

HAP SENG CONSOLIDATED BERHAD (Company No. 26877-W)
(Incorporated in Malaysia)

**MINUTES OF THE FORTY-SECOND ANNUAL GENERAL MEETING OF THE COMPANY
HELD AT THE KINABALU ROOM, GROUND FLOOR, MENARA HAP SENG, JALAN P.
RAMLEE, 50250 KUALA LUMPUR ON WEDNESDAY, 30 MAY 2018 AT 10AM**

Present: **DIRECTORS**
Dato' Jorgen Bornhoft (Non-Executive Chairman)
Datuk Edward Lee Ming Foo (Managing Director)
Mr Lee Wee Yong
Ms Cheah Yee Leng
Lt. Gen (R) Datuk Abdul Aziz Hasan
Dato' Mohammed Hussein
Mr Jimmy Leow Ming Fong
Dato' Wan Mohd Fadzmi

Absent with: Datuk Simon Shim Kong Yip
Apologies

In attendance: Ms Lim Guan Nee

Members: 219 members as per attendance sheet

Proxies: 92 proxies as per attendance sheet

By invitation: 16 invitees as per attendance sheet

QUORUM

The chairman welcomed all members present at the meeting.

The chairman extended apologies on behalf of Datuk Simon Shim Kong Yip for being unable to attend the meeting.

The requisite quorum being present pursuant to the Company's articles of association, the chairman declared the meeting duly convened.

NOTICE

The chairman informed the meeting that the notice convening this meeting was set out in the 2017 annual report which had been sent out to all members of the Company, Bursa Malaysia Securities Berhad and the auditors of the Company on 30 April 2018. The notice was published on the New Straits Times and the 2017 annual report was posted on the Company's website on the same day.

The Notice convening the meeting was taken as read.

1. TO TABLE THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 TOGETHER WITH THE REPORTS OF DIRECTORS AND AUDITORS

Prior to the annual general meeting, the Minority Shareholder Watchdog Group (“MSWG”) had submitted their questions to the Company. A copy of the questions raised by the MSWG together with the answers thereto is enclosed herewith as Appendix A.

The chairman invited questions from the floor and all questions were dealt with accordingly. In summary, the questions and responses thereto is enclosed herewith as Appendix B.

VOTING BY POLL

The chairman informed the meeting that in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia (“Listing Requirements”), all the resolutions to be tabled in the meeting would be voted on by poll.

The chairman further informed that the polling would be conducted in a paperless manner using a wireless handheld device. As for the polling procedures, the chairman informed the meeting that the Company had appointed Boardroom Corporate Services (KL) Sdn Bhd (“Boardroom”) as the poll administrator and Boardroom Business Solution Sdn Bhd as the scrutineer. Ms Cheryl Leong, the representative from Boardroom had further briefed the meeting on the electronic polling procedures before the shareholders and proxies proceeded to cast their votes.

2. TO RE-ELECT MS. CHEAH YEE LENG WHO RETIRES AS DIRECTOR OF THE COMPANY PURSUANT TO ARTICLE 97 OF THE COMPANY'S ARTICLES OF ASSOCIATION

The chairman proceeded with the following proposed Ordinary Resolution 1:-

“**THAT** Ms. Cheah Yee Leng who is retiring as director pursuant to article 97 of the Company’s articles of association be hereby re-elected to serve on the board of directors of the Company.”

Soo Thien Ming proposed for the above resolution to be approved and the same was seconded by Thoo Lee Ling.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 1 was carried:-

For	%	Against	%
1,616,096,526	99.86	2,288,064	0.14

3. TO RE-ELECT DATUK SIMON SHIM KONG YIP WHO RETIRES AS DIRECTOR OF THE COMPANY PURSUANT TO ARTICLE 97 OF THE COMPANY'S ARTICLES OF ASSOCIATION

The chairman proceeded with the following proposed Ordinary Resolution 2:-

“**THAT** Datuk Simon Shim Kong Yip who is retiring as director pursuant to article 97 of the Company’s articles of association be hereby re-elected to serve on the board of directors of the Company.”

Choong Sen Min proposed for the above resolution to be approved and the same was seconded by Foo Soo Poh.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 2 was carried:-

For	%	Against	%
1,599,595,006	98.84	18,728,709	1.16

4. TO RE-ELECT MR. LEOW MING FONG WHO RETIRES AS DIRECTOR OF THE COMPANY PURSUANT TO ARTICLE 97 OF THE COMPANY'S ARTICLES OF ASSOCIATION

The chairman proceeded with the following proposed Ordinary Resolution 3:-

“**THAT** Mr. Leow Ming Fong who is retiring as director pursuant to article 97 of the Company’s articles of association be hereby re-elected to serve on the board of directors of the Company.”

Yap Chun Won proposed for the above resolution to be approved and the same was seconded by Foo Soo Poh.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 3 was carried:-

For	%	Against	%
1,605,551,086	99.21	12,834,019	0.79

5. TO RE-ELECT DATO' WAN MOHD FADZMI WHO RETIRES AS DIRECTOR OF THE COMPANY PURSUANT TO ARTICLE 103 OF THE COMPANY'S ARTICLES OF ASSOCIATION

The chairman proceeded with the following proposed Ordinary Resolution 4:-

“**THAT** Dato' Wan Mohd Fadzmi who is retiring as director pursuant to article 103 of the Company's articles of association be hereby re-elected to serve on the board of directors of the Company.”

Yap Chun Won proposed for the above resolution to be approved and the same was seconded by Thoo Lee Ling.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 4 was carried:-

For	%	Against	%
1,617,459,217	99.94	949,488	0.06

6. TO APPROVE THE PAYMENT OF DIRECTORS' FEES OF THE COMPANY AND ITS SUBSIDIARIES AMOUNTING TO RM953,452.00 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The chairman proceeded with the following proposed Ordinary Resolution 5:-

“**THAT** the payment of directors' fees of the Company and its subsidiaries amounting to RM953,452.00 for the financial year ended 31 December 2017, be and is hereby approved.”

Thoo Lee Ling proposed for the above resolution to be approved and the same was seconded by Foo Soo Poh.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 5 was carried:-

For	%	Against	%
1,615,920,152	99.99	167,853	0.01

7. TO REAPPOINT MESSRS ERNST & YOUNG AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AT A REMUNERATION TO BE DETERMINED BY THE DIRECTORS OF THE COMPANY

The chairman proceeded with the following proposed Ordinary Resolution 6:-

“**THAT** Messrs Ernst & Young be reappointed as auditors of the Company to hold office until the conclusion of the next annual general meeting and that the directors be authorised to fix their remuneration.”

Foo Soo Poh proposed for the above resolution to be approved and the same was seconded by Thoo Lee Ling.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 6 was carried:-

For	%	Against	%
1,522,883,772	94.10	95,525,833	5.90

SPECIAL BUSINESS:-

8. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT 2016

The chairman explained that the special business for the meeting was to consider and if thought fit, approve the authority to the directors to issue shares in the Company up to an amount not exceeding 10% of the issued share capital of the Company.

The chairman proceeded with the following proposed Ordinary Resolution 7:-

“**THAT** the directors of the Company be and are hereby empowered pursuant to section 75 of the Companies Act 2016 to allot shares in the Company up to an amount not exceeding 10% of the issued share capital of the Company, and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company.”

Thoo Lee Ling proposed for the above resolution to be approved and the same was seconded by Yap Chun Won.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 7 was carried:-

For	%	Against	%
1,616,589,011	99.90	1,643,691	0.10

9. CONTINUATION OF DATO' MOHAMMED BIN HAJI CHE HUSSEIN AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

The chairman informed the meeting that Dato' Mohammed Bin Haji Che Hussein has served as an independent non-executive director of the Company for a cumulative term of more than 9 years. The Malaysian Code on Corporate Governance ("MCCG") recommends that shareholders' approval be sought at the annual general meeting in the event the board intends to retain a person who has served in that capacity for more than 9 years.

The chairman also informed the meeting that despite having served on the board as an independent director for more than 9 years, Dato' Mohammed Bin Haji Che Hussein has continued to act objectively in the best interest of the Company and was in compliance with all criteria as set out in the Listing Requirements.

The chairman proceeded with the following proposed Ordinary Resolution 8:-

"THAT Dato' Mohammed Bin Haji Che Hussein be and is hereby authorised to continue in office as the independent non-executive director of the Company until the conclusion of the next annual general meeting"

Soo Thien Ming proposed for the above resolution to be approved and the same was seconded by Yap Chun Won.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 8 was carried:-

For	%	Against	%
1,615,815,220	99.98	312,585	0.02

10. CONTINUATION OF DATO' JORGEN BORNHOFT AS THE INDEPENDENT NON-EXECUTIVE CHAIRMAN

Upon invitation of the chair, Datuk Edward Lee Ming Foo informed the meeting that Dato' Jorgen Bornhoft has served as an independent non-executive director of the Company for a cumulative term of more than 12 years. The MCCG recommends that shareholders' approval through a two-tier voting process be sought in the event that the Company intends to retain a person who has served in that capacity for more than 12 years.

Datuk Edward Lee Ming Foo explained that pending the shareholders' approval on the adoption of the new Company's constitution to authorise a two-tier voting process, the Company was seeking the shareholders' approval to retain Dato' Jorgen Bornhoft to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting by way of a single-tier voting process.

Datuk Edward Lee Ming Foo also informed the meeting that despite having served on the board as an independent director for more than 12 years, Dato' Jorgen Bornhoft has continued to act objectively in the best interest of the Company and was in compliance with all criteria as set out in the Listing Requirements.

Datuk Edward Lee Ming Foo proceeded with the following proposed Ordinary Resolution 9:-

“**THAT** Dato' Jorgen Bornhoft be and is hereby authorised to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting”

Soo Thien Ming proposed for the above resolution to be approved and the same was seconded by Thoo Lee Ling.

Datuk Edward Lee Ming Foo put the motion to a vote by poll and based on the following poll results, Datuk Edward Lee declared that Ordinary Resolution 9 was carried:-

For	%	Against	%
1,612,152,895	99.63	5,991,162	0.37

11. PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The chairman explained that item 9 on the agenda was to consider and if thought fit, to pass the resolution on the proposed renewal of and new shareholders' mandate for recurrent related party transactions with the respective related parties. The related parties are:

- 1) Gek Poh (Holdings) Sdn Bhd Group;
- 2) Lei Shing Hong Limited Group;
- 3) Samling Strategic Corporation Sdn Bhd Group;
- 4) Corporated International Consultant;
- 5) Messrs Shim Pang & Co; and
- 6) Imaspro Resources Sdn Bhd.

The chairman mentioned that the proposed Ordinary Resolution 10, if passed, would allow Hap Seng Consolidated Berhad Group to enter into recurrent transactions pursuant to paragraph 10.09 of the Listing Requirements. Further information on the proposed shareholders' mandate for recurrent related party transactions with the respective related parties was set out in section 2.2 of Part A of the Circular/Statement to shareholders dated 30 April 2018.

For purpose of good order, the chairman highlighted to the meeting that the interested major shareholders, interested directors and/or persons connected to them have undertaken to abstain from voting in respect of their direct/indirect shareholdings on the resolution where they have an interest or deemed to have an interest.

The chairman proceeded with the following proposed Ordinary Resolution 10:-

“**THAT** proposed renewal of and new shareholders' mandate for the recurrent related party transactions with the related parties as set out in Section 2.2 of Part A of the Circular/Statement to shareholders dated 30 April 2018 be and is hereby approved.”

Yap Chun Won proposed for the above resolution to be approved and the same was seconded by Thoo Lee Ling.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Resolution 10 was carried:-

For	%	Against	%
97,991,325	94.39	5,824,286	5.61

12. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The chairman explained that Ordinary Resolution 11 was to consider and if thought fit, to pass the resolution to renew shareholders authorisation for the Company to purchase its own shares through Bursa Malaysia Securities Berhad up to a maximum of 10% of the issued ordinary share capital of the Company. Further information on the proposed renewal of share buy-back authority was set out in the share buy-back statement, which has earlier been sent to all shareholders.

The chairman proceeded with the following proposed Ordinary Resolution 11:-

“**THAT** the proposed renewal of share buy-back authority as set out in the Notice of meeting be and is hereby approved.”

Yap Chun Won proposed for the above resolution to be approved and the same was seconded by Soo Thien Ming.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Ordinary Resolution 11 was carried:-

For	%	Against	%
1,616,068,404	100	9,885	0.00

13. PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY

The chairman explained item 11 on the agenda was to consider and if thought fit, to adopt new constitution of the Company to be aligned with the Companies Act 2016 and the latest amendments of the Listing Requirements.

The chairman proceeded with the following proposed Special Resolution:-

“**THAT** proposed adoption of new constitution of the Company as set out in Part C of the Circular/Statement to shareholders dated 30 April 2018 be and is hereby approved.”

Thoo Lee Ling proposed for the above special resolution to be approved and the same was seconded by Yap Chun Won.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Special Resolution was carried:-

For	%	Against	%
1,615,969,004	99.99	175,085	0.01

CONCLUSION

There being no other business, the meeting concluded at 10.55 am with a vote of thanks to the chairman.



CHAIRMAN
Kuala Lumpur

Strategy & Financial Matters

1. Fertilizers Trading

- (a) **Q: For the Indonesian market, the division intends to establish strategic partnerships with major fertilizers producers. In addition, the division also plans to expand its business scope by enlarging its product range (Page 39 of the Annual Report 2017).**

Is the Group in any serious discussion on a partnership deal? What are the types of new products which will be introduced in the near future?

A: The Division is in the preliminary stages of discussion with a few compound fertilizer producers in Indonesia to supply raw materials for their production, and to distribute their products, which will add to the current product range.

- (b) **Q: How does the Board plan to address the decline in the division's market share in Malaysia from 26% in 2016 to 20% in 2017?**

A: In 2017, the Division undertook a strategic decision to improve profit margins over competing for sales volume. The decision was taken in tandem with fertilizer allocation constrains from our suppliers. During the year, the Division's market share in West Malaysia improved where the operating profit increased from RM25 million to RM30 million as well as with improved margins of more than 2%.

The Division is working with its principal supplier to support a larger volume allocation for the Malaysian market.

2. Property Development

- (a) **Q: Please update on the current take-up rates for all projects in West Malaysia.**

A: As at 18 May 2018, the take-up rate for our projects in West Malaysia is 57% for Aria Luxury Residences and 54% for Akasa Cheras South – Residences. Both the Aria Luxury Residences and Akasa Cheras South – Residences were launched at different time and target to be completed in 2nd half of 2019 and 3rd quarter of 2020 respectively.

(b) Q: What is the property outlook for the Group's projects in East Malaysia in view of the current property market sentiment?

A: The current property market outlook for the Group's projects in East Malaysia remains stable and we have shifted our focus to affordable housing projects which are in demand from middle-income households. The re-focus was also in line with our government's call for property developers to have schemes such as PPA1M (Perumahan Penjawat Awam 1Malaysia) and the Group had received a grant of RM50 million for a PPA1M project.

Corporate Governance Matters

Practice 12.3

Q: The Company in its Corporate Governance Report had stated that it has applied Practice 12.3 of MCCG. Practice 12.3 refers to facilitating or providing platform for shareholders to vote remotely without being physically present at the Company's AGM.

Based on the Company's explanation given on the application of Practice 12.3, we wish to highlight that the Company has not applied the Practice.

A: Upon the deliberation, the Board of Directors was of the view that it would be more appropriate for the Company to state 'not applicable' on Practice 12.3 of the Malaysian Code on Corporate Governance as the Company did not have the facility for the shareholders to vote remotely without being physically present or participate in the annual general meeting (AGM) and/or extraordinary general meeting (EGM).

The Company also does not have a large number of shareholders relative to its peers. Based on the top 30 Public Listed Companies' statistic, the number of shareholders of the Company as at 22 May 2018 was 8,800 shareholders which was less than the average number of 22,472 shareholders.

The AGM and EGM of the Company are held at the Menara Hap Seng, Jalan P. Ramlee which is located at the city centre of the Kuala Lumpur and it is easy to reach or easily accessible by the shareholders.

APPENDIX B

- (a) In response to Mr Lee's enquiry on the operating and profit margin of automotive division, the chairman said that it was approximately 6.4% and the Company is confident that with the 10 dealerships it had in Malaysia including Sabah and Sarawak, the automotive business market share would increase over the years. He further stated that Hap Seng Star had enhanced the value of the Hap Seng Group as well as the company's branding. The group finance director, Mr Lee Wee Yong added that RM2.3 million was the operating profit for FYE 31 December 2017 and clarified that some establishment costs such as renovations were incurred to set up new autohouses or dealerships in Bukit Tinggi, Klang, Selangor and Iskandar, Johor respectively.
- (b) Mr Loh enquired on the Company's share capital and the transfer of credit balances in the share premium and capital redemption reserves to the share capital account. The chairman explained that pursuant to the new Companies Act 2016 which took effect from 31 January 2017, the management had transferred the credit balances to the share capital account and there were no changes in the number of shares issued. The Board was of the view that the present share capital was adequate for the HSCB group business and hence, there was no intention to increase the Company's capital.