

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

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

Bursa Malaysia Securities Berhad (“Bursa Securities”) 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.

In line with the provisions of Practice Note 18 on “Perusal of Draft Circulars and Other Documents,” Bursa Securities has not perused PART B of this Circular as the transaction proposed falls under the category of Exempt Circulars as outlined in the said Practice Note.



## **CSC STEEL HOLDINGS BERHAD**

*(Company No: 640357-X)  
(Incorporated in Malaysia)*

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

#### **PART A**

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

#### **PART B**

- **PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES**

**(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

**IN CONJUNCTION WITH THE SPECIAL BUSINESS**

**AT THE ELEVENTH ANNUAL GENERAL MEETING**

The Notice convening the Eleventh Annual General Meeting of the Company to be held at Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia on Wednesday, 17 June 2015, at 10.00 a.m. together with the Form of Proxy are set out in the Company's Annual Report 2014 while extract of resolutions on the Proposals are set out in Appendix II of this Circular.

Please complete and return the Form of Proxy in accordance with the instructions thereon. Your completed Form of Proxy should reach the Registered Office of the Company at 49-B Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia not less than forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the Meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 15 June 2015, at 10.00 a.m.

Date and time of the Annual General Meeting : Wednesday, 17 June 2015, at 10.00 a.m.

**This Circular is dated 26 May 2015**

## DEFINITIONS

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

“Act”	- Companies Act, 1965 (and any amendments thereto).
“AGM”	- Annual General Meeting.
“Board”	- The Board of Directors of CHB.
“Bursa Securities” or “the Exchange”	- Bursa Malaysia Securities Berhad (635998-W).
“CCM”	- Companies Commission of Malaysia.
“CEC”	- China Ecotek Corporation (84252401), a company in which CSC is a substantial shareholder.
“CHB” or “the Company”	- CSC Steel Holdings Berhad (640357-X).
“CHB Group” or “the Group”	- CHB and its subsidiary companies (namely CSCM, Group Steel, CSC Bio-Coal and CMSB) as defined in Section 5 of the Act. Subsidiary companies include subsidiaries which exist as at the date of this Circular and subsidiaries which are incorporated or acquired at any time during the duration of the Proposals.
“CHB Share(s)”	- Ordinary share(s) of RM1.00 each in CHB.
“CHB Subsidiaries”	- Collectively, CSCM, Group Steel, CSC Bio-Coal and CMSB.
“CHSC”	- Chung Hung Steel Corporation (07838854), a company in which CSC is a substantial shareholder.
“CIC”	- CSGT International Corporation (33794), a wholly-owned subsidiary of CSGT.
“CMSA”	- Capital Markets and Services Act 2007 (and any amendments thereto).
“CMSB”	- Constant Mode Sdn. Bhd. (922516-W), a wholly-owned subsidiary of CSCM.
“Code”	- The Malaysian Code on Take-Overs and Mergers, 2010 (and any amendments thereto).
“CSAP”	- China Steel Asia Pacific Holdings Pte. Ltd. (200009274G), a wholly-owned subsidiary of CSC, is also a major shareholder of CHB.
“CSC”	- China Steel Corporation (30414175).
“CSC Bio-Coal”	- CSC Bio-Coal Sdn. Bhd. (272448-P), a wholly-owned subsidiary of CHB.
“CSCM”	- CSC Steel Sdn. Bhd. (228899-P), a wholly-owned subsidiary of CHB.
“CSGT”	- China Steel Global Trading Corporation (96975583), a wholly-owned subsidiary of CSC.
“CSMC”	- China Steel Machinery Corporation (70818455), a subsidiary of CSC.
“Director”	- has the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director or chief executive of the CHB Group.
“EGM”	- Extraordinary General Meeting.
“EPS”	- Earnings per share.

- “Existing Mandate” - Mandate from the shareholders of the Company granted at the last AGM held on 19 June 2014 for the CHB Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in the ordinary course of business which are necessary for the CHB Group’s day-to-day operations that is valid from 19 June 2014 till the conclusion of the next AGM of the Company.
- “Group Steel” - Group Steel Corporation (M) Sdn. Bhd. (327738-P), a wholly-owned subsidiary of CHB.
- “Interested Directors” - Directors listed under Section 2.1.4 who are deemed to be Related Parties and are interested in the Proposed Shareholders’ Mandate.
- “Interested Major Shareholders” - Major Shareholders who are deemed to be Related Parties and are interested in the Proposed Shareholders’ Mandate.
- “Interested Persons Connected” - In relation to a director and/or major shareholder, who falls under any one of the following categories:-
- i) a family member of the director or major shareholder;
  - 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 family member of the director or major shareholder, 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 or major shareholder, or persons connected with him are entitled to exercise, or control the exercise of, not less than fifteen per centum (15%) of the votes attached to voting shares in the body corporate; or
  - ix) a body corporate which is a related corporation.
- “ISC” - InfoChamp Systems Corporation (70767857), a subsidiary of CSC.
- “LPD” - 7 May 2015, being the latest practicable date prior to the printing of this Circular.
- “LTH” - Lembaga Tabung Haji (ACT5351995).
- “Major Shareholder” - Includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a major shareholder of CHB as defined under paragraph 1.01 of the MMLR or any other corporation which is its subsidiary or holding company.
- ““major shareholder” is defined in paragraph 1.01 of the MMLR as a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-
- (i) ten per centum (10%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
  - (ii) five per centum (5%) or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation.
- For the purpose of this definition, "interest in shares" has the meaning given in Section 6A of the Act.”

“MMLR”	-	Main Market Listing Requirements of Bursa Securities, including any amendments that may be made from time to time.
“MOEA”	-	Ministry of Economic Affairs, Taiwan.
“NA”	-	Net assets.
“Proposals”	-	Collectively, the Proposed Shareholders’ Mandate and the Proposed Share Buy-Back Authority.
“Proposed Share Buy-Back Authority”	-	Proposed shareholders’ authority for CHB to purchase up to ten per centum (10%) of its issued and paid-up share capital.
“Proposed Shareholders’ Mandate”	-	Proposed renewal of shareholders’ mandate for the CHB Group to enter into recurrent related party transactions of a revenue or trading nature with related parties in the ordinary course of business which are necessary for the CHB Group’s day-to-day operations.
“Purchased CHB Shares”	-	CHB Shares that have been bought pursuant to previous share buy-back authority from the shareholders of the Company and to be purchased pursuant to the Proposed Share Buy-Back Authority.
“Recurrent Related Party Transactions” or “Recurrent Transaction” or “Recurrent Transactions” or “RRPT”	-	Recurring transactions of a revenue or trading nature which are necessary for the day-to-day operations and are entered into by the CHB Group with the Related Parties in the ordinary course of business which involves the interest, direct or indirect, of a Related Party.
“Related Party” or “Related Parties”	or -	Directors, major shareholders or persons connected with such directors or major shareholders as defined under Chapters 1 and 10 of the MMLR.
“RM” and “sen”	-	Ringgit Malaysia and sen respectively.
“ROE”	-	Return on equity.
“Share Buy-Back Authority”	-	Authority granted by the shareholders of CHB at previous AGMs for CHB to purchase up to ten per centum (10%) of the issued and paid-up share capital of CHB.
“TGSC”	-	Tatt Giap Steel Centre Sdn. Bhd. (310962-X), a company in which CHB has a 20% equity interest and CIC, a 14% equity interest.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time unless otherwise stated.

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## CSC STEEL HOLDINGS BERHAD

(Company No: 640357-X)  
(Incorporated in Malaysia)

**Registered Office:-**  
49-B Jalan Melaka Raya 8  
Taman Melaka Raya  
75000 Melaka, Malaysia

26 May 2015

### **Board of Directors**

Chen, Chung-Te (Group Managing Director)  
Liu, Jih-Gang (Non-Independent Non-Executive Director)  
Tan Chin Teng (Executive Director)  
Lee, Shin-Min @ Samuel Lee (Non-Independent Non-Executive Director)  
Pang Fee Yoon (Independent Non-Executive Director)  
Chong Khim Leong @ Chong Kim Leong (Independent Non-Executive Director)  
Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud (Non-Independent Non-Executive Director)  
Phong Hon Wai (Independent Non-Executive Director)  
Lim Lay Ching (Independent Non-Executive Director)

To: The Shareholders of CHB

Dear Sir/Madam

### **PART A**

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

### **PART B**

- **PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES**  
**(HEREINAFTER COLLECTIVELY REFERRED TO AS THE "PROPOSALS")**

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## **1. INTRODUCTION**

The Company had on 14 April 2015 announced its intention to seek shareholders' approval for the Proposals at its 11th AGM scheduled on 17 June 2015.

The purpose of this Circular is to provide you with information on the Proposals and to seek your approval to the resolutions relating to the Proposals under the agenda of Special Business, extracts of which are set out in Appendix II of this Circular.

Notice of the Company's 11th AGM is enclosed together with the Annual Report of the Company for the financial year ended 31 December 2014.

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**SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTIONS CONCERNING THE PROPOSALS.**

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## 2. DETAILS OF THE PROPOSALS

### PART A

#### 2.1 PROPOSED SHAREHOLDERS' MANDATE

At CHB's 10th AGM held on 19 June 2014, shareholders of the Company had *inter-alia* granted the CHB Group with a mandate to enter into Recurrent Transactions. The mandate granted shall expire at the conclusion of the Company's forthcoming AGM scheduled on 17 June 2015 unless renewed by an ordinary resolution passed by the shareholders of CHB.

CHB is therefore seeking the approval of its shareholders to renew the existing shareholders' mandate pursuant to and in compliance with the conditions stated in Paragraph 10.09 of the MMLR and Practice Note 12, to enable the Group to continue entering into RRPT with the Related Parties.

##### 2.1.1 Details

Pursuant to Paragraph 10.09(2) of the MMLR and Practice Note 12, a listed company 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:-

- i) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- ii) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the MMLR;
- iii) the issuance of a circular to shareholders for the shareholder mandate by the listed issuer;
- iv) in a meeting to obtain the shareholders' mandate, the interested directors, interested major shareholders and interested persons connected; and where it involves the interest of an interested person connected, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must also ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- v) the listed issuer immediately announces to the Exchange when the actual value of a Recurrent Related Party Transaction entered into by the listed issuer, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the circular by 10% or more and must include the information as may be prescribed by the Exchange in its announcement.

Where a shareholder mandate pursuant to Paragraph 10.09(2) of the MMLR has been procured, the provisions of Paragraph 10.08 of the MMLR shall not apply.

The Proposed Shareholders' Mandate, if approved at CHB's 11th AGM, shall take effect from the passing of the ordinary resolution on the Proposed Shareholders' Mandate at CHB's said 11th AGM scheduled on 17 June 2015 and shall continue to be in force until:-



- (a) the conclusion of the next AGM of the Company (following the general meeting at which such ordinary resolution is passed) at which time it shall lapse unless by a resolution passed at such AGM, the authority conferred by this resolution is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or
- (c) revoked or varied by a resolution passed by shareholders of the Company in a general meeting before the next AGM,

whichever is the earlier.

### 2.1.2 Principal Activities of the CHB Group

CHB is an investment holding company providing management services to its subsidiaries. The principal activities of its subsidiaries are as follows:-

<u>Name of Company</u>	<u>Principal Activities</u>
<u>Subsidiaries of CHB</u>	
• CSCM	- Manufacturing and marketing of pickled and oiled steel, cold rolled steel, hot dipped galvanised steel commonly known as GI and prepainted galvanised steel commonly known as PPGI or colour coated steel.
• Group Steel	- Dormant company.
• CSC Bio-Coal	- Undertaking the setting up of a pilot bio-coal plant with the purpose of producing bio-mass pellets from bio-mass and bio-coal from bio-mass using the torrefaction process.
<u>Subsidiary of CSCM</u>	
• CMSB	- Investment holding.
<u>Associated Company</u>	
• TGSC	- A service center for steel products.

### 2.1.3 Nature of Transactions

Principal activities of the Related Parties are as follows:-

Related Parties	Principal Activities
CSC	Manufacturer of a broad range of high quality steel products.
CSGT	Trading of steel products and industrial materials.
CSMC	Machine maker and contracting for heavy machinery engineering and construction.
ISC	Provision of information communication technology software and hardware and industrial equipment and machinery.
CHSC	Manufacturer of hot rolled steel and cold rolled steel products.
TGSC	A service center for steel products.
CEC	Provision of engineering and consulting services in waste treatment and co-generation plants.

**2.1.4 Related Parties with whom the Recurrent Transactions will be Conducted, Details of the Recurrent Transactions and Details of Existing Mandate not Sought**

**(i) Details of the Proposed Shareholders' Mandate**

Details of Recurrent Transactions to be entered into between CSCM with the Related Parties for which the Proposed Shareholders' Mandate is sought are as follows:-

Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	* <sup>(1)</sup> Estimated Value for Proposed Mandate Renewal, from date of CHB's 11th AGM on 17 June 2015 to the date of the next AGM (RM'000)	Estimated Value as disclosed in the Circular to Shareholders dated 28 May 2014 (RM'000)	Actual Value Transacted (from the date of the last AGM held on 19 June 2014 to LPD) (RM'000)
CSC	Purchase of raw materials, spare parts, rollers and chemicals from CSC	<i>Interested Shareholder</i> CSAP <sup>(a)(i)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJG <sup>(b)(c)</sup> , LSM <sup>(b)(c)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	500,000	500,000	354,247
CSGT	Purchase of machinery, spare parts, rollers and chemicals from CSGT	<i>Interested Shareholder</i> CSAP <sup>(a)(ii)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJG <sup>(b)(c)(d)</sup> , LSM <sup>(b)(c)(e)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	4,000	3,500	1,745
CSMC	Purchase of machinery and spare parts from CSMC	<i>Interested Shareholder</i> CSAP <sup>(a)(iii)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJG <sup>(b)(c)</sup> , LSM <sup>(b)(c)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	1,500	1,500	-
CHSC	Purchase of raw materials from CHSC	<i>Interested Shareholder</i> CSAP <sup>(a)(v)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJG <sup>(b)(c)(d)</sup> , LSM <sup>(b)(c)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	32,000	38,000	19,457
TGSC	Sale of steel products to TGSC	<i>Interested Major Shareholder</i> CSAP <sup>(a)(vi)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJG <sup>(b)(c)</sup> , LSM <sup>(b)(c)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	35,000	42,000	17,059
<b>Total</b>			<b>572,500</b>	<b>585,000</b>	<b>392,508</b>

**(ii) Actual and Estimated Value of Each RRPT of Existing Mandate**

Details of the following RRPT in respect of CSCM and CSC Bio-Coal whose mandate from the shareholders is not sought at the coming 11th AGM of the Company is set out below:-

**CSCM**

Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Estimated Value as disclosed in the Circular to Shareholders dated 28 May 2014 (RM'000)	Actual Value Transacted (from the date of the last AGM held on 19 June 2014 to LPD) (RM'000)
ISC	Purchase of computer hardware, software and industrial equipment and machinery from ISC	<i>Interested Major Shareholder</i> CSAP <sup>(a)(iv)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJJ <sup>(b)(c)</sup> , LSM <sup>(b)(c)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	1,000	33
<b>Total</b>			<b>1,000</b>	<b>33</b>

**CSC Bio-Coal**

Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Estimated Value as disclosed in the Circular to Shareholders dated 28 May 2014 (RM'000)	Actual Value Transacted (from the date of the last AGM held on 19 June 2014 to LPD) (RM'000)
CSC	Sale of bio-coal to CSC	<i>Interested Major Shareholder</i> CSAP <sup>(a)(i)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJJ <sup>(b)(c)</sup> , LSM <sup>(b)(c)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	6,000	580
CEC	Purchase of equipment and machinery from CEC	<i>Interested Major Shareholder</i> CSAP <sup>(a)(vii)</sup>  <i>Interested Directors</i> CCT <sup>(b)(c)</sup> , LJJ <sup>(b)(c)</sup> , LSM <sup>(b)(c)</sup> , WKC <sup>(c)</sup> , OJJ <sup>(c)</sup> and LTC <sup>(c)</sup>	1,000	-
<b>Total</b>			<b>7,000</b>	<b>580</b>

Notes:

- \* (1) The estimated value of transactions is based on the past record of RRPT carried out with the Related Parties. However, the actual value of the transactions from the date of CHB's 11th AGM to the date of the next AGM may be subject to changes.

#### **Interested Major Shareholder**

- (a) CSAP
- (i) CSAP being a wholly-owned subsidiary of CSC.
  - (ii) CSAP being a wholly-owned subsidiary of CSC. CSC is the holding company of CSGT.
  - (iii) CSAP being a wholly-owned subsidiary of CSC. CSC is the holding company of CSMC.
  - (iv) CSAP being a wholly-owned subsidiary of CSC. CSC is the holding company of ISC.
  - (v) CSAP being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of CHSC.
  - (vi) CSAP being a wholly-owned subsidiary of CSC. CSC is the holding company of CSGT. CSGT is the holding company of CIC. CIC has a 14% equity interest in TGSC while the Company has a 20% equity interest in TGSC.
  - (vii) CSAP being a wholly-owned subsidiary of CSC. CSC is a substantial shareholder of CEC.

#### **Interested Directors**

CCT - Chen, Chung-Te  
LJG - Liu, Jih-Gang  
LSM - Lee, Shin-Min @ Samuel Lee  
WKC - Wu, Kung-Ching (resigned on 7 May 2014)  
OJJ - Ou, Jenq-Jang  
LTC - Lee, Tsung-Chang (appointed on 7 May 2014)

- (b) CCT, LJG, and LSM are respectively employees and shareholders of CSC and Directors of CHB.
- (c) CCT, LJG, LSM, OJJ, and LTC are Directors of CSCM, Group Steel and CSC Bio-Coal. WKC resigned as Director of CSCM, Group Steel and CSC Bio-Coal on 7 May 2014, replaced by LTC. OJJ and LTC are also employees and shareholders of CSC.
- (d) LJG is also a director of CSAP, CHSC and CSGT.
- (e) LSM is also a director of CSGT.

Based on the above table, the actual value of total transactions from the date on which the Existing Mandate was obtained (i.e. the date of the last 10th AGM on 19 June 2014) up to the LPD, has not exceeded the estimated value mandated.

### **2.1.5 Review Procedures For Recurrent Transactions**

The Group has established procedures to ensure that the Recurrent Transactions contemplated under the Proposed Shareholders' Mandate are undertaken on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders and that all transactions with Related Parties undergoes the normal purchasing procurement process which are objectively and consistently applied to all its procurement transactions with the public.

The following procedures are to ensure that all Recurrent Transactions are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies:-

- (i) The relevant departments are made aware that all Recurrent Transactions are required to be undertaken on terms not more favourable to the Related Parties than those generally available to public and are not to the detriment of minority shareholders of CHB.

- (ii) Records are maintained to capture all Recurrent Transactions.
- (iii) The internal audit programme includes a review of the records of Recurrent Transactions to ensure that all transactions are adhered to the policies and requirements of the Group as well as the MMLR.
- (iv) The Audit Committee reviews the actual value of the Recurrent Transactions against the value mandated by the shareholders on a quarterly basis to ensure compliance with the MMLR.
- (v) The Audit Committee reviews the internal audit reports to ascertain that adequate controls to monitor Recurrent Transactions have been complied with.
- (vi) The Audit Committee has overall responsibility for determination of review procedures in respect of Recurrent Transactions.
- (vii) The Board and Audit Committee may also appoint individuals and committees within the CHB Group to examine Recurrent Transactions as they deem appropriate.
- (viii) Where a member of the Board or the Audit Committee has an interest (direct or indirect), he shall declare his interest in the Recurrent Transactions and shall abstain from participating in decision-making of the Board or Audit Committee on the said Recurrent Transactions.
- (ix) Breakdown of the aggregate value, type of transactions, names of the Related Parties involved in the Recurrent Transaction and their relationship with the respective companies involved are disclosed in the annual report of CHB or in the Group audited financial statements for that financial year.
- (x) Pricing of products or services are determined based on usual commercial terms, business practices and policies or are otherwise in accordance with other applicable industry norms and considerations.

Whenever possible, to ascertain whether the price and terms offered to/by the Related Parties are fair and reasonable and are comparable to those offered to/by other unrelated parties for the same or substantially similar type of products/services and quantities, at least for two (2) contemporaneous transactions with unrelated third parties for similar products/services and/or quantities are used as comparison.

In the event that quotation or comparative pricing from unrelated parties cannot be obtained, for instance, if there are no unrelated third party vendors/customers of similar products or services or if the product/service is a proprietary item, the transaction price will be determined by price negotiation with the related parties based on those offered by other unrelated parties for substantially similar type of transactions where available to ensure that the RRPT is not detrimental to the Group.

Approving authority and thresholds for RRPTs respecting the sales of the Company's products and purchases of raw materials, general materials and other sales and purchases will be based on the Group's pre-set policy which spells out the type and amount of sales and purchases that require the approval of the Vice President of Commercial Division.

Any amounts exceeding RM5,000,000, being the approval threshold set for the Vice President of Commercial Division in respect of RRPTs shall require ratification by the Board of Directors.

### 2.1.6 Outstanding RRPT Receivables

The breakdown of the principal sum for the total outstanding amount due to the Group under the RRPT which exceeded the credit terms as at 31 December 2014 are as follows:-

Related Party	Amount of Outstanding RRPT Receivables			
	≤ 1 year	> 1 year to 3 years	>3 years to 5 years	> 5 years
TGSC	Principal : RM20,807,679* Interest : RM 57,026	-	-	-

\* Note: Outstanding balances that exceeded 90 days as at 31 December 2014 which amounted to RM12.92 million has been provided as doubtful debts to comply with accounting standards.

CSCM charges late payment interest of 8% per annum on the outstanding principal sum and closely monitors the agreed payment schedule.

The Board is of the opinion that the afore receivables is recoverable as TGSC's parent company, Tatt Giap Group Berhad, has provided CSCM with a corporate guarantee to honour the same. Of the amount outstanding as shown above, the Company has during the period from 1 January 2015 up to LPD, received payment of RM5,614,175 from TGSC.

### 2.1.7 Statement by Audit Committee

The Audit Committee has reviewed the procedures laid down in respect of Recurrent Transactions as set out in Section 2.1.5 above and are satisfied that they are sufficient to ensure that Recurrent Transactions are conducted at arm's length basis and are in accordance with the Group's normal commercial terms; that they are on terms which are not more favourable to the Related Parties than those generally available to the public and thus, will not be prejudicial to the minority shareholders or disadvantageous to the Group.

In addition, the Audit Committee is of the opinion that the Group has in place adequate measures and processes to monitor, track and identify Recurrent Transactions in a timely and orderly manner. The review of these procedures and processes would be conducted by the internal auditor at least once a year.

As at LPD, composition of the Audit Committee is as follows:-

- (a) Mr. Pang Fee Yoon (Chairman/Independent Non-Executive Director)
- (b) Mr. Chong Khim Leong @ Chong Kim Leong (Member/Independent Non-Executive Director)
- (c) Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud (Member/Non-Independent Non-Executive Director)
- (d) Mr. Phong Hon Wai (Member/Independent Non-Executive Director)
- (e) Ms. Lim Lay Ching (Member/Independent Non-Executive Director)

### 2.1.8 Rationale for and Benefit to Shareholders

The Recurrent Transactions are meant to meet the business needs of the CHB Group. The Related Parties who are involved in the Recurrent Transactions have longstanding business relationships with the CHB Group and where applicable, have proven track records.

The various Recurrent Transactions entered or to be entered into by the CHB Group as stated in Section 2.1.4 above will benefit the Group in that goods and services transacted with the Related Parties are competitively priced and are on terms which are beneficial to the Group.

Recurrent Transactions entered or to be entered into by the CHB Group with the Related Parties are all in the ordinary course of business and of a revenue or trading nature which are likely to occur with some degree of frequency.

These transactions may be constrained by confidentiality and are time-sensitive in nature and delays in obtaining the requisite shareholders' approval may disadvantage the Group.

By obtaining approval to the Proposed Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time-to-time to seek shareholders' approval as and when such Recurrent Transactions occur is eliminated. Besides improving efficiency, precious resources such as administrative time and costs would be freed up towards attaining other corporate and business objectives of the CHB Group.

### 2.1.9 Financial Effects

The Proposed Shareholders' Mandate while not having any effect on the issued and paid-up share capital and shareholdings of major shareholders of CHB, is expected to continue to contribute positively to the earnings and NA of the CHB Group.

### 2.1.10 Shareholdings of Directors and Major Shareholders

Save as disclosed in Section 2.1.4 above, none of the other Directors or Major Shareholders of the CHB Group or persons connected to them has any interest, direct or indirect, in the Proposed Shareholders' Mandate. Article 114 of the Company's Article of Association stated there shall be no share qualification for Directors, unless otherwise fixed by the Company in general meeting.

As at LPD, none of the Interested Directors listed in Section 2.1.4 above has any direct or indirect shareholdings in the issued and paid-up share capital of the CHB Group while the direct and indirect shareholdings of the Interested Major Shareholders in the issued and paid-up share capital of the CHB Group are as follows:-

Name of Interested Major Shareholders of the CHB Group	Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
CSAP	171,000,000	46.07%	-	-
<sup>(2)</sup> CSC	-	-	171,000,000	46.07%
<sup>(3)</sup> MOEA	-	-	171,000,000	46.07%

**Notes:**

- (1) Excludes 8,809,700 CHB Shares bought-back by CHB and retained as treasury shares as at LPD.
- (2) Deemed interested by virtue of CSC's substantial shareholdings in CSAP.
- (3) Deemed interested by virtue of MOEA's substantial shareholdings in CSC.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting on the Recurrent Transactions at the relevant board meetings.

In addition, the Interested Directors shall also abstain from voting in respect of their direct and indirect shareholdings, if any, on the Proposed Shareholders' Mandate at CHB's 11th AGM and they undertake that persons connected to them will also abstain from voting on the Proposed Shareholders' Mandate at CHB's 11th AGM.

The Interested Major Shareholders shall abstain from voting in respect of their direct and indirect shareholdings on the Proposed Shareholders' Mandate at CHB's 11th AGM and they further undertake that persons connected to them will also abstain from voting on the Proposed Shareholders' Mandate at CHB's said 11th AGM.

## **PART B**

### **2.2 PROPOSED SHARE BUY-BACK AUTHORITY**

At the 10th AGM of the Company on 19 June 2014, the shareholders had *inter alia* approved the Share Buy-Back Authority. In compliance with the MMLR and the resolution passed by the shareholders at the last AGM, the authority granted to CHB to purchase up to ten per centum (10%) of its own shares on the Bursa Securities will expire at the conclusion of CHB's 11th AGM to be held on 17 June 2015 unless renewed by an ordinary resolution passed by the shareholders.

#### **2.2.1 Details**

CHB proposes to seek the approval of its shareholders at its coming AGM for the renewal of the Share Buy-Back Authority.

As at LPD, the issued and paid-up share capital of CHB is RM380,000,000 comprising 380,000,000 CHB Shares. The maximum number of shares that may be bought-back is up to ten per centum (10%) of the issued and paid-up share capital of CHB and included in this ten per centum (10%) quota is all shares which have been previously bought-back and retained as treasury shares.

Between 3 July 2006, date of the first share buy-back by CHB, and LPD, CHB had bought-back a total of 8,809,700 CHB Shares at a total cost of RM9,741,407.11, including broker fees, all of which have been retained as treasury shares.

The renewal of the authority from the shareholders for the purchase by CHB of its own shares will be effective immediately upon the passing of the ordinary resolution on the Proposed Share Buy-Back Authority at CHB's 11th AGM until:

- (i) the conclusion of the next AGM of the Company (following the general meeting at which such ordinary resolution was passed) at which time it shall lapse unless by a resolution passed at such AGM, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act [but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.



### **2.2.2 Funding/Cash Flow**

The MMLR stipulates that the proposed purchase by a listed company of its own shares must be made wholly out of retained profits and/or share premium account of the listed company.

CHB therefore proposes to allocate an amount not exceeding the audited retained profits and share premium account of CHB for purposes of the Proposed Share Buy-Back Authority.

Based on the audited financial statements of the Company for the year ended 31 December 2014, the retained profits and the share premium account of CHB amounted to approximately RM15.14 million and RM23.88 million respectively. Pursuant to the unaudited Financial Statement of the Company for the financial period ended 31 March 2015, the retained profits and the share premium account of CHB was RM15.48 million and RM24.03 million respectively.

The funding for the Proposed Share Buy-Back Authority is expected to be internally generated and is not expected to have any material effect on the cash flow of the Company.

The actual number of CHB shares to be purchased, the amount of funds involved for each purchase and the timing of the purchases would depend on market conditions, sentiments of the stock market, the amount of retained profits available and the share premium account of CHB.

### **2.2.3 Treatment of Purchased CHB Shares**

Pursuant to Section 67A of the Act, the Purchased CHB Shares may be dealt with by the Board in the following manner:

- (i) cancelled; or
- (ii) retained as treasury shares; or
- (iii) retain part of the shares purchased as treasury shares and cancel the remainder; or
- (iv) distribute the treasury shares as dividend to shareholders; or
- (v) re-sell the treasury shares on Bursa Securities.

### **2.2.4 Regulatory Requirements and Conditions**

The Proposed Share Buy-Back Authority shall be carried out in compliance with Section 67A of the Act and any prevailing laws, orders, requirements, guidelines, rules and regulations issued by the relevant authorities at the time of purchase including compliance with the twenty-five per centum (25%) public shareholding spread as required by the MMLR.

As at 23 April 2015, the public shareholding spread of CHB is approximately 43.92%. If the Proposed Share Buy-Back Authority is approved for implementation, the Company will ensure the minimum public shareholding spread of twenty-five per centum (25%) is complied with.

CHB may only purchase its own shares at a price that is not more than fifteen per centum (15%) above the weighted average market price of CHB Shares for the past five (5) market days immediately prior to the purchase. CHB shares purchased and retained as treasury shares can only be resold on Bursa Securities at:

- (i) a price which is not less than the weighted average market price of CHB Shares for the five (5) market days immediately prior to the resale; or
- (ii) a discounted price of not more than five per centum (5%) of the weighted average market price for the shares for the five (5) market days immediately prior to the resale provided that:
  - the resale takes place no earlier than thirty (30) days from the date of purchase; and
  - the resale price is not less than the cost of purchase of the shares being resold.

While the Purchased CHB Shares are held as treasury shares, the rights attached to them in relation to voting, dividend and participation in rights, allotments and/or other distributions are suspended and the Purchased CHB Shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in CHB for any purposes including major shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting of shareholders.

The Company's share buy-backs are affected through two (2) stockbrokers.

#### 2.2.5 Historical Share Prices

The monthly highest and lowest market prices of CHB shares as traded on the Main Board of Bursa Securities for the preceding twelve (12) months from May 2014 to April 2015 are as follows:-

Month	High (RM)	Low (RM)
<b><u>2014</u></b>		
May 2014	1.36	1.30
June 2014	1.34	1.20
July 2014	1.22	1.19
August 2014	1.24	1.14
September 2014	1.18	1.13
October 2014	1.15	1.08
November 2014	1.13	1.09
December 2014	1.11	0.95
<b><u>2015</u></b>		
January 2015	1.03	1.00
February 2015	1.02	0.98
March 2015	1.00	0.94
April 2015	1.02	0.96
Last transacted share price on 14 April 2015 (being the market day of the announcement of the Proposed Share Buy-Back Authority)		0.970
Last transacted share price (i.e. closing price) on LPD		0.990

[Source: Bursa Malaysia]

## 2.2.6 Purchases, Cancellation and Resale of Treasury Shares Made in the Past Twelve (12) Months

Details of the share buy-back carried out in the past twelve (12) months period till LPD are as follows:-

Date of Share Buy-Back	No. of CHB Shares Bought Back	Lowest Price (RM)	Highest Price (RM)	Average Cost of CHB Share (RM)	Total Cost (RM)
08-08-2014	11,800	1.150	1.150	1.150	13,645.07
07-10-2014	27,200	1.150	1.150	1.150	31,452.76
08-10-2014	48,800	1.130	1.150	1.140	55,552.56
13-10-2014	39,300	1.130	1.130	1.130	44,653.84
14-10-2014	55,500	1.130	1.140	1.135	63,071.37
15-10-2014	51,000	1.130	1.130	1.130	57,947.33
16-10-2014	130,000	1.110	1.120	1.115	145,091.04
17-10-2014	50,000	1.100	1.110	1.105	55,604.85
23-10-2014	35,000	1.090	1.090	1.090	38,360.68
01-12-2014	35,100	1.090	1.090	1.090	38,470.16
09-12-2014	49,000	1.030	1.060	1.045	51,462.81
10-12-2014	28,500	1.040	1.060	1.050	29,908.74
16-12-2014	26,000	0.970	0.990	0.980	25,589.32
17-12-2014	25,800	0.980	1.000	0.990	25,602.59
10-02-2015	10,000	0.995	1.000	0.998	10,029.89
28-04-2015	51,500	0.980	0.990	0.985	51,117.27
07-05-2015	47,000	0.995	1.000	0.998	47,120.55
<b>Total</b>	<b>721,500</b>				<b>784,680.83</b>

The Company did not cancel or sell any of its treasury shares during the past twelve (12) months period.

## 2.2.7 Rationale for the Proposed Share Buy-Back Authority

The Proposed Share Buy-Back Authority provides CHB with another option to utilise its surplus financial resources more efficiently.

It also serves as an instrument to stabilise the supply and demand of CHB Shares as well as the price of CHB Shares.

All things being equal, the Proposed Share Buy-Back Authority, regardless whether the Purchased CHB Shares are held as treasury shares or cancelled, will result in a lower number of CHB Shares being taken into account for the purpose of computing the EPS of CHB Shares.

Cost of the Purchased CHB Shares, whether held as treasury shares or cancelled, will be excluded from the CHB Group shareholders' funds in the computation of ROE.

The purchase by CHB of its own shares will improve the EPS of CHB Shares as well as the ROE of CHB which would in turn, be expected to have a positive impact on the share price of CHB Shares.

Purchased CHB Shares which are retained as treasury shares may potentially be resold on Bursa Securities at a higher price thereby realising a potential gain in reserves without affecting the total issued and paid-up share capital of CHB.

The treasury shares may also be distributed to shareholders as dividend and if undertaken, would serve as a reward to the shareholders of CHB.

Other advantages of the Proposed Share Buy-Back Authority to CHB and its shareholders are that it:

- (i) allows the Company to take preventive measures against speculation, particularly when its shares are undervalued, and a stabilised market price of CHB Shares will enhance investors' confidence; and
- (ii) allows the Company flexibility in attaining its desired capital structure in terms of debt, equity composition and size of equity.

### **2.2.8 Risk Assessment of the Proposed Share Buy-Back Authority**

The Proposed Share Buy-Back Authority, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego:

- future investments or business opportunities; and/or
- any interest income that may be derived from the deposit of such funds in interest bearing instruments.

If implemented, it may also result in a reduction of the financial resources available for distribution in the form of cash dividend to shareholders of CHB.

On the other hand, the financial resources of the Group may increase if the Purchased CHB Shares, presently held as treasury shares, are resold at prices higher than the purchase price.

In this connection, the Board will be mindful of the interests of the Group, the shareholders and stakeholders of CHB when implementing the Proposed Share Buy-Back Authority and when cancelling and/or selling the said treasury shares, if any, on the Bursa Securities.

### **2.2.9 Effects of the Proposed Share Buy-Back Authority**

Effects of the Proposed Share Buy-Back Authority on the share capital, consolidated NA, working capital, earnings, dividend and shareholdings of Directors and major shareholders in CHB are as follows:

#### **2.2.9.1 Share Capital**

Effect of the Proposed Share Buy-Back Authority on the share capital of CHB depends on the treatment of the Purchased CHB Shares.

If CHB purchases up to the maximum of ten per centum (10%) allowed which are then cancelled, the existing issued share capital of CHB of RM380,000,000 comprising 380,000,000 CHB Shares will be reduced to RM342,000,000 comprising 342,000,000 CHB Shares.

If all Purchased CHB Shares are retained as treasury shares, there is no impact on the issued and paid-up share capital of CHB.

#### **2.2.9.2 NA**

Effect of the Proposed Share Buy-Back Authority on the consolidated NA per share of the CHB Group would depend on the purchase prices, number of CHB Shares purchased, treatment of the purchased CHB Shares and the effective funding cost or loss of interest income to CHB.

The Proposed Share Buy-Back Authority will reduce the NA per share of the CHB Group at the time of purchase if the purchase price exceeds the NA per share and conversely, will increase the NA per share at the time of purchase if the purchase price is less than the NA per share.

If the treasury shares are resold at a gain, the NA per share of the CHB Group would increase and conversely. The quantum of the increase in NA will depend on the selling prices of the Purchased CHB Shares and the number of Purchased CHB Shares resold.

#### **2.2.9.3 Working Capital**

The Proposed Share Buy-Back Authority will reduce the working capital of the CHB Group, the quantum of which will depend on the purchase prices, the number of CHB Shares purchased and the effective funding cost or loss of interest income to CHB.

#### **2.2.9.4 Earnings**

The effect of the Proposed Share Buy-Back Authority on the EPS of the CHB Group would depend on the effective funding cost to the CHB Group to finance the purchase of CHB Shares or any loss in interest income to CHB.

Assuming that the CHB Shares purchased are retained as treasury shares and resold, the effects on the earnings of the Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

#### **2.2.9.5 Dividend**

The Proposed Share Buy-Back Authority may have an impact on the Company's dividend policy as it would reduce the cash available for dividend payment. On the other hand, the treasury shares may be distributed as dividend to the shareholders if the Company so decides. Any dividend to be declared by CHB in the future would depend on, *inter-alia*, the profitability, retained earnings, cashflow position and capital requirements of the CHB Group.

Notwithstanding, the Group is committed to adhere to its dividend policy of distributing not less than fifty per centum (50%) of its annual profit after tax.

#### **2.2.9.6 Major Shareholders' and Directors' Shareholdings**

Based on the Register of Substantial Shareholders and Directors' Shareholdings as at LPD, the effects of the Proposed Share Buy-Back Authority on the shareholdings of Major Shareholders and Directors based on the following assumptions are as follows:-

- (i) the purchase of the maximum ten per centum (10%) of the issued and paid-up share capital of CHB; and
- (ii) the CHB shares purchased are from shareholders other than the Major Shareholders and Directors.

	Before Proposed Share Buy-Back				After Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of CHB Shares held as at LPD	%(1)	No. of CHB Shares held as at LPD	%(1)	No. of CHB Shares held	%(4)	No. of CHB Shares held	%(4)
<b><i>Major Shareholders</i></b>								
CSAP	171,000,000	46.07	-	-	171,000,000	50.00	-	-
Gan Tian Chin	32,464,100	8.75	4,704,600	1.27	32,464,100	9.49	4,704,600	1.38
LTH	20,183,800	5.44	-	-	20,183,800	5.90	-	-
CSC	-	-	<sup>(2)</sup> 171,000,000	46.07	-	-	<sup>(2)</sup> 171,000,000	50.00
MOEA	-	-	<sup>(3)</sup> 171,000,000	46.07	-	-	<sup>(3)</sup> 171,000,000	50.00
<b><i>Directors</i></b>								
Chen, Chung-Te	20,000	0.005	-	-	20,000	0.006	-	-
Liu, Jih-Gang	-	-	-	-	-	-	-	-
Tan Chin Teng	-	-	-	-	-	-	-	-
Lee, Shin-Min @ Samuel Lee	-	-	-	-	-	-	-	-
Pang Fee Yoon	20,000	0.005	-	-	20,000	0.006	-	-
Chong Khim Leong @ Chong Kim Leong	20,000	0.005	-	-	20,000	0.006	-	-
Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud	-	-	-	-	-	-	-	-
Phong Hon Wai <sup>(5)</sup>	-	-	-	-	-	-	-	-
Lim Lay Ching <sup>(6)</sup>	-	-	-	-	-	-	-	-

**Notes:**

- (1) Excludes 8,809,700 CHB Shares bought back by CHB and retained as treasury shares as at LPD.
- (2) Deemed interested by virtue of CSC's substantial shareholdings in CSAP.
- (3) Deemed interested by virtue of MOEA's substantial shareholdings in CSC.
- (4) Assuming that CHB purchases up to ten per centum (10%) of its issued and paid-up share capital pursuant to the Proposed Share Buy-Back Authority.
- (5) Mr. Phong Hon Wai was appointed as Independent Non-Executive Director of the Company on 2 March 2015.
- (6) Ms. Lim Lay Ching was appointed as Independent Non-Executive Director of the Company on 2 March 2015.

### 2.2.9.7 Directors' and Major Shareholders' Interests

Save for the proportionate increase in the percentage of shareholdings and/or voting rights of the shareholders of CHB as a consequence of the Proposed Share Buy-Back Authority, none of the Directors and/or Major Shareholders of CHB and/or persons connected to the Directors and/or Major Shareholders of CHB have any interest, direct or indirect, in the Proposed Share Buy-Back Authority.

### 2.2.10 Implications of the Proposed Share Buy-Back Authority in Relation to the Code

Pursuant to Practice Note 9 Paragraph 10.1 of the Code, in the event the Proposed Share Buy-Back Authority results in any major shareholder and/or persons acting in concert with him:

- (a) holding more than thirty-three per centum (33%) of the voting shares or voting rights in CHB, the affected major shareholder and/or persons acting in concert with him will be obliged to make a mandatory offer for the remaining CHB Shares not held by him;

- (b) who already holds more than thirty-three per centum (33%) but not more than fifty per centum (50%) of the voting shares or voting rights in CHB, increases his holding of the voting shares or voting rights of the Company by more than two per centum (2%) in any six (6) months period, the affected major shareholder and/or persons acting in concert with him will be obliged to make a mandatory offer for the remaining CHB Shares not held by him;
- (c) who already holds more than thirty-three per centum (33%) but not more than fifty per centum (50%) of the voting shares or voting rights of CHB acquires more than two per centum (2%) of the voting shares or voting rights in the Company when he knows or reasonably ought to know that the Company would carry out a buy back scheme, the affected major shareholder and/or persons acting in concert with him will be obliged to make a mandatory offer for the remaining CHB Shares not held by him.

However, the affected major shareholder and/or persons acting in concert with him may apply for a waiver from the Securities Commission under Practice Note 9 Paragraph 24.1 of the Code.

### **3. APPROVALS REQUIRED**

The Proposals are subject to approvals being obtained from the shareholders at the 11th AGM of the Company scheduled on 17 June 2015.

### **4. DIRECTORS' RECOMMENDATION**

The Board of Directors of CHB (except for Chen, Chung-Te, Mr. Liu, Jih-Gang and Mr. Lee, Shin-Min @ Samuel Lee who are Interested Directors in respect of the Proposed Shareholders' Mandate as set out in Section 2.1.4 of this Circular) having taken into consideration all aspects of the Proposals, is of the opinion that the Proposals are in the best interests of both CHB and the shareholders of CHB and they therefore do recommend that the shareholders vote in favour of the resolutions pertaining to the aforementioned Proposals to be tabled at CHB's said 11th AGM.

### **5. AGM**

The notice convening CHB's 11th AGM on the resolutions pertaining to the Proposals is set out in CHB's Annual Report 2014 accompanying this Circular while the extract of resolutions on the Proposals are set out in Appendix II.

CHB's 11th AGM will be held at Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia on Wednesday, 17 June 2015, at 10.00 a.m.

If you are unable to attend and vote in person at CHB's 11th AGM, you may complete and return the Form of Proxy contained in the Annual Report 2014 in accordance with the instructions printed thereon, to reach the Registered Office of the Company at 49-B Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia not later than forty-eight (48) hours before the time set for CHB's 11th AGM or at any adjournment thereof.

Lodgement of the Form of Proxy does not preclude you from attending and voting in person at CHB's 11th AGM should you subsequently decide to do so.

**6. FURTHER INFORMATION**

Shareholders are advised to refer to the attached Appendix II in this Circular for further information.

Yours faithfully  
For and on behalf of the Board of Directors  
**CSC STEEL HOLDINGS BERHAD**

**CHEN, CHUNG-TE**  
Group Managing Director



**ADDITIONAL INFORMATION**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of CHB who collectively and individually accept full responsibility for the accuracy and correctness of the information contained herein and they further confirm that after having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

**2. MATERIAL CONTRACTS**

Neither CHB nor its subsidiary companies have entered into any material contracts (not being contracts entered into in the ordinary course of business) during the two (2) years immediately preceding the date of this Circular.

**3. MATERIAL LITIGATION**

Neither CHB nor its subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors of CHB do not have any knowledge of any proceedings, pending or threatened against CHB and its subsidiary companies or of any facts likely to give rise to any proceedings which might adversely and materially affect the position or business of CHB and its subsidiary companies.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's Registered Office at 49-B Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia during office hours from the date of this Circular (except public holidays) up to and including the date of CHB's 11th AGM:-

- (i) Memorandum and Articles of Association of CHB;
- (ii) Audited Financial Statements of CHB for the past two (2) financial years i.e. the financial years ended 31 December 2013 and 31 December 2014; and
- (iii) The latest unaudited results since the last audited financial statements which is the unaudited Quarterly Financial Results for the three (3) months period ended 31 March 2015.

**EXTRACT OF RESOLUTIONS ON THE PROPOSALS TO BE TABLED AT CHB'S 11TH AGM**

**ORDINARY RESOLUTION NO. 8  
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT, subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company and its subsidiaries (collectively the "Group") be and are authorised to enter into and to give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.1.4 of the Circular to Shareholders dated 26 May 2015 provided that such transactions and/or arrangements are:-

- (a) necessary for the day-to-day operations of the Group;
- (b) undertaken in the ordinary course of business and at 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
- (c) are not prejudicial to the minority shareholders of the Company

(the "Proposed Renewal of Shareholders' Mandate").

AND THAT such approval shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company (following the general meeting at which the Proposed Renewal of Shareholders' Mandate was passed) at which time it shall lapse unless by a resolution passed at such AGM, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate.

AND THAT the estimates given in respect of the recurrent related party transactions specified in Section 2.1.4 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount(s) thereof provided that such amount or amounts comply with the procedures set out in Section 2.1.5 of the Circular."

**EXTRACT OF RESOLUTIONS ON THE PROPOSALS TO BE TABLED AT CHB'S 11TH AGM  
(con't)**

**ORDINARY RESOLUTION NO. 9  
PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES**

"THAT subject to compliance with applicable laws, regulations and the approval of all relevant authorities, approval be hereby given for the Company to purchase such amounts of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (a) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company quoted on Bursa Securities as at the point of purchase;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained earnings and share premium reserves of the Company at the time of the purchase(s); and
- (c) at the discretion of the Directors of the Company, the shares purchased (including treasury shares currently held) may be cancelled and/or retained as treasury shares and/or distributed as dividends or resold on Bursa Securities.

AND THAT such authority conferred by this resolution shall commence immediately upon the passing of this resolution until:-

- (i) the conclusion of the next AGM of the Company (following the general meeting at which such resolution was passed) at which time it shall lapse unless by a resolution passed at such AGM, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

AND THAT the Directors of the Company be and are hereby generally empowered to do all acts and things to give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and/or to do all such acts and things as the Directors may deem fit and expedient in the best interest of the Company."

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