

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

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

Bursa Malaysia Securities Berhad (“**Bursa Securities**”) has not perused Part B of this Circular/Statement prior to its issuance as it is an exempt document. Bursa Securities takes no responsibility for the contents of this Circular/Statement, 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/Statement.



# **HAP SENG CONSOLIDATED BERHAD** (26877-W)

*(Incorporated in Malaysia)*

## **PART A**

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS**

**AND**

## **PART B**

### **SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The above proposed resolutions will be tabled as special business at Hap Seng Consolidated Berhad’s 41<sup>st</sup> annual general meeting (“AGM”) to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 10am (or the adjournment thereof). The notice of AGM and the form of proxy, are set out in the 2016 annual report of the Company, which is despatched together with this Circular/Statement.

A member entitled to attend and vote at the AGM is entitled to appoint a proxy to vote on his/her behalf. In such event, the completed proxy form must be lodged at the registered office of the Company at 21<sup>st</sup> Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur no later than 48 hours before the appointed time of the AGM (or the adjournment thereof). Accordingly, the last day and time for lodging the proxy form is 29 May 2017 at 10am (or the adjournment thereof). However, lodging of the proxy form will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

This Circular/Statement is dated 28 April 2017

---

**SUMMARY OF CONTENTS**

---

		<b>PAGE</b>
PART A	CIRCULAR TO SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS	1
	APPENDIX I FURTHER INFORMATION	19
PART B	SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY	24
	APPENDIX II SHARE BUY-BACKS SUMMARY	29
APPENDIX III	EXTRACT OF NOTICE OF AGM	ENCLOSED

**PART A**

**CIRCULAR TO SHAREHOLDERS OF THE COMPANY  
IN RELATION TO THE  
PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY  
TRANSACTIONS**

---

## DEFINITIONS

---

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

Act	:	Companies Act 2016
AGM	:	41 <sup>st</sup> Annual general meeting of the Company
Board	:	Board of Directors of the Company
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CIC	:	Corporated International Consultant
Circular	:	This circular issued by HSCB to its shareholders dated 28 April 2017
Director(s)	:	Shall have the meaning given in section 2(1) of the Capital Markets and Services Act 2007 and for purpose of the Proposed Shareholders' Mandate, the expression shall include any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director of the Company, its subsidiary or holding company or a chief executive of the Company, its subsidiary or holding company
Gek Poh	:	Gek Poh (Holdings) Sdn Bhd (20706-X)
Gek Poh Group	:	Gek Poh and its subsidiaries, collectively
Glenealy	:	Glenealy Plantations (Malaya) Berhad (3453-X)
Glenealy Group	:	Glenealy together with its subsidiaries and associated companies
HSCB or Company	:	Hap Seng Consolidated Berhad (26877-W)
HSCB Group or Group	:	HSCB and its subsidiaries, collectively
HSCB Share(s) or Share(s)	:	Ordinary share(s) of HSCB
HSIS	:	Hap Seng Insurance Services Sdn Bhd (21774-X), a wholly-owned subsidiary of Gek Poh
Imaspro Resources	:	Imaspro Resources Sdn Bhd (100955-M)
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	31 March 2017, being the latest practicable date prior to the printing and despatch of this Circular
LSH	:	Lei Shing Hong Limited (28253), a company incorporated in Hong Kong
LSH Group	:	LSH and/or its subsidiaries and associated companies
LSHCL	:	Lei Shing Hong Capital Limited (438542), a company incorporated in Hong Kong and a wholly-owned subsidiary of LSH
LSHI	:	Lei Shing Hong Investment Limited (91301), a company incorporated in Hong Kong and a wholly-owned subsidiary of LSHCL

---

## DEFINITIONS (Cont'd)

---

Major Shareholder(s)	: 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:  (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) 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 purpose of this definition, “interests in shares” has the meaning given in section 8 of the Act  For purpose of the Proposed Shareholders’ Mandate, Major Shareholder (as defined above) includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Major Shareholder of the Company or any other corporation which is the Company’s subsidiary or holding company, in accordance with the definition in Chapter 10 of the Listing Requirements
Mandate Period	: The period commencing from and inclusive of 31 May 2017, being the date of the forthcoming AGM and expiring upon the conclusion of the next AGM or the expiration of the period within which the next AGM after that date is required to be held pursuant to section 340(2) of the Act
Proposed Shareholders’ Mandate	: Proposed renewal of and new shareholders’ mandate to be obtained from the shareholders of the Company at the forthcoming AGM pursuant to paragraph 10.09 of the Listing Requirements
Recurrent Related Party Transaction(s)	: Recurrent Transaction(s) which involve(s) the interests of a Related Party or Related Parties
Recurrent Transaction(s)	: Transaction(s) of a revenue or trading nature necessary for the day-to-day operations of the Group
Registered Office	: 21 <sup>st</sup> Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
Related Party or Related Parties	: Director(s), Major Shareholder(s) and/or person(s) connected with such Director(s) or Major Shareholder(s) who are interested in the Recurrent Related Party Transactions
RM and Sen	: Ringgit Malaysia and Sen respectively, the lawful currency of Malaysia
Samling Strategic	: Samling Strategic Corporation Sdn Bhd (53282-H)
Samling Strategic Group	: Samling Strategic and/or its subsidiaries and associated companies
Tan Sri Lau	: Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak
2016 Annual Report	: Annual report of HSCB issued for the financial year ended 31 December 2016

---

**DEFINITIONS (Cont'd)**

---

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 reference to Malaysian time, unless otherwise stated.

*(The rest of this page has been intentionally left blank)*

---

## TABLE OF CONTENTS

---

### PART A

LETTER FROM THE BOARD TO SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS CONTAINING:-

	<b>Page</b>
<b>1. INTRODUCTION</b>	<b>1</b>
<b>2. PROPOSED SHAREHOLDERS' MANDATE</b>	
2.1 Principal business activities of the Group	2
2.2 Class and nature of the Recurrent Related Party Transactions for the Proposed Shareholders' Mandate	7
2.3 Amount due and owing by the Related Parties pursuant to the Recurrent Related Party Transactions	11
2.4 Details of the Related Parties	12
2.5 Rationale for the Recurrent Related Party Transactions	13
2.6 Benefits of the Recurrent Related Party Transactions	13
2.7 Methods or procedures for determining prices of Recurrent Related Party Transactions	14
2.8 Conditions and the disclosure of the Proposed Shareholders' Mandate	15
2.9 Thresholds of Authority	15
2.10 Statement by the Audit Committee	16
<b>3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM</b>	<b>16</b>
<b>4. DIRECTORS' RECOMMENDATION</b>	<b>18</b>
<b>5. AGM</b>	<b>18</b>
<b>6. FURTHER INFORMATION</b>	<b>18</b>
<b>APPENDIX I FURTHER INFORMATION</b>	<b>19</b>



# HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

**Registered Office:**  
21<sup>st</sup> Floor, Menara Hap Seng  
Jalan P. Ramlee  
50250 Kuala Lumpur  
Malaysia

28 April 2017

## Board of Directors

Dato' Jorgen Bornhoft (*Independent Non-Executive Chairman*)  
Datuk Edward Lee Ming Foo, JP (*Managing Director*)  
Mr. Lee Wee Yong (*Executive Director*)  
Ms. Cheah Yee Leng (*Executive Director*)  
Datuk Simon Shim Kong Yip, JP (*Non-Independent Non-Executive Director*)  
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan (*Independent Non-Executive Director*)  
Dato' Mohammed Bin Haji Che Hussein (*Independent Non-Executive Director*)  
Mr. Ch'ng Kok Phan (*Non-Independent Non-Executive Director*)  
Mr. Leow Ming Fong @ Leow Min Fong (*Independent Non-Executive Director*)

## To: Shareholders of the Company

Dear Sir/Madam,

### **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS**

---

#### **1. INTRODUCTION**

The Company had at the extraordinary general meeting held on 19 May 2016 obtained a general mandate from the shareholders which authorised the Group to enter into Recurrent Related Party Transactions, based on information set out in the circular to shareholders dated 5 May 2016 ("2016 Circular"). This mandate shall lapse upon conclusion of the forthcoming AGM to be convened on 31 May 2017, unless otherwise renewed.

The Company has on 13 April 2017 announced to Bursa Securities of its intention to seek a renewal of the existing mandate as well as to seek a new mandate from the shareholders to enable the HSCB Group to enter into Recurrent Related Party Transactions at any time during the Mandate Period ("Proposed Shareholders' Mandate").

Part A of this Circular is to provide shareholders with the relevant information on the Proposed Shareholders' Mandate, to set out the Board's recommendation thereof and to seek shareholders' approval on the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.



## 2. PROPOSED SHAREHOLDERS' MANDATE

### 2.1 Principal business activities of the HSCB Group

As at the LPD, the principal activity of the Company was investment holding and the principal activities of its subsidiaries are as follows:

Name of Company	Country of Incorporation	Equity Interest held (%)	Principal Activities
Hap Seng Plantations Holdings Berhad	Malaysia	53.04	Investment holding
Hap Seng Land Sdn Bhd	Malaysia	100	Property development, investment holding and provision of management services
Hap Seng Credit Sdn Bhd	Malaysia	100	Provision of financial services
Hap Seng Automotive Acceptance Sdn Bhd	Malaysia	100	Provision of financial services
Hap Seng Auto Sdn Bhd	Malaysia	100	Trading in motor vehicles and spare parts, servicing of motor vehicles and investment holding
Hap Seng Fertilizers Sdn Bhd	Malaysia	100	Trading and distribution of fertilizers and agro-chemicals
Macro Arch (M) Sdn Bhd	Malaysia	100	Investment holding
Palms Edge (M) Sdn Bhd	Malaysia	100	Investment holding
Hap Seng Building Materials Holdings Sdn Bhd	Malaysia	100	Investment holding
Hap Seng Trading Holdings Sdn Bhd	Malaysia	100	Investment holding
Hap Seng Management Sdn Bhd	Malaysia	100	Investment holding
Hap Seng Investment Holdings Pte Ltd	Singapore	100	Investment holding
Hap Seng Management Services Sdn Bhd	Malaysia	100	Provision of management services
Hap Seng Logistics Sdn Bhd	Malaysia	100	Providing of transportation and other logistic services
Hap Seng Equity Sdn Bhd	Malaysia	100	Trading in marketable securities
Hap Seng Credit (Australia) Pty Ltd	Australia	100	Provision of financial services
Sasco Company Ltd (formerly known as Lei Shing Hong Wood Products Limited)	British Virgin Islands	100	Investment holding
Malaysian Mosaics Sdn Bhd	Malaysia	100	Investment holding, manufacture and sale of porcelain and ceramic tiles

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Equity Interest held (%)</b>	<b>Principal Activities</b>
<u>Subsidiaries of Hap Seng Plantations Holdings Berhad:</u>			
Jeroco Plantations Sdn Bhd	Malaysia	100	Cultivation of oil palm and processing of fresh fruit bunches
Hap Seng Plantations (River Estates) Sdn Bhd	Malaysia	100	Cultivation of oil palm, processing of fresh fruit bunches and investment holding
Hap Seng Plantations (Kota Marudu) Sdn Bhd	Malaysia	100	Cultivation of oil palm
Pelipikan Plantation Sdn Bhd	Malaysia	100	Cultivation of oil palm
Hap Seng Edible Oils Sdn Bhd	Malaysia	100	Dormant
<u>Subsidiaries of Hap Seng Plantations (River Estates) Sdn Bhd:</u>			
Hap Seng Plantations (Wecan) Sdn Bhd	Malaysia	100	Cultivation of oil palm
Hap Seng Plantations (Tampilit) Sdn Bhd	Malaysia	100	Cultivation of oil palm
Hap Seng Plantations (Ladang Kawa) Sdn Bhd	Malaysia	100	Cultivation of oil palm
<u>Subsidiaries of Hap Seng Land Sdn Bhd:</u>			
Hap Seng Land Development Sdn Bhd	Malaysia	100	Investment holding
Hap Seng Realty Sdn Bhd	Malaysia	100	Property investment and investment holding
<u>Subsidiaries of Hap Seng Land Development Sdn Bhd:</u>			
Hap Seng Properties Development Sdn Bhd	Malaysia	100	Property development and investment holding
Hap Seng Land Development (Kluang) Sdn Bhd	Malaysia	100	Property development
Hap Seng Land Development (Puchong) Sdn Bhd	Malaysia	100	Property development
Hap Seng Land Development (JTR) Sdn Bhd	Malaysia	100	Property development
Hap Seng Land Development (Jesselton Hill) Sdn Bhd	Malaysia	100	Property development
Hap Seng Land Development (PJ) Sdn Bhd	Malaysia	100	Property development
Richmore Development Sdn Bhd	Malaysia	100	Property development
Pacific Emerald Properties Sdn Bhd	Malaysia	100	Property development
Hap Seng Properties Services (Sabah) Sdn Bhd	Malaysia	100	Property management and property maintenance
Euro-Asia Brand Holding Company Sdn Bhd	Malaysia	100	Property development

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Equity Interest held (%)</b>	<b>Principal Activities</b>
<u>Subsidiaries of Hap Seng Land Development Sdn Bhd (continued):</u>			
Hap Seng Land Development (Bangsar) Sdn Bhd	Malaysia	80	Property development
Hap Seng Land Development (Balakong) Sdn Bhd	Malaysia	80	Property development
Hap Seng Land Development (JTR 2) Sdn Bhd	Malaysia	80*	Property development *40% equity interest is held by Hap Seng Land Development Sdn Bhd whilst the other 40% is held by the Company
Hap Seng Land Development And JCA Sdn Bhd	Malaysia	60	Property development
Golden Suncity Sdn Bhd	Malaysia	70	Property development
Hap Seng Construction Sdn Bhd (formerly known as Gemglobal Development Sdn Bhd)	Malaysia	100	Property development
<u>Subsidiaries of Hap Seng Properties Development Sdn Bhd:</u>			
Hap Seng Commercial Development Sdn Bhd	Malaysia	100	Property development
Hap Seng Land Development (KK) Sdn Bhd	Malaysia	100	Property development
<u>Subsidiaries of Hap Seng Realty Sdn Bhd:</u>			
Menara Hap Seng Sdn Bhd	Malaysia	100	Property investment
Hap Seng Realty (Autohaus) Sdn Bhd	Malaysia	100	Property investment
Hap Seng Property Investment Sdn Bhd	Malaysia	100	Property investment
Hap Seng Realty (Auto) Sdn Bhd	Malaysia	100	Property investment
Hap Seng Realty (KK I) Sdn Bhd	Malaysia	100	Property investment
Prosperity Projections Sdn Bhd	Malaysia	100	Property investment
Lakaran Warisan Sdn Bhd	Malaysia	100	Property investment
Hap Seng Leisure Sdn Bhd	Malaysia	100	Providing recreational facilities and services
Hap Seng Realty (KL City) Sdn Bhd	Malaysia	100	Investment holding
Desa Alam Mewah Sdn Bhd	Malaysia	80	Property investment
<u>Subsidiaries of Hap Seng Auto Sdn Bhd:</u>			
Hap Seng Star Sdn Bhd	Malaysia	100	Trading in motor vehicles, spare parts and servicing of motor vehicles
SKI Segar Sdn Bhd	Malaysia	100	Trading in motor vehicles

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Equity Interest held (%)</b>	<b>Principal Activities</b>
<u>Subsidiary of Hap Seng Fertilizers Sdn Bhd:</u>			
Hap Seng Chemicals Sdn Bhd	Malaysia	70	Manufacture and sale of agro-chemicals
<u>Subsidiary of Macro Arch (M) Sdn Bhd:</u>			
PT. Sasco Indonesia	Indonesia	100*	Trading and distribution of fertilizers *90% equity interest is held by Macro Arch (M) Sdn Bhd whilst the remaining 10% is held by Palms Edge (M) Sdn Bhd
<u>Subsidiary of Sasco Company Ltd (formerly known as Lei Shing Hong Wood Products Limited):</u>			
Lei Shing Hong Wood Products (Shanghai) Co. Ltd.	People's Republic of China	100	Trading of plywood and wholesale, import and export of fertilizers
<u>Subsidiaries of Hap Seng Building Materials Holdings Sdn Bhd:</u>			
Hap Seng Building Materials Sdn Bhd	Malaysia	100	Operation of stone quarries and asphalt plants, manufacture and trading of bricks
Hap Seng Clay Products Sdn Bhd	Malaysia	100	Manufacture and trading of clay products
Hap Seng Building Materials Marketing Pte Ltd	Singapore	100	Trading in building materials
Hap Seng Seri Alam Sdn Bhd	Malaysia	70	Operation of stone quarry
<u>Subsidiary of Hap Seng Clay Products Sdn Bhd:</u>			
Kao Fu Bricks Sdn Bhd	Malaysia	100	In liquidation
<u>Subsidiaries of Hap Seng Trading Holdings Sdn Bhd:</u>			
Hap Seng Trading (BM) Sdn Bhd	Malaysia	100	Trading in building materials
Hap Seng (Oil & Transport) Sdn Bhd	Malaysia	100	Trading in petroleum products
<u>Subsidiary of Hap Seng Investment Holdings Pte Ltd:</u>			
Hafary Holdings Limited	Singapore	51	Investment holding
<u>Subsidiary of Hafary Holdings Limited:</u>			
Hafary Pte Ltd	Singapore	100	Importer and dealer of building materials
<u>Subsidiaries of Hafary Pte Ltd:</u>			
Surface Project Pte Ltd	Singapore	70	Distribution and wholesale of building materials
Surface Stone Pte Ltd	Singapore	90	Dealer of stones for home furnishing
Wood Culture Pte Ltd	Singapore	100	Dealer of wood for home furnishing

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Equity Interest held (%)</b>	<b>Principal Activities</b>
<u>Subsidiaries of Hafary Pte Ltd (continued):</u>			
Hafary Centre Pte Ltd	Singapore	100	Investment holding
Hafary Vietnam Pte Ltd	Singapore	100	Investment holding
Hafary International Pte Ltd	Singapore	100	Importing and distribution of building materials
Hafary Trademarks Pte Ltd	Singapore	100	Intellectual property holding and management
Marble Trends Pte Ltd	Singapore	100	Dealer of stones for home furnishing
World Furnishing Hub Pte Ltd	Singapore	46	Investment holding
Gres Universal Pte Ltd	Singapore	56	Distribution and wholesale of building materials
Hafary Balestier Showroom Pte Ltd	Singapore	51	Investment holding
<u>Subsidiary of Hafary International Pte Ltd:</u>			
Foshan Hafary Trading Co., Limited	People's Republic of China	100	Importing, exporting and distribution of building materials
<u>Subsidiaries of Malaysian Mosaics Sdn Bhd:</u>			
MML Marketing Sdn Bhd	Malaysia	100	Trading and distribution of porcelain and ceramic tiles
MML Marketing Pte Ltd	Singapore	100	Trading and distribution of porcelain and ceramic tiles
MML (Shanghai) Trading Co., Ltd	People's Republic of China	100	Trading and distribution of porcelain and ceramic tiles
PT. MML Ceramic Indonesia	Indonesia	100*	Trading and distribution of porcelain and ceramic tiles *90% equity interest is held by Malaysian Mosaics Sdn Bhd whilst the remaining 10% is held by MML Marketing Sdn Bhd
MML Ceramic (Thailand) Co., Ltd	Thailand	100*	Dormant *99.8% equity interest is held by Malaysian Mosaics Sdn Bhd whilst the remaining 0.2% is held by MML Marketing Sdn Bhd and MML Marketing Pte Ltd equally of 0.1% respectively

## 2.2 Class and nature of the Recurrent Related Party Transactions for the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate will apply to the Recurrent Related Party Transactions expected to be entered into by the HSCB Group with certain degree of frequency during the Mandate Period. Set out below are details of the Recurrent Related Party Transactions:

No.	Type of Transactions	Transacting Parties	Basis <sup>(iii)</sup>	Estimated value set out in 2016 Circular (RM'000)	Actual value transacted from 19 May 2016 to LPD (RM'000)	*New estimated value (RM'000)
<b>REVENUE</b>						
1	Rental of office space	Gek Poh Group <sup>2.4(a)</sup>	Agreement	<sup>(i)(a),(i)(b)</sup> 1,007	143	<sup>(i)(a)</sup> 179
2	Sales of motor vehicles, net of trade-in	Gek Poh Group <sup>2.4(a)</sup>	Forecast	3,000	17	1,000
3	Management fees <sup>(ii)</sup> @	Gek Poh Group <sup>2.4(a)</sup>	Agreement	360	30	-
4	Sales of petroleum products @ (i.e. petrol, diesel and lubricants)	Gek Poh Group <sup>2.4(a)</sup>	Forecast	1,500	67	-
5	Utilities and maintenance charges @	Gek Poh Group <sup>2.4(a)</sup>	Forecast	600	9	-
6	Handling fees #	Gek Poh Group <sup>2.4(a)</sup>	Forecast	-	-	1,300
7	Rental of office space	LSH Group <sup>2.4(b)</sup>	Agreement	<sup>(i)(c)</sup> 9,978	5,376	<sup>(i)(c),(i)(d)</sup> 4,048
8	Management fees <sup>(ii)</sup>	LSH Group <sup>2.4(b)</sup>	Agreement/ Forecast	1,776	1,776	3,933
9	Sales of property stocks @	LSH Group <sup>2.4(b)</sup>	Forecast	190,000	122,224	-
10	Project management, marketing and construction services	LSH Group <sup>2.4(b)</sup>	Forecast	70,000	-	18,515
11	Rental of motor vehicles #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	800
12	Sales of motor vehicles, spare parts and servicing of motor vehicles #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	300
13	Sales of used commercial vehicles #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	200

No.	Type of Transactions	Transacting Parties	Basis <sup>(iii)</sup>	Estimated value set out in 2016 Circular (RM'000)	Actual value transacted from 19 May 2016 to LPD (RM'000)	*New estimated value (RM'000)
<b>REVENUE</b>						
14	Sales of tiles, furnishings and fittings #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	50,300
15	Sales of aggregates #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	11,000
16	Hire purchase of motor vehicles #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	50,000
17	Administration fees #	LSH Group <sup>2.4(b)</sup>	Agreement	-	-	123
18	Sales of agricultural fertilizers and chemicals	Glenealy Group	Forecast	36,800	15,940	¥
19	Sales of petroleum products (i.e. petrol, diesel and lubricants)	Glenealy Group	Forecast	2,000	828	¥
20	Sales of motor vehicles, spare parts and servicing of motor vehicles	Samling Strategic Group <sup>2.4(c)</sup>	Forecast	7,300	3,778	6,400
21	Sales of agricultural fertilizers and chemicals ¥	Samling Strategic Group <sup>2.4(c)</sup>	Forecast	-	-	37,100
22	Sales of petroleum products ¥ (i.e. petrol, diesel and lubricants)	Samling Strategic Group <sup>2.4(c)</sup>	Forecast	-	-	1,800
<b>TOTAL</b>				<b>324,321</b>	<b>150,188</b>	<b>186,998</b>

*(The rest of this page has been intentionally left blank)*

No.	Type of Transactions	Transacting Parties	Basis <sup>(iii)</sup>	Estimated value set out in 2016 Circular (RM'000)	Actual value transacted from 19 May 2016 to LPD (RM'000)	*New estimated value (RM'000)
<b>EXPENDITURE</b>						
1	Purchase of insurance policies	Gek Poh Group <sup>2.4(a)</sup>	Forecast	13,000	8,480	16,600
2	Purchase of tiles @	Gek Poh Group <sup>2.4(a)</sup>	Forecast	49,900	1,301	-
3	Handling charges #	Gek Poh Group <sup>2.4(a)</sup>	Forecast	-	-	1,000
4	Purchase of agricultural fertilizers and chemicals	LSH Group <sup>2.4(b)</sup>	Forecast	147,500	7,178	10,000
5	Rental of warehouse	LSH Group <sup>2.4(b)</sup>	Agreement	<sup>(i)(e)</sup> 636	530	<sup>(i)(e), (i)(f)</sup> 3,782
6	Purchase of motor vehicles, spare parts and servicing of motor vehicles	LSH Group <sup>2.4(b)</sup>	Forecast	15,000	15,945	59,000
7	Rental of office space # <sup>(i)(g)</sup>	LSH Group <sup>2.4(b)</sup>	Agreement	-	-	609
8	Rental of land # <sup>(i)(h)</sup>	LSH Group <sup>2.4(b)</sup>	Agreement	-	-	1,419
9	Administration charges #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	190
10	Transportation charges #	LSH Group <sup>2.4(b)</sup>	Forecast	-	-	70,200
11	Professional fees on project consultancy services	CIC <sup>2.4(d)</sup>	Forecast	9,200	4,448	8,100
12	Legal Fees #	Shim Pang & Co # <sup>2.4(e)</sup>	Forecast	-	-	1,000
13	Purchase of raw materials for glyphosate plant #	Imaspro Resources # <sup>2.4(f)</sup>	Forecast	-	-	200
<b>TOTAL</b>				<b>235,236</b>	<b>37,882</b>	<b>172,100</b>



**Notes:**

- \* *The New Estimated Value during the Mandate Period may vary and is subject to changes.*
- # *New Recurrent Transactions/New Transacting Parties not covered in the previous general mandate.*
- @ *The Company is not seeking renewal of shareholders' mandate for this item.*
- ¥ *As Glenealy is a subsidiary of Samling Strategic, therefore the renewal of shareholders' mandate for this item is sought under the shareholders' mandate for RRPT with Samling Strategic Group.*
- (i) *Details on the location, approximate area and lease period of the property rented to/from the Related Parties:-*
- (a) *18th Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, comprising an approximate area of 2,488 sq. ft. at RM14,928 (2016 : RM13,684) per month for a lease period of 3 years with effect from 29 October 2016.*
- (b) *1A, Jalan 205, Off Jalan Tandang, 46050 Petaling Jaya comprising an approximate area of 64,130 sq. ft. at RM70,217 per month on a month to month basis.*
- (c) 1) *6th Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, comprising an approximate area of 1,582 sq. ft. at RM11,390 per month for a lease period of 2 years with effect from 1 August 2015.*
- 2) *Commercial podium and office premises units at Plaza Shell, Jalan Tunku Abdul Rahman, 88000 Kota Kinabalu, comprising an approximate area of 46,148 sq. ft. at RM324,087 (2016 : 95,045 sq. ft. at RM820,048) per month for a lease period of 2 years with effect from 1 January 2017.*
- (d) 1) *No. 2778, 2nd Floor, Jalan Chain Ferry, Taman Inderawasih, 13600 Prai, Penang, comprising five cubicles at RM1,500 per month for a lease period of 1 year with effect from 1 March 2017.*
- 2) *No. 63-01, 1st Floor, Jalan Molek 1/29, Taman Molek, 81100 Johor Bahru, Johor, comprising one cubicle at RM300 per month for a lease period of 2 years with effect from 1 March 2016.*
- (e) 1) *Timber Shed No. 7, Hap Seng Dockyard, Mile 1½, Jalan Tg. Batu Laut, Tawau, comprising an approximate area of 14,400 sq. ft. at RM4,320 per month for a lease period of 2 years with effect from 1 December 2016.*
- 2) *Timber Shed No. 10-15, Hap Seng Dockyard, Mile 1½, Jalan Tg. Batu Laut, Tawau, comprising an approximate area of 120,600 sq. ft. at RM42,210 per month for a lease period of 3 years with effect from 1 April 2016.*
- 3) *Timber Shed No. 20, Hap Seng Dockyard, Mile 1½, Jalan Tg. Batu Laut, Tawau, comprising an approximate area of 21,600 sq. ft. at RM6,480 per month on a month to month basis.*
- (f) 1) *Warehouses at KM 2.5, Jalan Kastam Baru, Lahad Datu, comprising an approximate area of 290,875 sq. ft. at RM152,744 per month for a lease period of 2 years with effect from 14 January 2017.*
- 2) *Warehouses at Jalan Batu Sapi, Sandakan, comprising an approximate area of 193,697 sq. ft. at RM105,691 per month for a lease period of 2 years with effect from 14 January 2017.*
- 3) *Warehouses at Mile 5 ½, Jalan Tuaran, Inanam, KK, comprising an approximate area of 4,500 sq. ft. at RM3,750 per month for a lease period of 2 years with effect from 1 January 2016.*

- (g) 1) Ground floor of a 2-storey building at Mile 5 ½, Jalan Tuaran, Inanam, KK, comprising an approximate area of 30,240 sq. ft. at RM31,878 per month for a lease period of 3 years with effect from 1 February 2015.
- 2) 5/F, 989 Hu Qing Ping Road, Min Hang District, Shanghai 201105, People's Republic of China comprising an approximate area of 2,862 sq. ft. at RM18,820 per month for a lease period of 19 months with effect from 1 August 2016.
- (h) 1) Land at KM 5, Jalan Tanjung Batu Laut, Tawau, comprising an approximate area of 317,442 sq. ft. at RM33,338 per month for a lease period of 2 years with effect from 14 January 2017.
- 2) Land at KM 2.5, Jalan Kastam Baru, Lahad Datu, comprising an approximate area of 56,812 sq. ft. at RM8,930 per month for a lease period of 2 years with effect from 14 January 2017.
- 3) Land at Tiku Estate, Tawau, comprising an approximate area of 42.33 acres at RM11,000 per month for a lease period of 3 years with effect from 1 January 2017.
- 4) Land at Mile 8, Apas Road, Sin Onn Tiku, Tawau, comprising an approximate area of 290.87 acres at RM40,000 per month for a lease period of 1 year with effect from 1 July 2016.
- 5) Land at Mile 10, Apas Road, Sin Onn Tiku, Tawau, comprising an approximate area of 315.40 acres at RM25,000 per month for a lease period of 1 year with effect from 1 July 2016.
- (ii) This represents the corporate support services rendered namely corporate management, finance, human resource, information technology, internal audit, corporate planning, legal and compliance.
- (iii) Basis for forecasting the Recurrent Transactions during the Mandate Period in the table above is based on historical record and budget of the respective Recurrent Transactions.

As disclosed in the table above, none of the actual value of Recurrent Related Party Transactions has exceeded the estimated value stated in the 2016 Circular as at the LPD by 10% or more.

### 2.3 Amount due and owing by the Related Parties pursuant to the Recurrent Related Party Transactions

Set out below is the breakdown of the total amount due and owing by the Related Parties under the Recurrent Related Party Transactions which exceeded the credit terms as at the end of the financial year ended 31 December 2016:

	<b>Outstanding Amount from Related Parties as at 31 December 2016</b>
Exceeded credit term for:	<b>Principal (RM'000)</b>
a period of 1 year or less	2,794
a period of more than 1 to 3 years	2,660
a period of more than 3 to 5 years	23
a period of more than 5 years	-

No late payment charges were imposed by the HSCB Group on the above outstanding amounts as the balances were pending reconciliation and would be settled as soon as the reconciliation was completed. The management has commenced discussions with the debtors for early settlement of the outstanding amounts and would closely monitor the same. As at the LPD, RM3,618,000 out of the abovementioned RM5,477,000 outstanding amounts had been reconciled and settled. The Board is optimistic that the balance of RM1,859,000 overdue amount is fully recoverable.

## 2.4 Details of the Related Parties

Interests of the Related Parties in the Recurrent Related Party Transactions set out in section 2.2 above as at the LPD are as follows:

### (a) Gek Poh Group

Gek Poh is a Major Shareholder of HSCB by virtue of its substantial shareholding in HSCB comprising 54.63% direct shareholding and 6.20% indirect shareholding via HSIS.

### (b) LSH Group

LSH is deemed a Major Shareholder of HSCB by virtue of its 12.08% shareholding in HSCB via LSHI, a wholly-owned subsidiary of LSHCL, which in turn is the wholly-owned subsidiary of LSH.

### (c) Samling Strategic

Tan Sri Lau is deemed a Major Shareholder of HSCB by virtue of his 56% direct shareholding in Gek Poh. Gek Poh has an aggregate shareholding of 60.83% in HSCB, comprising 54.63% direct shareholding and 6.20% indirect shareholding via HSIS. His daughter, Ms. Lau Soo Lui, a person connected with Tan Sri Lau has a deemed 39.60% interest in Samling Strategic.

### (d) CIC

Mr. Chiew Kim Hua, a partner in CIC, is the husband of Ms Helen Lee Yun Oi, the sister of Datuk Edward Lee Ming Foo, the managing director of the Company. Hence, Mr. Chiew Kim Hua and Ms. Helen Lee Yun Oi are deemed persons connected with Datuk Edward Lee Ming Foo.

### (e) Messrs Shim Pang & Co

Datuk Simon Shim Kong Yip is a non-independent non-executive director of the Company, he is deemed interested in the Recurrent Transactions by virtue of his interest as a managing partner of Messrs Shim Pang & Co.

### (f) Imaspro Resources

Mr. Tong Chin Hen is a director of Hap Seng Chemicals Sdn Bhd, a 70%-owned subsidiary of HSCB. He is the managing director and deemed major shareholder of Imaspro Corporation Berhad ("Imaspro Corporation"), a holding company of Imaspro Resources by virtue of his substantial shareholding in Imaspro Corporation comprising 0.19% direct shareholding and 42.43% indirect shareholding via Swiss Revenue Sdn Bhd.

## **2.5 Rationale for the Recurrent Related Party Transactions**

The Recurrent Related Party Transactions which are to be entered into by the HSCB Group are in the ordinary course of its business. The Recurrent Related Party Transactions are conducted at arm's length, 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. It is envisaged that in the normal course of their business, transactions between companies in the HSCB Group and the Related Parties are likely to occur with certain degree of frequency and it may be impractical to make the requisite announcement to the Bursa Securities or to seek shareholders' approval on a case-to-case basis before entering into such Recurrent Related Party Transactions.

With the Proposed Shareholders' Mandate in place, the Company would not be required to make the requisite announcement to the Bursa Securities or to convene separate general meetings to seek shareholders' approval as and when Recurrent Related Party Transactions occur. This would substantially reduce administrative time, inconvenience and expenses associated with the release of such announcements or the convening of such meetings on an ad-hoc basis, and allow manpower resources and time to be channeled towards attaining corporate objectives.

Hence, the Board is seeking approval from the shareholders on the Proposed Shareholders' Mandate for the respective Recurrent Related Party Transactions as described in section 2.2 above.

## **2.6 Benefits of the Recurrent Related Party Transactions**

Generally, the Recurrent Related Party Transactions provide the HSCB Group with an effective network of support to its operational needs which will enhance the overall business efficacy and effectiveness of the HSCB Group. The support and close working relationships between the HSCB Group and the Related Parties allow the HSCB Group to be more competitive in their core businesses. This is largely contributed by the familiarity and experience of the Related Parties in the requirements of the HSCB Group's operations as they have been reliable suppliers, customers, business associates and/or advisers for many years.

*(The rest of this page has been intentionally left blank)*

## 2.7 Methods or procedures for determining prices of Recurrent Related Party Transactions

Generally, the prices, terms and conditions of the Recurrent Related Party Transactions are based on market rates, the availability of the amount/resources to be transacted and negotiated on a willing-buyer willing-seller basis.

Where practical and feasible, quotations and tenders will be obtained from third parties to ascertain appropriate prices. As such, at least 2 other contemporaneous transactions with unrelated parties for similar products/services and/or quantities will be used as comparisons, wherever possible, to determine whether the prices and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

Where it is impractical or impossible for quotations and/or tenders to be obtained from unrelated parties, or where there have not been any similar or substantially similar transactions between the HSCB Group and unrelated third parties, the terms of the transactions for the products/services will be in accordance with applicable industry norms, prevailing commercial rates and at rates not more favourable to the related parties than those generally available to the public and not detrimental to the HSCB Group.

The following internal review procedures have been established to ensure that the Recurrent Related Party Transactions are conducted at arm's length, on normal commercial terms and transaction prices 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:

- (i) A list of the Related Parties mandated pursuant to the Proposed Shareholders' Mandate will be circulated within the HSCB Group;
- (ii) A register has been created and will be maintained by the HSCB Group to capture notifications of all Recurrent Related Party Transactions entered into;
- (iii) The shareholding interests of the Related Parties will be monitored continuously. Any changes in the shareholdings of the Related Parties will be duly notified to the respective subsidiaries;
- (iv) A register will be kept by the Company to keep track of the appointment of Directors within the HSCB Group and the Major Shareholders of the HSCB Group. Additionally, the register will serve to capture the immediate disclosure required from the Directors of the subsidiaries of the Company on any interests in a corporation/partnership which transacts or is expected to transact with the HSCB Group. The respective management team of the subsidiaries are also required to update the Company on a quarterly basis;
- (v) The Recurrent Related Party Transactions will be reviewed quarterly by the management of the HSCB Group; and
- (vi) The internal audit plan of HSCB Group shall include a critical review of the Recurrent Transactions entered into pursuant to the Proposed Shareholders' Mandate to ensure that they are transacted on terms and conditions 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 in the light of the circumstances concerned. The Board and the Audit Committee shall review the internal audit reports to ascertain that the review procedures established to monitor the Recurrent Related Party Transactions have been complied with.

## 2.8 Conditions and the disclosure of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate is subject to annual renewal and shall continue to be in force until the earliest of the following events:

- (a) the conclusion of the next AGM of the Company at which time the said mandate shall lapse, unless renewed at the said AGM; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Act); or
- (c) the Proposed Shareholders' Mandate being revoked or varied by a resolution passed by the shareholders in a general meeting.

The Company will disclose in its annual report the aggregate value of the respective Recurrent Related Party Transactions conducted during the financial year, in the event the higher of the following thresholds is reached:

- (a) the consideration, value of the assets, capital outlay or cost of the aggregate Recurrent Related Party Transactions is equal to or exceeds RM1.0 million; or
- (b) any one of the percentage ratios of such aggregate Recurrent Related Party Transactions is equal to or exceeds 1%.

## 2.9 Thresholds of Authority

Approving authority for the Recurrent Related Party Transactions is reviewed by the Board from time to time and set out below are the thresholds of authority as at the LPD:

APPROVING LIMIT	APPROVING AUTHORITY										
1. Without limit	Approval by any one of the Audit Committee members										
2. ≤ RM5.0 million for each transaction	Approval by any two of the following: <ol style="list-style-type: none"> <li>(i) Managing Director</li> <li>(ii) Executive Director</li> <li>(iii) Finance Director</li> <li>(iv) Chief Executive</li> </ol>										
3. ≤ RM1.0 million for each transaction	Approval by one from Group One and one from Group Two <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Group One</th> <th style="text-align: center;">Group Two</th> </tr> </thead> <tbody> <tr> <td>(i) Managing Director</td> <td>(i) Operation Director</td> </tr> <tr> <td>(ii) Executive Director</td> <td>(ii) General Manager</td> </tr> <tr> <td>(iii) Finance Director</td> <td>(iii) Financial Controller</td> </tr> <tr> <td>(iv) Chief Executive</td> <td></td> </tr> </tbody> </table>	Group One	Group Two	(i) Managing Director	(i) Operation Director	(ii) Executive Director	(ii) General Manager	(iii) Finance Director	(iii) Financial Controller	(iv) Chief Executive	
Group One	Group Two										
(i) Managing Director	(i) Operation Director										
(ii) Executive Director	(ii) General Manager										
(iii) Finance Director	(iii) Financial Controller										
(iv) Chief Executive											

Where any Director has interest, direct or indirect, in any Recurrent Related Party Transactions, such Director shall abstain from deliberation and voting on the matter.

The aforesaid thresholds of authority shall remain in force until otherwise revoked or varied by the Board.

## 2.10 Statement by the Audit Committee

The Audit Committee of the Company has seen and reviewed the procedures mentioned in section 2.7 above and is satisfied that the procedures are sufficient to ensure that the Recurrent Related Party Transactions are conducted at arm's length, 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.

The HSCB Group has in place adequate procedures and processes to monitor, track and identify Recurrent Transactions in a timely and orderly manner, which procedures and processes are reviewed on a quarterly basis by the Audit Committee.

## 3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED TO THEM

Save as disclosed below, none of the other Directors, Major Shareholders and/or persons connected with a Director or Major Shareholder have any interests, direct and/or indirect, in the Proposed Shareholders' Mandate:

- (a) The direct and/or indirect interests of the interested Major Shareholders of HSCB based on the register of substantial shareholders as at LPD are as follows:

Interested Major Shareholders	Shareholdings in HSCB			
	No. of HSCB Shares			
	Direct	%#	Indirect	%#
Tan Sri Lau <sup>(1)</sup>	-	-	1,815,134,782 <sup>(2)</sup>	72.91
Gek Poh	1,360,094,542	54.63	154,364,580 <sup>(3)</sup>	6.20
HSIS	154,364,580	6.20	-	-
LSH	-	-	300,675,660 <sup>(4)</sup>	12.08
LSHCL	-	-	300,675,660 <sup>(5)</sup>	12.08
LSHI	300,675,660	12.08	-	-

### Notes:

# For purpose of computing the percentage shareholding above, the number of HSCB Shares used was 2,489,679,583 which was arrived at after deducting 2,000 treasury shares held by HSCB from its issued share capital of 2,489,681,583 as at the LPD.

- (1) As at the LPD, Tan Sri Lau holds 56.00% direct shareholding in Gek Poh and 100.00% direct shareholding in Lead Star Business Limited ("Lead Star"). Lead Star holds 37.68% shareholding in LSH. Accordingly, pursuant to section 8 of the Act, Tan Sri Lau is deemed to have an interest of 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star and 12.42% shareholding held via Gek Poh.
- (2) Pursuant to section 8 of the Act, Tan Sri Lau is deemed to have interest in 1,360,094,542 HSCB shares constituting 54.63% shareholding in HSCB held by Gek Poh by virtue of his direct substantial interest in Gek Poh and 154,364,580 HSCB shares constituting 6.20% shareholding in HSCB held by HSIS by virtue of his direct substantial interest in Gek Poh as HSIS is the wholly-owned subsidiary of Gek Poh. Tan Sri Lau is also deemed to have interest in 300,675,660 HSCB shares constituting 12.08% shareholding in HSCB held by LSHI by virtue of his deemed substantial interest in LSH, the holding company of LSHI.
- (3) Pursuant to section 8 of the Act, Gek Poh is deemed to have interest in 154,364,580 HSCB Shares constituting 6.20% shareholding in HSCB held by HSIS.
- (4) Pursuant to section 8 of the Act, LSH is deemed to have interest in 300,675,660 HSCB Shares constituting 12.08% shareholding in HSCB by virtue of LSHCL and LSHI.

(5) Pursuant to section 8 of the Act, LSHCL is deemed to have interest in 300,675,660 HSCB Shares constituting 12.08% shareholding in HSCB held by LSHI.

(b) Person connected with major shareholder

As stated in section 3(a)(2), Tan Sri Lau is deemed a Major Shareholder of the Company. His daughter, Ms. Lau Soo Lui, a person connected with him, has a deemed 39.60% interest in Samling Strategic. Hence, Tan Sri Lau is deemed interested in the Recurrent Transactions between HSCB Group and Samling Strategic Group.

(c) The direct and/or indirect interests of the interested Directors and persons connected with an interested Directors in the Company as at LPD:

Datuk Edward Lee Ming Foo is the managing director of both HSCB and Gek Poh. Mr. Lee Wee Yong is an executive director of HSCB and a director of Gek Poh. Premised on Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong's common directorships in HSCB and Gek Poh, they are deemed interested in the Recurrent Transactions between HSCB Group and Gek Poh Group. They are also deemed interested in the Recurrent Transactions between HSCB Group and LSH Group by virtue of Gek Poh being a major shareholder in LSH. Neither Datuk Edward Lee Ming Foo nor Mr. Lee Wee Yong holds any shares, direct and/or indirect, in the Company.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB, and a non-executive director of LSH as well as a managing partner of Messrs Shim Pang & Co. Premised on Datuk Simon Shim Kong Yip's common directorships in HSCB and LSH, and he is a managing partner of Messrs Shim Pang & Co, he is interested in the Recurrent Transactions between HSCB Group, LSH Group and Messrs Shim Pang & Co. Datuk Simon Shim Kong Yip does not hold any shares, direct and/or indirect, in the Company.

Mr. Ch'ng Kok Phan is a non-independent non-executive director of HSCB and an executive director of LSH. Premised on Mr. Ch'ng Kok Phan's common directorships in HSCB and LSH, he is interested in the Recurrent Transactions between HSCB Group and LSH Group. Mr. Ch'ng Kok Phan does not hold any shares, direct and/or indirect, in the Company.

Mr. Chiew Kim Hua, a partner in CIC, is the husband of Ms. Helen Lee Yun Oi, the sister of Datuk Edward Lee Ming Foo, the managing director of the Company. Hence, Mr. Chiew Kim Hua and Ms. Helen Lee Yun Oi are deemed persons connected with Datuk Edward Lee Ming Foo and Datuk Edward Lee Ming Foo is deemed interested in the Recurrent Transactions between HSCB Group and CIC. Neither Mr. Chiew Kim Hua nor Ms. Helen Lee Yun Oi holds any shares, direct and/or indirect, in the Company.

Mr. Tong Chin Hen is the managing director and deemed major shareholder of Imaspro Resources. Hence, he is deemed interested in the Recurrent Transactions between HSCB Group and Imaspro Resources. Tong Chin Hen holds 31,000 of HSCB shares.

The interested Major Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in HSCB on the resolution in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

The interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant board of directors meetings and on the resolution in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

Further, the interested Major Shareholders and interested Directors have undertaken that they will also ensure that persons connected with them who have interests in the shares in HSCB will abstain from voting in respect of their direct and/or indirect shareholdings in HSCB on the resolution in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.



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

The Board (save for Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong, Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan who are the interested Directors in relation to the Proposed Shareholders' Mandate and as such, have abstained from expressing an opinion and recommendation in respect thereof), having considered all aspects of the Proposed Shareholders' Mandate and in particular, the rationale and benefits of the Recurrent Related Party Transactions set out in sections 2.5 and 2.6 above, is of the opinion that the Proposed Shareholders' Mandate is in the best interests of the HSCB Group and the shareholders.

Accordingly, the Board (save for the interested Directors) recommends that shareholders vote in favour of the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

#### **5. AGM**

The Proposed Shareholders' Mandate for the Recurrent Related Party Transactions will be subject to the approval of the shareholders at the forthcoming AGM. The AGM, extract of the notice of which is enclosed with this Circular/Statement as Appendix II, is to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 10am (or the adjournment thereof).

If you are unable to attend and vote in person at the forthcoming AGM, you should complete the proxy form as enclosed in the 2016 Annual Report in accordance with the instructions therein and lodge the duly completed form at the Registered Office not less than 48 hours before the appointed time of the forthcoming AGM (or any adjournment thereof). However, lodging of the proxy form will not preclude you from attending and voting in person at the forthcoming AGM should you subsequently wish to do so.

#### **6. FURTHER INFORMATION**

Shareholders are advised to refer to Appendix I of this Circular for further information.

Yours faithfully  
For and on behalf of the Board  
**HAP SENG CONSOLIDATED BERHAD**

**Dato' Jorgen Bornhoft**  
Independent Non-Executive Chairman

---

## APPENDIX I – FURTHER INFORMATION

---

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

Part A of this Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

### 2. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the directors do not have any knowledge of any proceedings, pending or threatened, against the Group or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Group:

- (a) Hap Seng Plantations (River Estates) Sdn Bhd ("RESB"), the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ("HSP"), is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ("said Land"). On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ("HCH") as the purported vendor and Excess Interpoint Sdn Bhd ("EISB") as the purported purchaser ("Purported SPA"). HCH alleged that he is the donee of a power of attorney dated 8 February 1977 allegedly created in respect of the said Land ("Alleged PA"). On the basis of the Purported SPA, EISB entered a private caveat on the said Land on 3 April 2012.

On 23 May 2012, RESB commenced a legal suit vide a writ of summon at Kuala Lumpur High Court ("KLHC") against EISB ("1st Defendant") and on 16 June 2012, HCH was added as the second defendant ("2nd Defendant") to the said legal suit ("KL RESB Suit").

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah & Sarawak at Kota Kinabalu ("KKHC"). On 7 April 2016, the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 ("KK RESB Suit").

RESB is claiming for the following in the KK RESB Suit:

- (a) That RESB be declared as the registered and beneficial owner of the said Land;
- (b) That the Purported SPA be declared null and void;
- (c) That the Alleged PA be declared null and void;
- (d) An injunction restraining the 1st Defendant from:
  - (i) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
  - (ii) taking any actions to fulfill the terms and conditions in the Purported SPA; and

---

**APPENDIX I – FURTHER INFORMATION** *(cont'd)*

---

(iii) taking any further action to complete the Purported SPA.

- (e) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
- (f) Costs of the KK RESB Suit; and
- (g) Such further or other relief as the Court deems fit and just.

Pending the disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in (d) and (e) above (“KK Interlocutory Injunction”).

On 13 December 2016, the KKHC allowed both the KK RESB Suit and KK Suit to be consolidated upon RESB’s application.

HSP has been advised by Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the KK RESB Suit.

- (b) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) (“SYC” or the “Plaintiff”) has filed a separate legal suit against RESB in respect of the said Land in KKHC vide originating summon No. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 (“KK Suit”).

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 (“Alleged Deed of Substitute”) allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

- (a) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
- (b) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
- (c) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
- (d) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC’s rights thereon;
- (e) costs of the KK Suit; and
- (f) such further or other relief as the Court deems fit and just.

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action and ordered the Plaintiff to file in his writ and statement of claim by 26 August 2016.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

**3. MATERIAL CONTRACTS**

The material contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company and/or its subsidiaries during the two years immediately preceding the date of this Circular are as follows:

- (i) On 18 January 2016, the Company entered into a sale and purchase of shares agreement (“LSHWP Shares Sale Agreement”) with Lei Shing Hong Trading Limited (“LSHT”), a wholly-owned subsidiary of LSH, pursuant to which the Company acquired 2,000,000 ordinary shares representing the entire issued and paid up share capital in Lei Shing Hong Wood Products Limited from LSHT for a cash consideration of USD3,215,401.00 (“LSHWP Purchase Consideration”). The LSHWP Shares Sale Agreement was completed on 22 January 2016 upon payment of the LSHWP Purchase Consideration.
- (ii) On 29 January 2016, Hap Seng Land Development Sdn Bhd (“HSLD”), a wholly-owned subsidiary of the Company, entered into a shareholders’ agreement (“KL Metropolis SHA”) with TTDI KL Metropolis Sdn Bhd (“TTDI KL”), a wholly-owned subsidiary of Naza TTDI Sdn Bhd, and Golden Suncity Sdn Bhd (“GSSB”) to regulate the relationship inter-se as shareholders of GSSB based on a shareholding proportion of 70:30.

Simultaneous with the execution of the KL Metropolis SHA, GSSB had on even date entered into a development rights agreement (“DRA”) with TTDI KL, pursuant to which TTDI KL as the registered and beneficial proprietor of all that parcel of a leasehold land held under PN52352, Lot 80928, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring 8.95 acres (“KL Metropolis Land”) had agreed to grant to GSSB, the exclusive rights to develop the KL Metropolis Land (“Proposed Development”) at the consideration sum of RM467,834,400.00 (“KL Metropolis Consideration Sum”).

The KL Metropolis Consideration Sum shall be paid as follows:

- (a) upon execution of the DRA, GSSB paid to TTDI KL 10% of the KL Metropolis Consideration Sum amounting to RM46,783,440.00 (“Deposit”). Simultaneous with and in exchange for the Deposit, TTDI KL delivered to GSSB, a restricted, limited and irrevocable power of attorney for the sole purpose of enabling GSSB to apply for and obtain the development order at GSSB’s own cost and expense;
- (b) GSSB, shall within 3 months from the date of fulfillment of all the condition precedents, effect payment of a further 45% of the KL Metropolis Consideration Sum amounting to RM210,525,480.00; and
- (c) the balance 45% of the KL Metropolis Consideration Sum amounting to RM210,525,480.00 shall be paid by way of set-off of against those units to be developed on the KL Metropolis Land selected by TTDI KL with the purchase price of the selected units to be mutually agreed upon between GSSB and TTDI KL.

The DRA is currently pending fulfilment of the following conditions precedent (“CPs”) which CPs shall be satisfied on or before 1 September 2017:

- (a) TTDI KL having obtained the relevant approval and consent from the relevant authorities for the relocation of the existing suction tank and pump house from KL Metropolis Land;
- (b) TTDI KL having obtained the approval from the State Authority for the charge of the KL Metropolis Land in favour of GSSB’s financier;
- (c) TTDI KL having completed the construction of the main sewerage reticulation lines for GSSB to connect from the agreed tapping points to the KL Metropolis Land; and

---

**APPENDIX I – FURTHER INFORMATION** *(cont'd)*

---

- (d) GSSB having submitted the application for the development order and shall not have received any material adverse conditions.

The DRA shall become unconditional on the date of the last of the CPs being obtained or waived.

- (iii) On 1 March 2016, Hap Seng Star Sdn Bhd (“HSS”), a wholly-owned subsidiary of the Company entered into a sale and purchase of shares agreement (“HSCV Disposal SSA”), with Lei Shing Hong Commercial Vehicles Limited (“LSHCV”), a wholly-owned subsidiary of LSH pursuant to which:

- (a) HSS had agreed to dispose its 51% equity interest in Hap Seng Commercial Vehicle Sdn Bhd (formerly known as Hap Seng Industrial Sdn Bhd) (“HSCV”) comprising 127,500,000 ordinary shares of RM1.00 each (“Sale Shares”) to LSHCV at a cash consideration of RM382.50 million (“51% Disposal”); and
- (b) LSHCV granted a put option to HSS to sell the balance 49% or part thereof of the equity interest in HSCV comprising 122,500,000 ordinary shares (“Option Shares”) to LSHCV for a cash consideration of up to RM367.50 million (“Exercise Price”) (“Put Option”). The Exercise Price is to be pro-rated according to the actual number of Option Shares put to LSHCV. The Put Option is exercisable for a period of 5 years only after the completion of the 51% Disposal (“Option Shares Disposal”).

(The 51% Disposal and the Option Shares Disposal are collectively referred to as the “HSCV Disposals”).

The 51% Disposal was completed on 25 May 2016. On 28 December 2016, HSS exercised the Put Option to sell the Option Shares and the Option Shares Disposal was completed on 3 January 2017 with receipt of the Exercise Price. Accordingly, HSCV became a wholly-owned subsidiary of LSHCV.

- (iv) On 1 March 2016, the Company entered into a sale and purchase of shares agreement (“MMSB Acquisition SSA”), with Gek Poh (Holdings) Sdn Bhd (“Gek Poh”) pursuant to which Gek Poh had agreed to sell, and the Company had agreed to purchase 158,599,450 ordinary shares of RM1.00 each in Malaysian Mosaics Sdn Bhd (“MMSB Shares”), representing the entire issued and paid-up capital of MMSB, for a cash consideration of RM380.00 million (“MMSB Purchase Price”).

The MMSB Acquisition SSA was completed on 25 May 2016 upon payment of the MMSB Purchase Price.

- (v) On 15 June 2016, Euro-Asia Brand Holding Company Sdn Bhd (“Euro-Asia”), a wholly-owned subsidiary of the Company entered into two (2) sale and purchase agreements (“Euro-Asia SPAs”) with Shalimar (Malay) PLC (“Shalimar”) and Indo Malay PLC (“Indo Malay”), both being subsidiaries of Goodhope Asia Holdings Ltd which were incorporated in the Republic of Sri Lanka pursuant to which Euro-Asia agreed to acquire various parcels of freehold agricultural land with oil palm trees planted thereon, measuring approximately 1,449.524 acres, for a total purchase consideration of RM228,749,128.40 (“Euro-Asia Purchase Price”).

The Euro-Asia SPAs were completed on 3 November 2016 upon payment of the Euro-Asia Purchase Price.

- (vi) On 26 September 2016, Hap Seng Properties Development Sdn Bhd (“HSPD”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (“HSPD Disposal SPA”) with Supergreen Development Sdn Bhd, a wholly-owned subsidiary of Lei Shing Hong Limited (“Supergreen”) pursuant to which HSPD agreed to sell and Supergreen agreed to acquire all that parcel of a vacant leasehold land held under PL 106149633 measuring approximately 24.88 acres situated at Jalan Sin Onn, District of

---

**APPENDIX I – FURTHER INFORMATION** (cont'd)

---

Tawau, State of Sabah at a cash consideration of RM54,188,640 (“HSPD Disposal Consideration”).

On even date of 26 September 2016, Hap Seng Land Development (Jesselton Hill) Sdn Bhd (“HSLDJH”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (“Jesselton Hill Disposal SPA”) with Primary Goldenet Sdn Bhd, a wholly-owned subsidiary of LSH (“Primary Goldenet”) pursuant to which HSLDJH agreed to sell and Primary Goldenet agreed to acquire all that parcel of a vacant leasehold land held under CL 015483806 measuring approximately 53.72 acres situated at Mile 13, Tuaran Road, District of Kota Kinabalu, State of Sabah at a cash consideration of RM60,841,123.20 (“Jesselton Hill Disposal Consideration”).

The HSPD Disposal SPA and Jesselton Hill Disposal SPA were completed on 30 September 2016 upon payment of the the HSPD Disposal Consideration and Jesselton Hill Disposal Consideration.

- (vii) On 13 January 2017, Hap Seng Properties Development Sdn Bhd (“HSPD”), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (“Goldcoin Disposal SPA”) with Goldcoin Ventures Sdn Bhd (“Goldcoin”), the wholly-owned subsidiary of Akal Megah Sdn Bhd which in turn is wholly-owned by LSH pursuant to which HSPD agreed to sell and Goldcoin agreed to acquire portions of the land held under CL 105420666 situated at Mile 10, Apas Road, District of Tawau, State of Sabah identified as Lot 1 and Lot 4 measuring approximately 27.23 acres and 25.34 acres respectively for a total cash consideration of RM91,000,000.00 (“Goldcoin Disposal Consideration”).

The Goldcoin Disposal SPA was completed on 23 January 2017 upon payment of the Goldcoin Disposal Consideration.

- (viii) On 7 March 2017, the Company entered into a sale and purchase of shares agreement with LSH Logistics Limited (“LSHL”), a wholly-owned subsidiary of LSH, pursuant to which the Company had agreed to dispose to 250,000,000 ordinary shares representing 100% equity interest in Hap Seng Logistics Sdn Bhd, a wholly-owned subsidiary of the Company to LSHL for a cash consideration of RM750 million (“Proposed HSL Disposal”).

The Proposed HSL Disposal is subject to the shareholders’ approval to be obtained at the extraordinary general meeting of the Company to be convened.

#### **4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming AGM:

- (a) the memorandum and articles of association of the Company;
- (b) the audited financial statements of the Company for the past 2 financial years ended 31 December 2015 and 31 December 2016;
- (c) the agreements, where available, for the recurrent transactions as set out in section 2.2 of Part A of this Circular;
- (d) the relevant cause papers in respect of the material litigation referred to in section 2 of Appendix I of Part A of this Circular/Statement; and
- (e) the material contracts referred to in section 3 of Appendix I of Part A of this Circular/Statement.

**PART B**

**SHARE BUY-BACK STATEMENT IN RELATION TO THE  
PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

---

**TABLE OF CONTENTS**

---

**PART B****SHARE BUY BACK STATEMENT**

	<b>Page</b>
<b>1. INTRODUCTION</b>	24
<b>2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY</b>	
2.1 The Rationale and Potential Advantage and Disadvantage	24
2.2 The Maximum Number or Percentage of Own Shares to be Purchased	25
2.3 The Amount of Retained Profits, Source of Funds and Cash Flow Impact	25
2.4 Shareholding of Directors & Substantial Shareholders	26
<b>3. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY</b>	
3.1 Share Capital	27
3.2 NA per share and EPS	27
3.3 Working Capital	28
<b>4. THE CONSEQUENCES WITH REGARD TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2010</b>	28
<b>5. PURCHASES AND RESALE MADE IN THE LAST FINANCIAL YEAR</b>	28
<b>6. PUBLIC SHAREHOLDING SPREAD OF THE COMPANY</b>	28
<b>7. DIRECTORS' RECOMMENDATION</b>	28
<b>8. APPENDIX II SHARE BUY-BACKS SUMMARY</b>	29

*(The rest of this page has been intentionally left blank)*



---

## SHARE BUY-BACK STATEMENT

---

### 1. INTRODUCTION

Hap Seng Consolidated Berhad (“HSCB” or the “Company”) had at the extraordinary general meeting (“EGM”) held on 19 May 2016, obtained authorisation from its shareholders to purchase and/or hold its own shares up to a maximum of 10% of the issued share capital of the Company through Bursa Malaysia Securities Berhad (“Bursa Securities”). In accordance with the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”), this authorisation shall lapse upon conclusion of the 41<sup>st</sup> annual general meeting of the Company to be convened on 31 May 2017 (“AGM”), unless otherwise renewed.

The Company has on 13 April 2017 announced to the Bursa Securities of its intention to seek a renewal of the authorisation from its shareholders for the Company to purchase and/or hold its own shares up to a maximum of 10% of the Company’s issued share capital (“Proposed Renewal of Share Buy-back Authority”).

This statement is to provide the shareholders with the information on the Proposed Renewal of Share Buy-back Authority, to set out the recommendation from the board of directors of the Company (the “Board”) and to seek shareholders’ approval for the ordinary resolution pertaining to the Proposed Renewal of Share Buy-back Authority to be tabled at the forthcoming AGM to be held on 31 May 2017 at 10am (or the adjournment thereof).

### 2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

#### 2.1 The Rationale and Potential Advantage and Disadvantage

The Board is of the opinion that authorising the Company to undertake the purchase of its own shares is in the best interest of the Company. The share buy-backs, if authorized, may stabilise the supply and demand of the Company’s shares and this may have a favourable impact on the share price of the Company. Upon the shares being purchased, the Company could either cancel or retain the shares (all or part thereof) as treasury shares. In the event that the repurchased shares are retained as treasury shares, it will give the Board an option to sell the treasury shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the treasury shares may be distributed as share dividends to shareholders or cancelled as and when the directors deem fit.

The proposed purchase of own shares is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be exercised only after in-depth consideration of the financial resources of the Company and of the resultant impact on its shareholders.

The proposed purchase of own shares will, however, reduces the financial resources of the Company and may result in the Company having to forego any good investment opportunities that may emerge in the future and reduce income derived from depositing funds in interest-bearing instruments.

Nevertheless, the Board will be mindful of the interests of both the Company and its shareholders in implementing the proposed purchase of own shares.

---

## SHARE BUY-BACK STATEMENT

---

### **2.2 The Maximum Number or Percentage of Own Shares to be Purchased**

The proposed purchase of its own shares must be undertaken by the Company's appointed stockbroker(s). The Company must not buy-back its own shares and/or hold any of its own shares as treasury shares if this would result in the aggregate of the shares so purchased and/or held to exceed 10% of its issued share capital. As at 31 March 2017, the issued share capital of the Company (inclusive of 2,000 treasury shares) was 2,489,681,583 ordinary shares.

The authority from the shareholders for the proposed purchase would be effective immediately upon the passing of the ordinary resolution for the Proposed Renewal of Share Buy-back Authority until the conclusion of the next annual general meeting unless earlier revoked or varied by an ordinary resolution passed by the shareholders in a general meeting.

### **2.3 The Amount of Retained Profits, Source of Funds and Cash Flow Impact**

The Listing Requirements stipulate that the proposed purchase by a company of its own shares must be made out of retained profits of the listed company.

The Board therefore proposed to allocate a maximum of up to the retained profits of the Company for the purchase of its own shares subject to compliance with section 127 of the Companies Act 2016 (the "Act") and any other prevailing laws, rules, regulations, order, guidelines and requirements issued by the relevant authorities at the time of the purchase. Based on the Company's latest audited financial statements for the financial year ended 31 December 2016, the audited retained profits of the Company was RM782,889,000. The retained profits of the Company in the management account as at 31 March 2017 was RM817,150,000.

The proposed purchase of own shares will be funded through internally generated funds and/or external borrowings, the proportion of which will depend on the quantum of purchase consideration as well as the availability of internally generated funds and borrowings and repayment capabilities of the Company at the time of purchase. In the event that the proposed purchase is to be partly and/or wholly financed by external borrowings, the Board is of the opinion that the Company is capable of repaying such borrowings and that such funding is not expected to have any material effect on the cash flow of the Company and its subsidiaries ("HSCB Group").

*(The rest of this page has been intentionally left blank)*

## SHARE BUY-BACK STATEMENT

### 2.4 Shareholding of Directors & Substantial Shareholders

For purpose of illustration, the effect before and after the proposed purchase under the Proposed Renewal of Share Buy-back Authority on the direct and indirect shareholdings of the directors and the substantial shareholders and persons connected with the directors and substantial shareholders of the Company based on the register of directors and the register of substantial shareholders respectively as at 31 March 2017 are as follows:

<u>Directors</u>	<-----No. of ordinary shares held in the Company----->				<--- After the proposed purchase --->			
	<---Before the proposed purchase --->		<--- After the proposed purchase --->		Assuming 10% of the share capital was bought back and cancelled			
	Direct	% <sup>(1)</sup>	Indirect	% <sup>(1)</sup>	Direct	%	Indirect	%
Dato' Jorgen Bornhoft	25,000	0.0010	-	-	25,000	0.0011	-	-
Datuk Edward Lee Ming Foo	-	-	-	-	-	-	-	-
Mr. Lee Wee Yong	-	-	-	-	-	-	-	-
Ms. Cheah Yee Leng	-	-	-	-	-	-	-	-
Datuk Simon Shim Kong Yip	-	-	-	-	-	-	-	-
Lt. Gen. (R) Datuk Abdul Aziz Bin Hasan	-	-	-	-	-	-	-	-
Dato' Mohammed Bin Haji Che Hussein	36,000	0.0014	-	-	36,000	0.0016	-	-
Mr. Ch'ng Kok Phan	-	-	-	-	-	-	-	-
Mr. Leow Ming Fong @ Leow Min Fong	-	-	-	-	-	-	-	-

<u>Substantial shareholders</u>	<-----No. of ordinary shares held in the Company----->				<----- After the proposed purchase ----->			
	<-----Before the proposed purchase ----->		<----- After the proposed purchase ----->		Assuming 10% of the share capital was bought back and cancelled			
	Direct	% <sup>(1)</sup>	Indirect	% <sup>(1)</sup>	Direct	%	Indirect	%
Gek Poh (Holdings) Sdn Bhd ("Gek Poh")	1,360,094,542	54.63	154,364,580 <sup>(2)</sup>	6.20	1,360,094,542	60.70	154,364,580 <sup>(2)</sup>	6.89
Hap Seng Insurance Services Sdn Bhd ("HSIS")	154,364,580	6.20	-	-	154,364,580	6.89	-	-
Affin Nominees (Asing) Sdn Bhd Exempt AN for Lei Shing Hong Securities Limited (Clients A/C for Lei Shing Hong Investment Limited ("LSHI"))	300,675,660	12.08	-	-	300,675,660	13.42	-	-
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ("Tan Sri Lau")	-	-	1,815,134,782 <sup>(3)</sup>	72.91	-	-	1,815,134,782	81.01

**Notes:**

- (1) For purpose of computing the percentage of shareholding above, the number of ordinary shares used was 2,489,679,583 which was arrived at after deducting 2,000 treasury shares held by the Company from its issued capital of 2,489,681,583 ordinary shares as at 31 March 2017.
- (2) Pursuant to section 8 of the Act, Gek Poh is deemed to have interest in 154,364,580 ordinary shares constituting 6.20% shareholding in HSCB held by HSIS, the wholly-owned subsidiary of Gek Poh.

---

## SHARE BUY-BACK STATEMENT

---

- (3) Pursuant to section 8 of the Act, Tan Sri Lau is deemed to have interest in 1,360,094,542 HSCB shares constituting 54.63% shareholding in HSCB held by Gek Poh by virtue of his direct substantial interest in Gek Poh and 154,364,580 HSCB shares constituting 6.20% shareholding in HSCB held by HSIS by virtue of his direct substantial interest in Gek Poh as HSIS is the wholly-owned subsidiary of Gek Poh. Tan Sri Lau is also deemed to have interest in 300,675,660 HSCB shares constituting 12.08% shareholding in HSCB held by LSHI by virtue of his deemed substantial interest in LSH, the holding company of LSHI.

None of the directors or substantial shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed Renewal of Share Buy-back Authority or the resale of treasury shares, if any.

### 3. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

Based on the assumption that the proposed purchase under the Proposed Renewal of Share Buy-back Authority is carried out in full, the effects of the proposed purchase on the share capital, net assets ("NA"), earnings per share ("EPS") and working capital of the Company are set out below:

#### 3.1 Share Capital

The effect of the proposed purchase under the Proposed Renewal of Share Buy-back Authority on the issued share capital of the Company assuming the Company purchased and subsequently cancelled up to 248,968,158 ordinary shares representing 10% of the existing issued share capital as at 31 March 2017 are as follows:

	<u>No. of Ordinary Shares</u>	<u>RM</u>
Issued share capital		
Existing as at 31 March 2017	2,489,681,583	2,489,681,583
Less:		
Number of HSCB shares to be cancelled pursuant to the proposed purchase of up to 10% of the existing share capital as at 31 March 2017	248,968,158	248,968,158
Upon completion of the cancellation of the 248,968,158 ordinary shares purchased	<u>2,240,713,425</u>	<u>2,240,713,425</u>

However, there will have be no effect on the issued share capital of the Company if the shares so purchased are to be retained as treasury shares.

#### 3.2 NA per share and EPS

The NA per share of the Company and the HSCB Group may increase or decrease, depending on the purchase price of the shares to be bought back by the Company. Should the purchase price exceed the existing NA per share, the NA of the remaining shares should decrease accordingly. Conversely, should the purchase price be lower than the existing NA per remaining share, the resultant NA per share should increase accordingly.

Assuming that the shares purchased under the Proposed Renewal of Share Buy-back Authority are cancelled, the Proposed Renewal of Share Buy-back Authority may increase the EPS of the HSCB Group. Similarly, on the assumption that the shares purchased are treated as treasury shares and subsequently resold, the extent of the effect on earnings of the HSCB Group will depend on the actual selling price and number of treasury shares resold. In the event the shares purchased are held as treasury shares, the effective reduction in the issued share capital of the Company pursuant to the Proposed Renewal of Share Buy-back Authority would generally, all else being equal, increase the consolidated EPS of the Company.

---

## SHARE BUY-BACK STATEMENT

---

### **3.3 Working Capital**

The proposed purchase is likely to reduce funds available for working capital purposes of the HSCB Group, the quantum of which depends on the purchase price of the shares and the actual number of shares purchased.

### **4. THE CONSEQUENCES WITH REGARD TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2010**

Based on the shareholdings of the substantial shareholders as at 31 March 2017, if the Proposed Renewal of Share Buy-back Authority is carried out in full, the proposed purchase will have no implication to any of the directors, substantial shareholders and/or persons connected to the directors and substantial shareholders under the Malaysian Code on Take-Overs and Mergers 2010.

### **5. PURCHASES AND RESALE MADE IN THE LAST FINANCIAL YEAR**

Summary on the Company's share buy-backs and resale of treasury shares for the financial year ended 31 December 2016 is set out in Appendix II of this statement.

During the financial year, 103,000 shares were bought back and 93,159,900 treasury shares were resold on the open market. Consequently, the cumulative treasury shares held as at 31 December 2016 were 2,000 shares.

### **6. PUBLIC SHAREHOLDING SPREAD OF THE COMPANY**

As at 31 March 2017, the public shareholding spread of the Company was approximately 27.08%. Assuming that the Proposed Renewal of Share Buy-back Authority is carried out in full and the shares so purchased were all cancelled, the public shareholding of the Company will be 18.98%. The Board is mindful of the requirement that any buy-back of its own shares must not result in the Company's public shareholding spread falling below the minimum public shareholding spread of 25%.

### **7. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Proposed Renewal of Share Buy-back Authority and in particular, the rationale thereof as set out in section 2.1 above, is of the opinion that the Proposed Renewal of Share Buy-back Authority is in the best interests of the Company. Accordingly, the Board recommends that shareholders vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Share Buy-back Authority to be tabled at the forthcoming AGM.

**APPENDIX II – SHARE BUY-BACKS SUMMARY**

Month (2016)	No. of shares bought back and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average cost per share (RM)	Total consideration paid (RM'000)	No. of treasury shares resold	Lowest resale price per share (RM)	Highest resale price per share (RM)	Average resale price per share (RM)	Total consideration received (RM'000)
January	-	-	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-	-	-
April	-	-	-	-	-	15,743,200	7.58	7.88	7.60	119,641
May	1,000	7.80	7.80	7.85	8	19,510,500	7.60	7.89	7.69	150,097
June	-	-	-	-	-	27,364,600	7.55	7.87	7.66	209,534
July	100,000	7.70	7.70	7.71	771	30,541,600	7.69	7.77	7.70	235,031
August	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-	-
November	2,000	7.93	7.93	7.99	16	-	-	-	-	-
December	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>103,000</b>	<b>7.70</b>	<b>7.93</b>	<b>7.72</b>	<b>795</b>	<b>93,159,900</b>	<b>7.55</b>	<b>7.89</b>	<b>7.67</b>	<b>714,303</b>



# **HAP SENG CONSOLIDATED BERHAD** (26877-W)

(Incorporated in Malaysia)

## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the 41<sup>st</sup> annual general meeting of Hap Seng Consolidated Berhad will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 10am to transact the following:-

### **SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions:-

#### **Resolution 9**

#### **Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

"That, subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the related parties as set out in Part A, section 2.2 of the Circular/Statement to shareholders dated 28 April 2017, provided such transactions are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business, 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 are not detrimental to the minority shareholders of the Company.

That this authority shall continue to be in force until:-

- (a) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse, unless renewed by a resolution passed at the annual general meeting; or
- (b) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
- (c) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever shall be the earliest.

and that the directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the proposed renewal of and new shareholders' mandate."

#### **Resolution 10**

#### **Proposed renewal of share buy-back authority**

"That subject always to section 127 of the Companies Act 2016, the Company's articles of association, Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, and the approvals of all relevant governmental and/or regulatory authorities, the directors of the Company be and are hereby authorised to purchase ordinary shares in the Company's issued ordinary share capital through Bursa Malaysia Securities Berhad, provided that:-

- (a) the aggregate number of ordinary shares purchased and/or held by the Company as treasury shares shall not exceed 10% of the issued ordinary share capital of the Company;
- (b) the funds allocated by the Company for the purpose of purchasing its own shares shall not exceed the total retained profits of the Company, based on the Company's audited financial statements for the financial year ended 31 December 2016; and
- (c) the authority conferred by this resolution shall continue to be in force until:-

---

**APPENDIX III – EXTRACT OF NOTICE OF FORTY-FIRST ANNUAL GENERAL MEETING**

---

- (1) the conclusion of the next annual general meeting of the Company, at which time the said authority shall lapse unless renewed by the passing of a resolution; or
- (2) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to section 340(4) of the Companies Act 2016); or
- (3) revoked or varied by a resolution passed by the shareholders in a general meeting of the Company,

whichever shall be the earliest, and that the directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

- (i) cancel all the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury for distribution as dividend to the shareholders and/or resell on the market of Bursa Malaysia Securities Berhad; and/or
- (iii) retain part thereof as treasury shares and cancel the remainder,

and further that the directors of the Company be and are hereby authorised to take all such steps as are necessary and/or enter into any and all agreements, arrangements and guarantees with any party or parties to implement, finalise and 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 from time to time to implement or to effect the purchase of its own shares.”