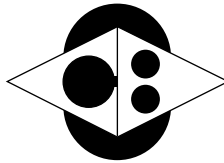


**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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 2002 Annual Report to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Kuala Lumpur Stock Exchange 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

**PROPOSED PURCHASE BY THE COMPANY OF ITS OWN SHARES**

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

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, May 30, 2003 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 2002 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 7, 2003

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## DEFINITIONS

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

- “AGM” - Annual General Meeting
- “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.
- “KLSE” - Kuala Lumpur Stock Exchange (30632-P)
- “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 Purchase
- “Ordinary Resolution No. 4” - The Ordinary Resolution No. 4 set out in the Notice of AGM pertaining to the Proposed Shareholders’ Mandate
- “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;

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**DEFINITIONS** (*cont'd*)

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- 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 Purchase” - Proposed Purchase by the Company of its own Shares up to 4,426,000 Shares representing four point three four percent (4.34%) of its issued and paid-up share capital
- “Proposed Shareholders’ Mandate” - Proposed Shareholders’ Mandate for 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.
- “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 the Exchange, 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 Act
- “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 Act as authorised by the Articles and retained in treasury.

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

**Registered Office**

No. 35 Jalan Hussein  
(Ground Floor)  
30250 Ipoh  
Perak Darul Ridzuan  
Malaysia

May 7, 2003

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)  
Datuk Ismail Haji Ahmad (Non-Executive Director)  
Soon Hean Hooi (Executive Director)  
Lee Sieng Tzi @ Vincent Lee (Executive Director)  
Dato' Robert Lim Git Hooi (Independent Non-Executive Director)  
Khoo Choon Yam (Independent Non-Executive Director)

To: The Shareholders of Choo Bee Metal Industries Berhad

Dear Sir/Madam

**PROPOSED PURCHASE BY THE COMPANY OF ITS OWN SHARES**

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

**1. INTRODUCTION**

At the 2002 Annual General Meeting held on June 20, 2002, the Shareholders of the Company approved, inter alia, the following:

- (a) 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 three four percent (4.34%) of the issued and paid up capital of CBM as at April 30, 2002 of 101,938,000 Shares of RM1.00 each. The said authorisation shall, in accordance with the Listing Requirements of the KLSE, expire at the conclusion of the forthcoming AGM which will be held on May 30, 2003; and
- (b) the shareholders' mandate to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transaction of a Revenue or Trading Nature. The said mandate shall, in accordance with the Listing Requirements of the KLSE, expire at the conclusion of the forthcoming AGM which will be held on May 30, 2003.

On January 30, 2003, your Directors announced the following proposals:

- Proposal to seek a renewed mandate for the Proposed Purchase by the Company of its own Shares
- Proposal to seek a renewed mandate on Recurrent Related Party Transaction of a Revenue or Trading Nature and to include within the mandate, Recurrent Transaction in the Nature of Provision of Financial Assistance

The purpose of this circular is to provide you with details of the Proposed Purchase and Proposed Shareholders' Mandate and to seek your approval for the respective Ordinary Resolution No. 3 and Ordinary Resolution No. 4 to be tabled at the forthcoming AGM.

## 2. PROPOSED PURCHASE

### 2.1 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 the KLSE so that the net amount of Shares bought back and re-sold do not exceed 4,426,000 Shares representing four point three three percent (4.33%) of the Company's total issued and paid-up share capital as at April 15, 2003 of 102,139,000 Shares of RM1.00 each. The authority for the Proposed Purchase shall commence upon passing of the Ordinary Resolution No. 3 and shall expire at the conclusion of the next Annual General Meeting 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.

The limit of 4,426,000 Shares under the Proposed Purchase was calculated on April 30, 1999 based on 4.45% of the Company's then issued and paid-up share capital. This limit has been consistently applied as the basis for the past three (3) years and is the total number of Shares which may be purchased under the Proposed Purchase. As at April 15, 2003 the total Shares purchased and retained in Treasury is 2,718,000 Shares and the amount of Shares that may be purchased under the current Proposed Purchase would be 1,708,000 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 Purchase 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.

### 2.2 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 the KLSE for the past (5) market days immediately preceding the date of the purchase(s).

### 2.3 FUNDING

The funding for the Proposed Purchase 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 RM5,000,000 (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, 2002 amounts to RM151,615,723.

Your Directors propose to allocate an amount of RM5,000,000 out of share premium account of the Company for the Proposed Purchase so that the total consideration for Shares purchased and held as Treasury shares or cancelled at any time do not exceed RM5,000,000. The limit of RM5,000,000 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 share premium account based on its audited financial statements for the year ended December 31, 2002 and its unaudited management accounts for the period ended April 15, 2003 was RM22,461,305.

## 2.4 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 Purchase 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 April 15, 2003, 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 Purchase is carried out in full.

## 2.5 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 the KLSE 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 the KLSE 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 the KLSE at a price which is not less than the weighted average market price of the Shares for the past five market days immediately preceding the date of the re-sale.

## 2.6 PUBLIC SHAREHOLDING SPREAD

As at April 15, 2003, the public shareholding spread of the Company was 28.57%, based on the issued and paid-up capital of 102,139,000 Shares which include the Treasury Shares amounted to 2,718,000. The Proposed Purchase of 4,426,000 Shares if fully exercised will not affect the Company's public spread requirement of at least 25% of the issued and paid-up capital being held by not less than 1,250 shareholders holding not less than 100 Shares each. Assuming the Proposed Purchase is fully implemented, the public shareholding spread of the Company is expected to reduce to 28.12% if all Shares so purchased are cancelled and 26.89% if all Shares so purchased are retained in Treasury.

## 2.7 RATIONALE FOR THE PROPOSED PURCHASE

The Proposed Purchase 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.

## 2.8 POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED PURCHASE

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 re-sell 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 Purchase, 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 re-sell 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 Purposed Purchase.



## 2.9 FINANCIAL EFFECTS OF THE PROPOSED PURCHASE

The effects of the Proposed Purchase are as follows:

### (i) Share Capital

In the event the Company acquires the full amount of Choo Bee Shares authorised under the Proposed Purchase 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 April 15, 2003 <sup>#</sup>	102,139,000	102,139,000
Less: No of shares to be cancelled Pursuant to the Proposed Purchase	4,426,000	4,426,000
Issued Capital upon completion of the Proposed Purchase	97,713,000	97,713,000

<sup>#</sup> Issued Capital as at April 15, 2003, which includes 2,718,000 Treasury Shares

In the event the Shares purchased pursuant to the Proposed Purchase 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, the Act 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 Purchase are re-sold in the open market, the Proposed Purchase 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 Purchase, if exercised, is not expected to materially affect the NTA per share of CBM Group for the financial year ending December 31, 2003 whether the Shares so purchased are retained as Treasury Shares or are cancelled or are re-sold 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 Purchase, if exercised, is not expected to materially affect the EPS of the CBM Group for the financial year ending December 31, 2003 whether the Shares so purchased are retained as Treasury Shares or are cancelled or are re-sold. Approximate interest of 2.99% per annum [based on the fixed deposit rate of United Overseas Bank (Malaysia) Bhd on April 15, 2003] 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 Purchase is not expected to adversely affect the cash requirements of the Company as the cash outflow is not substantial.

(v) Dividends

The Proposed Purchase is not expected to adversely affect the payment of dividends as the amount required for the Proposed Purchase 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 dividend of 5% less tax has been proposed for the financial year ended December 31, 2002. The Company foresees that a 5% final dividend could be maintained for the financial year ending December 31, 2003.

## 2.10 SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, Substantial Shareholders and persons connected to the Directors and/or Substantial Shareholders of CBM have any direct or deemed interest in the Proposed Purchase and re-sale of Treasury Shares.

The table below 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 April 15, 2003 and their pro-forma percentage shareholdings in the Company upon completion of the Proposed Purchase, assuming that the Proposed Purchase was carried out in full and cancelled on April 15, 2003.

	Based on Issued Capital as at April 15, 2003 of 99,421,000 Shares (after excluding 2,718,000 Treasury Shares)				Based on Pro-forma Issued Capital as at April 15, 2003 of 97,713,000 Shares (after excluding 4,426,000 Shares being cancelled) upon completion of Proposed Purchase			
	Direct	%	Deemed	%	Direct	%	Deemed	%
<u>Directors</u>								
Soon Ah Khun	772,600	0.78	53,571,000 <sup>2</sup>	53.88	772,600	0.79	53,571,000 <sup>2</sup>	54.82
@ Soon Lian Huat								
Soon Cheng Hai	304,000	0.31	-	-	304,000	0.31	-	-
Soon Cheng Boon	298,000	0.30	-	-	298,000	0.30	-	-
Soon Hean Hooi	2,249,055	2.26	-	-	2,249,055	2.30	-	-
Lee Sieng Tzi	155,000	0.16	-	-	155,000	0.16	-	-
@ Vincent Lee <sup>4</sup>								
YBhg Datuk Ismail bin Haji Ahmad	-	-	-	-	-	-	-	-
Leong Keng Yuen	26,000	0.03	-	-	26,000	0.03	-	-

	Based on Issued Capital as at April 15, 2003 of 99,421,000 Shares (after excluding 2,718,000 Treasury Shares)				Based on Pro-forma Issued Capital as at April 15, 2003 of 97,713,000 Shares (after excluding 4,426,000 Shares being cancelled) upon completion of Proposed Purchase			
	Direct	%	Deemed	%	Direct	%	Deemed	%
<u>Directors (con't)</u>								
YBhg Dato' Robert Lim Git Hooi	14,000	0.01	69,000 <sup>3</sup>	0.07	14,000	0.01	69,000 <sup>3</sup>	0.07
Khoo Choon Yam	-	-	-	-	-	-	-	-
<u>Substantial Shareholders</u>								
Soon Lian Huat Holdings Sdn Bhd	11,224,000	11.29	42,347,000 <sup>1</sup>	42.59	11,224,000	11.49	42,347,000 <sup>1</sup>	43.34
Choo Bee Holdings Sdn Bhd	42,347,000	42.59	-	-	42,347,000	43.34	-	-
Soon Ah Khun @ Soon Lian Huat	772,600	0.78	53,571,000 <sup>2</sup>	53.88	772,600	0.79	53,571,000 <sup>2</sup>	54.82
Tang Kim Heok <sup>5</sup>	-	-	53,571,000 <sup>2</sup>	53.88	-	-	53,571,000 <sup>2</sup>	54.82
Amanah Raya Berhad - Skim Amanah Saham Bumiputra	10,350,000	10.41	-	-	10,350,000	10.59	-	-
<u>Persons Connected to the Directors and Substantial Shareholders</u>								
Soon Lian Lim <sup>6</sup>	1,206,472	1.21	-	-	1,206,472	1.23	-	-
Soon Siew Hoon <sup>7</sup>	283,440	0.29	-	-	283,440	0.29	-	-
Soon Siew Leh <sup>7</sup>	750,000	0.75	-	-	750,000	0.77	-	-
Lim Siew Fon <sup>8</sup>	15,000	0.02	-	-	15,000	0.02	-	-
Datin Auyong Kim Fook @ Auyong Kim Cheen <sup>9</sup>	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<sup>9</sup> is the spouse of Dato' Robert Lim

## 2.11 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 April 16, 2002 to April 15, 2003, CBM has purchased a total of 261,000 of its own Shares which have all been retained as Treasury Shares. Details of the purchases are as follows:

Date	No. of Shares Purchased	Purchase Price per Share (RM)			Total Consideration (RM)
		Lowest	Highest	Average	
<b>from April 16, 2002</b>					
16.04.2002	14,000	1.59	1.60	1.60	22,580.81
22.04.2002	10,000	1.65	1.65	1.65	16,647.35
23.04.2002	3,000	1.64	1.64	1.64	4,963.87
24.04.2002	27,000	1.59	1.62	1.60	43,676.00
26.04.2002	6,000	1.58	1.58	1.58	9,564.90
29.04.2002	13,000	1.56	1.57	1.56	20,511.62
30.04.2002	2,000	1.55	1.55	1.55	3,128.49

Date	No. of Shares Purchased	Purchase Price per Share (RM)			Total Consideration (RM)
		Lowest	Highest	Average	
<b>May 2002</b>					
02.05.2002	13,000	1.54	1.55	1.54	20,249.56
07.05.2002	17,000	1.47	1.49	1.48	25,435.17
08.05.2002	8,000	1.47	1.47	1.47	11,864.91
23.05.2002	1,000	1.46	1.46	1.46	1,473.54
31.05.2002	5,000	1.42	1.42	1.42	7,164.09
<b>June 2002</b>					
24.06.2002	8,000	1.39	1.40	1.40	11,280.33
25.06.2002	7,000	1.34	1.34	1.34	9,464.11
<b>July 2002</b>					
16.07.2002	1,000	1.41	1.41	1.41	1,423.15
17.07.2002	5,000	1.40	1.40	1.40	7,062.30
18.07.2002	8,000	1.39	1.39	1.39	11,219.85
19.07.2002	3,000	1.40	1.40	1.40	4,238.18
23.07.2002	3,000	1.37	1.37	1.37	4,145.42
24.07.2002	11,000	1.39	1.40	1.39	15,469.52
<b>August 2002</b>					
02.08.2002	2,000	1.38	1.38	1.38	2,783.43
05.08.2002	10,000	1.38	1.38	1.38	13,916.12
07.08.2002	1,000	1.37	1.37	1.37	1,382.55
09.08.2002	10,000	1.37	1.37	1.37	13,815.38
16.08.2002	3,000	1.38	1.38	1.38	4,175.64
26.08.2002	11,000	1.39	1.40	1.39	15,429.22
<b>September 2002</b>					
10.09.2002	6,000	1.35	1.35	1.35	8,168.94
24.09.2002	3,000	1.31	1.31	1.31	3,963.09
25.09.2002	9,000	1.31	1.32	1.31	11,909.40
26.09.2002	1,000	1.31	1.31	1.31	1,324.53
27.09.2002	8,000	1.30	1.30	1.30	10,487.96
<b>October 2002</b>					
11.10.2002	3,000	1.24	1.25	1.24	3,761.61
<b>November 2002</b>					
18.11.2002	1,000	1.24	1.24	1.24	1,254.50
20.11.2002	5,000	1.24	1.24	1.24	6,252.88
25.11.2002	1,000	1.25	1.25	1.25	1,264.50
<b>December 2002</b>					
12.12.2002	4,000	1.23	1.23	1.23	4,961.41
20.12.2002	5,000	1.20	1.20	1.20	6,050.40
24.12.2002	4,000	1.19	1.19	1.19	4,800.23
26.12.2002	1,000	1.18	1.18	1.18	1,194.48
<b>January 2003</b>					
24.01.2003	2,000	1.23	1.23	1.23	2,481.21
27.01.2003	3,000	1.16	1.16	1.16	3,509.76
<b>February 2003</b>					
26.02.2003	1,000	1.18	1.18	1.18	1,194.48
<b>March 2003</b>					
-	-	-	-	-	-
<b>up to April 15, 2003</b>					
08.04.2003	2,000	1.16	1.16	1.16	2,340.17
	-----				-----
	261,000				377,985.06
	=====				=====

In the preceding twelve (12) months from April 16, 2002 to April 15, 2003, the highest purchase price was RM1.65, the lowest purchase price was RM1.16 and the average purchase price was RM1.45.

There are currently 2,718,000 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 March 2003.

## 2.12 SHARE PRICES

The monthly highest and lowest prices of the Shares traded on the KLSE for the preceding twelve (12) months up to April 15, 2003 are as follows:

	<u>High (RM)</u>	<u>Low (RM)</u>
<b><u>2002</u></b>		
April	1.70	1.42
May	1.61	1.42
June	1.48	1.31
July	1.46	1.35
August	1.42	1.35
September	1.39	1.30
October	1.30	1.22
November	1.29	1.24
December	1.28	1.18
<b><u>2003</u></b>		
January	1.28	1.16
February	1.22	1.13
March	1.19	1.13
April (up to April 15)	1.16	1.20

The last transacted price of CBM Shares on January 29, 2003 being the last market day prior to the announcement made on January 30, 2003 as mentioned in Section 1 of the Circular, was RM1.17.

The last transacted price of CBM Shares on April 15, 2003 being the last practicable date prior to the printing of this circular, was RM1.20.

(Source: KLSE)

## 2.13 CONDITIONS OF THE PROPOSED PURCHASE

The Proposed Purchase is subject to the approval of the shareholders of CBM.

## 2.14 DIRECTORS' STATEMENT AND RECOMMENDATION

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

### 3. SHAREHOLDERS' MANDATE

#### 3.1 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; and
- 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.

Subject to the provisions stated therein, under Practice Note No. 14/2002 of the KLSE Listing Requirements which came into effect on January 1, 2003, 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 3.2. 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 3.3.

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 2004, 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.

### 3.2 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):-

	<b>Name of Related Party</b>	<b>Principal Activities</b>	<b>Relationship</b>
1.	Soon Lian Huat Holdings Sdn Bhd	Property investment and investment holding	Directors and Major Shareholders of CBM have an interest ( <i>Note i</i> )
2.	Choo Bee Holdings Sdn Bhd	Investment holdings	Directors and Major Shareholders of CBM have an interest ( <i>Note ii</i> )
3.	Taik Bee Hardware Sdn Bhd <sup>1</sup>	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 iii</i> )
4.	Chuan Bee Hardware Sdn Bhd (CBHSB)	Trading of hardware, timber, building material and contractors	Person Connected with Directors and Major Shareholder of CBM have an interest ( <i>Note iv</i> )
5.	Chua Hock Seng Hardware Sdn Bhd (CHSHSB)	Wholesale and retail of hardware and construction products	Person Connected with Directors and Major Shareholder of CBM has interest ( <i>Note v</i> )

#### *NOTES*

<sup>1</sup>Taik Bee Hardware Sdn Bhd (37513-V) is a 66.29% owned subsidiary of CBM.

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:

<b>Related Party</b>	<b>Equity interest of Directors, Major Shareholders and persons connected in Related Party</b>	<b>Directorship in Related Party</b>
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>Executive Chairman Director</i>
ii. <i>Choo Bee Holdings Sdn Bhd</i>	<i>Soon Ah Khun @ Soon Lian Huat holds 1 share Soon Cheng Hai, Soon Cheng Boon and Soon Hean Hooi, sons of Soon Ah Khun @ Soon Lian Huat, each holds 4.91% Soon Siew Hoon and Soon Siew Leh, daughters of Soon Ah Khun @ Soon Lian Huat, each holds 0.74% Soon Lian Lim, brother of Soon Ah Khun @ Soon Lian Huat, holds 13.33% Soon Lian Huat Holdings Sdn Bhd holds 50.43%</i>	<i>Executive Chairman Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Soon Siew Leh are Directors</i>
iii. <i>Taik Bee Hardware Sdn Bhd</i>	<i>Soon Ah Khun @ Soon Lian Huat 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>Director Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Soon Siew Hoon are Directors</i>
iv. <i>Chuan Bee Hardware Sdn Bhd</i>	<i>Soon Lian Lim, brother of Soon Ah Khun @ Soon Lian Huat, holds 55%</i>	-
v. <i>Chua Hock Seng Hardware Sdn Bhd</i>	<i>Soon Nyuk Ben, sister of Soon Ah Khun @ Soon Lian Huat, holds 50%</i>	<i>Director</i>

*Nature of Recurrent Related Party Transactions*

The Proposed Shareholders' Mandate will enable CBM Group to undertake transactions between the period of May 30, 2003 (date of AGM) to June 30, 2004 (Expected date of next AGM) as follows:-

<b>Name of Related Party</b>	<b>Relationship with Listed Issuer-- Interested Director, Major Shareholder and Person Connected</b>	<b>Type of Recurrent Related Party Transaction</b>	<b>*Estimated value of sales and financial assistance/ (purchases)** between 30.05.2003 (date of AGM) to 30.06.2004 (Expected date of next AGM)</b>	<b>Frequency of transaction</b>
<b>Previous Recurrent Related Party Transactions subject to Renewal of Shareholders' Mandate</b>				
Soon Lian Huat Holdings Sdn Bhd	Soon Ah Khun @ Soon Lian Huat (being Interested Director and Major Shareholder)	Rental of office and factory premises (Note i(a) to i(c))	(111,960)	Yearly
	Tang Kim Heok (being Major Shareholder)	Purchases	(111,960)	



Name of Related Party	Relationship with Listed Issuer-- Interested Director, Major Shareholder and Person Connected	Type of Recurrent Related Party Transaction	*Estimated value of sales and financial assistance/ (purchases)** between 30.05.2003 (date of AGM) to 30.06.2004 (Expected date of next AGM)	Frequency of transaction
<b>Previous Recurrent Related Party Transactions subject to Renewal of Shareholders' Mandate (con't)</b>				
Taik Bee Hardware Sdn Bhd	Soon Ah Khun @ Soon Lian Huat <i>(being Interested Director and Major Shareholder)</i>	Sales of steel products of coils, steel pipes, plates, sheets and related raw materials	15,000,000	Daily
	Soon Cheng Hai Soon Cheng Boon Soon Hean Hooi <i>(being Interested Directors and Persons Connected)</i>	Purchases of steel products of décor pipes, flat bars, stainless steel pipes and plates and other stainless steel and fabricated steel products	(500,000)	Daily
	Soon Siew Hoon Soon Siew Leh Soon Tiew Choon <i>(being Persons Connected)</i>	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	2,000,000	Daily
	Soon Lian Huat Holdings Sdn Bhd <i>(being Major Shareholder)</i>	CBH purchases of stainless steel products of plates and pipes, décor pipes, flat and round bars, HT deformed bars and other related products	(2,000,000)	Daily
		Sales	22,000,000	
		Purchases	(2,500,000)	
Chuan Bee Hardware Sdn Bhd	Soon Lian Lim <i>(being Person Connected)</i>	Sales of steel products of various sizes of steel pipes, plates, U-beams, flat bar and angles and related products	307,000	Daily
		Sales of steel products of various sizes of flat bars, round bars and steel pipes and related products by CBH	100,000	Daily
		Sales of steel products of flat bars, steel pipes and round bars by TBH	74,000	Daily
		Sales	481,000	
Chua Hock Seng Hardware Sdn Bhd	Soon Nyuk Ben <i>(being Person Connected with Major Shareholder)</i>	Sales of steel products of steel pipes and sheets from CBM	120,000	Daily
		Sales of steel products of angles from CBH	80,000	Daily
		Sales of steel products of flat bars and stainless steel plates from TBH	50,000	Daily
		Sales	250,000	

Name of Related Party	Relationship with Listed Issuer-- Interested Director, Major Shareholder and Person Connected	Type of Recurrent Related Party Transaction	*Estimated value of sales and financial assistance/ (purchases)** between 30.05.2003 (date of AGM) to 30.06.2004 (Expected date of next AGM)	Frequency of transaction
<b>New Recurrent Related Party Transactions which are subject to further Shareholders' Mandate</b>				
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)  Soon Siew Hoon Soon Siew Leh Soon Tiew Choon (being Persons Connected)  Soon Lian Huat Holdings Sdn Bhd (being Major Shareholder)	Provision of Financial Assistance from CBM to TBH, including interest charge at the prevailing Bankers' acceptance rate charged by CBM's bankers (Note ii)	5,175,000	Daily
		Financial Assistance	<u>5,175,000</u>	
		Aggregate Sales and Financial Assistance	27,906,000	
		Aggregate Purchases	<u>(2,611,960)</u>	

\* The estimated value, which derived from value transacted during the financial year ended December 31, 2002, of the Recurrent Related Party Transactions may differ from the actual value which will be disclosed in the annual report.

\*\* Sales and Financial Assistance - CBM is the Seller or provider of Financial Assistance while the respective Related Parties are the Purchasers or recipient of the Financial Assistance.

(Purchases) - CBM is the Purchaser while the respective Related Parties are the Sellers.

Notes:

(i) Soon Lian Huat Holdings Sdn Bhd (SLHH)

- (a) Rental agreement dated February 1, 2002 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, 2002 with a monthly rental of RM4,500/-. Upon expiry the rental is to be extended based on rental rates prevailing at the time of extension.
- (b) Rental agreement dated April 1, 2001 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 3 years commencing from April 1, 2001 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.
- (c) Rental agreement dated June 1, 2002 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 one year commencing from June 1, 2002 with a monthly rental of RM3,000. Upon expiry the rental is to be extended based on rental rates prevailing at the time of extension terms and conditions for extensions of rentals will be renegotiated.

The Proposed Shareholders' Mandate is sought for the extension of the above rental agreements.

- (ii) The provision of financial assistance extended by CBM to TBH includes advances for the purpose of working capital as and when required to enable the Group to have an effective centralized treasury management function. Any financial assistance extended by CBM to TBH which 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 interest on advances will amount to approximately RM175,000 per annum should the advances reach the maximum of RM5,000,000 based on the current banker's acceptance rate of 3.5% per annum.

### 3.3 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 determine 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, with the authority to sub-delegate to individuals or committees within the Company as they deem 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.

### 3.4 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 also has the authority to delegate this responsibility to such individuals within the Company as it shall deem fit. 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 Section 3.3 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.

### 3.5 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 and Practice Note No. 14/2002 for the Recurrent Related Party Transactions described in Section 3.2 above 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.

### 3.6 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.

### 3.7 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.

### 3.8 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

According to the Register of Directors' Shareholdings and Register of Substantial Shareholders as at April 15, 2003, the direct and indirect interests of the interested Directors, interested Major Shareholders and persons connected to them are as follows:-

<u>Directors</u>	<b>Based on Issued Capital as at April 15, 2003 of 99,421,000 Shares (after excluding 2,718,000 Treasury Shares)</b>				<b>No of unexercised options</b>
	Direct	%	Indirect	%	Direct
Soon Ah Khun @ Soon Lian Huat	772,600	0.78	53,571,000 <sup>2</sup>	53.88	480,000
Soon Cheng Hai	304,000	0.31	-	-	600,000
Soon Cheng Boon	298,000	0.30	-	-	600,000
Soon Hean Hooi	2,249,055	2.26	-	-	600,000
Lee Sieng Tzi @ Vincent Lee <sup>3</sup>	155,000	0.16	-	-	600,000

	Based on Issued Capital as at April 15, 2003 of 99,421,000 Shares (after excluding 2,718,000 Treasury Shares)				No of unexercised options
<u>Major Shareholders</u>					
Soon Lian Huat Holdings Sdn Bhd	11,224,000	11.29	42,298,000 <sup>1</sup>	42.54	-
Choo Bee Holdings Sdn Bhd	42,347,000	42.59	-	-	-
Soon Ah Khun @ Soon Lian Huat	772,600	0.78	53,571,000 <sup>2</sup>	53.88	-
Tang Kim Heok <sup>4</sup>	-	-	53,571,000 <sup>2</sup>	53.88	-
<u>Persons Connected</u>					
Soon Lian Lim <sup>5</sup>	1,206,472	1.21	-	-	-
Soon Siew Hoon <sup>6</sup>	283,440	0.29	-	-	-
Soon Siew Leh <sup>6</sup>	750,000	0.75	-	-	-
Soon Tiew Choon <sup>7</sup>	-	-	-	-	-
Soon Nyuk Ben <sup>7</sup>	-	-	-	-	-
Lim Siew Fon <sup>8</sup>	15,000	0.02	-	-	-

*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 Tiew Choon and Soon Nyuk Ben are sisters 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 the Proposed Shareholders' Mandate.

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. 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.

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

### 3.9 DIRECTORS' STATEMENT AND RECOMMENDATION

Your Directors, 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 (save for Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Lee Sieng Tzi @ Vincent Lee, who are deemed interested in the Proposed Shareholders' Mandate) recommend that you vote in favour of the Proposed Shareholders' Mandate at the forthcoming AGM.

4. AGM

The notice of AGM that contains the Ordinary Resolution No. 3 and Ordinary Resolution No. 4 pertaining to the Proposed Purchase and Proposed Shareholders' Mandate respectively have been incorporated into the 2002 Annual Report which is being circulated to you together with this Circular.

5. 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

There are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by CBM and its subsidiary companies during the two (2) years immediately preceding the date of this Circular.

### 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 March 7, 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 April 24, 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 to be fixed by the Court.

### 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 for the past five (5) financial years ended December 31, 1998 to 2002.