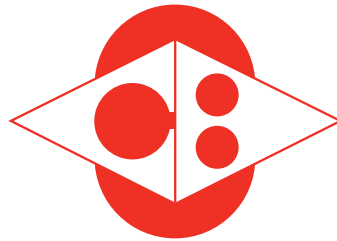


THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Choo Bee Metal Industries Berhad, you should hand this circular together with the 2004 Annual Report to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Bursa Malaysia Securities Berhad has not peruse Part A of this Circular, takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



CHOO BEE METAL INDUSTRIES BERHAD

(Company No. 10587-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

in relation to

PART A

PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY
(“PROPOSED SHARE BUY BACK”)

PART B

**PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE
AND NEW SHAREHOLDERS’ MANDATE
ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING
NATURE AND IN THE NATURE OF PROVISION OF FINANCIAL ASSISTANCE**
(“PROPOSED SHAREHOLDERS’ MANDATE”)

The Notice of Annual General Meeting is sent to you together with this Circular. The Annual General Meeting will be held at Heritage Hotel, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan, Malaysia on Friday, June 17, 2005 at 11.30 a.m. Shareholders are advised to refer to the Notice of Annual General Meeting and the Form of Proxy which are included in the Company’s 2004 Annual Report. The Form of Proxy should be completed and lodged at the Registered Office of the Company at 35 Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan not less than 48 hours before the time set for the meeting.

This Circular is dated May 25, 2005

DEFINITIONS

In this Circular, unless otherwise stated, the following abbreviations shall have the following meanings:

- “AGM” - Annual General Meeting
- “Bursa Malaysia” - Bursa Malaysia Securities Berhad (635998-W)
- “CBH” - Choo Bee Hardwares Sdn Berhad (7453-T), a wholly owned subsidiary of CBM
- “CBM” or “the Company” - Choo Bee Metal Industries Berhad (10587-A)
- “CBM Group” or “Group” - CBM and its subsidiary companies as defined in Section 5 of the Companies Act, 1965 which are not dormant companies
- “CBM Share(s)” or “Share(s)” - Ordinary share(s) of RM1.00 each in CBM
- “Director(s)” - Director(s) of CBM
- “EPS” - Earnings per share
- “Financial Assistance” - This comprises mainly the provision of advances in connection with the pooling of funds within the CBM Group via a centralized treasury management function for a duration not exceeding three (3) years.
- “Major Shareholder” - A person who has 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 Companies Act, 1965. A major shareholder 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, a major shareholder of the listed issuer or any other company which is its subsidiary or holding company or a subsidiary of its holding company.
- “NTA” - Net tangible assets
- “Ordinary Resolution No. 3” - The Ordinary Resolution No. 3 set out in the Notice of AGM pertaining to the Proposed Share Buy Back
- “Ordinary Resolution No. 4” - The Ordinary Resolution No. 4 set out in the Notice of AGM pertaining to the Proposed Shareholders’ Mandate

DEFINITIONS (cont'd)

- “Person(s) Connected”
- In relation to a director or a major shareholder, means such person(s) who fall(s) under any one of the following categories:
 - i. a member of the Director’s or a major shareholder’s family, which shall have the meaning given in section 122A of the Companies Act 1965;
 - ii. a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder or a member of the director’s or major shareholder’s family is the sole beneficiary;
 - iii. a partner of the director, major shareholder or a partner of a person connected with that director or major shareholder;
 - iv. a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director or major shareholder;
 - v. a person in accordance with whose directions, instructions or wishes the director or major shareholder is accustomed or is under an obligation, whether formal or informal, to act;
 - vi. a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions, or wishes of the director or major shareholder;
 - vii. a body corporate or its directors whose directions, instructions or wishes the director or major shareholder is accustomed or under an obligation, whether formal or informal to act;
 - viii. a body corporate in which the director, major shareholder and/or persons connected with him are entitled to exercise or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
 - ix. a body corporate which is a related corporation.
- “Proposed Share Buy Back”
- Proposed purchase by the Company of its own Shares up to 4,426,000 Shares representing four point one seven percent (4.17%) of its issued and paid-up share capital
- “Proposed Shareholders’ Mandate”
- Proposed Renewal Of Shareholders’ Mandate and New Shareholders’ Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature And In The Nature Of Provision Of Financial Assistance
- “Recurrent Related Party Transaction of a Revenue or Trading Nature”
- A transaction, which is a Related Party Transaction of a revenue or trading nature, which is necessary for its day to day operations and which will be made by CBM at least once in three (3) years in the course of its business.

DEFINITIONS

- “Recurrent Related Party Transaction in the Nature of Provision of Financial Assistance” - A transaction, which is a Recurrent Related Party Transaction in the nature of provision of financial assistance as envisaged in item 5 of Practice Note 14/2002 issued by Bursa Malaysia, which is necessary for the pooling of funds within the CBM Group via a centralized treasury management function for a duration not exceeding three (3) years.
- “Recurrent Related Party Transaction” - Includes both Recurrent Related Party Transaction of a Revenue or Trading Nature and Recurrent Related Party Transaction in the Nature of Provision of Financial Assistance.
- “Related Party” - A Director, Major Shareholder or Person Connected with such Director or Major Shareholder.
- “Related Party Transaction” - A transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a Related Party.
- “Subsidiary(ies)” - A subsidiary company of CBM as defined in Section 5 of the Companies Act 1965.
- “Substantial Shareholder” - A person who has 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 five percent (5%) of the aggregate of the nominal amounts of all the voting shares of the Company. For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Companies Act, 1965.
- “TBH” - Taik Bee Hardware Sdn Bhd (37513-V), a 66.29% owned subsidiary of CBM.
- “Treasury Shares” - CBM Shares which have been bought back and retained by the Company in accordance with the Companies Act 1965 as authorised by the Articles and retained in treasury.

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PART A

**PROPOSED RENEWAL OF
SHARE BUY BACK AUTHORITY
("PROPOSED SHARE BUY BACK")**

CHOO BEE METAL INDUSTRIES BERHAD
(Company No. 10587-A)
(Incorporated in Malaysia)

Registered Office

No. 35 Jalan Hussein
30250 Ipoh
Perak Darul Ridzuan
Malaysia

May 25, 2005

Directors:

Soon Ah Khun @ Soon Lian Huat (Group Executive Chairman)
Soon Cheng Hai (Group Managing Director)
Soon Cheng Boon (Group Executive Director)
Leong Keng Yuen (Senior Independent Non-Executive Director)
Dato' Robert Lim Git Hooi (Independent Non-Executive Director)
Datin Shahrizan Binti Abdullah (Non-Executive Director)
Khoo Choon Yam (Independent Non-Executive Director)
Soon Hean Hooi (Executive Director)
Lee Sieng Tzi @ Vincent Lee (Executive Director)

To: The Shareholders of Choo Bee Metal Industries Berhad

Dear Sir/Madam

PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY ("PROPOSED SHARE BUY BACK")

1. INTRODUCTION

At the 2004 Annual General Meeting held on June 11, 2004, the Shareholders of the Company approved, inter alia, the renewal of authorisation for the Company to buy back or hold its own shares up to a limit of 4,426,000 shares representing four point two three percent (4.23%) of the issued and paid up capital of CBM as at May 4, 2004 of 104,563,000 Shares of RM1.00 each. The said authorisation shall, in accordance with the Listing Requirements of Bursa Malaysia, expire at the conclusion of the forthcoming AGM which will be held on June 17, 2005;

On February 25, 2005, your Directors announced the Proposal to seek a renewal of Share Buy Back Authority.

The purpose of this circular is to provide you with details of the Proposed Share Buy Back and to seek your approval for the Ordinary Resolution No. 3, to be tabled at the forthcoming AGM.

2. QUANTUM

Your Directors propose that the shareholders give authority for the Company to purchase such amounts of its own Shares as may be determined by the Directors from time to time through Bursa Malaysia so that the net amount of Shares bought back or held as Treasury Shares do not exceed 4,426,000 Shares representing four point one seven percent (4.17%) of the Company's total issued and paid-up share capital as at May 5, 2005 of 106,200,000 Shares of RM1.00 each. The authority for the Proposed Share Buy Back shall commence upon passing of the Ordinary Resolution No. 3 and shall expire at the conclusion of the next AGM of CBM unless renewed by ordinary resolution passed at that meeting or earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first.

The limit of 4,426,000 Shares under the Proposed Share Buy Back was calculated on April 30, 1999 based on 4.45% of the Company's then issued and paid-up share capital. This was the limit up to which the Company may buy back its own Shares without triggering a mandatory general offer under the Malaysian Code on Takeover and Mergers, 1998 ("Code"), by any of the Directors and Substantial Shareholders (please refer Section 11). This limit is still relevant and has been consistently applied as the basis for the past five (5) years and is the total number of Shares which may be purchased or held as Treasury Shares under the Proposed Share Buy Back. As at May 5, 2005 the total Shares purchased and retained in Treasury is 2,818,500 Shares and the amount of Shares that may be purchased under the current Proposed Share Buy Back would be 1,607,500 Shares, being the limit of 4,426,000 Shares less the total Treasury Shares. In any event, the total Shares purchased under the current Proposed Share Buy Back and Treasury Shares should not exceed the limit of 4,426,000 shares representing not more than 10% of the total issued and paid-up capital of the Company at any point of time.

3. PURCHASE PRICE

The Company may only purchase its own Shares at a price which is not more than fifteen percent (15%) above its weighted average market price on Bursa Malaysia for the past (5) market days immediately preceding the date of the purchase(s).

4. FUNDING

The funding for the Proposed Share Buy Back will be internally generated. The funding will not have a significant negative bearing on the cashflow position of the CBM Group as the allocation of RM10,000,000 (as indicated below) is not substantial compared to the net current assets of the Group which based on its audited financial statements for the year ended December 31, 2004 amounts to RM236,009,243.

Your Directors propose to allocate an amount of RM10,000,000 out of the retained profits and share premium account of the Company for the Proposed Share Buy Back so that the total consideration for Shares purchased and held as Treasury shares or cancelled at any time do not exceed RM10,000,000. The limit of RM10,000,000 is a reasonable amount based on the current market price of the share bearing in mind that the main purpose of the exercise is to support the fundamental value of the share. The retained profits and share premium account of the Company based on its audited financial statements for the year ended December 31, 2004 and its unaudited management accounts for the period ended March 31, 2005 are as follows:

| | As at December 31, 2004 | As at March 31, 2005 |
|------------------|-------------------------|----------------------|
| Retained profits | RM95,569,704 | RM94,033,346 |
| Share premium | RM23,166,095 | RM23,299,385 |

5. IMPLICATIONS OF THE CODE

Under the Malaysian Code on Takeover and Mergers, 1998 ("Code"), a director and any person acting in concert with him/her or a relevant shareholder will be required to make a mandatory general offer if his/her stake in the Company is increased to beyond thirty-three percent (33%) or if his/her existing shareholding is between thirty-three and fifty percent (33% and 50%) and it increases by another two percent (2%) in any six (6) month period.

In the event that the Proposed Share Buy Back results in the shareholding of any of the above parties being affected, the effected person will be obliged to make a mandatory offer for the remaining CBM Shares not held by him/her.

However, under practice Note 2.9.10 of the Code, the affected party may apply for an exemption from making a mandatory offer arising from the circumstances mentioned above.

Based on the Company's issued and paid-up share capital and the shareholdings of the Directors and the Substantial Shareholders as at May 5, 2005, none of the Directors and Substantial Shareholders of the Company will be required to make a mandatory general offer under the above-mentioned requirements of the Code if the Proposed Share Buy Back is carried out in full.

6. TREATMENT OF SHARES BOUGHT-BACK

The Directors may resolve to cancel the Shares so purchased and/or retain them to be held as Treasury Shares and/or re-sell them. The rationale for the decision to retain and/or re-sell the treasury shares will be based on the performance of the Shares on the stock market. Should the price of the Shares reach a level which will result in a gain to the Company, a decision to sell and/or distribute the Shares as share dividends will be considered. A decision to cancel any of the Treasury Shares would be taken if circumstance require that the share capital of the Company should be reduced.

An announcement will be made to Bursa Malaysia in respect of the intention of the Directors on the proposed treatment of Shares bought back and the rationale of the alternatives chosen and if available, information as to the percentage or number of Shares purchased which are to be retained and/or cancelled.

Where the Directors resolve to cancel the Shares so purchased, the Company's issued and paid-up capital shall be diminished by the Shares so cancelled and the amount by which the Company's issued capital is diminished shall be transferred to a capital redemption reserve. We wish to highlight that the cancellation of Shares made pursuant to Section 67A of the Companies Act, 1965, shall not be deemed to be a reduction in shareholders' funds as the capital redemption reserve shall be treated as if it were part of shareholders' funds.

Where the Directors resolve to retain the Shares so purchased as Treasury Shares, the Directors may distribute the Treasury Shares as share dividends to shareholders and/or re-sell the Treasury Shares on Bursa Malaysia and/or cancel the Treasury Shares.

In the case of a re-sale of Treasury Shares, if any, the Company may only re-sell Treasury Shares on Bursa Malaysia at a price which is:

- (a) not less than the weighted average market price for the Shares for the five (5) market days immediately prior to the re-sale; or
- (b) not less than 5% below the weighted average market price for the shares for the five (5) market days immediately prior to the re-sale provided that:
 - (i) the re-sale takes place no earlier than thirty (30) days from the date of purchase; and
 - (ii) the re-sale price is not less than the cost of purchase of the shares being re-sold.

7. PUBLIC SHAREHOLDING SPREAD

As at May 5, 2005, the public shareholding spread of the Company was 33.51% with 4,210 public shareholders holding not less than 100 Shares each, based on the issued and paid-up capital of 106,200,000 Shares which include the Treasury Shares amounted to 2,818,500. The Proposed Share Buy Back of 4,426,000 Shares if fully exercised will not affect the Company's public spread requirement of at least 25% of the total number of Shares for which listing is sought in the hands of a minimum 1,000 public shareholders holding not less than 100 Shares each. Assuming the Proposed Share Buy Back is fully implemented, the public shareholding spread of the Company is expected to reduce to 33.39% with 4,210 public shareholders holding not less than 100 Shares each, if all Shares so purchased are cancelled and 32.00% if all Shares so purchased are retained in Treasury.

8. RATIONALE FOR THE PROPOSED SHARE BUY BACK

The Proposed Share Buy Back will enable the Company to utilize its financial resources, which are not immediately required, to purchase its Shares which may lead to stability in the performance of the Shares on the stock market.

9. POTENTIAL ADVANTAGES AND DISADVANTAGE OF THE PROPOSED SHARE BUY BACK

The Company may be able to stabilise the supply and demand of its Shares in the open market and thereby support its fundamental value.

The stability of the Share prices is important in order to maintain investors' confidence to facilitate the Company's future funds raising exercises via issues of equity Shares or other instruments, should there be any such exercise in future.

If the Shares bought back are kept as Treasury Shares, it will give the Directors an option to resell the Shares so purchased at a higher price when market conditions improve and therefore make an exceptional gain for the Company. Alternatively, the Shares so purchased can be distributed as share dividends to shareholders.

The Proposed Share Buy Back, if executed, will however temporarily reduce the financial resources of CBM Group and should there be any good investment opportunity arising in the future, the Company may have to resell the Shares for cash in the market not at an opportune time.

In any event, the Directors will be mindful of the interests of the CBM Group and the shareholders in implementing the Proposed Share Buy Back.

10. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY BACK

The effects of the Proposed Share Buy Back are as follows:

(i) Share Capital

In the event the Company acquires the full amount of Choo Bee Shares authorised under the Proposed Share Buy Back and all the Choo Bee Shares so acquired are cancelled, the issued and fully paid-up share capital of the Company will be as follows:

| | No. of Shares | RM |
|--|--------------------|--------------------|
| Issued Capital as at May 5, 2005 [#] | 106,200,000 | 106,200,000 |
| Less: No of shares to be cancelled pursuant to the Proposed Share Buy Back | 4,426,000 | 4,426,000 |
| Issued Capital upon completion of the Proposed Share Buy Back | <u>101,774,000</u> | <u>101,774,000</u> |

[#] Issued Capital as at May 5, 2005, which includes 2,818,500 Treasury Shares

In the event the Shares purchased pursuant to the Proposed Share Buy Back are retained as Treasury Shares, the issued capital of the Company will not be reduced but the rights attaching to the Treasury Shares as to voting, dividends and participation in other distribution or otherwise will be suspended. While these Shares remain as treasury shares, Companies Act 1965 prohibits the taking into account of such Shares in calculating the number or percentage of Shares in the Company for any purpose whatsoever including substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for meetings and the result of votes on resolutions.

If the Shares so purchased pursuant to the Proposed Share Buy Back are resold in the open market, the Proposed Share Buy Back will have no effect on the Share Capital.

(ii) NTA per share and EPS

The effect on the NTA per Share of CBM Group will depend on the purchase price of the Shares and the number of Shares purchased. However, the Proposed Share Buy Back, if exercised, is not expected to materially affect the NTA per share of CBM Group for the financial year ending December 31, 2004 whether the Shares so purchased are retained as Treasury Shares or are cancelled or are resold in the open market.

The effect on the EPS of CBM Group will depend on the purchase prices of the Shares, the opportunity cost and the number of Shares purchased. However, the Proposed Share Buy Back, if exercised, is not expected to materially affect the EPS of the CBM Group for the financial year ending December 31, 2005 whether the Shares so purchased are retained as Treasury Shares or are cancelled or are re-sold. Approximate interest of 2.7% per annum [based on the fixed deposit rate of United Overseas Bank (Malaysia) Bhd on May 5, 2005] foregone on the internal funds used is not expected to be material assuming that the current interest rates continue to prevail.

(iii) Working Capital

The working capital of CBM Group will be reduced to the extent of the amount of funds utilized for the purchases of the Shares but is not expected to have a material adverse effect on the working capital of CBM Group.

(iv) Cash Flow

The Proposed Share Buy Back is not expected to adversely affect the cash requirements of the Company as the cash outflow is not substantial.

(v) Dividends

The Proposed Share Buy Back is not expected to adversely affect the payment of dividends as the amount required for the Proposed Share Buy Back is not substantial and can be generated from internal funds.

The amount of dividends paid will be reduced, as there will be less Shares qualifying for dividends whether the Shares so purchased are retained as Treasury Shares or are cancelled.

However, if the Shares so purchased are retained as Treasury Shares, they can be used for subsequent payment of dividends in the form of share dividends.

A final ordinary dividend of 6% less tax and a special dividend of 3% less tax has been proposed for the financial year ended December 31, 2004.

11. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, Substantial Shareholders and persons connected to the Directors and/or Substantial Shareholders (as defined in the Listing Requirements of Bursa Malaysia) have any direct or deemed interest in the Proposed Share Buy Back and re-sale of Treasury Shares.

The table next page shows the direct and deemed equity interests held by the Directors, Substantial Shareholders and persons connected to the Directors and/or Substantial Shareholders as at May 5, 2005 and their pro-forma percentage shareholdings in the Company upon completion of the Proposed Share Buy Back, assuming that the Proposed Share Buy Back was carried out in full on May 5, 2005.

| | Based on Issued Capital as at May 5, 2005 of 103,381,500 Shares (after excluding 2,818,500 Treasury Shares) | | | | Based on Pro-forma Issued Capital as at May 5, 2005 of 101,774,000 (after excluding 4,426,000 Shares being cancelled) upon completion of Proposed Share Buy Back | | | |
|--|---|-------|-------------------------|-------|---|-------|-------------------------|-------|
| | Direct | % | Deemed | % | Direct | % | Deemed | % |
| <u>Directors</u> | | | | | | | | |
| Soon Ah Khun @ Soon Lian Huat | 160,600 | 0.16 | 54,423,000 ² | 52.64 | 160,600 | 0.16 | 54,423,000 ² | 53.47 |
| Soon Cheng Hai | 304,000 | 0.29 | - | - | 304,000 | 0.30 | - | - |
| Soon Cheng Boon | 298,000 | 0.29 | - | - | 298,000 | 0.29 | - | - |
| Soon Hean Hooi | 2,119,055 | 2.05 | - | - | 2,119,055 | 2.08 | - | - |
| Lee Sieng Tzi @ Vincent Lee ⁴ | 105,000 | 0.10 | - | - | 105,000 | 0.10 | - | - |
| Datin Sharizan binti Abdullah | - | - | - | - | - | - | - | - |
| Leong Keng Yuen | 26,000 | 0.03 | - | - | 26,000 | 0.03 | - | - |
| YBhg Dato' Robert Lim Git Hooi | 14,000 | 0.01 | 69,000 ³ | 0.07 | 14,000 | 0.01 | 69,000 ³ | 0.07 |
| Khoo Choon Yam | - | - | - | - | - | - | - | - |
| <u>Substantial Shareholders</u> | | | | | | | | |
| Soon Lian Huat Holdings Sdn Bhd | 11,224,000 | 10.86 | 42,347,000 ¹ | 40.96 | 11,224,000 | 11.03 | 42,347,000 ¹ | 41.61 |
| Choo Bee Holdings Sdn Bhd | 43,199,000 | 41.79 | - | - | 43,199,000 | 42.45 | - | - |
| Soon Ah Khun @ Soon Lian Huat | 160,600 | 0.16 | 54,423,000 ² | 52.64 | 160,600 | 0.16 | 54,423,000 ² | 53.47 |
| Tang Kim Heok ⁵ | - | - | 54,423,000 ² | 52.64 | - | - | 54,423,000 ² | 53.47 |
| Amanah Raya Berhad (Skim Amanah Saham Bumiputra) | 8,034,500 | 7.77 | - | - | 8,034,500 | 7.89 | - | - |
| <u>Persons Connected to the Directors and Substantial Shareholders</u> | | | | | | | | |
| Soon Lian Lim ⁶ | 1,077,472 | 1.04 | - | - | 1,077,472 | 1.06 | - | - |
| Soon Siew Hoon ⁷ | 283,440 | 0.27 | - | - | 283,440 | 0.28 | - | - |
| Soon Siew Leh ⁷ | 750,000 | 0.73 | - | - | 750,000 | 0.74 | - | - |
| Lim Siew Fon ⁸ | 15,000 | 0.01 | - | - | 15,000 | 0.01 | - | - |
| Datin Auyong Kim Fook @ Auyong Kim Cheen ⁹ | 69,000 | 0.07 | - | - | 69,000 | 0.07 | - | - |

Notes

- (1) Deemed interest by virtue of its interest in Choo Bee Holdings Sdn Bhd.
- (2) Deemed interest by virtue of their interest in Soon Lian Huat Holdings Sdn Bhd and Choo Bee Holdings Sdn Bhd
- (3) Deemed interest by virtue of spouse's interest in Choo Bee Metal Industries Berhad
- (4) Lee Sieng Tzi @ Vincent Lee is the son-in-law of Soon Ah Khun @ Soon Lian Huat
- (5) Madam Tang Kim Heok is the spouse of Soon Ah Khun @ Soon Lian Huat.
- (6) Soon Lian Lim is the brother of Soon Ah Khun @ Soon Lian Huat.
- (7) Soon Siew Hoon and Soon Siew Leh are daughters of Soon Ah Khun @ Soon Lian Huat.
- (8) Lim Siew Fon is the spouse of Soon Cheng Boon.
- (9) Datin Auyong Kim Fook @ Auyong Kim Cheen is the spouse of Dato' Robert Lim Git Hooi

12. PURCHASES AND CANCELLATION OF SHARES AND RE-SALES OF TREASURY SHARES MADE IN THE PRECEDING TWELVE (12) MONTHS

In the preceding twelve (12) months from May 1, 2004 to April 30, 2005, CBM has purchased a total of 72,500 of its own Shares which have all been retained as Treasury Shares. Details of the purchases are as follows (please refer next page):

| Date | No. of Shares Purchased | Purchase Price per Share (RM) | | | Total Consideration (RM) |
|-----------------------|----------------------------|-------------------------------|---------|---------|-----------------------------|
| | | Lowest | Highest | Average | |
| May 2004 | - | - | - | - | - |
| June 2004 | - | - | - | - | - |
| July 2004 | - | - | - | - | - |
| August 2004 | - | - | - | - | - |
| 30.08.2004 | 1,000 | 2.28 | 2.28 | 2.28 | 2,299.88 |
| September 2004 | - | - | - | - | - |
| October 2004 | - | - | - | - | - |
| November 2004 | - | - | - | - | - |
| December 2004 | - | - | - | - | - |
| January 2005 | - | - | - | - | - |
| February 2005 | - | - | - | - | - |
| 25.02.2005 | 5,000 | 2.79 | 2.79 | 2.79 | 14,053.28 |
| March 2005 | - | - | - | - | - |
| 01.03.2005 | 2,000 | 2.73 | 2.73 | 2.73 | 5,500.95 |
| 02.03.2005 | 4,000 | 2.73 | 2.73 | 2.73 | 11,000.89 |
| 03.03.2005 | 4,000 | 2.73 | 2.73 | 2.73 | 11,000.89 |
| 28.03.2005 | 25,000 | 2.70 | 2.72 | 2.71 | 68,317.02 |
| April 2005 | - | - | - | - | - |
| 01.04.2005 | 17,000 | 2.60 | 2.60 | 2.60 | 44,527.88 |
| 04.04.2005 | 8,000 | 2.55 | 2.55 | 2.55 | 20,551.56 |
| 28.04.2005 | 5,000 | 2.52 | 2.53 | 2.52 | 12,703.71 |
| 29.04.2005 | 1,500 | 2.53 | 2.53 | 2.53 | 3,823.29 |
| | ----- | | | | ----- |
| | 72,500 | | | | 193,779.35 |
| | ===== | | | | ===== |

In the preceding twelve (12) months, the highest purchase price was RM2.79, the lowest purchase price was RM2.28 and the average purchase price was RM2.67.

There are currently 2,818,500 Shares held as Treasury Shares.

There was no cancellation of Purchased Shares or re-sales of Treasury Shares in the preceding twelve (12) months.

There was no purchase of Shares in the month of May 2004, June 2004, July 2004, September 2004, October 2004, November 2004, December 2004 and January 2005.

13. SHARE PRICES

The monthly highest and lowest prices of the Shares traded on Bursa Malaysia for the preceding twelve (12) months are as follows:

| | <u>High (RM)</u> | <u>Low (RM)</u> |
|--------------------|------------------|-----------------|
| <u>2004</u> | | |
| May | 2.36 | 2.20 |
| June | 2.36 | 2.20 |
| July | 2.35 | 2.23 |
| August | 2.30 | 2.18 |
| September | 2.42 | 2.25 |
| October | 2.43 | 2.30 |
| November | 2.70 | 2.32 |
| December | 2.91 | 2.64 |
| <u>2005</u> | | |
| January | 3.08 | 2.88 |
| February | 2.93 | 2.74 |
| March | 2.80 | 2.60 |
| April | 2.64 | 2.50 |

The last transacted price of CBM Shares on February 24, 2005 being the last market day prior to the announcement made on February 25, 2005 as mentioned in Part A Section 1 of this Circular, was RM2.80.

The last transacted price of CBM Shares on May 5, 2005 being the last practicable date prior to the printing of this circular, was RM2.55.

(Source: The Star Online)

14. CONDITIONS OF THE PROPOSED SHARE BUY BACK

The Proposed Share Buy Back is subject to the approval of the shareholders of CBM.

15. DIRECTORS' STATEMENT AND RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Share Buy Back, are of the opinion that the Proposed Share Buy Back is in the best interests of CBM Group. Accordingly, they recommend that you vote in favour of the Proposed Share Buy Back at the forthcoming AGM.

16. AGM

The notice of AGM that contains the Ordinary Resolution No. 3 pertaining to the Proposed Share Buy Back had been incorporated into the 2004 Annual Report which is being circulated to you together with this Circular.

17. FURTHER INFORMATION

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

Yours faithfully
For and on behalf of the Board of Directors

LEONG KENG YUEN
Senior Independent Non-Executive Director

PART B

**PROPOSED RENEWAL OF
SHAREHOLDERS' MANDATE AND
NEW SHAREHOLDERS' MANDATE ON
RECURRENT RELATED PARTY
TRANSACTIONS OF A REVENUE OR
TRADING NATURE
AND IN THE NATURE OF PROVISION
OF FINANCIAL ASSISTANCE
("PROPOSED SHAREHOLDERS' MANDATE")**

CHOO BEE METAL INDUSTRIES BERHAD
(Company No. 10587-A)
(Incorporated in Malaysia)

Registered Office

No. 35 Jalan Hussein
30250 Ipoh
Perak Darul Ridzuan
Malaysia

May 25, 2005

Directors:

Soon Ah Khun @ Soon Lian Huat (Group Executive Chairman)
Soon Cheng Hai (Group Managing Director)
Soon Cheng Boon (Group Executive Director)
Leong Keng Yuen (Senior Independent Non-Executive Director)
Dato' Robert Lim Git Hooi (Independent Non-Executive Director)
Datin Shahrizan Binti Abdullah (Non-Executive Director)
Khoo Choon Yam (Independent Non-Executive Director)
Soon Hean Hooi (Executive Director)
Lee Sieng Tzi @ Vincent Lee (Executive Director)

To: The Shareholders of Choo Bee Metal Industries Berhad

Dear Sir/Madam

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AND IN THE NATURE OF PROVISION OF FINANCIAL ASSISTANCE ("PROPOSED SHAREHOLDERS' MANDATE")

1. INTRODUCTION

At the 2004 Annual General Meeting held on June 11, 2004, the Shareholders of the Company approved, inter alia, the Proposed Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transaction of a Revenue or Trading Nature and in the Nature of Provision of Financial Assistance. The said mandate shall, in accordance with the Listing Requirements of Bursa Malaysia, expire at the conclusion of the forthcoming AGM which will be held on June 17, 2005.

On February 25, 2005, your Directors announced the Proposal to seek a Renewal of Shareholders' Mandate and New Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature and in the Nature of Provision of Financial Assistance.

The purpose of Part B of this circular is to provide you with details of the Proposed Shareholders' Mandate and to seek your approval for the Ordinary Resolution No. 4, to be tabled at the forthcoming AGM.

2. DETAILS

Under Part E, Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of 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 which are 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) in a meeting to obtain the shareholders' mandate, the interested Directors, interested Major Shareholders or interested Persons 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, will not vote on the resolution approving the transactions, and
- d) issuance of Circular to Shareholders

Subject to the provisions stated therein, under Practice Note No. 14/2002 of the Listing Requirements of Bursa Malaysia a listed issuer may seek a general mandate in respect of Recurrent Related Party Transactions in the Nature of Provision of Financial Assistance which involves the pooling of funds within the listed issuer's group of companies via a centralised treasury management function or such other similar arrangements which entails the provision of financial assistance on a short or medium term basis not exceeding three (3) years by the listed issuer and/or its unlisted subsidiaries.

CBM and its subsidiary companies are principally engaged in the processing of steel coils into steel products and fabrication of steel products and trading of hardware products since the 1970s. The Group's manufactured and trading products are widely utilised in numerous industries such as construction/infrastructure, engineering, electrical/ telecommunications, transport and mining.

CBH is principally engaged in the trading of hardware items and building materials. The marketing and sales activities of CBH cover products manufactured by CBM and TBH as well as other hardware products like H-beams, galvanised sheets, flat bars, polished shafts, mild steel round bars, American Petroleum Institute pipes, angles, channels, reinforcement bars, mild steel tee bars, stainless steel sheets, H-column, I-Beams and rolled steel joists.

TBH is principally engaged in the manufacture of stainless steel pipes and plates as well as in the fabrication of steel products. TBH also trades in other steel and hardware products and products manufactured by CBM.

It is anticipated that the companies within the Group would, in the ordinary course of business, enter into the Recurrent Related Party Transactions as mentioned and which are detailed in Section 3. It is likely that such transactions will occur with some degree of frequency, which are necessary for its day-to-day operations.

The Board of Directors of CBM is seeking shareholders' approval for the Proposed Shareholders' Mandate for the Group to enter into transactions in the normal course of business within the classes of Related Parties, 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 which will not be to the detriment of the minority shareholders. The Recurrent Related Party Transactions are subjected to the review procedures set out in Section 4.

The Proposed Shareholders' Mandate is subject to annual renewal and shall continue to be in force until:

- a) the conclusion of the next AGM of CBM to be held in 2006, at which time it will lapse, unless by a resolution passed at the general meeting, the authority is renewed;

- b) the expiration of the period within which the next AGM required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

A disclosure of the aggregate value of Recurrent Related Party Transactions conducted pursuant to the Proposed Shareholders' Mandate will be made in the annual report, including a breakdown of the aggregate value of the Recurrent Related Party Transactions made during the financial year, amongst others based on the following information:

- a) The type of Recurrent Related Party Transactions made, and
- b) The names of the Related Parties involved in each type of the Recurrent Related Party Transactions made and their relationship with CBM.

3 CLASS AND NATURE OF RECURRENT RELATED PARTY TRANSACTIONS

Class of Recurrent Related Party Transactions

The Proposed Shareholders' Mandate will apply to transactions with the following Related Parties (with their respective principal activities):-

| | Name of Related Party | Principal Activities | Relationship |
|----|---------------------------------|--|--|
| 1. | Soon Lian Huat Holdings Sdn Bhd | Property investment and investment holding | Directors and Major Shareholders of CBM have interests <i>(Note i)</i> |
| 2. | Taik Bee Hardware Sdn Bhd | Fabrication and manufacturing of pipes and trading of hardware | Directors and Major Shareholders of CBM, Directors and Persons Connected with them have interests <i>(Note ii)</i> |
| 3. | Chuan Bee Hardware Sdn Bhd | Trading of hardware, timber, building material and contractors | Person Connected with Directors and Major Shareholder of CBM have interests <i>(Note iii)</i> |
| 4. | Chua Hock Seng Hardware Sdn Bhd | Wholesale and retail of hardware and construction products | Person Connected with Directors and Major Shareholder of CBM have interests <i>(Note iv)</i> |
| 5. | Austcorp Manufacturing Sdn Bhd | Manufacture of welding and related products | Major Shareholders of CBM have interests <i>(Note v)</i> |

NOTES: *The equity interest of Directors, Major Shareholders and Persons Connected in each of the Related Parties and their Directorships in the respective related parties are tabulated as follows:*

| Notes | Related Party | Equity interest of Directors, Major Shareholders and persons connected in Related Party | Directorship in Related Party |
|--------------|--|--|---|
| <i>i.</i> | <i>Soon Lian Huat Holdings Sdn Bhd</i> | <i>Soon Ah Khun @ Soon Lian Huat holds 55.36% Tang Kim Heok, spouse of Soon Ah Khun @ Soon Lian Huat holds 44.64%</i> | <i>Soon Ah Khun @ Soon Lian Huat is the Executive Chairman; Tang Kim Heok is a Director</i> |
| <i>ii.</i> | <i>Taik Bee Hardware Sdn Bhd</i> | <i>Soon Cheng Hai, Soon Cheng Boon and Soon Hean Hooi, sons of Soon Ah Khun @ Soon Lian Huat, each holds 0.47% Soon Siew Hoon and Soon Siew Leh, daughters of Soon Ah Khun @ Soon Lian Huat, each holds 0.96% Soon Lian Huat Holdings Sdn Bhd holds 21.33%</i> | <i>Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Soon Siew Hoon are Directors</i> |
| <i>iii.</i> | <i>Chuan Bee Hardware Sdn Bhd</i> | <i>Soon Lian Lim, brother of Soon Ah Khun @ Soon Lian Huat, holds 55%</i> | <i>Soon Lian Lim is a Director</i> |
| <i>iv.</i> | <i>Chua Hock Seng Hardware Sdn Bhd</i> | <i>Soon Nyuk Ben, sister of Soon Ah Khun @ Soon Lian Huat, holds 50%</i> | <i>Soon Nyuk Ben is a Director</i> |
| <i>v.</i> | <i>Austcorp Manufacturing Sdn Bhd</i> | <i>Soon Lian Huat Holdings Sdn Bhd holds 30% Choo Bee Holdings Sdn Bhd holds 30%</i> | <i>Soon Cheng Hai, Soon Cheng Boon and, Soon Hean Hooi are Directors</i> |

Nature of Recurrent Related Party Transactions

The Proposed Shareholders' Mandate will enable CBM Group to undertake transactions between the period of June 17, 2005 (date of AGM) to June 30, 2006 (Expected date of next AGM) as follows:-

| Name of Related Party | Relationship with Listed Issuer— Interested Director, Major Shareholder and Person Connected | Type of Recurrent Related Party Transaction | *Estimated transaction value during the validity of the Proposed Shareholders' Mandate | Frequency of transaction |
|---------------------------------|--|---|--|--|
| Soon Lian Huat Holdings Sdn Bhd | Soon Ah Khun @ Soon Lian Huat (being Interested Director and Major Shareholder) Tang Kim Hoek (being Major Shareholder) | Rental of office and factory premises [Note (a) to i(g)] | 443,140 | Monthly |
| Taik Bee Hardware Sdn Bhd | Soon Ah Khun @ Soon Lian Huat (being Interested Director and Major Shareholder) Soon Cheng Hai Soon Cheng Boon Soon Hean Hooi (being Interested Directors and Persons Connected) Tang Kim Hoek Soon Siew Hoon Soon Siew Leh (being Persons Connected) Soon Lian Huat Holdings Sdn Bhd (being Major Shareholder) | <ul style="list-style-type: none"> • CBM Sales of steel products of coils, steel pipes, plates, sheets and related raw materials • CBM Purchases of steel products of décor pipes, flat bars, stainless steel pipes and plates and other stainless steel and fabricated steel products • CBH sales of steel products of round bars, HT deformed bars, U-columns, H-columns, beams, GI fittings, angle bars, steel pipes and plates, chemicals in the production process and other related products • CBH purchases of stainless steel products of plates and pipes, décor pipes, flat and round bars, HT deformed bars and other related products • CBM Sales of shearing services to TBH • Provision of Financial Assistance including interest charge at the prevailing Bankers' Acceptance rate charged by CBM Group's bankers (Note ii) - from CBM (lender) to TBH (borrower) - from TBH (lender) to CBH (borrower) | 23,000,000 500,000 4,500,000 3,000,000 200,000 | Daily Daily Daily Daily Daily Daily |
| Chuan Bee Hardware Sdn Bhd | Soon Lian Lim (being Person Connected) | <ul style="list-style-type: none"> • CBM Sales of steel products of various sizes of steel pipes, plates, U-beams, flat bars, angles and related products • CBH Sales of steel products of various sizes of flat bars, round bars and steel pipes and related products • TBH Sales of steel products of flat bars, steel pipes and round bars | 1,200,000 500,000 300,000 | Daily Daily Daily |
| Chua Hock Seng Hardware Sdn Bhd | Soon Nyuk Ben (being Person Connected with Major Shareholder) | <ul style="list-style-type: none"> • CBM Sales of steel products, steel pipes and sheets • CBH Sales of steel products and angles • TBH Sales of steel products of flat bars and stainless steel plates | 400,000 400,000 200,000 | Daily Daily Daily |
| Austcorp Manufacturing Sdn Bhd | Soon Lian Huat Holdings Sdn Bhd Choo Bee Holdings Sdn Bhd (being Major Shareholders) | ** CBH Sales of steel sheets, plates and related products | 200,000 | Daily |
| Aggregate Value | | | 42,088,140 | |

* The estimated value, which derived from value transacted during the financial year ended December 31, 2004 and prevailing market prices, of the Recurrent Related Party Transactions may differ from the actual value which will be disclosed in the annual report.

** New Recurrent Related Party Transaction

Notes:

- (i) Soon Lian Huat Holdings Sdn Bhd (SLHH)
- (a) Rental agreement dated February 1, 2004 between SLHH and TBH where TBH rents a portion of land under Lot No. 29793 Mukim of Ulu Kinta at Jalan Bendahara, 31650 Ipoh measuring approximately 18,456 square feet and used as an open store yard. The agreement has a tenure of 2 years commencing from February 1, 2004 with a monthly rental of RM5,000/-. Upon expiry the rental is to be extended based on rental rates prevailing at the time of extension. The Proposed Shareholders' Mandate is sought for the extension of the said rental agreement.
- (b) Rental agreement dated April 1, 2004 between SLHH and CBH where CBH rents a portion of property measuring approximately 1,700 square feet under Lot No. 013511S/(29793) title no. KA2693/83 Jalan Bendahara, 31650 Ipoh, Perak from SLHH. The property is used as a parking bay for lorries. The vehicle maintenance office is also located on this property. The agreement has a tenure of 1 year commencing from April 1, 2004 with a monthly rental of RM1,830. Upon expiry, the rental is to be extended based on rental rates prevailing at the time of extension. The Proposed Shareholders' Mandate is sought for the extension of the said rental agreement.
- (c) Rental agreement dated June 1, 2004 between SLHH and CBM where CBM rents the property comprising a 1½ storey light industrial terrace factory with a built up area of approximately 2,819 square feet situated on a land area of approximately 3,300 square feet at No.12, Jalan U1/32, Hicom-Glenmarie Industrial Park, Phase 1B, Seksyen U1, 40000 Shah Alam from SLHH. The property is being used as an office. The agreement has a tenure of 1 year commencing from June 1, 2004 with a monthly rental of RM3,500. Upon expiry the rental is to be extended based on rental rates prevailing at the time of extension. The Proposed Shareholders' Mandate is sought for the extension of the said rental agreement.
- (d) Rental agreement dated September 16, 2004 between SLHH and CBH where CBH rents property at Lot no. 16862 held under GL 9905 Mukim of Ulu Kinta holding 2696 out of the 3740 undivided shares measuring 71,708 sq ft. The property is being used as a store yard. The agreement has a tenure of 3 years commencing from September 16, 2004 with a monthly rental of RM3,200. Upon expiry the rental is to be extended based on rental rates prevailing at the time of extension. The Proposed Shareholders' Mandate is sought for the continuance of the said rental agreement.
- (e) Rental agreement dated May 1, 2003 between SLHH and CBH where CBH rents property at Lot no. 16862 held under GL 9905 Mukim of Ulu Kinta holding 2696 out of the 3740 undivided shares measuring 8,500 sq ft. The property is being used as a storeyard. The agreement has a tenure of 3 years commencing from May 1, 2003 with a monthly rental of RM300. Upon expiry the rental is to be extended based on rental rates prevailing at the time of extension. The Proposed Shareholders' Mandate is sought for the extension of the said rental agreement.
- (f) Rental agreement dated September 1, 2004 between SLHH and CBH where CBH rents property at Lot no. 35869 held under CT 16011 Mukim of Ulu Kinta measuring 65,340 sq ft. The property is being used as a store yard. The agreement has a tenure of 3 years commencing from September 16, 2004 with a monthly rental of RM2,950. Upon expiry the rental is to be extended based on rental rates prevailing at the time of extension. The Proposed Shareholders' Mandate is sought for the continuance of the said rental agreement.
- (g) Rental of office space in Jalan Bendahara, Ipoh by CBM at a rental rate to be determined based on the prevailing market rate upon completion of building being constructed by SLHH. The building which would have an estimated built up area of 47,312 sq ft is estimated to be completed in end of year 2005 with an approximate monthly rental of RM37,500 per month. The Proposed Shareholders' Mandate is sought for the rental agreement to be entered into in connection therewith.
- (ii) The provision of financial assistance extended by the Lenders to Borrowers includes advances for the purpose of Borrowers' working capital as and when required to enable the Group to have an effective centralized treasury management function in that the Borrowers would not have to borrow funds solely from the banks and the Lenders could utilise their excess funds to assist the Borrowers. Any financial assistance extended will be on an arm's length basis, wherein an interest rate equivalent to the prevailing rate of interest charged by commercial banks, will be charged. Any advances made would not exceed a duration of three (3) years. The approximate interest on advances per annum will amount as follows should the advances reach the following maximum amount based on the current Banker's Acceptance rate of 3.5% per annum:

| | Financial assistance (RM) | Interest (RM) |
|-----------------|---------------------------|---------------|
| from CBM to TBH | 5,000,000 | 175,000 |
| from TBH to CBH | 2,000,000 | 70,000 |

4 REVIEW PROCEDURES

To ensure that such Recurrent Related Party Transactions are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies and will not be prejudicial to shareholders, the management will ensure, that the transactions with the Related Party will only be entered into after taking into account the pricing, level of service, quality of product, market forces and other related factors on terms which are not more favourable to the Related Parties than those generally available to the public and not to the detriment of the minority shareholders of the Company.

Transactions with Related Parties of a Revenue or Trading Nature will only be entered into under similar commercial terms for transactions with third parties which depend on the demand and supply of the products and subject to the availability of the products in the domestic market. Should a cost plus basis of pricing be used, the appropriate mark-up to cost shall be determined on an arm's length price based on a percentage earned by the Company on unrelated party transactions which are the same or very similar to the Recurrent Related Party Transaction.

Transactions with Related Parties in the nature of provision of Financial Assistance will only be entered into on an arms length basis under similar commercial terms of banking facilities which will be available to the Related Party if it were to obtain such facilities from a financial institution and such terms will not be more favourable to the Related Party than terms which are extended to the Company by its own Bankers.

CBM Group has in place the following procedures to supplement existing internal procedures for general transactions to ensure that the transactions with or financial assistance provided to Related Parties are undertaken on an arm's length basis and on normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public or provided by the Company's Bankers to the Company:

- (i) A list of Related Parties has been circulated to the companies in the group to notify that all transactions with Related Parties are required to be undertaken on an arm's length basis and on normal commercial terms and on terms which are not more favourable to the Related Parties than those generally available to the public;
- (ii) All transactions with Related Parties and Financial Assistance provided will be reviewed by one (1) senior management and the Managing Director. Senior management consists of a Manager/Assistant Manager and above;
- (iii) A monthly report is generated by each Company within the Group to record all transactions with and Financial Assistance provided to Related Parties which are entered into pursuant to the Proposed Shareholders' Mandate;
- (iv) The annual internal audit plan incorporates a review of all transactions with and Financial Assistance provided to Related Parties entered into pursuant to the Proposed Shareholders' Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions and Financial Assistance are adhered to;
- (v) The Audit Committee reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor all transactions with and Financial Assistance provided to Related Parties to ensure compliance with the guidelines and procedures and the review shall be done at every quarter together with the review of quarterly results;
- (vi) The Board of Directors and the Audit Committee reviews the procedures as and when required or deemed appropriate. If a member of the Board of Directors and the Audit Committee has an interest in the transaction to be reviewed by the Board of Directors and the Audit Committee as the case may be, he will abstain from any decision making by the Board of Directors and the Audit Committee in respect of that transaction;

(vii) Surveys will be undertaken to gather information to compare the price quote by third parties and Related Parties for the purpose of determining the competitive market price of materials and goods. It is our policy to purchase materials or goods from Related Parties when the prices are competitive with prices obtained from third parties. Other factors such as reliability of supply, delivery, services and quality of material or goods will also be taken into consideration for evaluation purpose;

(viii) The cost plus method will be used to determine the transaction price. This method determines the arm's length price by adding an appropriate mark-up to the cost of production. The appropriate mark-up is the percentage earned by the Company on the Recurrent Related Party Transactions/sales. Sales to Related Parties will not be on more favourable terms than those extended to unrelated third parties.

Further, where any Director or any Person Connected with them has an interest (direct or indirect) in any Recurrent Related Party Transaction, such Director (or his alternate, where applicable) shall abstain from voting on the matter. Where any member of the Audit Committee is interested in any transaction, that member shall abstain from voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions.

An interested Director or interested Major Shareholder will also ensure that persons connected with him abstain from voting on the resolution approving the transactions. Interested Directors will also abstain from deliberating at Directors' meetings in respect of the Recurrent Related Party Transactions in which they are interested.

5 STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee has the overall responsibility of determining whether the procedures for reviewing all Recurrent Related Party Transactions are appropriate. The Audit Committee will review and ascertain whether the guidelines and procedures established to monitor Recurrent Related Party Transactions have been complied with at least once a year. If it is determined that the guidelines and/or procedure stated in Part B Section 4 in this Circular are inadequate to ensure that (i) the Recurrent Related Party Transactions will be conducted at arm's length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and (ii) such transactions are not to the detriment of the minority shareholders of the Company or prejudicial to the interests of the shareholders, the Company will obtain a fresh shareholders' mandate based on new guidelines and procedures.

The Audit Committee shall also have the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such a request to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

The Audit Committee of the Company has reviewed the terms of the Proposed Shareholders' Mandate and is satisfied that the review procedures for Recurrent Related Party Transactions, as well as the annual reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that Recurrent Related Party Transactions will be made at arm's length and in accordance with the Group's normal commercial terms which are not more favourable to the Related Parties than those generally available to the public or in the case of Financial Assistance provided not more favourable than terms extended to the Company by its bankers and are not to the detriment of the minority shareholders of the Company, and hence, will not be prejudicial to the shareholders or disadvantageous to the Group.

6. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE

The Recurrent Related Party Transactions to be entered into by the Group are all in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur at least once in three (3) years in the course of the Company's business and recurring transaction in a nature of provision of financial assistance for a duration not exceeding 3 years. 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 basis before entering into such Recurrent Related Party Transactions. As such, the Board of Directors is seeking a shareholders' mandate pursuant to Part E, Paragraph 10.09 of the Listing Requirements of Bursa Malaysia and Practice Note No. 14/2002 for the Recurrent Related Party Transactions described in Part B Section 3 of this Circular to allow the Group to enter into such Recurrent Related Party Transactions made on an arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and which are not prejudicial to the interests of the shareholders.

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 shareholders' approval as and when such Recurrent Related Party Transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

7. BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE

The sale and purchase of steel and related hardware products between the Group and the various Related Parties reflect the Group's control of manufacturing and production processes and schedules. Different grades and categories of steel and hardware products may be purchased at various times due to shortfalls in inventory or because production of certain grades or categories of steel and hardware products are not undertaken by the subsidiaries of CBM which may be required by customers from time to time. This is likewise for sales to the Related Parties. It is beneficial to the Group in order to better serve our customers to be able to share resources and the provision of products and services. The goods and services provided are priced competitively and all transactions are carried out on normal commercial terms and at arm's length basis on terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company and are not prejudicial to the shareholders of the Company.

Rental of premises by the Group from Related Parties (namely Soon Lian Huat Holdings Sdn Bhd and Choo Bee Holdings Sdn Bhd) enables the Group to utilise certain strategic locations at competitively priced rental rates.

Provision of financial assistance by CBM to its subsidiary (namely Taik Bee Hardware Sdn. Bhd.) enables the Group to have an effective centralised treasury management function in order to facilitate optimum cash usage and overall reduction in financial charges.

The Board of Directors is of the view that these close working relationships allow the Group to be more competitive in the steel and related hardware industry and creates an extensive network of marketing, distribution and manufacturing operations for the Group. These upstream and downstream linkages will help to reduce inventory driven costs, increase availability and fulfil customer demands, improve asset allocation, reduce inventory lead time, to have an effective centralised treasury management function and to operate from strategic locations at competitive and stable rentals.

8. CONDITIONS OF THE PROPOSED SHAREHOLDERS' MANDATE

Proposed Shareholders' Mandate is conditional upon the approval of the shareholders of CBM being obtained at the forthcoming AGM.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

According to the Register of Directors' Shareholdings and Register of Substantial Shareholders as at May 5, 2005, the direct and indirect interests of the interested Directors, interested Major Shareholders and persons connected to them are as follows:

| | Based on Issued Capital as at May 5, 2005 of 103,381,500 Shares (after excluding 2,818,500 Treasury Shares) | | | | No of unexercised options |
|--|---|-------|-------------------------|-------|------------------------------|
| | Direct | % | Indirect | % | Direct |
| <u>Directors</u> | | | | | |
| Soon Ah Khun @ Soon Lian Huat | 160,600 | 0.16 | 54,423,000 ² | 52.64 | 240,000 ⁹ |
| Soon Cheng Hai | 304,000 | 0.29 | - | - | 400,000 ⁹ |
| Soon Cheng Boon | 298,000 | 0.29 | - | - | 400,000 ⁹ |
| Soon Hean Hooi | 2,119,055 | 2.05 | - | - | 400,000 ⁹ |
| Lee Sieng Tzi @ Vincent Lee ³ | 105,000 | 0.10 | - | - | 600,000 ⁹ |
| <u>Major Shareholders</u> | | | | | |
| Soon Lian Huat Holdings Sdn Bhd | 11,224,000 | 10.86 | 42,347,000 ¹ | 40.96 | - |
| Choo Bee Holdings Sdn Bhd | 43,199,000 | 41.79 | - | - | - |
| Soon Ah Khun @ Soon Lian Huat | 160,600 | 0.16 | 54,423,000 ² | 52.64 | - |
| Tang Kim Heok ⁴ | - | - | 54,423,000 ² | 52.64 | - |
| <u>Persons Connected</u> | | | | | |
| Soon Lian Lim ⁵ | 1,077,472 | 1.04 | - | - | - |
| Soon Siew Hoon ⁶ | 283,440 | 0.27 | - | - | - |
| Soon Siew Leh ⁶ | 750,000 | 0.73 | - | - | - |
| Soon Nyuk Ben ⁷ | - | - | - | - | - |
| Lim Siew Fon ⁸ | 15,000 | 0.01 | - | - | - |

Notes

- (1) Deemed interest by virtue of its interest in Choo Bee Holdings Sdn Bhd.
- (2) Deemed interest by virtue of their interest in Soon Lian Huat Holdings Sdn Bhd and Choo Bee Holdings Sdn Bhd
- (3) Lee Sieng Tzi @ Vincent Lee is the son-in-law of Soon Ah Khun @ Soon Lian Huat
- (4) Madam Tang Kim Heok is the spouse of Soon Ah Khun @ Soon Lian Huat
- (5) Soon Lian Lim is the brother of Soon Ah Khun @ Soon Lian Huat.
- (6) Soon Siew Hoon and Soon Siew Leh are daughters of Soon Ah Khun @ Soon Lian Huat.
- (7) Soon Nyuk Ben is the sister of Soon Ah Khun @ Soon Lian Huat.
- (8) Lim Siew Fon is the spouse of Soon Cheng Boon.
- (9) The number of options the Directors are entitled to under the Employees Share Option Scheme (ESOS) which was established for a period of 5 years and will expire on November 25, 2006.

The indirect interest shown above represent their deemed interest in CBM held via corporations where they have more than 15% shareholding and held via their respective spouses.

Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Lee Sieng Tzi @ Vincent Lee have abstained and will continue to abstain from Board deliberations and voting on Ordinary Resolution No. 4.

The interested Directors, interested Major Shareholders and/or Person Connected with them (as disclosed above), which have any interest, direct or indirect, in CBM, will also abstain from voting in respect of their direct and/or indirect shareholdings at the forthcoming AGM. The interested Director and/or Major Shareholder (as disclosed above) has/have undertaken that he/they will ensure that the Persons Connected with him/them will abstain from voting on the resolution approving the proposal at the AGM in respect of their direct and indirect shareholdings at the forthcoming AGM.

Save as disclosed above, none of the Directors, Major Shareholders and/or Person Connected with them have any interest, direct and indirect, in the Proposed Shareholders' Mandate.

10 DIRECTORS' STATEMENT AND RECOMMENDATION

Your Directors, save for the interested Directors, namely Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Lee Sieng Tzi @ Vincent Lee (who are collectively interested in Ordinary Resolution No. 4) having considered all aspects of the Proposed Shareholders' Mandate, are of the opinion that the Proposed Shareholders' Mandate is in the best interests of the shareholders and the Company. Accordingly, they, with the exception of Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai, Soon Cheng Boon and Soon Hean Hooi, Lee Sieng Tzi @ Vincent Lee who have abstained from making any recommendation on the Proposed Shareholders' Mandate recommend that you vote in favour of the Proposed Shareholders' Mandate at the forthcoming AGM.

11. AGM

The notice of AGM that contains the Ordinary Resolution No. 4 pertaining to the Proposed Shareholders' Mandate respectively had been incorporated into the 2004 Annual Report which is being circulated to you together with this Circular.

12. FURTHER INFORMATION

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

Yours faithfully
For and on behalf of the Board of Directors

LEONG KENG YUEN
Senior Independent Non-Executive Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. MATERIAL CONTRACTS

Save as disclosed below, neither CBM nor its subsidiaries has entered into any other material contract (not being contracts entered into in the ordinary course of business of the Company or its subsidiaries) during the two (2) years immediately preceding the date of this Circular.

During the financial year, CBM has entered into agreements to purchase machinery, construct new factory building and related facilities amounting to approximately RM35.6 million. Non-deliverable forward contracts (NDF) were entered into by CBM to hedge its payment obligations in New Taiwan Dollars (TWD). Payments will be fulfilled in accordance to progress billing received.

3. MATERIAL LITIGATION

Saved as disclosed below, neither CBM nor its subsidiaries are engaged in any material litigation, claims or arbitration either as a plaintiff or defendant as at the date of this Circular and the Directors of CBM do not have any knowledge of any proceedings, pending or threatened against CBM and its subsidiaries, or of any fact likely to give rise to any proceedings which might materially affect the position or business of the Group:

Kent Engineering Works Sdn Bhd (KEW), a debtor of Taik Bee Hardware Sdn Bhd (TBH) which is a subsidiary of CBM, filed a suit for defamation on 7 March 2000 against TBH for an amount of RM10 million claiming that the drawdown of a bank guarantee provided by KEW in favour of TBH was defamatory to KEW. In response, TBH has filed a writ of summons on defence with the High Court of Malaya on 24 April 2000 against the defamation suit and for the recovery of a debt amounting to RM118,092.41.

The lawyers advising TBH on the above matter, opined that it is highly unlikely that the litigant will be able to prove libel as TBH has a complete defence in justification.

The matter has been set for trial at a hearing date on September 20, 2005.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of CBM at 35 Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan, during office hours and on Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:-

- (i) Memorandum and Articles of Association of CBM;
- (ii) The writ of summons referred to in Part 3 above; and
- (iii) Audited accounts of CBM Group for the past five (5) financial years ended December 31, 2000 to 2004
- (iv) Unaudited Financial Results of CBM Group for the First Quarter ended March 31, 2005