%). The introduction of new models, affordable pricing and low interest rate as well as higher car loan facilities provided to civil servants have contributed to higher sales of passenger cars. Sales of vehicles remained strong, increasing by 12.8% in the first eight months, compared with the corresponding period of 2000. Passenger cars remained the top performer, accounting for 82.4% of the total vehicles sold. The production of related motor parts and accessories industry also recorded stronger output growth of 18.6% (January-July 2000: 27.7%).

*(Source : Economic Report 2001/2002)*

Malaysian vehicle sales are set to reach their highest level in four years as customers take advantage of cheap loans and snap up new models. Sales of passenger cars, four-wheel drives and commercial vehicles rose 16 per cent to 365,663 in the first 11 months from the year-earlier period, the Malaysian Automotive Association said, twice the industry's eight per cent (8%) annual target. Sales in 2001 will probably be the best since 1997, the year before Malaysia's worst recession, when sales rose eleven per cent (11%) to 404,837.

*(Source : Bloomberg, 27 December 2001)*

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**8. INDUSTRY OVERVIEW (Cont'd)**

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**(ii) Industry life cycle**

The performance of the automotive parts industry, be it passenger vehicles or commercial vehicles, is closely linked to the nation's economy. Positive growth of the nation's economy stimulates an increase in per capita income and private consumption, which in turn will increase the demand for transportation.

**(iii) Government legislation, policies and incentives**

The growth of the automotive industry in the long run will depend on the capability of automotive manufacturers in penetrating export markets. Moreover, within an open multilateral trading system, the domestic market will no longer be a captive market of local assemblers unless they begin to adopt competitive strategies.

The ability to successfully enter export markets will depend largely on the supply of cost-competitive and high quality parts and components. Since the parts and components industry is not fully developed, the domestic investment strategy in the Seventh Plan will give more emphasis to enhancing the production base of key parts and components including child parts, particularly related to engine, suspension and steering, brake and power transmission. Private investment in the production of both key and child components will be encouraged through options such as joint ventures with foreign companies, acquiring foreign technology, restructuring small supporting industries in the automotive sector as well as nurturing existing and potential vendors. In addition, manufacturers will be encouraged to venture into the production of commercial vehicles for the export market as well as heavy vehicles for the defence sector. These measures will be undertaken to aggressively promote the automotive sector. These measures will be undertaken to aggressively promote the automotive sub-sector as a leading industry, which produces the finished automotive as well as parts and components for both the domestic and export markets.

The transport equipment industry, led by Perusahaan Otomobil Nasional Berhad and Perusahaan Otomobil Kedua Berhad, grew at 19.4% per annum during the first two years of the Plan period. Demand for passenger and commercial vehicles increased from an average monthly sales of 30,400 units in 1996 to 33,740 units in 1997. However, the economic slowdown, which resulted in a credit squeeze and declining wealth, dampened domestic demand. Accordingly, only 10,200 units per month on average were sold in the first half of 1998. Taking into cognisance the strategic importance of the sector, the Government undertook various measures to stimulate demand such as relaxation of hire-purchase guidelines for cars as well as raising and extending exemption of excise duty for locally manufactured cars. At the same time, the industry took the initiative to make adjustments such as eliminating optional accessories to lower the price of cars. Consumers responded positively to these measures with average monthly sales increasing to 17,100 units during the second half of 1998.

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## 8. INDUSTRY OVERVIEW *(Cont'd)*

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Greater efforts will be required to support the development of a strong automotive industry cluster to facilitate the industrialisation process. In order to achieve economies of scale for both vehicle and component manufacture, the export orientated strategy will continue to be implemented. The efficiency and competitiveness of the automotive cluster will have to be improved to tap market opportunities in the regional and global markets. To support this, the key strategies will be to develop capabilities and production technologies, improve research and development and design work as well as strengthen the distribution network and marketing expertise. Locally produced components and parts will be upgraded through joint research and development activities and technical collaborations between component manufacturers and large firms. Efforts will also be undertaken to forge strategic alliances with global automotive and component manufacturers to achieve world-class standards and capabilities in the industry.

*(Source : Seventh Malaysian Plan 1996-2000, Mid Term Review of the Seventh Malaysian Plan 1996-2000 and Eighth Malaysian Plan 2001-2005)*

### *(iv) AFTA*

Under AFTA, the six original ASEAN members - Brunei, Indonesia, Malaysia, the Republic of Philippines, Singapore and Thailand - are committed to slashing tariffs on motor vehicles and automotive parts to a maximum 5% by end-2002. Proton would be competing with bigger and more established carmakers without so much of a protection from the Government. But Malaysia requested a two-year reprieve from its fellow ASEAN member countries to give the domestic industry more time to recover from the 1997/98 Asian financial crisis. Imported cars currently attract tariffs as high as 300% in Malaysia.

ASEAN has decided to defer till 2005 the transfer, originally scheduled for 2003, of CBU and CKD motor vehicles on to the Inclusion List from the Temporary Exclusion List.

Thailand and Indonesia subsequently sought bilateral consultations with Malaysia over the issue of compensation. While Indonesia accepted cooperation with Malaysia in the automotive sector as compensation, talks with Thailand made no headway until 27 July 2001, when during a meeting between International Trade and Industry Minister Datuk Seri Rafidah Aziz and Thai Commerce Minister Dr. Adisai Bhodaramix, it was agreed that Malaysia and Thailand would not dwell on technicality and would pursue an amicable solution in the spirit of good bilateral relations. Malaysia had agreed to look into providing market access for alternative Thai products.

### *(v) Capital or labour intensive*

The automotive components manufacturing industry is mildly capital intensive. The book value of property, plant and equipment of the Group based on its proforma consolidated balance sheet as at 30 November 2002 is RM24.146 million. Both the carpets and carpet-based interior trims and the car brakes and clutch components manufacturing and assembly lines are highly automated, employing state-of-the-art machinery. GCI and Sanyco have staff strengths of 180 and 49 respectively as at 22 February 2002, including workers on the assembly lines.

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**8. INDUSTRY OVERVIEW (Cont'd)**


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**(vi) Dependency on other industries**

The automotive components and accessories industry is dependent on the automotive industry which is then dependent upon the performance of the nation's economy, with factors such as GDP growth, per capita income and employment rates playing a key role in affecting the industry.

**(vii) Industry dynamics****(a) Nature of industry**

The automotive industry as a whole is competitive. However, SMIS through GCI and Sanyco, is an established supplier to key players in the automotive industry as discussed in Section 7.5.1 (vii) of the Prospectus.

**(b) Barriers to entry**

There are considerable barriers to entry in relation to the supply of OEM automotive components. The following are naturally occurring barriers:-

- (i) Quality requirements from automotive manufacturers are stringent. The Group's products not only have to satisfy the requirements of SIRIM (the national organisation for standardisation and quality), but also car manufacturers' quality standards, as well as foreign testing bodies. The Group continuously performs stringent quality checks in accordance to the requirements with ISO 9002 and QS 9000, being quality assurance models of the International Organisation for Standardisation.

In respect of the automotive brake and clutch components, exacting standards have to be conformed with, as they are essentially safety components of the car for which there can be no compromise on quality. The period typically required to perform endurance and other tests to assess the suitability of the car brakes would be two (2) years before the components are approved for production and usage.

- (ii) In connection with the period required for acceptance of the Group's products, a long lead time will be faced by new entrants to the industry, as car manufacturers and assemblers would subject new entrants to scrutiny prior to full acceptance.

**(c) Summary of outlook and areas of growth**

The growth of the industry is largely propelled by the nation's economic growth in general and specifically by increased per capita income and real private consumption per capita.

The high degree of urbanisation and improvement in infrastructure has also directly contributed to the increasing demand in the automotive industry.

## 9. FUTURE PROSPECTS AND PLANS

### 9.1 Future Prospects

The Directors of SMIS believe that the Group will continue to achieve good and sustainable growth in its core businesses, in part due to:-

- (a) The increasing demand for automobiles, which will lead to increased demand for the Group's products; and
- (b) The continuing success of the national car project in the domestic and export car markets, which will also augur well for the Group's products.

In view of the above, the Directors of SMIS are of the opinion that the Group's prospects are reasonably good.

### 9.2 Future Plans

The Group's immediate future plans are focused on expanding beyond the domestic market to take full advantage of the opportunities arising from the implementation of AFTA in respect of the transfer of CBU and CKD motor vehicles on to the Inclusion List from the Temporary Exclusion List scheduled for 2005.

In early 2000, the Group started exporting OEM carpet-based interior trims to Japan for Mazda cars. This was achieved after passing a series of stringent quality tests and product evaluation imposed on the carpet-based interior trims. Having won the confidence of Mazda, the Group is poised to further enhance its export potential in the international market, beginning initially with the Asia Pacific region.

The Group's two (2) most recent action plans implemented include the following:-

- (a) Export of brake components (wheel cylinders) to Taiwan, Republic of China in early 2000; and
- (b) Export of recycled fibre materials from its carpet manufacturing operations to Thailand in early 2000.

The SMIS Group has in 2000, formed strategic alliances with Kwang Tong Machinery Industry Co. Ltd. in Taiwan, Republic of China, and with CNM Industries Co. Ltd. in Thailand, to explore business opportunities in the distribution of carpets and other related products for automobiles in the respective territories.

The value of the Group's exports to Thailand, Japan and Taiwan, Republic of China for the financial year ended 31 December 2000 and eleven (11)-months ended 30 November 2001 are as follows:-

	<b>Year ended 31 December 2000 RM'000</b>	<b>Eleven (11)-months ended 30 November 2001 RM'000</b>
Thailand	7,483	3,688
Japan	280	67
Taiwan, Republic of China	37	7

As a long term strategy of the Group, the Group plans to expand its R&D capabilities by both developing its own R&D knowledge and skills and importing knowledge by forming strategic alliances with foreign companies.

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT

### 10.1 Major Shareholders of SMIS

#### 10.1.1 Shareholdings

Corporate shareholders	Date and country of incorporation	Principal activities	-----Before the Public Issue-----		-----After the Public Issue-----	
			No. of ordinary shares of RM1.00 each held	%	No. of ordinary shares of RM1.00 each held	%
MIYES	19 August 1999; Malaysia	Investment holding	15,680,000	41.88	15,680,000	35.00
Umberston	6 May 1997; Malaysia	Investment holding	-	-	-	-
San Yes	9 January 1970; Taiwan, Republic of China	Fabrication and repair of the body of automobiles and motorcycles, manufacture and sale of automotive parts and accessories and thermometer products	-	-	-	-
Ujana Makmur Sdn. Bhd.	11 September 1991; Malaysia	Investment holding	3,122,984	8.34	3,122,984	6.97
<b>Individual shareholders</b>	<b>Nationality</b>	<b>Occupation</b>				
Ng Kwee Eng	Singaporean	Company Director	1,373,418	3.67	1,373,418	3.07
Yap Siew Foong	Malaysian	Company Director	1,263,730	3.37	1,263,730	2.82
Mohd. Riani bin Osman	Malaysian	Company Director	5,270,036	14.08	5,270,036	11.76
Tan Sri Zaki bin Azmi	Malaysian	Advocate and solicitor	-	-	-	-
Datuk Abdul Rashid bin Abdul Manaf	Malaysian	Company Director	-	-	-	-
Ahmad Redza bin Abdullah	Malaysian	Advocate and solicitor	2,205,607	5.89	2,205,607	4.92
Shahrir bin Abdul Jalil	Malaysian	Advocate and solicitor	2,205,607	5.89	2,205,607	4.92

#### Notes:-

\* Deemed interested through MIYES.

# Deemed interested through Umberston and MIYES.

^ Deemed interested through Ujana Makmur Sdn. Bhd..

All figures disclosed above do not include offer to eligible employees pursuant to the Public Issue.

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

## 10.1.2 Changes in Major Shareholders and their Shareholdings in SMIS Since Incorporation

	As at 19 August 1999, date of incorporation		As at 26 May 2000		As at 27 May 2000		After the Acquisitions of GCI, Sanyco and MIS	
	-----Indirect-----		-----Direct-----		-----Indirect-----		-----Direct-----	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Ng Lee Chum	1	50.00	-	-	-	-	-	-
Lum Chee Yeng	1	50.00	-	-	-	-	-	-
Liow Si Kheon	-	-	1	50.00	5,000	50.00	-	-
Fong Ting Lee	-	-	1	50.00	5,000	50.00	-	-
MIYES	-	-	-	-	-	-	15,680,000	41.88
Umberston	-	-	-	-	-	-	-	15,680,000*
San Yes	-	-	-	-	-	-	-	15,680,000*
Ujana Makmur Sdn. Bhd.	-	-	-	-	-	-	3,122,984	8.34
Ng Kwee Eng	-	-	-	-	-	-	1,373,418	3.67
Yap Stew Foong	-	-	-	-	-	-	1,263,730	3.37
Mohd. Riani bin Osman	-	-	-	-	-	-	5,270,036	14.08
Tan Sri Zaki bin Azmi	-	-	-	-	-	-	-	3,122,984^
Datuk Abdul Rashid bin Abdul Manaf	-	-	-	-	-	-	-	3,122,984^
Ahmad Redza bin Abdullah	-	-	-	-	-	-	2,205,607	5.89
Shahrir bin Abdul Jali	-	-	-	-	-	-	2,205,607	5.89

## Notes:-

\* Deemed interested through MIYES.

# Deemed interested through Umberston and MIYES.

^ Deemed interested through Ujana Makmur Sdn. Bhd.

All figures disclosed above do not include offer to eligible employees pursuant to the Public Issue.



## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 10.1.3 Corporate Major Shareholders of SMIS

#### (i) MIYES

##### (a) Shareholders of MIYES

	No. of shares of RM1.00 each	%
Umberston	12,200,000	77.81
San Yes	3,480,000	22.19
Total	<u>15,680,000</u>	<u>100.00</u>

##### (b) Directors of MIYES

Name	Nationality	No. of ordinary shares of RM1.00 each held			
		Direct	%	Indirect	%
Tan Teck @ Chin Sien Chin	Malaysian	-	-	-	-
Ng Wai Kee	Malaysian	-	-	-	-
Cham Bee Sim	Malaysian	-	-	-	-

#### (ii) Umberston

##### (a) Shareholders of Umberston

	No. of shares of RM1.00 each	%
Yap Siew Foong	3,630,000	29.75
Ng Kwee Eng	2,882,000	23.62
Ng Wai Kee	1,214,000	9.95
Eng Kim Lian	1,155,000	9.47
Yap Meow Lim	1,069,000	8.76
Tan Teck @ Chin Sien Chin	1,069,000	8.76
Cham Bee Sim	598,000	4.90
Ng Eng Bee	350,000	2.87
Yap Sew Kim @ Yap Chew Yung	233,000	1.92
Total	<u>12,200,000</u>	<u>100.00</u>

##### (b) Directors of Umberston

Name	Nationality	No. of ordinary shares of RM1.00 each held			
		Direct	%	Indirect	%
Tan Teck @ Chin Sien Chin	Malaysian	1,069,000	8.76	-	-
Ng Wai Kee	Malaysian	1,214,000	9.95	-	-
Cham Bee Sim	Malaysian	598,000	4.90	-	-
Yap Siew Foong	Malaysian	3,630,000	29.75	-	-

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### (iii) San Yes

#### (a) Shareholders of San Yes

	No. of shares of NT\$10 each	%
Sheng Yuan Invest Ltd.	1,251,219	3.97
Shia Shing Invest Ltd.	1,925,550	6.11
Mu Chiao Invest Ltd.	1,445,896	4.59
Chang Mei Mei	1,376,734	4.37
Cheng Shun Ying	1,004,779	3.19
Huang Shen Chia	943,203	2.99
Lin, Der Cheng	837,203	2.66
Huang Wen Hsiung	757,300	2.40
Tsai Jen Der	750,906	2.38
Yeh Wen Tzung	712,664	2.26
Lin Ching Chuan	695,283	2.21
Yen Chi Hsiung	682,066	2.17
Cheng Chi Chen	660,034	2.10
Huang Chun Pag	658,819	2.09
Huang Chun Che	651,506	2.07
475 shareholders with <2% shareholding	17,146,838	54.44
Total	31,500,000	100.00

#### (b) Directors of San Yes

Name	Nationality	No. of ordinary shares of NTS\$10 each held			
		Direct	%	Indirect	%
Huang Wen Hsiung	Taiwanese	757,300	2.40	197,426 <sup>(a)</sup>	0.63
Tsai Jen Der	Taiwanese	750,906	2.38	-	-
Yeh Wen Tsung	Taiwanese	712,664	2.26	1,445,896 <sup>(b)</sup>	4.59
Lin Ching Chuan	Taiwanese	695,283	2.21	-	-
Huang Chun Pag	Taiwanese	658,819	2.09	*	*
Huang Chien Hsiung	Taiwanese	434,550	1.38	318,525 <sup>(c)</sup>	1.01
Huang Sheng Chih	Taiwanese	581,791	1.85	1,925,550 <sup>(d)</sup>	6.11
Chen Chun Chang	Taiwanese	403,819	1.28	-	-

#### Notes:-

(a) Held through Po Jen Invest Co. Ltd..

(b) Held through Mu Chiao Invest Ltd..

(c) Held through Hin Chien Invest Co. Ltd..

(d) Held through Shia Shing Invest Co. Ltd..

\* Insignificant

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**10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**


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**(iv) Ujana Makmur Sdn. Bhd.****(a) Shareholders of Ujana Makmur Sdn. Bhd.**

	No. of shares of RM1.00 each	%
Datuk Abdul Rashid bin Abdul Manaf	1	50.00
Tan Sri Zaki bin Azmi	1	50.00
<b>Total</b>	<b>2</b>	<b>100.00</b>

**(b) Directors of Ujana Makmur Sdn. Bhd.**

Name	Nationality	No. of ordinary shares of RM1.00 each held			
		Direct	%	Indirect	%
Datuk Azrul Rashid bin Abdul Rashid	Malaysian	-	-	-	-
Tan Sri Zaki bin Azmi	Malaysian	1	50.00	1	50.00

**(v) Major Shareholdings**

None of the corporate major shareholders of SMIS have any major shareholding in other public companies incorporated in Malaysia during the past (2) years to 22 February 2002.

**10.1.4 Individual Major Shareholders****(i) Background**

**Ng Kwee Eng**, a Singaporean aged 61, is one of the co-founders and a director of MIS.

**Yap Siew Foong**, a Malaysian aged 57, was appointed Executive Director of SMIS on 2 February 2002. She is one of the co-founders of MIS, and is responsible for the finance and operations of the company. In particular, she spearheads the computerisation of the company's finances and operations. Yap Siew Foong is a director of MIS and also holds directorships in several private limited companies.

**Mohd. Riani bin Osman**, a Malaysian aged 50, was appointed Executive Director of SMIS on 2 February 2002. He is an entrepreneur with twenty-five (25) years experience in business, especially in the field of trading and manufacturing of OEM automotive parts and components. He joined and became the Managing Director of GCI in 1985 and has been responsible for the growth of the company. He has been a director with the Lysaght Group of Companies since 1985 and currently sits on the Board of Lysaght Galvanized Steel Berhad and Hirotako Holdings Berhad. In 1991, he co-founded and became the Managing Director of Sanyco. In addition, he also sits on the boards of several private limited companies.

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

**Tan Sri Zaki bin Azmi**, a Malaysian aged 57, has been a partner in Messrs Rashid & Lee since 1985. He had served as a Senior Federal Counsel in the Ministry of Home Affairs and an Advocate & Solicitor in the High Court of Malaya. He also sits on the Boards of Bina Darulaman Berhad, HLG Capital Berhad, Hume Cemboard Berhad, Malaysia Airports Holdings Berhad, SP Setia Berhad and Matsushita Electric Co. (M) Berhad.

**Datuk Abdul Rashid bin Abdul Manaf**, a Malaysian aged 56, was appointed Chairman of the Board of SMIS on 2 February 2002. He was called to the English Bar in 1971. He was a magistrate in Kuala Lumpur from 1971 to 1973, President of the Sessions Court from 1973 to 1975, Federal Counsel from 1975 to 1977, and Senior Partner at Messrs. Rashid & Lee since 1977. He is a director of Loh & Loh Corporation Berhad, Pohmay Holdings Berhad and SP Setia Berhad.

**Ahmad Redza bin Abdullah**, a Malaysian aged 38, is a partner in Messrs. Sharizat & Tan, a legal firm, since mid-1993. He obtained his LLB (Hons) in England and thereafter worked as an advocate and solicitor for three (3) years in Messrs. Shook Lin & Bok and the following two (2) years in Messrs. N.K. Tan & Rahim before joining Messrs. Sharizat & Tan.

**Shahrir bin Abdul Jalil**, a Malaysian aged 40, is a solicitor and a qualified valuer. He is a Senior Partner in Messrs Sharizat & Tan, a legal firm, which he co-founded in 1993. Prior to that, he was a legal assistant with Messrs. Rashid & Lee for a period of two (2) years. He pursued his tertiary education at Institute Technology MARA where he obtained an Advanced Diploma in Estate Management in 1984. He was a valuer with CH Williams Talhar & Wong Sdn. Bhd. in Kuala Lumpur from 1984 to 1987 and thereafter read law at the International Islamic University in Malaysia where he obtained his LLB (Hons) and was called to the Malaysian Bar in 1992.

### (ii) Other Directorships and Major Shareholdings

The other directorships and major shareholdings of the major shareholders of SMIS in all other public companies incorporated in Malaysia for the past (2) years, as at 22 February 2002 are as follows:-

Name	Company	Directorship		Shareholdings as at 22 February 2002			
		Date appointed	Date resigned/ refired	Direct		Indirect	
				No. of shares held	%	No. of shares held	%
Ng Kwee Eng	-	-	-	-	-	-	-
Yap Siew Foong	Hirota Holdings Berhad	-	-	474,680	2.38	542,915 <sup>(a)</sup>	2.72
Mohd. Riani bin Osman	Lysaght Galvanised Steel Berhad	01.06.1985	-	-	-	-	-
	Hirota Holdings Berhad	22.06.1994	-	-	-	543,596 <sup>(a)</sup>	2.72
Tan Sri Zaki bin Azmi	Berjaya Land Berhad	05.12.1990	05.10.2000	-	-	-	-

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Company	Shareholdings as at 22 February 2002					
		Directorship		Direct		Indirect	
		Date appointed	Date resigned/ retired	No. of shares held	%	No. of shares held	%
	Bina Darulaman Berhad	17.10.1995	-	-	-	-	-
	HLG Capital Berhad	05.08.1991	-	-	-	-	-
	Hume Cemboard Berhad	21.07.1992	-	-	-	-	-
	Malaysia Airports Holdings Berhad	17.06.1992	-	-	-	-	-
	Metacorp Berhad	13.04.1994	09.02.02	-	-	-	-
	Pharmaniaga Berhad	02.09.1999	15.11.01	-	-	-	-
	Projek Penyelenggaraan Lebuhraya Berhad	18.06.1994	26.11.01	-	-	-	-
	Matsushita Electric Co. (M) Berhad	01.09.2000	-	-	-	-	-
	SP Setia Berhad	28.11.1996	-	-	-	-	-
Datuk Abdul Rashid bin Abdul Manaf	Stamford College Berhad	27.06.1994	14.04.2001	-	-	-	-
	Loh & Loh Corporation Berhad	09.01.1997	-	5,423,000	7.24	1,613,744 <sup>(b)</sup>	2.37
	Pohmay Holdings Berhad	19.12.1996	-	443,000	1.77	1,522,658 <sup>(c)</sup>	6.09
	SP Setia Berhad	15.01.1996	-	16,913,257	5.05	17,104,572 <sup>(d)</sup>	5.11
	Pharmaniaga Berhad	-	-	-	-	5,861,507 <sup>(e)</sup>	11.72
Ahmad Redza bin Abdullah	-	-	-	-	-	-	-
Shahrir bin Abdul Jalil	MCL Corporation Berhad	20.05.1998	30.06.2000	-	-	-	-

### Notes:-

- (a) Deemed interested by virtue of his/her substantial interest in Hiro-Dupat Holdings Sdn. Bhd., which has a substantial interest in Hirotaiko Holdings Berhad.
- (b) Deemed interested by virtue of his substantial interest in Seni Permata Sdn. Bhd., which has a substantial interest in Loh & Loh Corporation Berhad.
- (c) Deemed interested by virtue of his substantial interest in Madesa Wira Sdn. Bhd., which has a substantial interest in Pohmay Holdings Berhad.
- (d) Deemed interested by virtue of his substantial interest in Alsirat Sdn. Bhd., which has a substantial interest in SP Setia Berhad.
- (e) Deemed interested by virtue of his substantial interest in Intercircle Holdings Sdn. Bhd., which has a substantial interest in Pharmaniaga Berhad.

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 10.2 Directors of SMIS

#### 10.2.1 Shareholdings

Name	Nationality	Designation	Before the Public Issue				After the Public Issue			
			No. of ordinary shares of RM1.00 each held		No. of ordinary shares of RM1.00 each held		No. of ordinary shares of RM1.00 each held		No. of ordinary shares of RM1.00 each held	
			Direct	%	Indirect	%	Direct	%	Indirect	%
Datuk Abdul Rashid bin Abdul Manaf	Malaysian	Chairman	-	-	3,122,984 <sup>^</sup>	8.34	-	-	3,122,984 <sup>^</sup>	6.97
Tan Teck @ Chin Sien Chin	Malaysian	Vice Chairman	1,484,212	3.96	-	-	1,484,212	3.31	-	-
Mohd. Riani bin Osman	Malaysian	Executive Director	5,270,036	14.08	-	-	5,270,036	11.76	-	-
Ng Wai Kee	Malaysian	Executive Director	700,900	1.87	-	-	700,900	1.56	-	-
Yap Siew Foong	Malaysian	Executive Director	1,263,730	3.37	15,680,000 <sup>#</sup>	41.88	1,263,730	2.82	15,680,000 <sup>#</sup>	35.00
Cham Bee Sim	Malaysian	Executive Director	149,572	0.40	-	-	149,572	0.33	-	-
Danny Ng Siew L'Leong	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Pauline Teh @ Pauline Teh Abdullah	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-
Mohamed Ghazali bin Kamal Baharein	Malaysian	Independent Non-Executive Director	-	-	-	-	-	-	-	-

**Notes:-**

<sup>^</sup> Deemed interested through Ujana Makmur Sdn. Bhd..

<sup>#</sup> Deemed interested through Umberston and MIYES.

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**10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

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**10.2.2 Background**

The profiles of Datuk Abdul Rashid bin Abdul Manaf, Mohd. Riani bin Osman and Yap Siew Foong are set out in Section 10.1.4(i) of this Prospectus.

The profiles of Tan Teck @ Chin Sien Chin, Ng Wai Kee, Cham Bee Sim, Danny Ng Siew L'Leong, Pauline Teh @ Pauline Teh Abdullah and Mohamed Ghazali bin Kamal Baharein are as follows:-

**Tan Teck @ Chin Sien Chin**, aged 53, was appointed Vice Chairman of SMIS on 2 February 2002. He is one of the co-founders of MIS and GCI of which he has contributed significantly towards their success. He is a successful self-made businessman cum entrepreneur and has over 30 years experience in the industry. With his experience and contribution in the industrial products industry, he has established an extensive distribution network with suppliers and customers both locally and abroad. He sits on the board of Iirotako Holdings Berhad, MIS, GCI as well as several other private limited companies.

**Ng Wai Kee**, aged 30, was appointed Executive Director of SMIS on 2 February 2002. He obtained a Bachelor of Accounting degree from the University of Technology, Sydney, Australia in 1992 and has been an associate member of the Institute of Chartered Accountants in Australia since 1996. He worked as a project consultant in Westpac Banking Corporation, Sydney in 1992 and with Deloitte Touche Tohmatsu in Sydney in 1993. He left Deloitte Touche Tohmatsu in 1996 as a Senior Analyst. Upon his return to Malaysia, he was responsible for the operations of the Group.

**Cham Bee Sim**, aged 53, was appointed Executive Director of SMIS on 2 February 2002. He is one of the co-founders of GCI and Sanyco and is responsible for the operations of both companies. He has been a director of GCI and Sanyco since inception and holds directorship in several private limited companies.

**Danny Ng Siew L'Leong**, aged 43, was appointed as Independent Non-Executive Director of SMIS on 2 February 2002. He has a Bachelor degree in Agri Business majoring in finance and management from Universiti Pertanian Malaysia in 1982 and is the General Manager of Mastika Nuri Sdn. Bhd.. He was formerly employed by UMBC Berhad (now known as RHB Bank Berhad) where his last appointment was as the Head of Credit and Marketing of the corporate banking division. He is a director of Pohmay Holdings Berhad, Loh & Loh Corporation Berhad and New Hoong Fatt Holdings Berhad.

**Pauline Teh @ Pauline Teh Abdullah**, aged 31, was appointed Independent Non-Executive Director of SMIS on 2 February 2002. She obtained a Bachelor of Commerce (Accounting) degree from Saint Mary's University, Halifax, Canada in 1993 and a Masters in Finance from the University of Hull, United Kingdom in 1994. She was a Senior Operations Officer in Public Bank Berhad from 1993 to 1995 and joined Perdana Merchant Bankers Berhad in 1995 and left in 1997 as Assistant Vice-President. Subsequently, she was an Assistant Manager with Projek Lebuhraya Utara Selatan Berhad from 1997 to 1998. She was a Management Consultant with Hanifah Teo & Associates which she joined in 1998. Presently, she is attached with BDO Capital Consultants Sdn. Bhd. as a Senior Management Consultant.

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

**Mohamed Ghazali bin Kamal Baharein**, aged 56, was appointed Independent Non-Executive Director of SMIS on 2 February 2002. He obtained a Bachelor of Arts from University Malaya in 1968, holds a Diploma in Development Economics from University of Cambridge, United Kingdom in 1972 and had attended the Program Management Development in Harvard Business School in 1979. He started his career as an Assistant District Officer in the government service and thereafter spent 22 years from 1969 to 1991 with the Federal Land Development Authority (FELDA) in various capacities where his last appointment was Senior General Manager of Felda Palm Industries Sdn. Bhd.. Currently, he runs his own companies in shipping and chartering of bulk cargoes and provision of project management and consultancy services. He holds directorship in various other private limited companies.

### 10.2.3 Other Directorships and Major Shareholdings

The other directorships and major shareholdings of Datuk Abdul Rashid bin Abdul Manaf, Mohd. Riani bin Osman and Yap Siew Foong in all other public companies incorporated in Malaysia for the past two (2) years are set out in Section 10.1.4(ii) of the Prospectus.

The other directorships and major shareholdings of Tan Teck @ Chin Sien Chin, Ng Wai Kee, Cham Bee Sim, Danny Ng Siew L'Leong, Pauline Teh @ Pauline Teh Abdullah and Mohamed Ghazali bin Kamail Baharein in all other public companies incorporated in Malaysia for the past two (2) years as at 22 February 2002 are as follows:-

Name	Company	Directorship		Shareholdings as at 22 February 2002			
		Date appointed	Date resigned/ retired	Direct		Indirect	
				No. of shares held	%	No. of shares held	%
Tan Teck @ Chin Sien Chin	Hirotaiko Holdings Berhad	22.11.1994	-	-	-	542,915 <sup>(a)</sup>	2.72
Ng Wai Kee	-	-	-	-	-	-	-
Cham Bee Sim	-	-	-	-	-	-	-
Danny Ng Siew L'Leong	Pohmay Holdings Berhad	19.12.1996	-	-	-	-	-
	Loh & Loh Corporation Berhad	09.11.1997	-	-	-	-	-
	Techventure Berhad	28.03.1997	10.05.2000	-	-	-	-
	New Hoong Fatt Holdings Berhad	08.04.1998	-	-	-	-	-
Pauline Teh @ Pauline Teh Abdullah	Aliran Insan Resources Berhad	17.03.2000	-	1	33.33	-	-



## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Company	Directorship		Shareholdings as at 22 February 2002			
		Date appointed	Date resigned/ retired	Direct		Indirect	
				No. of shares held	%	No. of shares held	%
Mohamed Ghazali bin Kamail Baharein	-	-	-	-	-	-	-

*Note:-*

(a) Deemed interested by virtue of his substantial interest in Hiro-Dapat Holdings Sdn. Bhd., which has a substantial interest in Hiroako Holdings Berhad.

### 10.2.4 Remuneration

The aggregate remuneration paid to the Directors for services rendered in all capacities to GCI, Sanyco and MIS for the financial year ended 31 December 2000 and eleven (11) months ended 30 November 2001 was RM1,307,040 and RM1,096,051 respectively. For the financial year ended 31 December 2001 and ending 31 December 2002, the estimated and forecast amount payable to the Directors are RM1,142,288 and RM1,321,790 respectively.

### 10.3 Audit Committee

Name	Responsibility	Directorship
Danny Ng Siew L'Leong	Chairman of the Committee	Independent Non-Executive Director
Ng Wai Kee	Member of the Committee	Executive Director
Pauline Teh @ Pauline Teh Abdullah	Member of the Committee	Independent Non-Executive Director

### 10.4 Key Management of SMIS

#### 10.4.1 Shareholdings

Name	Nationality	Designation	Before the Public Issue				After the Public Issue			
			No. of ordinary shares of RM1.00 each held		No. of ordinary shares of RM1.00 each held		No. of ordinary shares of RM1.00 each held		No. of ordinary shares of RM1.00 each held	
			Direct	%	Indirect	%	Direct	%	Indirect	%
Yap Moow Lim	Malaysian	Sales Director of MIS	1,484,212	3.97	-	-	1,484,212	3.31	-	-
Ng Eng Bee	Malaysian	Sales Director of MIS	501,010	1.34	-	-	501,010	1.12	-	-
Soon Ching Lee	Malaysian	Operations Manager of GCI	-	-	-	-	-	-	-	-
Soo Hak Min	Malaysian	Deputy General Manager of Sanyco	-	-	-	-	-	-	-	-
Padmanabhan Krishna Murthy	Indian	Head, Business Development of MIS	-	-	-	-	-	-	-	-

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Nationality	Designation	Before the Public Issue				After the Public Issue			
			No. of ordinary shares of RM1.00 each held		%		No. of ordinary shares of RM1.00 each held		%	
			Direct	%	Indirect	%	Direct	%	Indirect	%
Kok Pooi Chen	Malaysian	Head of Human Resource Management of the SMIS Group	-	-	-	-	-	-	-	-
Cheak Yew Kun	Malaysian	Financial Controller of the SMIS Group	-	-	-	-	-	-	-	-

*Note:-*

*The shareholdings disclosed above do not include allocations to eligible employees pursuant to the Public Issue.*

### 10.4.2 Background

The management team of the SMIS Group is headed by Mohd. Riani bin Osman and assisted by the other Executive Directors. The other members of the senior management team are as follows:-

**Yap Meow Lim**, aged 52, is a co-founder of MIS. He is a Sales Director and is responsible for the sales development of MIS in both the end-users and dealers markets. He has twenty-five (25) years of extensive experience and knowledge of the industrial products market and its distribution network. He also holds directorships in several private limited companies.

**Ng Eng Bee**, aged 46, has been a Sales Director of MIS since January 1976 and has been trained in all aspects of sales and marketing of industrial products. He attended product and technical training for power transmission products in Belgium in 1992. He also received technical training for other industrial products in Japan, Austria and Taiwan, Republic of China. He is responsible for the development of the end-users and dealers markets and marketing and promotion activities. He holds directorships in several other private limited companies.

**Soon Ching Lee**, aged 44, is the Operations Manager of GCI. He obtained a Full Technological Certificate of Electrical Engineering from City & Guilds of London Institute Chamber, England in 1976. He was attached to Miles Reality Sdn. Bhd. as a Mechanical & Electrical Engineer from 1980 to 1988. Thereafter, he joined Tai Chong Electric Sdn. Bhd. where he was seconded to China from 1989 to 1993 as a Quality Assurance Manager/Overseas Manager. He was a Factory Manager with United MS Electrical Manufacturing Sdn. Bhd. from 1998 to 2000. He had extensive experience in managing manufacturing outfits particularly in the areas of operation and quality control. He was the Factory Manager of GCI from June 1994 to May 1998 and rejoined GCI in September 2000.

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**10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**


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**Soo Hak Min**, aged 36, joined Sanyco in August 1999 and is currently the Deputy General Manager. He holds a Diploma in Materials Engineering from Tunku Abdul Rahman College and a Degree in Mechanical Engineering through the Engineering Council, United Kingdom in 1990. He was attached to the Lion Group of Companies from 1990 to 1999 in various capacities from metallurgist to an alternate director in certain of Lion Group's subsidiaries and is experienced in the general management of the organisation. His last appointment with the Lion Group was as a Factory Operations Manager for Bright Steel Services Centre Sdn. Bhd. and B.A.P. Industries Sdn. Bhd..

**Padmanabhan Krishna Murthy**, aged 43, joined MIS in November 2000 as Head, Business Development. He obtained a Bachelor of Science in mechanical engineering from Sambalpur University, India in 1979. He was the vice-president of marketing (domestic and overseas) of Roto Pumps Ltd. (India), one of MIS's principals where he left the company in 2000. He held various positions in Roto Pumps Ltd. throughout his seventeen (17) years of service from 1983 to 2000 where his responsibilities cover management of the domestic market through its own distribution network, international markets through exclusive distributors (other than United Kingdom which has its own joint venture company), obtaining the ISO 9001 Certification and others. Prior to joining Roto Pumps Ltd., he was employed with Bemco Hydraulics Ltd. a manufacturer of hydraulic presses and special purpose machines.

**Kok Pooi Chen**, aged 45, joined as Head of Human Resource Management in July 2000. She obtained a Diploma in Management from the Malaysian Institute of Management and is a certified Development Dimensions International Trainer. She was attached to KA Khidmat Sdn. Bhd. as a Library Assistant (1981-1983) and thereafter joined the Malaysian Institute of Management as a Membership Co-ordinator from 1983 to 1990 when she left as a Membership Executive. She then joined HBN Management Sdn. Bhd. as a Training Administrator and left as a Senior Manager in 1997. She was subsequently attached to the FACB Berhad Group of Companies as General Manager - Group Human Resource from 1997 to 1998 and as Managing Consultant - Human Resource of PricewaterhouseCoopers from 1998 to 2000.

**Cheak Yew Kun**, aged 41, is the Financial Controller of the SMIS Group and joined the Group in March 1995. He obtained a Master in Business Administration from Oklahoma City University, United States of America in 1997 and was admitted as a Fellow Member of the Association of International Accountants, United Kingdom in 1994. He is an Executive council member of the American Institute of Management and a Professional member of the Institute of Internal Auditors, Malaysia since 1992. He was attached to various multinational corporations such as RCA Sdn. Bhd. - semiconductor division, STP Distributors (M) Sdn. Bhd. of Times Publishing Ltd., MOG (M) Sdn. Bhd. and Vorwerk (Malaysia) Sdn. Bhd. in various capacities from 1979 to 1995. He sits on the Board of Vorwerk (Malaysia) Sdn. Bhd. since 1994.

**10.5 Promoters**

Datuk Abdul Rashid bin Abdul Manaf, Tan Teck @ Chin Sien Chin, Mohd. Riani bin Osman, Ng Wai Kee, Yap Siew Foong and Cham Bee Sim individually and collectively are promoters of the Company. Their details are as disclosed in Sections 10.1 and 10.2 above.

## 10. INFORMATION ON MAJOR SHAREHOLDERS, PROMOTERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 10.5.1 Changes in Promoters and their Shareholdings in SMIS Since Incorporation

	As at 19 August 1999, — date of incorporation —				As at 31 December 2000				After the Acquisitions of GCI, — Sanyo and MIS —			
	— Direct —		— Indirect —		— Direct —		— Indirect —		— Direct —		— Indirect —	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Datuk Abdul Rashid bin Abdul Manaf	-	-	-	-	-	-	-	-	-	-	3,122,984*	8.34
Tan Teck @ Chin Sien Chin	-	-	-	-	-	-	-	-	1,484,212	3.96	-	-
Mohd. Riani bin Osman	-	-	-	-	-	-	-	-	5,270,036	14.08	-	-
Ng Wai Kee	-	-	-	-	-	-	-	-	700,900	1.87	-	-
Yap Siew Foong	-	-	-	-	-	-	-	-	1,263,730	3.37	15,680,000^	41.88
Cham Bee Sim	-	-	-	-	-	-	-	-	149,572	0.40	-	-

*Notes:-*

\* *Deemed interested through Ujana Makmur Sdn. Bhd..*

^ *Deemed interested through Umberston and MIYES.*

### 10.6 Family Relationships

Yap Siew Foong, Yap Mcow Lim and Yap Sew Kim @ Yap Chew Yung are siblings. Tan Teck @ Chin Sien Chin is Yap Sew Kim @ Yap Chew Yung's husband. Cham Bee Sim and Ng Eng Bee are both Yap Siew Foong's brothers-in-law. Ng Kwee Eng and Eng Kim Lian are both sisters-in laws of Yap Siew Foong. Ng Wai Kee is the son of Yap Siew Foong.

Save as disclosed above, there are no further family relationships amongst the major shareholders, promoters, Directors of the Group and the key management.

### 10.7 Service Agreements

There are no existing or proposed service contracts between the Directors and key management personnel and SMIS or its subsidiaries, excluding contracts expiring or terminable by the employing company without payment or compensations (other than statutory compensation).

### 10.8 Other Matters

No Director, key management personnel or person nominated to become a Director or key management personnel is or was involved in the following events:-

- a petition under any bankruptcy or insolvency laws filed (and not struck out) against such person or any partnership in which he is or was a partner or any corporation of which he is or was a director or key personnel;
- conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
- the subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or governmental body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.