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Hap Seng Consolidated Berhad (26877-W)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

PROPOSED DISPOSAL OF 80,000,100 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF HS CREDIT (MELBOURNE) PTY LTD BY HSC MELBOURNE HOLDING PTE LTD, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HAP SENG CONSOLIDATED BERHAD (“HSCB” OR “COMPANY”), TO LEI SHING HONG CAPITAL LIMITED FOR A CASH CONSIDERATION OF USD175,500,000 (EQUIVALENT TO RM721,743,750) (“PROPOSED DISPOSAL”)

PART B

INDEPENDENT ADVICE LETTER FROM AFFIN HWANG INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



CIMB Investment Bank Berhad (18417-M)

Independent Adviser



Affin Hwang Investment Bank Berhad (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice convening the extraordinary general meeting (“**EGM**”) of Hap Seng Consolidated Berhad to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Friday, 8 November 2019 at 3 p.m. or the adjournment thereof, is enclosed with this Circular.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to vote on his/her stead. In such event, the completed proxy form must be lodged at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur no later than 48 hours before the appointed time for holding the EGM or the adjournment thereof. Accordingly, the last day and time for lodging of the proxy form is Wednesday, 6 November 2019 at 3 p.m. or the adjournment thereof. However, lodging of the proxy form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 22 October 2019

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PART A
CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE
PROPOSED DISPOSAL

DEFINITIONS

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

Act	: Companies Act 2016
Affin Hwang IB or Independent Adviser	: Affin Hwang Investment Bank Berhad (197301000792/14389-U)
Akal Megah	: Akal Megah Sdn Bhd (199701021097/436594-W), a wholly-owned subsidiary of World Prosperity Developments Limited (678683), which in turn is a wholly-owned subsidiary of LSH
Announcement	: The announcement dated 23 July 2019 made by CIMB on behalf of HSCB on Bursa Securities in relation to the Proposed Disposal
Board	: Board of Directors of the Company
Bursa Securities	: Bursa Malaysia Securities Berhad (200301033577/635998-W)
CIMB or Principal Adviser	: CIMB Investment Bank Berhad (197401001266/18417-M)
Circular	: This circular issued by HSCB to its shareholders dated 22 October 2019
EGM	: The extraordinary general meeting of the Company to be held on 8 November 2019 or the adjournment thereof, to consider and if thought fit, to approve the Proposed Disposal
EPS	: Earnings per share
FPE	: Financial period ended/ending, as the case may be
FYE	: Financial year ended/ending, as the case may be
Gek Poh	: Gek Poh (Holdings) Sdn Bhd (197401003566/20706-X)
Goldcoin Ventures	: Goldcoin Ventures Sdn Bhd (201401000106/1076176-D), a wholly-owned subsidiary of Akal Megah
HCMLP	: HS Credit (Melbourne) Pty Ltd (622630826), a company incorporated in Australia and a wholly-owned subsidiary of HSC Melbourne
HCMLP Balance Sum	: A sum of USD157,950,000 (equivalent to RM649,569,375) representing the balance 90% of the HCMLP Sale Consideration payable by LSHCL to HSC Melbourne
HCMLP Completion	: The completion of the HCMLP SSA which shall take place on or before the expiry of one (1) month from the date on which the HCMLP Condition Precedent is satisfied or an automatic extended period of one (1) month if LSHCL fails to pay the HCMLP Balance Sum on the expiry of one (1) month from the date on which the HCMLP Condition Precedent is satisfied
HCMLP Completion Date	: The date on which the HCMLP Completion takes place
HCMLP Condition Precedent	: The condition precedent of the Proposed Disposal as set out in Section 2 of Appendix II of this Circular

DEFINITIONS *(cont'd)*

HCMPPL Cut-Off Date	:	The last day of the period of six (6) months from the date of the HCMPPL SSA or such other date as may be agreed in writing between HSC Melbourne and LSHCL
HCMPPL Deposit	:	A sum of USD17,550,000 (equivalent to RM72,174,375) representing 10% of the HCMPPL Sale Consideration, payable within 7 days from the date of execution of HCMPPL SSA by LSHCL to HSC Melbourne
HCMPPL Sale Consideration	:	The cash consideration of USD175,500,000 (equivalent to RM721,743,750 based on the exchange rate of USD1.00:RM4.1125 as at 5.00 p.m. on 22 July 2019) for the Proposed Disposal
HCMPPL Sale Shares	:	80,000,100 ordinary shares representing 100% of the issued share capital of HCMPPL
HCMPPL Shares	:	Ordinary shares of HCMPPL
HCMPPL SSA	:	The shares sale agreement dated 23 July 2019 entered into between HSC Melbourne and LSHCL for the Proposed Disposal
HSC Melbourne	:	HSC Melbourne Holding Pte Ltd (201731270W), a company incorporated in Singapore and a wholly-owned subsidiary of HSCI
HSCB or Company	:	Hap Seng Consolidated Berhad (197601000914/26877-W)
HSCB Group or Group	:	HSCB and its subsidiaries, collectively
HSCB Shares or Shares	:	Ordinary shares of HSCB
HSCI	:	HSC International Limited (LL13985), a company incorporated in Labuan, Malaysia and a wholly-owned subsidiary of HSCB
HSIS	:	Hap Seng Insurance Services Sdn Bhd (197501000146/21774-X), a wholly-owned subsidiary of Gek Poh
HSLD	:	Hap Seng Land Development Sdn Bhd (198201014848/94612-T), a wholly-owned subsidiary of Hap Seng Land Sdn Bhd (199501024866/354071-T), which in turn is the wholly-owned subsidiary of HSCB
HSPD	:	Hap Seng Properties Development Sdn Bhd (197201000295/11995-D), a wholly-owned subsidiary of HSLD
HSPD Disposal 1	:	Disposal of the HSPD Lands 1 by HSPD to Goldcoin Ventures for the HSPD Disposal Consideration 1
HSPD Disposal 2	:	Disposal of the HSPD Land 2 by HSPD to Goldcoin Ventures for the HSPD Disposal Consideration 2
HSPD Disposal Consideration 1	:	The disposal consideration of RM24,226,000 paid by Goldcoin Ventures to HSPD for HSPD Disposal 1
HSPD Disposal Consideration 2	:	The disposal consideration of RM27,142,000 paid by Goldcoin Ventures to HSPD for HSPD Disposal 2
HSPD Lands 1	:	All those two (2) contiguous parcels of vacant leasehold land held under land title CL 105173475 and CL 105245887 both situated at Mile 10, Apas Road, District of Tawau, State of Sabah, the leases of which are due to expire on 31 December 2049 and 31 December 2061 respectively

DEFINITIONS *(cont'd)*

HSPD Land 2	: All that parcel of vacant leasehold land held under land title CL 105241245 measuring approximately 20.77 acres situated at Mukim Tinagat, located within Bandar Sri Indah development at Mile 10, Apas Road, District of Tawau, State of Sabah, the lease of which is due to expire on 23 May 2060
HSPD SPAs 1	: The sale and purchase agreements dated 3 December 2018 entered into between HSPD and Goldcoin Ventures for the HSPD Disposal 1
HSPD SPA 2	: The sale and purchase agreement dated 13 June 2019 entered into between HSPD and Goldcoin Ventures for the HSPD Disposal 2
Independent Advice Letter	: The independent advice letter by Affin Hwang IB as set out in Part B of this Circular
Interested Directors	: The directors of the Company who are deemed interested in the Proposed Disposal, namely Datuk Edward Lee Ming Foo, Mr. Lee Wee Yong and Datuk Simon Shim Kong Yip as disclosed in Section 10.2 of Part A of this Circular.
Interested Shareholders	: The shareholders of the Company who are deemed interested in the Proposed Disposal, namely Tan Sri Lau, Gek Poh, HSIS, Lead Star, LSH, LSHCL and LSHI as disclosed in Section 10.1 of Part A of this Circular
Lead Star	: Lead Star Business Limited (1474599), a company incorporated in British Virgin Islands
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 30 September 2019, 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
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
LTD	: 22 July 2019, being the last trading day prior to the Announcement
MFRS 10	: Malaysian Financial Reporting Standards 10 "Consolidated Financial Statements"
NA	: Net assets
Non-Interested Directors	: The directors of the Company who are not interested in the Proposed Disposal
Non-Interested Shareholders	: The shareholders of the Company who are not interested in the Proposed Disposal
PAT	: Profit after taxation
PATNCI	: Profit after taxation and non-controlling interest
PBR	: Price-to-book ratio
PBT	: Profit before taxation

DEFINITIONS *(cont'd)*

PER	:	Price earnings ratio
Proposed Disposal	:	Proposed disposal by HSC Melbourne of the HCMPL Sale Shares to LSHCL for the HCMPL Sale Consideration
Registered Office	:	21 st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
Tan Sri Lau	:	Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak

Currencies

AUD	:	Australia Dollar, the lawful currency of Australia
HKD	:	Hong Kong Dollar, the lawful currency of Hong Kong, Special Administrative Region of the People's Republic of China
RM and Sen	:	Ringgit Malaysia and Sen respectively, the lawful currency of Malaysia
USD	:	United States Dollar, the lawful currency of the United States of America

All references to the “**Company**” in this Circular are to HSCB and references to the “**Group**” are to the Company and its subsidiaries. All references to “**you**” in this Circular are to the shareholders of the Company.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations, unless otherwise specified.

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 time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the tables between the amounts listed and the totals in this Circular are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due inquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group's plans and objectives will be achieved.

Unless otherwise stated, the exchange rate of USD1.00:RM4.1125, being the Bank Negara Malaysia's middle exchange rate as at 5.00 p.m. on 22 July 2019, being the market day preceding the date of the Announcement, is used throughout this Circular.

Any exchange rate translations in this Circular are provided solely for convenience of readers and should not be constituted as representative that the translated amounts stated in this Circular could have been or would have been converted into such other amounts or vice versa.

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Hap Seng Consolidated Berhad (26877-W)

Registered office:
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
Malaysia

22 October 2019

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*)
Mr. Leow Ming Fong @ Leow Min Fong (*Independent Non-Executive Director*)
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah (*Independent Non-Executive Director*)

To: Shareholders of the Company

Dear Sir/Madam

PROPOSED DISPOSAL

1. INTRODUCTION

On 23 July 2019, CIMB on behalf of the Board, announced that the Company is proposing to undertake the proposed disposal by HSC Melbourne of the HCMPL Sale Shares to LSHCL for the HCMPL Sale Consideration.

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of Chapter 10 of the Listing Requirements. Accordingly, on 23 July 2019, the Company appointed Affin Hwang IB to act as the Independent Adviser to advise the Non-Interested Directors and Non-Interested Shareholders on the fairness and the reasonableness of the Proposed Disposal and whether the Proposed Disposal is detrimental to the Non-Interested Shareholders. The Independent Advice Letter from Affin Hwang IB in relation to the Proposed Disposal is set out in Part B of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS WITH DETAILS OF THE PROPOSED DISPOSAL AND TO SEEK SHAREHOLDERS' APPROVAL BY WAY OF POLL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

SHAREHOLDERS ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS LETTER IN PART A OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER IN PART B OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING BY POLL ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE FORTHCOMING EGM.

2. THE PROPOSED DISPOSAL

2.1 Details of the Proposed Disposal

On 23 July 2019, HSC Melbourne entered into the HCMPL SSA for the disposal of HCMPL Sale Shares, for a cash consideration of USD175,500,000 (equivalent to RM721,743,750). Pursuant to the HCMPL SSA, HSC Melbourne shall dispose its HCMPL Shares representing 100% equity interest in HCMPL to LSHCL.

2.1.1 Information on HCMPL

HCMPL was incorporated in Australia on 2 November 2017 under the Corporations Act 2001 of Australia. HCMPL is principally involved in the provision of financial services in Victoria, Australia comprising mainly term loans to corporates in the property sector.

HCMPL is a wholly-owned subsidiary of HSC Melbourne.

As at LPD, the issued share capital of HCMPL is AUD80,000,100 comprising 80,000,100 HCMPL Shares.

In addition, as at LPD, the directors of HCMPL are Mr. Paul Gregory Betar, Ms. Cheah Yee Leng and Mr. Thai Chong Yim.

Further details of HCMPL are set out in Appendix I of this Circular.

2.2 Salient terms of the HCMPL SSA

The salient terms of the HCMPL SSA are set out in Appendix II of this Circular.

2.3 Liabilities that remain with HSCB

After the completion of the Proposed Disposal, there will be no liabilities, including contingent liabilities and guarantees that remain with the Company.

2.4 Basis and justification for the HCMPL Sale Consideration

The HCMPL Sale Consideration was arrived at on a “willing buyer willing seller” basis after taking into consideration the following:

- (i) the audited NA of HCMPL for the FYE 31 December 2018 of AUD81.28 million (equivalent to RM237.51 million)⁽¹⁾;
- (ii) the audited PAT of HCMPL for the FYE 31 December 2018 of AUD1.28 million (equivalent to RM3.84 million)⁽²⁾; and
- (iii) the rationale for the Proposed Disposal which is set out in Section 4 of Part A of this Circular.

Notes:

- (1) *The translated NA as set out above is based on the year-end rate of AUD1.00:RM2.922.*
- (2) *The translated PAT as set out above is cumulative PAT translated monthly based on the month-end exchange rates.*

The HCMPL Sale Consideration translates into an implied PBR of 3.07 times based on the audited NA of HCMPL as at 31 December 2018 and PER of approximately 194 times based on the audited PAT of HCMPL for the FYE 31 December 2018. The implied PBR and PER were computed based on the sale consideration of USD175.50 million and the exchange rate of AUD1.00:USD0.7038 which is based on Reserve Bank of Australia's exchange rate on 22 July 2019, being the market day prior to the Announcement.

There are no companies listed on Bursa Securities and Australian Securities Exchange which are identical or similar to HCMPL in terms of composition of business, scale of operations, track record and risk profile. As HCMPL is not a financial institution, listed financial institutions are not selected as comparable companies due to differences in the nature of business. However, for comparison purposes only, the following companies listed on Australian Securities Exchange which have similar principal activities as HCMPL have been selected by the management of HSCB. These companies which are non-financial institutions have been selected as they were incorporated and are also currently operating in Australia.

A brief description of the comparable financing companies is set out in the table below:

Comparable Companies	Principal Activities⁽¹⁾
Eclipx Group Ltd	Eclipx Group Ltd provides vehicle fleet leasing, fleet management, and diversified financial services. The company offers consumers and businesses access to funding solutions including fleet leasing, vehicle sales, commercial equipment finance, and consumer motor vehicle finance. Eclipx Group Ltd serves customers in Australia and New Zealand.
Money3 Corp Ltd	Money3 Corp Ltd provides consumer lending services in Australia. The company offers loans, check cashing, and money gram services.
CML Group Ltd	CML Group Ltd provides commercial financing services. The company offers debtor and equipment financing services. CML Group Ltd serves customers in Australia.
Resimac Group Ltd	Resimac Group Ltd provides non-bank originator and mortgage management services. The company offers home finance solutions. Resimac Group Ltd serves customers in Australia.

The following table below illustrates the trading multiples of comparable financing companies vis-à-vis HCMPL based on the latest company financial information and their respective closing prices as at the LTD:

Name of companies	Country and stock exchange listing	Market capitalisation as at LTD ⁽¹⁾⁽²⁾	Audited NA ⁽³⁾		Audited PATNCI ⁽³⁾		PBR ⁽⁴⁾⁽⁶⁾		PER ⁽⁵⁾⁽⁶⁾	
			AUD 000	AUD 000	AUD 000	AUD 000	Times	Times	Times	Times
Eclixp Group Ltd	Australia	476	900,016	62,199	0.53	7.65				
Money3 Corp Ltd	Australia	386	219,179	32,028	1.76	12.05				
CML Group Ltd	Australia	94	40,174	3,186	2.33	29.50				
Resimac Group Ltd	Australia	260	162,725	25,424	1.60	10.23				
Average					1.56	14.86				
High					2.33	29.50				
Low					0.53	7.65				
Implied ratio of HCMPL based on audited financial statements as at 31 December 2018 ⁽⁶⁾										
					3.07	Approximately 194				

Notes:

- (1) The principal activities and the closing price of the respective comparable companies were extracted from Bloomberg as at the LTD.
- (2) Computed based on the total issued share capital of the respective selected comparable companies which were extracted from Bloomberg as at the LTD multiplied by the closing price as at the LTD.
- (3) Based on the annual audited financial statements of the comparable companies.
- (4) Computed based on market capitalisation over the audited NA of the respective comparable companies.
- (5) Computed based on market capitalisation over the audited PATNCI of the respective comparable companies.
- (6) Computed based on the sale consideration of USD175.50 million and the exchange rate of AUD1.00:USD0.7038 which is based on Reserve Bank of Australia's exchange rate on 22 July 2019, being the market day prior to the Announcement.

Based on the table above, the HCMPL Sale Consideration translates into an implied PBR of 3.07 times and PER of approximately 194 times based on the audited financial statements of HCMPL as at 31 December 2018. The HCMPL Sale Consideration is above the range of PBR and PER of the comparable companies. Hence, this represents an attractive offer for HSCB.

2.5 Contribution of HCMPL to the audited financial results of HSCB Group

Based on the audited financial statements for the FYE 31 December 2018, the PAT of HCMPL was AUD1.28 million and contributed approximately a PAT of RM3.84 million⁽¹⁾ to HSCB Group's PAT of approximately RM1,186.86 million which is 0.32% of HSCB Group's PAT. HCMPL's PAT is lower than the potential interest savings from the part payment of borrowings using the proceeds from the Proposed Disposal.

Note:

(1) *The translated PAT is cumulative of the PAT translated monthly based on the month-end exchange rates.*

2.6 Expected proforma gains from the Proposed Disposal

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2018, the Proposed Disposal is expected to give rise to a proforma gain of approximately RM480,932,000 to HSCB Group for the FYE 31 December 2018, after taking into consideration the HCMPL Sale Consideration of RM721,743,750 for the Proposed Disposal.

The HCMPL Sale Consideration is translated to RM for illustrative purposes only based on the prevailing exchange rate as at 5.00 p.m. on 22 July 2019. The actual gain from the Proposed Disposal can only be ascertained upon the completion of the Proposed Disposal.

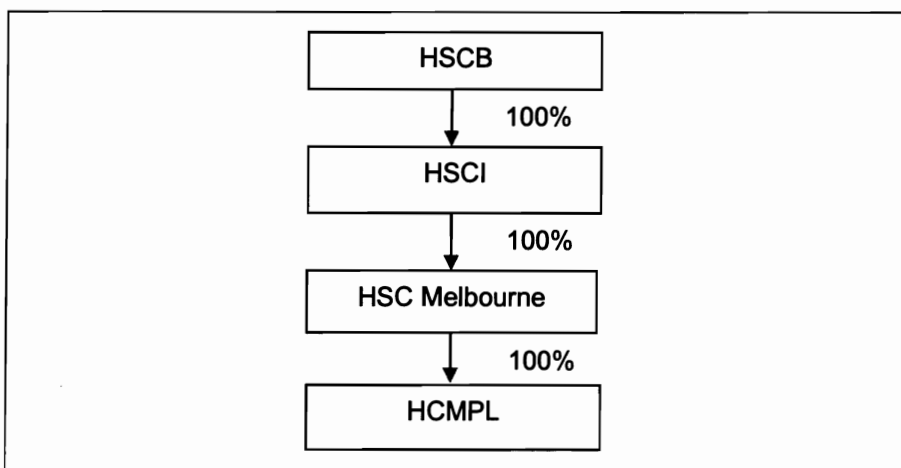
2.7 Manner of payment of the HCMPL Sale Consideration

The HCMPL Sale Consideration shall be fully satisfied in cash and the HCMPL Balance Sum will be paid by way of telegraphic transfer or other electronic means either in whole or in various batches to the designated account of HSC Melbourne on or before HCMPL Completion Date. The Purchaser may elect to pay the HCMPL Balance Sum (or any part of it) earlier than the HCMPL Completion Date. In any event, the Purchaser must have paid the HCMPL Balance Sum in full by the HCMPL Completion Date. As at the LPD, HSC Melbourne has received the HCMPL Deposit from LSHCL for the Proposed Disposal in accordance with the HCMPL SSA.

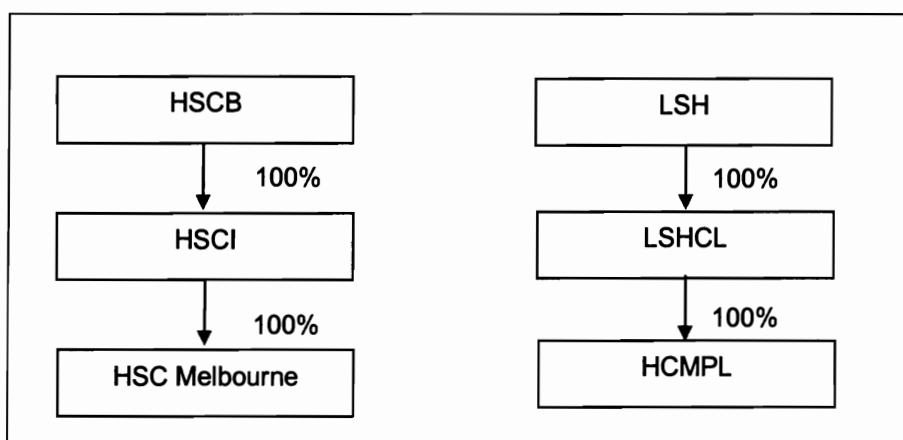
2.8 Corporate Structure

Please refer to the illustration below for the corporate structure of HCMPL before and after the Proposed Disposal.

Before the Proposed Disposal:



After the Proposed Disposal:



2.9 Date and original cost of investment in HCMPL

The original cost of investment in HCMPL by HSC Melbourne and the respective dates of investment are as follows:

Date of investment	No. of HCMPL Shares	Cost of investment (AUD)
2 November 2017	100	100
15 August 2018	50,000,000	50,000,000
12 October 2018	30,000,000	30,000,000
	80,000,100	80,000,100

2.10 Proposed Utilisation of the HCMPL Sale Consideration

HSCB intends to utilise the HCMPL Sale Consideration in the following manner:

Details of utilisation of the Proposed HCMPL Sale Consideration	Estimated timeframe for utilisation from HCMPL Completion Date	Amount	
		RM 000	%
Repayment of borrowings ⁽¹⁾	within 24 months	500,000	69.28
Working capital requirements ⁽²⁾	within 24 months	221,044	30.63
Estimated expenses ⁽³⁾	within 1 month	700	0.09
Total		721,744	100.00

Notes:

- (1) The total borrowings of HSCB Group as at 30 June 2019 are approximately RM5,959.45 million. HSCB Group intends to utilise part of the proceeds from the Proposed Disposal to pare down RM500 million of HSCB Group's existing borrowings. Such repayment is expected to result in interest cost savings of approximately RM25 million per annum based on the interest rate of 5% per annum which approximates the average interest rate of the borrowings that are expected to be repaid, assuming such sums are paid immediately.

Notwithstanding the aforementioned, the borrowings (including short-term borrowings of approximately RM170 million) are only expected to be repaid over a period of up to 24 months from the HCMPL Completion Date after taking into consideration the due and maturity dates of the borrowings.

	Amount outstanding as at 30 June 2019	Proposed repayment	Post repayment	Assumed interest rate	Interest savings
	(RM 000)	(RM 000)	(RM 000)	(% per annum)	(RM 000)
Total borrowings	5,959,447	500,000	5,459,447	5	25,000

(2) HSCB intends to utilise the proceeds from the Proposed Disposal to meet HSCB Group's working capital requirements in the following estimated proportions:

(i) RM125 million (56.55%), to part finance the KL Midtown mixed development and the construction of Hyatt Centric Kota Kinabalu.

KL Midtown mixed development comprises both investment property and property development of commercial and residential units. The gross development costs and gross development value of KL Midtown are estimated to be RM3.5 billion and RM4.3 billion respectively. The development of KL Midtown has commenced in August 2018, and is expected to be completed in 2028.

Hyatt Centric Kota Kinabalu, being the first Hyatt Centric hotel in Malaysia, is a 22 storey luxury hotel with 220 guestrooms. The investment cost of Hyatt Centric Kota Kinabalu is approximately RM277 million. The development of Hyatt Centric Kota Kinabalu has commenced in December 2018, and is expected to be completed in 2021.

(ii) RM96.044 million (43.45%), to purchase inventories for the following business segments:

Inventories	Business segment	RM 000	%
Fertilizers	Fertilizers Trading	40,000	18.10
Automobiles	Automotive	26,044	11.78
Building materials such as steel bars, wire mesh and cement	General Trading	30,000	13.57
	Total	96,044	43.45

Nevertheless, the percentage of the breakdown set out above represents an estimation only and the actual utilisation by the HSCB Group in each category may differ subject to its operating requirements at the time of the utilisation of the HCMPL Sale Consideration.

(3) The estimated expenses relating to the Proposed HCMPL Disposal are as follows:

Estimated expenses	RM 000
Estimated professional fees	475
Other fees (including regulatory fees) and expenses incurred in connection with the Proposed Disposal such as printing and advertising expenses	75
Miscellaneous expenses and contingencies	150
Total	700

Any variation (surplus/deficit) to the actual amount of the expenses for the Proposed Disposal will be adjusted against the amount allocated for the working capital of the HSCB Group.

3. INFORMATION ON LSHCL

LSHCL is a limited liability company incorporated in Hong Kong under the Companies Ordinance of Hong Kong on 29 July 1993 with its registered office at 8/F New World Tower I, 18 Queen's Road Central, Hong Kong. The principal activity of LSHCL is investment holding. LSHCL is a wholly-owned subsidiary of LSH.

As at the LPD, the issued share capital of LSHCL is HKD5,000,000,000 comprising 500,000,000 ordinary shares.

As at the LPD, the substantial shareholders of LSHCL are as follows:

Shareholder	Country of incorporation / Nationality	Direct		Indirect ⁽¹⁾	
		No. of shares	%	No. of shares	%
LSH	Hong Kong	500,000,000	100.00	-	-
Lead Star	British Virgin Islands	-	-	500,000,000 ⁽²⁾	100.00
Tan Sri Lau	Malaysian	-	-	500,000,000 ⁽³⁾	100.00

Notes:

- (1) As LSHCL is a Hong Kong company, the disclosure of indirect interest is determined by applying Section 8 of the Act.
- (2) Deemed interested by virtue of its interests in LSH pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of his interests held through Lead Star and LSH pursuant to Section 8 of the Act.

As at the LPD, the directors of LSHCL are as follows:

Name	Designation	Nationality
Datuk Gan Khian Seng	Director	Malaysian
Madam Sim Siew Meng	Director	Malaysian
Mr. Lau Chor Lok	Director	Chinese
Ms. Lau Shun King, Susanna	Managing Director	Chinese

As at the LPD, none of the directors of LSHCL have any direct or indirect shareholdings in LSHCL.

4. RATIONALE FOR THE PROPOSED DISPOSAL

HSCB received an offer from LSHCL to acquire HCMPL at an attractive valuation of approximately 3.07 times of the PBR based on the audited financial statements of HCMPL as at 31 December 2018.

In line with HSCB's ongoing commercial business strategy of consolidating and refocusing its investments, the proceeds from the Proposed Disposal will enable HSCB to:

- (a) pare down part of its borrowings; and
- (b) meet its working capital needs which include property development and property investment activities of HSCB Group.

The part repayment of borrowings would result in annual interest savings for the group of approximately RM25 million.

The Proposed Disposal will also enable HSCB to realise a substantial gain from the divestment of its credit business in Melbourne.

5. RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL

5.1 Non-completion of the Proposed Disposal

There is no assurance that the HCMPL Condition Precedent will be fulfilled within the timeframe as set out in the HCMPL SSA. If the HCMPL Condition Precedent is not fulfilled by HSC Melbourne, the Proposed Disposal might be delayed or terminated.

The management of HSCB will use its best endeavours to ensure the completion of the Proposed Disposal and will take all reasonable steps to ensure that the HCMPL Condition Precedent is fulfilled in a timely manner, to avoid delays or termination and to facilitate the completion of the Proposed Disposal.

5.2 Foreign exchange risk

For the Proposed Disposal, there is a risk of the exchange rate changing between the date of the HCMPL SSA and the HCMPL Completion Date.

If the USD/RM exchange rate fluctuates from the date of the HCMPL SSA up to the HCMPL Completion Date, the intended utilisation of proceeds as set out in Section 2.10 of Part A of this Circular as well as the computed proforma gain on disposal of approximately RM480.93 million in relation to the Proposed Disposal as set out in Section 2.6 of Part A of this Circular may differ. Any depreciation of USD against the RM will reduce the total proceeds from the Proposed Disposal in RM.

5.3 Loss of income from HCMPL

HCMPL was incorporated in 2017 and generated a profit of AUD1.28 million (equivalent to RM3.84 million) for the FYE 31 December 2018. Upon completion of the Proposed Disposal, HCMPL will no longer be a subsidiary of the HSCB Group and as such, the Company would lose a source of revenue and profits from HCMPL. Notwithstanding, the potential loss of income from the newly-incorporated company is minimal compared to the expected gain from the Proposed Disposal.

HSCB intends to utilise the HCMPL Sale Consideration in the manner set out in Section 2.10 of Part A of this Circular. For illustrative purposes, assuming interest savings at a rate of 5% and based on utilisation of proceeds where RM500 million of the proceeds will be utilised for part repayment of the borrowings, the potential interest savings will be approximately RM25 million, which is higher as compared to the current year PAT of HCMPL of AUD1.28 million (equivalent to RM3.84 million).

HSCB is of the view that the Proposed Disposal will not result in any material adverse impact on HSCB Group's financial performance going forward.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Share Capital

The Proposed Disposal does not have any effect on the issued share capital of HSCB as it will be satisfied fully in cash.

6.2 Substantial shareholders' shareholdings

The Proposed Disposal does not have any effect on the substantial shareholders' direct and/or indirect shareholdings in HSCB as the Proposed Disposal does not involve any issuance of HSCB Shares and will be satisfied fully in cash.

6.3 NA, NA per share and debt-to-equity ratio

Based on the latest audited consolidated financial statements of HSCB Group for the FYE 31 December 2018, assuming that the Proposed Disposal had been effected at the end of the year, the proforma effects of the Proposed Disposal on the NA, NA per share and debt-to-equity ratio are as follows:

	Audited as at 31 December 2018	Proforma After the Proposed Disposal
	RM 000	RM 000
Share capital	3,519,554	3,519,554
Non-distributable reserve	119,629	122,935 ⁽¹⁾
Retained profit	3,386,298	3,866,530 ⁽²⁾
Treasury shares	(93)	(93)
Shareholders' funds / NA	7,025,388	7,508,926
Non-controlling interests	1,271,355	1,271,355
Total equity	8,296,743	8,780,281
Number of shares in issue (000) ⁽³⁾	2,489,672	2,489,672
NA per share (RM) ⁽⁴⁾	2.82	3.02
Total borrowings	5,428,983	4,928,983 ⁽⁶⁾
Total borrowings (net of money market deposits and cash and bank balances)	3,788,635	3,143,240 ⁽⁶⁾
Debt-to-equity ratio (times) ⁽⁵⁾	0.65	0.56
Net debt-to-equity ratio (times) ⁽⁷⁾	0.46	0.36

Notes:

- (1) After taking into account the reversal of foreign exchange reserves due to the disposal of HCMPL.
- (2) After taking into account the expected proforma gain from the Proposed Disposal of approximately RM480.93 million and the estimated expenses for the Proposed Disposal of RM0.70 million.

- (3) *Number of shares after deducting 10,000 treasury shares held by the Company as at 31 December 2018 from its issued shares of 2,489,681,583 HSCB Shares.*
- (4) *Computed based on shareholders' funds / NA over number of HSCB Shares, net of treasury shares.*
- (5) *Computed based on total borrowings over total equity.*
- (6) *After taking into account the repayment of borrowings amounting to RM500 million.*
- (7) *Computed based on total borrowings (net of money market deposits and cash and bank balances) over total equity.*

6.4 Earnings and EPS

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2018 and the assumption that the Proposed Disposal had been effected at the beginning of that financial year, the EPS of the HSCB Group is expected to increase from 46.01 sen to 65.30 sen as a result of the Proposed Disposal.

	PATNCI	EPS⁽¹⁾
	RM 000	Sen
PATNCI and EPS	1,145,608	46.01
Add:		
Expected proforma gain from the Proposed Disposal	480,932	19.32
Less:		
Estimated expenses for the Proposed Disposal	(700)	(0.03)
Proforma PATNCI and EPS for the FYE 31 December 2018	1,625,840	65.30

Note:

- (1) *Based on the weighted average number of HSCB shares in issue of 2,489,674,000 for the FYE 31 December 2018.*

7. APPROVALS REQUIRED FOR THE PROPOSED DISPOSAL

The Proposed Disposal is subject to the following being obtained:

- (i) the approval of the shareholders of HSCB at the forthcoming EGM to be convened; and
- (ii) any other relevant parties/authorities, if required.

8. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Disposal, there is no other corporate exercise which has been announced but not yet completed prior to the printing of the Circular.

The Proposed Disposal is not conditional upon any other corporate exercise/scheme undertaken or to be undertaken by HSCB, if any.

9. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Disposal is expected to be completed by fourth (4th) quarter of 2019. The tentative timetable in relation to the Proposed Disposal is as follows:

Month	Events
8 November 2019	The forthcoming EGM/fulfilment of HCML Condition Precedent
Early December 2019	Completion of the Proposed Disposal

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

10.1 Interested Shareholders

As at the LPD, Tan Sri Lau is deemed to have a 50.10% shareholding in LSH and is a 56.00% major shareholder and director of Gek Poh. Gek Poh's aggregate shareholdings in HSCB is 60.83%, comprising 54.63% direct and 6.20% indirect shareholdings via HSIS. Furthermore, LSHI, a company incorporated in Hong Kong and a wholly-owned subsidiary of LSHCL, which in turn, is the wholly-owned subsidiary of LSH, is a 13.08% major shareholder of HSCB. In addition, Lead Star is a 37.68% major shareholder of LSH. Hence, Tan Sri Lau, Gek Poh, HSIS, Lead Star, LSH, LSHCL and LSHI are the Interested Shareholders and deemed interested in the Proposed Disposal.

The direct and indirect interests of the Interested Shareholders of HSCB as at the LPD are as follows:

Interested Shareholders	Shareholdings in HSCB			
	No. of HSCB Shares			
	Direct	% [#]	Indirect	% [#]
Tan Sri Lau ⁽¹⁾	-	-	1,840,134,782 ⁽²⁾	73.91
Gek Poh	1,360,094,542	54.63	154,364,580 ⁽³⁾	6.20
HSIS	154,364,580	6.20	-	-
Lead Star	-	-	325,675,660 ⁽⁴⁾	13.08
LSH	-	-	325,675,660 ⁽⁵⁾	13.08
LSHCL	-	-	325,675,660 ⁽⁶⁾	13.08
LSHI	325,675,660	13.08	-	-

Notes:

For purpose of computing the percentage shareholdings above, the number of HSCB Shares used was 2,489,669,583 which was arrived at after deducting 12,000 treasury shares held by HSCB from its total number of issued shares 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. 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 325,675,660 HSCB Shares constituting 13.08% 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, Lead Star is deemed to have interest in 325,675,660 HSCB Shares constituting 13.08% shareholding in HSCB by virtue of LSH, LSHCL and LSHI.
- (5) Pursuant to Section 8 of the Act, LSH is deemed to have interest in 325,675,660 HSCB Shares constituting 13.08% shareholding in HSCB by virtue of LSHCL and LSHI.
- (6) Pursuant to Section 8 of the Act, LSHCL is deemed to have interest in 325,675,660 HSCB Shares constituting 13.08% shareholding in HSCB held by LSHI.

The Interested Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in HSCB on the resolution approving the Proposed Disposal to be tabled at the forthcoming EGM to be convened.

The Interested Shareholders 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 Disposal to be tabled at the forthcoming EGM to be convened.

10.2 Interested Directors

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. As at the LPD, Gek Poh holds 12.42% equity interest in LSH and hence, is a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong are deemed interested in the Proposed Disposal. As such, they have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings and voting in respect of their direct and/or indirect shareholdings in HSCB on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM. They have further undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in HSCB on the resolution pertaining to the Proposed Disposal at the forthcoming EGM.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip's common directorships in HSCB and LSH, he is interested in the Proposed Disposal. As such, he has abstained and will continue to abstain from all deliberations and voting at the relevant Board and audit committee meetings and voting in respect of his direct and/or indirect shareholdings in HSCB on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM. He has further undertaken to ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in HSCB on the resolution pertaining to the Proposed Disposal at the forthcoming EGM.

Datuk Edward Lee Ming Foo, Mr. Lee Wee Yong and Datuk Simon Shim Kong Yip are Interested Directors and deemed interested in the Proposed Disposal.

The directors' shareholdings in HSCB based on the register of directors' shareholdings of the Company as at the LPD are as follows:

Directors	Shareholdings in HSCB			
	No. of HSCB Shares			
	Direct	%	Indirect	%
Dato' Jorgen Bornhoft	5,000	-*	-	-
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	-	-	-	-
Mr. Leow Ming Fong @ Leow Min Fong	-	-	-	-
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah	-	-	-	-

Note:

* *Negligible as the percentage of the shareholdings is low.*

Save as disclosed above, none of the other directors of HSCB and major shareholders and persons connected to them has any interests, direct or indirect, in the Proposed Disposal.

11. OTHER TRANSACTIONS WITH THE SAME RELATED PARTY AND PERCENTAGE RATIO APPLICABLE TO THE PROPOSED DISPOSAL PURSUANT TO PARAGRAPH 10.02(g) OF THE LISTING REQUIREMENTS

The amount of related party transactions with the same related party, namely Tan Sri Lau, for the preceding 12 months from the date of this Circular is RM51,368,000 (excluding the Proposed Disposal). The details are as follows:

Type of transactions ⁽¹⁾	Transacting parties	Date of the transactions	Value RM
HSPD Disposal 1 (completed on 26 December 2018)	Goldcoin Ventures	3 December 2018	24,226,000
HSPD Disposal 2 (completed on 25 June 2019)	Goldcoin Ventures	13 June 2019	27,142,000
Total			51,368,000

Note:

(1) *The expression "transactions" used herein excludes recurrent related party transactions entered into in the ordinary course of business of HSCB Group.*

According to Paragraph 10.12(2)(a) of the Listing Requirements, by applying the rule of aggregation, the total amount of related party transactions entered into with the same related party, namely Tan Sri Lau for the preceding 12-month period from the date of this Circular is RM773,111,750 (including the Proposed Disposal) and the highest percentage ratio thereof pursuant to Paragraph 10.02(g) of the Listing Requirements is 11.08%.

In compliance with Paragraph 2.1(b) of Practice Note 14 of the Listing Requirements, please refer to Appendix IV(A) and Appendix IV(B) for further details of the HSPD Disposal 1 and HSPD Disposal 2. The information contained in Appendix IV(A) and Appendix IV(B) is only for the information of the shareholders and no shareholders' approval is required in respect of the same.

12. DIRECTORS' STATEMENT

The Board (save for the Interested Directors who have abstained from deliberating and voting on the resolution in relation to the Proposed Disposal due to their common directorships in HSCB and LSH/Gek Poh), having considered all aspects of the Proposed Disposal (including but not limited to the rationale and the financial effects of the Proposed Disposal) is of the opinion that the Proposed Disposal is in the best interests of HSCB.

Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution to give effect to the Proposed Disposal to be tabled at the forthcoming EGM.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of HSCB (save for Datuk Simon Shim Kong Yip who has abstained from deliberating and voting on the resolution in relation to the Proposed Disposal due to his common directorships in both HSCB and LSH), after having considered all aspects of the Proposed Disposal (including but not limited to the rationale and financial effects of the Proposed Disposal) and the evaluation of the Independent Adviser on the fairness and reasonableness of the Proposed Disposal, is of the opinion that the terms of the Proposed Disposal are:

- (i) in the best interests of the Company and the HSCB Group;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the Non-Interested Shareholders.

14. ADVISERS

CIMB has been appointed as the Principal Adviser in relation to the Proposed Disposal.

In view of the interests of the Interested Shareholders and Interested Directors as set out in Section 10 of Part A of this Circular, the Proposed Disposal is deemed a related party transaction pursuant to Chapter 10 of the Listing Requirements.

As such, in accordance with paragraph 10.08(2)(c) of the Listing Requirements, Affin Hwang IB has been appointed on 23 July 2019 as the Independent Adviser to advise the Non-Interested Directors and the Non-Interested Shareholders of HSCB on the fairness and the reasonableness of the Proposed Disposal and whether the Proposed Disposal is detrimental to the Non-Interested Shareholders of the Company and to advise the Non-Interested Shareholders on whether they should vote in favour of the Proposed Disposal.

The Independent Advice Letter in relation to the Proposed Disposal is set out in Part B of this Circular.

The Non-Interested Shareholders are advised to read and consider the contents of the Independent Advice Letter carefully before voting on the resolution in relation to the Proposed Disposal at the forthcoming EGM.

15. EGM

The Proposed Disposal will be subject to the approval of the shareholders at the forthcoming EGM. The EGM, the notice of which is enclosed with this Circular, is to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Friday, 8 November 2019 at 3 p.m. or the adjournment thereof.

If you are unable to attend and vote in person at the forthcoming EGM, you should complete the enclosed proxy form in accordance with the instructions thereon and to lodge the duly completed form at the Registered Office not less than 48 hours before the appointed time for holding the forthcoming EGM or the adjournment thereof. However, the lodging of the proxy form will not preclude you from attending and voting in person at the forthcoming EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

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

Dato' Jorgen Bornhoft
Independent Non-Executive Chairman

PART B

**INDEPENDENT ADVICE LETTER FROM AFFIN HWANG INVESTMENT BANK BERHAD
TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY
IN RELATION TO THE PROPOSED DISPOSAL**

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary have the same meaning as defined in the "Definitions" section of Part A of the Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this Executive Summary are to Affin Hwang IB, being the independent adviser for the Proposed Disposal.

This Executive Summary highlights the salient information of the Proposed Disposal. We advise all Non-Interested Shareholders to read and understand this Independent Advice Letter in its entirety, together with Part A of the Circular and the appendices thereto. Non-Interested Shareholders are not to rely solely on this Executive Summary before forming an opinion on the Proposed Disposal. You are also advised to consider carefully the recommendation contained herein before voting on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

1. INTRODUCTION

On 23 July 2019, CIMB on behalf of the Board, announced that the Company is proposing to undertake the proposed disposal by HSC Melbourne of the HCMPL Sale Shares to LSHCL for the HCMPL Sale Consideration.

The Proposed Disposal is deemed a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Shareholders and Interested Directors as set out in Section 10 of Part A of the Circular.

2. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken into consideration the following:

Section in this Independent Advice Letter	Section of evaluation	Comments
6.1	Rationale for the Proposed Disposal	<p>The Proposed Disposal:</p> <ul style="list-style-type: none">(i) is an opportunity for the Group to divest its credit business at an attractive valuation at the PBR of 3.07 times (based on audited NA of HCMPL as at 31 December 2018); and(ii) provides cashflow for repayment of borrowings and working capital needs of the HSCB Group. <p>Although the Proposed Disposal will result in loss of earnings contribution from HCMPL to the HSCB Group, it is immaterial (i.e. 0.34% of HSCB's consolidated PATNCI for the FYE 31 December 2018), while the Proposed Disposal represents an offer at an attractive valuation where the Group is expected to realise a proforma gain of approximately RM480.23 million (net of estimated expenses of RM0.70 million) arising from the Proposed Disposal.</p> <p>We are of the view that the rationale for the Proposed Disposal is reasonable.</p>

EXECUTIVE SUMMARY

Section in this Independent Advice Letter	Section of evaluation	Comments
6.2	Evaluation of the HCMPL Sale Consideration	<p>The HCMPL Sale Consideration was arrived at on a “willing buyer willing seller” basis after taking into consideration the following:</p> <ul style="list-style-type: none"> (i) the audited NA of HCMPL for the FYE 31 December 2018 of AUD81.28 million (equivalent to RM237.51 million); (ii) the audited PAT of HCMPL for the FYE 31 December 2018 of AUD1.28 million (equivalent to RM3.84 million); and (iii) the rationale for the Proposed Disposal as set out in Section 4 of Part A of the Circular. <p>We are of the view that the HCMPL Sale Consideration is fair as it represents an implied PBR of 3.07 times which is above the median PBR of the Comparable Companies of 1.76 times (audited NA) and 1.65 times (latest filing NA).</p>
6.3	Salient terms of the HCMPL SSA	<p>The salient terms of the HCMPL SSA include:</p> <ul style="list-style-type: none"> (i) HCMPL Sale Consideration and manner of payment; (ii) HCMPL Condition Precedent; (iii) HCMPL Completion; (iv) HCMPL SSA Termination; and (v) HCMPL SSA governing law and submission jurisdiction. <p>We are of the view that the salient terms of the HCMPL SSA are reasonable.</p>
6.4	Utilisation of proceeds from the Proposed Disposal	<p>HSCB intends to utilise the HCMPL Sale Consideration for the following:</p> <ul style="list-style-type: none"> (i) Repayment of borrowings; (ii) Working capital requirements primarily to fund: <ul style="list-style-type: none"> (a) property development and property investment costs; and (b) purchase of inventories such as fertilisers, automobiles and building materials; and (iii) Expenses incurred relating to the Proposed Disposal. <p>We are of the view that the utilisation of proceeds is reasonable.</p>

EXECUTIVE SUMMARY

Section in this Independent Advice Letter	Section of evaluation	Comments
6.5	Risk factors in relation to the Proposed Disposal	<p>The risk factors of the Proposed Disposal are:</p> <ul style="list-style-type: none"> (i) Non-completion of the Proposed Disposal; (ii) Foreign exchange risk; and (iii) Loss of income from HCMPL. <p>Although the Management will make the necessary efforts to mitigate the risks identified, no assurance can be given that the risks identified will not occur.</p> <p>Nonetheless, we are of the view that the risk factors in relation to the Proposed Disposal can be managed and are not detrimental to the Non-Interested Shareholders.</p>
6.6	Effects of the Proposed Disposal	<p><u>Share capital and substantial shareholders' shareholdings</u></p> <p>No effect.</p> <p><u>NA, NA per HSCB Share and debt-to-equity ratio</u></p> <ul style="list-style-type: none"> (i) Proforma NA is expected to increase by approximately RM483.54 million; (ii) Proforma NA per HSCB Share is expected to increase by approximately RM0.20 per HSCB share; (iii) Proforma debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.65 times to 0.56 times; and (iv) Proforma net debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.46 times to 0.36 times. <p><u>Earnings and EPS</u></p> <p>Earnings and EPS are expected to increase from RM1.15 billion (EPS of 46.01 sen) to RM1.63 billion (EPS of 65.30 sen) after the completion of the Proposed Disposal. The increase in earnings and EPS is due to the proforma gain from the Proposed Disposal of approximately RM480.23 million (net of estimated expenses of RM0.70 million).</p> <p>We are of the view that the effects of the Proposed Disposal are not to the detriment of the Non-Interested Shareholders.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Disposal and have set out our evaluation in Section 6 of this Independent Advice Letter, which is summarised in Section 7 of this Independent Advice Letter. Non-Interested Shareholders should consider the merits and demerits of the Proposed Disposal carefully based on all relevant and pertinent factors including those and other considerations as set out in this Independent Advice Letter, Part A of the Circular and other publicly available information before making a decision to vote on the resolution pertaining to the Proposed Disposal.

Premised on our overall assessment and evaluation of the Proposed Disposal based on the information available to us up to the LPD, we are of the view that the Proposed Disposal is **fair and reasonable** and is **not detrimental** to the Non-Interested Shareholders.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

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22 October 2019

To: The Non-Interested Shareholders of Hap Seng Consolidated Berhad

Dear Sir/Madam,

HAP SENG CONSOLIDATED BERHAD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED DISPOSAL

This Independent Advice Letter has been prepared to accompany Part A of the Circular. Definitions or defined terms used in this Independent Advice Letter have the same meaning as defined in the "Definitions" section of Part A of the Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this Independent Advice Letter are to Affin Hwang IB, being the independent adviser for the Proposed Disposal.

1. INTRODUCTION

On 23 July 2019, CIMB on behalf of the Board, announced that the Company is proposing to undertake the proposed disposal by HSC Melbourne of the HCMPL Sale Shares to LSHCL for the HCMPL Sale Consideration.

The Proposed Disposal is deemed a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Shareholders and Interested Directors as set out in Section 10 of Part A of the Circular.

In compliance with Paragraph 10.08(2)(c) of the Listing Requirements, Affin Hwang IB has been appointed by the Board (save for the Interested Directors) on 23 July 2019 to act as the independent adviser to provide an independent evaluation of the Proposed Disposal.

The purpose of this Independent Advice Letter is to:

- (i) provide the Non-Interested Shareholders with an independent evaluation of the Proposed Disposal and to form an opinion as to whether the Proposed Disposal is fair and reasonable in so far as the Non-Interested Shareholders are concerned;
- (ii) advise whether the Proposed Disposal is detrimental to the Non-Interested Shareholders; and
- (iii) provide our recommendation in relation to the resolution pertaining to the Proposed Disposal to be tabled at the Company's forthcoming EGM.

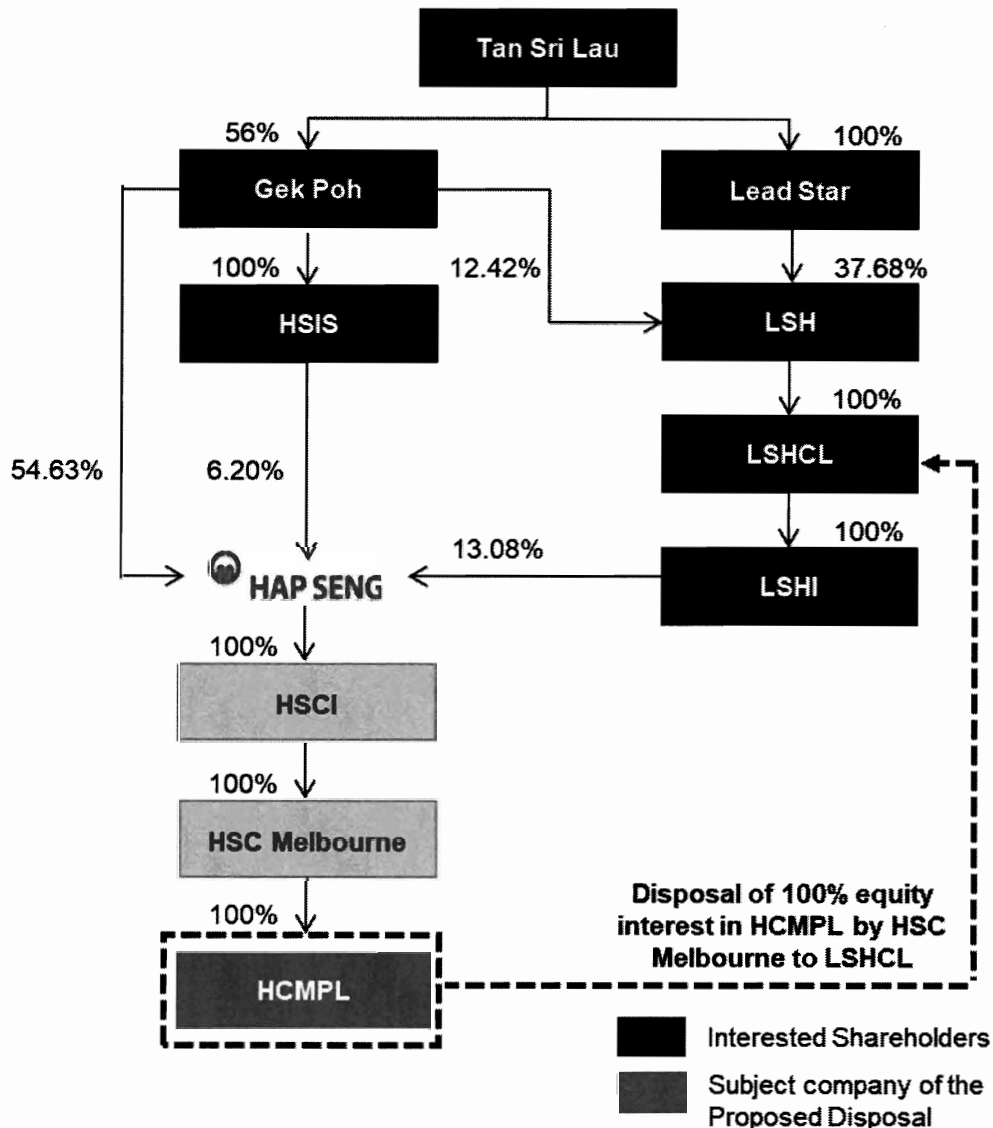
Further information on the Proposed Disposal is set out in Section 2 of Part A of the Circular.

YOU ARE ADVISED TO READ THIS INDEPENDENT ADVICE LETTER AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES AND CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION CONTAINED IN THIS INDEPENDENT ADVICE LETTER BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

The parties to the Proposed Disposal and their shareholdings in the respective entities as at the LPD are set out in the diagram below:



Further information on the Interested Shareholders and Interested Directors are set out in Section 10 of Part A of the Circular.

We note from Section 10.1 of Part A of the Circular that the Interested Shareholders comprise Tan Sri Lau, Gek Poh, HSIS, Lead Star, LSH, LSHCL and LSHI. The Interested Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Disposal to be tabled at the Company's forthcoming EGM. The Interested Shareholders have undertaken that they will also ensure that persons connected with them who have interests in the shares of the Company will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

Section 10.2 of Part A of the Circular states that:

- (i) Datuk Edward Lee Ming Foo is the managing director of both HSCB and Gek Poh; and
- (ii) Mr. Lee Wee Yong is an executive director of HSCB and a director of Gek Poh.

As at the LPD, Gek Poh holds 12.42% equity interest in LSH and hence, is a major shareholder of LSH. LSHCL, being the purchaser for HCMPL, is a wholly-owned subsidiary of LSH.

Premised on the above, Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong are deemed interested in the Proposed Disposal. As such, they have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings and voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM. They have further undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Disposal to be tabled at the Company's forthcoming EGM.

In addition, we also note that Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip's common directorship in HSCB and LSH, he is interested in the Proposed Disposal. As such, he has abstained and will continue to abstain from all deliberations and voting at the relevant Board and audit committee meetings and voting in respect of his direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM. He has further undertaken to ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Disposal to be tabled at the Company's forthcoming EGM.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED DISPOSAL

We have not been involved in the formulation, deliberation and negotiation of the terms of the Proposed Disposal. Our scope as independent adviser is limited to expressing an independent opinion on the Proposed Disposal based on information and documents provided to us or which are available to us, including the following:

- (i) the information contained in Part A of the Circular and the appendices attached thereto;
- (ii) the HCMPL SSA;
- (iii) other relevant information and documents furnished to us by the Directors and senior management of the HSCB Group ("**Management**") or obtained in or derived from our discussions with the Management; and
- (iv) other publicly available information which we deem relevant.

We have relied on the Board and the Management to take due care to ensure that all the information, documents and representations in respect of the HSCB Group and the Proposed Disposal provided to us by them to facilitate our evaluation of the Proposed Disposal are accurate, complete and free from material omission. We have not undertaken any independent investigation into the business and affairs of the HSCB Group and all relevant parties involved in the Proposed Disposal. However, after making all reasonable enquiries and to the best of our knowledge and belief, we acknowledge that this Independent Advice Letter constitutes a full and true disclosure of all material facts concerning the Proposed Disposal, and we are satisfied that the information used is free from material omission and we have no reason to believe that the information used is unreasonable, inaccurate or incomplete as at the LPD. Our advice should be considered in the context of the entirety of this Independent Advice Letter.

In preparing this Independent Advice Letter, we have taken into consideration those factors that we believe are relevant and of general importance to the Non-Interested Shareholders for an assessment of the Proposed Disposal and which are of concern to the Non-Interested Shareholders as a whole.

Since our evaluation as set out in this Independent Advice Letter is rendered for the benefit of the Non-Interested Shareholders as a whole, we have not taken into consideration any specific investment objectives, financial and tax position, risk profiles, financial situation and particular needs of any individual shareholder or any specific group of shareholders.

If you are in doubt as to the action to be taken or requires specific advice in relation to the Proposed Disposal in the context of your individual investment objectives, financial and tax position, risk profiles, financial situation or particular needs, we recommend that you consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

Our evaluation and opinion as set out in this Independent Advice Letter are based on prevailing equity capital market, economic, industry, regulatory, monetary, socio-political and other conditions (if applicable), and the information/documents made available to us as at the LPD. Such conditions and/or information may change significantly over a short period of time.

The members of the Board have seen and approved the contents of this Independent Advice Letter. The members of the Board collectively and individually accept full responsibility for the accuracy and completeness of all statements and/or information stated in this Independent Advice Letter and after having made all reasonable enquiries and to the best of the Board's knowledge and belief, the Board confirms all statements and/or information in this Independent Advice Letter are free from material omission and:

- (a) no statement and/or information in this Independent Advice Letter is inaccurate or incomplete;
- (b) there are no other facts and/or information, the omission of which would make any statement or information in this Independent Advice Letter unreasonable, inaccurate or incomplete; and
- (c) all relevant material facts and/or information, including those required under the Listing Requirements, have been disclosed in this Independent Advice Letter.

Information pertaining to LSHCL was extracted from publicly available information and information provided by the management and/or directors of LSHCL. The responsibility of the Board is restricted to the accurate reproduction of the said information in this Independent Advice Letter.

The responsibility of the Board in respect of the independent advice and expression of opinion by Affin Hwang IB in relation to the Proposed Disposal as set out in this Independent Advice Letter, is to ensure that all information in relation to the HSCB Group and the Proposed Disposal that is relevant to Affin Hwang IB's evaluation of the Proposed Disposal has been accurately and completely disclosed to Affin Hwang IB and is free from material omission.

We will notify the Non-Interested Shareholders after the issuance of this Independent Advice Letter up to the date of the Company's forthcoming EGM, if we:

- (1) become aware of a significant change affecting the information set out in this Independent Advice Letter;
- (2) have reasonable grounds to believe that a material statement in this Independent Advice Letter is misleading or deceptive; or
- (3) have reasonable grounds to believe that there is a material omission in this Independent Advice Letter.

If circumstances require, a supplementary Independent Advice Letter will be sent to the Non-Interested Shareholders. We will immediately notify the Non-Interested Shareholders of any material change in circumstances that would affect the consideration or the accuracy or the completeness of the information contained in this Independent Advice Letter.

4. DECLARATION OF CONFLICT OF INTEREST

Save for our role as the independent adviser for the Proposed Disposal and the past related party transaction set out below, Affin Hwang IB does not have any other professional relationship with HSCB in the past 2 years prior to the LTD. Further, Affin Hwang IB confirms that we are not aware of any conflict of interest that exists or is likely to exist in relation to our role as the independent adviser for the Proposed Disposal.

<i>Date of appointment</i>	<i>Related party transaction</i>	<i>Completion date of the related party transaction</i>
2 March 2018	HSH Disposal and HSCSB Disposal (as defined in Section 5(v) of this Independent Advice Letter)	8 June 2018

5. CREDENTIALS AND EXPERIENCE OF AFFIN HWANG IB

Affin Hwang IB is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, debt capital markets services, structured lending, and market trading and research. Our corporate finance advisory team provides a full range of corporate finance advisory services including mergers and acquisitions, corporate and debt restructuring, initial public offerings, equity fund raisings and independent advisory opinions.

Affin Hwang IB had, over the past 2 years prior to the date of execution of the HCMPL SSA and up to the LPD, issued 5 independent advice opinions in relation to related party transactions under the Listing Requirements that include acquisition and disposal transactions undertaken by certain public listed companies as well as 2 take-over offers under the Rules on Take-Overs, Mergers and Compulsory Acquisitions, 2016 by certain public listed companies, with a total transaction value of approximately RM11.40 billion.

The details of our past experience are as follows:

- (i) unconditional share exchange offer by YTL Corporation Berhad ("**YTL Corp**") to acquire all the remaining ordinary shares (excluding treasury shares) in YTL Land & Development Berhad ("**YTL Land**") ("**YTL Land Shares**") and such number of new YTL Land Shares that may be issued pursuant to the conversion of any outstanding 10-year 3.0% stepping up to 6.0% irredeemable convertible unsecured loan stocks 2011/2021 with a nominal value of RM0.50 issued by YTL Land ("**YTL Land ICULS**") prior to the close of the offer which are not already owned by YTL Corp (collectively, "**Offer Shares**") at an offer price of RM0.36 for each Offer Share, which translates to an exchange ratio of approximately 0.32 consideration share for each Offer Share and all the outstanding YTL Land ICULS which are not already owned by YTL Corp ("**Offer ICULS**") at an offer price of RM0.32 for each Offer ICULS, which translates to an exchange ratio of approximately 0.28 consideration share for each Offer ICULS. Our independent advice circular was issued on 15 July 2019;
- (ii) unconditional voluntary take-over offer by Yee Lee Organization Bhd, Dato' Lim A Heng @ Lim Kok Cheong, Datin Chua Shok Tim @ Chua Siok Hoon, Lim Ee Young and Langit Makmur Sdn Bhd ("**Yee Lee Joint Offerors**") to acquire all the remaining ordinary shares in Yee Lee Corporation Bhd not already held by Yee Lee Joint Offerors ("**Yee Lee Offer Share(s)**") at a cash consideration of RM2.33 per Yee Lee Offer Share. Our independent advice circular was issued on 27 May 2019;
- (iii) disposals by subsidiaries of DRB-HICOM Berhad ("**DRB-HICOM**") of the following:
 - 10 property assets to Prisma Dimensi Sdn Bhd ("**Prisma Dimensi**") and Kelana Ventures Sdn Bhd ("**Kelana Ventures**") for a total disposal consideration of RM1,432.5 million;
 - total effective equity interest of 70.6% in Horsedale Development Berhad ("**Horsedale**") to Prisma Dimensi for a total disposal consideration of approximately RM331.8 million (subject to adjustment); and

- 33,600,000 ordinary shares, 3,124,540 redeemable preference shares and all new shares to be issued in Rebak Island Marina Berhad ("**Rebak Island**"), representing 100% equity interest and 100% redeemable preference shares in Rebak Island by HICOM Indungan Sdn Bhd, an indirect wholly-owned subsidiary of DRB-HICOM to Prisma Dimensi for a disposal consideration of approximately RM170.4 million.

The total disposal consideration of approximately RM1,934.7 million (subject to adjustment) is to be satisfied via the transfer of approximately 1,243.46 acres of freehold land in the Mukim of Tebrau, District of Johor Bahru, Johor held by Prisma Dimensi and Kelana Ventures and cash consideration of approximately RM288.7 million (subject to adjustment).

Our independent advice letter was issued on 26 September 2018;

- (iv) acquisition of 74,000,000 ordinary shares in Alam Flora Sdn Bhd ("**Alam Flora**") representing 97.37% equity interest in Alam Flora by Tunas Pancar Sdn Bhd for a total cash consideration of RM944.61 million and resultant diversification of the existing principal activities of Malakoff Corporation Berhad and its subsidiaries. Our independent advice letter was issued on 14 September 2018;
- (v) disposal of 60,495,001 ordinary shares representing 100% of the issued share capital of HSC Sydney Holding Limited by HSCI, a wholly-owned subsidiary of HSCB, to LSHCL for a cash consideration of USD196.50 million (approximately RM771.16 million based on the exchange rate of RM3.92:USD1.00) ("**HSH Disposal**") and disposal of 266,000,000 ordinary shares representing 20% of the issued share capital of Hap Seng Credit Sdn Bhd by HSCB to LSHCL for a cash consideration of RM906 million. Our independent advice letter was issued on 16 May 2018 ("**HSCSB Disposal**");
- (vi) acquisition of a piece of freehold land measuring approximately 342.50 acres (or 14,919,300 square feet) held under GRN 49395, Lot 1913, Mukim Semenyih, District of Ulu Langat, State of Selangor Darul Ehsan ("**Bangi Land**") by KL East Sdn Bhd from Seriemas Development Sdn Berhad ("**Seriemas**") for a cash consideration of RM447,579,900 and the profit sharing with Seriemas where Seriemas will be entitled to 20% of the audited PBT from the mixed development township which comprises residential and commercial components on the Bangi Land comprising sale of units and/or land parcels, subject to a maximum profit share amount of RM44,757,900. Our independent advice letter was issued on 25 October 2017; and
- (vii) acquisition of 1,000,000,000 ordinary shares in I&P Group Sdn Bhd ("**I&P**") representing the entire equity interest in I&P, for a cash consideration of RM3.65 billion, renounceable rights issue of new ordinary shares in S P Setia Berhad ("**S P Setia**") to raise gross proceeds of up to RM1.20 billion and renounceable rights issue of new class B Islamic redeemable convertible preference shares in S P Setia to raise gross proceeds of up to RM1.20 billion. Our independent advice letter was issued on 25 October 2017.

Based on the above, we are capable and competent in carrying out our role and responsibilities as the independent adviser for the Proposed Disposal.

6. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken into consideration the following:

Analysis	Section in this Independent Advice Letter
(i) Rationale for the Proposed Disposal	Section 6.1
(ii) Evaluation of the HCMPL Sale Consideration	Section 6.2
(iii) Salient terms of the HCMPL SSA	Section 6.3
(iv) Utilisation of proceeds from the Proposed Disposal	Section 6.4
(v) Risk factors in relation to the Proposed Disposal	Section 6.5
(vi) Effects of the Proposed Disposal	Section 6.6

6.1 RATIONALE FOR THE PROPOSED DISPOSAL

We note the rationale for the Proposed Disposal as set out in Section 4 of Part A of the Circular as extracted below:

- (i) **The Proposed Disposal is an offer from LSHCL to acquire HCMPL at an attractive valuation of approximately 3.07 times of the PBR based on the audited NA of HCMPL as at 31 December 2018**

The HSCB Group is expected to receive a proforma gain of approximately RM480.23 million (net of estimated expenses of RM0.70 million) arising from the Proposed Disposal.

For the FYE 31 December 2018, the breakdown of HSCB Group's revenue based on the geographical location of their customers is set out below:

Geographical locations	Revenue (RM'000)	% of total revenue
Malaysia	4,968,077	79.53
Asia ⁽¹⁾	1,195,429	19.14
Others	83,013	1.33
Total	6,246,519	100

Note:

- (1) Contribution from "Asia" are from the following countries:

Country	Revenue (RM'000)	% of total revenue
Singapore	571,735	9.1529
Indonesia	362,484	5.8030
China	109,100	1.7466
Philippines	40,677	0.6512
Brunei	39,302	0.6292
Korea	18,910	0.3027
Vietnam	14,519	0.2324
Taiwan	10,301	0.1649
Pakistan	6,225	0.0997
Japan	3,638	0.0582
Cambodia	3,229	0.0517
Thailand	2,880	0.0461
Sri Lanka	2,797	0.0448
Myanmar	2,681	0.0429
Bangladesh	2,237	0.0358
United Arab Emirates	2,079	0.0333
Maldives	1,327	0.0212
Oman	477	0.0076
India	304	0.0049
Mauritius	238	0.0038
Qatar	238	0.0038
Kuwait	37	0.0006
Bahrain	14	0.0002
Total	1,195,429	19.1375

Based on the table above, the revenue of the HSCB Group has largely been derived from customers in Malaysia which accounted for 79.53% of the Group's revenue for the FYE 31 December 2018.

HCMPL is principally involved in the provision of financial services in Victoria, Australia comprising mainly term loans to corporates in the property sector. HCMPL was incorporated in Australia on 2 November 2017 as a private company limited by shares and commenced its operations on 23 May 2018.

The business of HCMPL is reported under the credit financing division of the HSCB Group. For the FYE 31 December 2018, the credit financing division is one of the major contributors to the Group and contributed approximately 29.79% to the Group's operating profit (after inter-segment eliminations). However, in terms of revenue contribution, the credit financing division only contributed 3.70% to the Group's revenue for the FYE 31 December 2018.

In terms of geographical segmentation, the business of the HCMPL is reported under "Others", which along with other countries, only contributed 1.33% to the HSCB Group's revenue for the FYE 31 December 2018.

While the credit financing division is a major contributor to the HSCB Group, HCMPL (which principally undertakes the credit financing business in Victoria, Australia) does not currently contribute materially to the revenue and earnings of the HSCB Group. For the FYE 31 December 2018, HCMPL only reported:

- Revenue of AUD1.31 million or approximately RM3.91 million⁽¹⁾ for the FYE 31 December 2018, vis-à-vis the revenue of the HSCB Group of RM6.25 billion during the same financial year; and
- PAT of AUD1.28 million or approximately RM3.84 million⁽¹⁾ for the FYE 31 December 2018, vis-à-vis the PATNCI of the HSCB Group of RM1.15 billion during the same financial year.

Note:

(1) *The revenue/PAT in RM as set out above is the cumulative revenue/PAT translated monthly based on the month-end exchange rates.*

Although the Proposed Disposal will result in loss of earnings contribution from HCMPL to the HSCB Group, it is immaterial (i.e. 0.34% of HSCB's consolidated PATNCI for the FYE 31 December 2018), while the Proposed Disposal represents an offer at an attractive valuation where the Group is expected to realise a proforma gain of approximately RM480.23 million (net of estimated expenses of RM0.70 million) arising from the Proposed Disposal.

Further, the business operations of HCMPL is at its infancy and have been funded by HSCB by way of contributed equity. Accordingly, it is expected that HCMPL will require the financial support from the HSCB Group in the absence of the Proposed Disposal for the expansion of its business operations until such time HCMPL has grown to a stage where it is able to sustain itself and not rely on the financial support of the HSCB Group.

Please refer to Section 6.2 of this Independent Advice Letter for our evaluation of the HCMPL Sale Consideration.

(ii) The proceeds from the Proposed Disposal will enable HSCB to pare down part of its borrowings and meet the working capital needs of the HSCB Group

The proceeds from the Proposed Disposal will be utilised in the proportions (% of total proceeds) set out below:

- (a) repayment of HSCB Group's existing borrowings (69.28%);
- (b) to fund the HSCB Group's working capital requirements (30.63%); and
- (c) to defray the expenses of the Proposed Disposal (0.09%).

Please refer to Section 6.4 of this Independent Advice Letter for our analysis on the utilisation of proceeds from the Proposed Disposal.

Premised on the above, we are of the view that the rationale for the Proposed Disposal is reasonable.

6.2 EVALUATION OF THE HCMPL SALE CONSIDERATION

As stated in Section 2.4 of Part A of the Circular, the HCMPL Sale Consideration was arrived at on a “willing buyer willing seller” basis after taking into consideration the following:

- (i) the audited NA of HCMPL for the FYE 31 December 2018 of AUD81.28 million (equivalent to RM237.51 million)⁽¹⁾;
- (ii) the audited PAT of HCMPL for the FYE 31 December 2018 of AUD1.28 million (equivalent to RM3.84 million)⁽²⁾; and
- (iii) the rationale for the Proposed Disposal which is set out in Section 4 of Part A of the Circular.

Note:

(1) Translated based on the year-end rate of AUD1.00:RM2.922.

(2) The PAT in RM as set out above is the cumulative PAT translated monthly based on the month-end exchange rates.

The HCMPL Sale Consideration translates into an implied PBR of 3.07 times based on the audited NA of HCMPL as at 31 December 2018 and PER of approximately 194 times based on the PAT of HCMPL for the FYE 31 December 2018.

We have undertaken a comparative analysis of the HCMPL Sale Consideration with comparable companies selected based on criteria that an investor would regard as similar to HCMPL. HCMPL is principally involved in the provision of financial services in Victoria, Australia comprising mainly term loans to corporates in the property sector. Accordingly, the comparable companies were selected based on the following criteria:

	Criteria	Remarks
(i)	Listed on the Australian Securities Exchange	<p>Only public listed companies were selected due to the availability of share prices and financial statements to the general public.</p> <p>Companies listed on the Australian Stock Exchange were selected as HCMPL was incorporated and currently operates in Australia and is expected to share similar political, legal and business environment as these companies.</p>
(ii)	Profit-making, with at least 70% of its revenue derived from the provision of financial services (but excluding financial institutions such as banks).	<p>Only profit-making companies were selected. Loss-making companies may trade at a skewed PBR due to its depressed NA (attributed to accumulated losses), and may not be comparable to a profit-making company such as HCMPL. These loss-making companies may also have higher credit risk and liquidity risk as compared to its profit-making peers.</p> <p>100% of HCMPL’s revenue is derived from the provision of financial services. As the comparable companies may be involved in multiple business segments, we have set a minimum of 70% of revenue to be derived from the provision of financial services as a proxy to HCMPL’s business. Financial institutions were excluded as they have different business models and regulations from non-financial institutions such as HCMPL.</p>

(Defined as the “Comparable Companies”.)

We wish to highlight that the Comparable Companies tabulated below are by no means exhaustive and may differ from HCMPL in terms of, among others, size/market capitalisation, marketability and liquidity of shares, size of the operations, composition of business activities, business market segmentation, products offered, existing or other businesses, asset base, financial performance, operating and financial leverage, accounting and taxation policies, risk profile and future prospects.

Further information on the Comparable Companies is summarised as follows:

Comparable Companies	Market capitalisation as at the LTD ⁽¹⁾ (AUD'000)	Principal activities	Revenue segmentation	% revenue contribution	% revenue derived from the provision of financial services
Prospa Group Ltd ("Prospa")	598,792	Prospa provides consumer financing services. It offers business loans for the sectors such as retail, hospitality, health care, trading, franchise, and professional services. Prospa serves customers in Australia.	Provision of loans to small businesses in Australia and New Zealand*. Note: * <i>There are no parts of Prospa's business or geographies that qualify as separate operating segments under the Australian Accounting Standards Board 8 Operating Segments.</i>	100	100
Eclipx Group Ltd ("Eclipx")	475,476	Eclipx provides vehicle fleet leasing, fleet management, and diversified financial services. It offers consumers and businesses access to funding solutions including fleet leasing, vehicle sales, commercial equipment finance, and consumer motor vehicle finance. Eclipx serves customers in Australia and New Zealand.	<p>(1) Australia Commercial: Vehicle fleet leasing and management business in Australia, commercial equipment finance leasing and auctioneering valuation services.</p> <p>(2) Australia Consumer: Novated leasing and the facilitation of consumer finance for cars, and medium term rental to "not at fault drivers".</p> <p>(3) Grays: Auctioneering and valuation services, including Grays Finance which offers finance to corporates and consumers.</p>	<p>⁽²⁾39.90</p> <p>⁽²⁾24.41</p> <p>⁽²⁾23.73</p>	100

Comparable Companies	Market capitalisation as at the LTD ⁽¹⁾ (AUD'000)	Principal activities	Revenue segmentation	% revenue contribution	% revenue derived from the provision of financial services
			(4) New Zealand Commercial: Vehicle fleet leasing and management business in New Zealand, commercial equipment finance and leasing.	(2) 11.96	
Money3 Corp Ltd ("Money3")	386,105	Money3 provides consumer lending services in Melbourne and Geelong, Australia. It offers loans, check cashing, and money gram services. Money3 serves customers in Australia.	(1) Broker This segment provides lending facilities generally based on the provision of an underlying asset as security, generally referred through a broker.	68.40	100
			(2) Branch This segment provides services and lending facilities generally without the provision of an underlying asset as security through the branch network.	28.28	
			(3) Online This segment provides lending facilities without the provision of an underlying asset as security through the internet.	11.32	

Comparable Companies	Market capitalisation as at the LTD ⁽¹⁾ (AUD'000)	Principal activities	Revenue segmentation	% revenue contribution	% revenue derived from the provision of financial services
Resimac Group Ltd ("Resimac")	259,706	Resimac provides non-bank originator and mortgage management services. It offers home finance solutions. Resimac serves customers in Australia.	(1) Australian Lending Represents the distribution and lending businesses currently captured under the following primary brands: <ul style="list-style-type: none"> - Homeloans; - RESIMAC; and - State Custodians. (2) New Zealand Lending Whilst the nature of the customers and products are similar to the Australian Lending segment, given the different jurisdiction and market conditions, management believe it is appropriate to distinguish the result of New Zealand from Australia.	94.80 4.18	98.98
			(3) Paywise This segment represents the Australian business outside of the Australian Lending Business. Paywise is a salary packaging service provider which operates nationally, providing services to employers and employees to manage salary packaging arrangements.	③1.02	

Comparable Companies	Market capitalisation as at the LTD ⁽¹⁾ (AUD'000)	Principal activities	Revenue segmentation	% revenue contribution	% revenue derived from the provision of financial services
CML Group Ltd ("CML")	93,641	CML provides commercial financing services. It offers debtor and equipment financing services. CML serves customers in Australia.	<p>(1) Finance Refers to 'invoice finance' or 'receivables finance' which provides an advance payment of up to 80% of a client's invoice to help their business overcome the cash pressure of delivering goods or services in advance of payment from the customer (often 30 to 60 days).</p> <p>(2) Equipment Finance Refers to equipment finance which provides loans secured against equipment.</p> <p>(3) Other Services and Corporate Refers to employment solutions including labour sourcing and project management.</p>	73.63	75.85

(Source: Bloomberg, website of the Australian Securities Exchange and the latest annual reports of the respective Comparable Companies available as at the LTD)

Note:

- (1) Based on the last price multiplied by the number of shares outstanding (excluding treasury shares) of the respective Comparable Companies as at the LTD. Revenue segmentation is not available. As a proxy, net operating income (which is the sum of revenue less cost of revenue, lease finance costs and impairment losses) of the respective segments were used to calculate the respective percentage revenue contributions.
- (3) The business segment has been excluded from the computed total in determining the Comparable Companies' "% revenue derived from the provision of financial services".

Although HCMPL is a going-concern, we have not adopted earnings-based methodologies (such as PER and the discounted cash flow methods) in evaluating the HCMPL Sale Consideration due to the following reasons:

- (i) HCMPL is a relatively new start-up company as it was only incorporated on 2 November 2017 and commenced operations on 23 May 2018. Therefore, HCMPL's earnings trend has not yet been established for a meaningful earnings-based valuation analysis; and
- (ii) the implied PER of the HCMPL Sale Consideration is approximately 194 times based on the audited PAT of HCMPL for the FYE 31 December 2018. As the implied PER is substantially higher than the PER of the Comparable Companies as set out in Section 2.4 of Part A of the Circular, we are of the view that the PER analysis would not be meaningful to evaluate the HCMPL Sale Consideration.

As HCMPL is principally involved in the provision of financial services which is capital intensive in nature, the PBR (a method used to compare the company's market value to its historical book value i.e. NA) is the most appropriate valuation metric to evaluate the HCMPL Sale Consideration. Hence, we have adopted the PBR valuation methodology in our evaluation of the HCMPL Sale Consideration.

The HCMPL Sale Consideration translates into an implied PBR of approximately 3.07 times as set out below:

	Formula	AUD'000
HCMPL Sale Consideration	(A)	⁽¹⁾ 249,361
Audited NA of HCMPL as at 31 December 2018	(B)	⁽²⁾ 81,283
PBR (times)	(A)/(B)	3.07

Note:

- (1) Computed based on the cash consideration of USD175.50 million and the exchange rate of AUD1.00:USD0.7038, the closing exchange rate on the LTD as extracted from the Reserve Bank of Australia's website.
- (2) NA of HCMPL is derived as follows:

	Formula	AUD'000	Remarks
Total assets	(C)	82,183	Mainly comprise loan debtors and cash amounting to AUD55.62 million and AUD25.89 million, respectively
Total liabilities	(D)	900	Comprise other payables and provision for taxation amounting to AUD0.34 million and AUD0.56 million, respectively
Total equity or NA	(C) – (D)	81,283	

The PBR of the Comparable Companies is as set out below:

Comparable Companies	Last price as at the LTD (AUD)	Audited			Latest Filing		
		FYE	NA per share (AUD)	PBR (times)	FPE	NA per share (AUD)	PBR (times)
Prospa ⁽¹⁾	3.750	31 Dec 2018	0.9588	3.91	31 Dec 2018	0.9588	3.91
Eclipx	1.490	30 Sep 2018	2.8204	0.53	31 Mar 2019	2.7733	0.54
Money3	2.120	30 June 2018	1.2035	1.76	31 Dec 2018	1.2833	1.65
Resimac	0.640	30 June 2018	0.4010	1.60	31 Dec 2018	0.4133	1.55
CML	0.465	30 June 2018	0.1995	2.33	31 Dec 2018	0.2142	2.17
Simple average				2.03	1.96		
Median				1.76	1.65		
Minimum				0.53	0.54		
Maximum				3.91	3.91		

(Source: Bloomberg, the website of the Australian Securities Exchange, the prospectus of Prospa dated 16 May 2019, and the latest audited and unaudited consolidated financial statements of the respective Comparable Companies available as at the LTD)

Note:

- (1) Prospa is newly listed on the Australian Securities Exchange (listing date of 11 June 2019). Therefore, we adopted its proforma NA as at 31 December 2018 (which incorporates the impact of its initial public offering, among others) to calculate its NA per share.

The HCMPL Sale Consideration is fair as the implied PBR based on the audited NA of HCMPL as at 31 December 2018 of 3.07 times is above the median PBR of the Comparable Companies of 1.76 times (audited NA) and 1.65 times (latest filing NA).

We also wish to highlight that despite HCMPL being an unlisted entity, the implied PBR of the HCMPL Sale Consideration is higher than the median PBR of the Comparable Companies. Generally, unlisted companies tend to command a lower PBR vis-à-vis its Comparable Companies which are listed entities due to factors such as illiquidity and lack of marketability of the securities.

We are of the view that comparing the implied PBR of the HCMPL Sales Consideration against the median PBR of the Comparable Companies will be more appropriate than using the average PBR of the Comparable Companies because the average, by its nature is more affected by outliers (i.e. being affected by any single value being too high or too low compared to the rest of the sample) and hence, the median is taken as a better measure of a midpoint. Nevertheless, the implied PBR based on the audited NA of HCMPL as at 31 December 2018 of 3.07 times is also above the average PBR of the Comparable Companies of 2.03 times (audited NA) and 1.96 times (latest filing NA) respectively.

6.3 SALIENT TERMS OF THE HCMPL SSA

We wish to highlight the following salient terms of the HCMPL SSA as follows:

Salient terms of the HCMPL SSA	Affin Hwang IB's comments
HCMPL Sale Consideration and manner of payment	
<p>(1) The HCMPL Sale Consideration for the HCMPL Sale Shares is USD175.5 million and is payable by LSHCL to HSC Melbourne in the following manner:</p> <ul style="list-style-type: none"> (i) the HCMPL Deposit within 7 days from the date of execution of HCMPL SSA; and (ii) the HCMPL Balance Sum on or before HCMPL Completion Date either in whole or in various batches to the account to be designated by HSC Melbourne in writing. <p>The HCMPL Deposit was paid by LSHCL to HSC Melbourne on 23 July 2019.</p>	<p>The HCMPL Sale Consideration payable by LSHCL shall be in USD, which is a commercial arrangement between HSC Melbourne and LSHCL.</p> <p>The payment of deposit within 7 days is reasonable to facilitate the conversion of currency from HKD (LSHCL's country of domicile is Hong Kong) to USD. We note that the HCMPL Deposit was paid by LSHCL to HSC Melbourne on 23 July 2019, being the date of the HCMPL SSA. We further note that the HCMPL Balance Sum may be settled by LSHCL on or before the HCMPL Completion Date.</p>

Salient terms of the HCMPL SSA	Affin Hwang IB's comments
HCMPL Condition Precedent	
(2)	<p>The Proposed Disposal is conditional upon the approval from the shareholders of HSCB being obtained on or before the HCMPL Cut-Off Date.</p>
	<p>The HCMPL Cut-off Date, being a 6-month period to fulfil the HCMPL Condition Precedent, has been agreed upon by the parties after taking into consideration the need to obtain the approval from HSCB's shareholders for the Proposed Disposal. We are of the view that this timeline is reasonable.</p>
HCMPL Completion	
(3)	<p>The completion of the HCMPL SSA shall take place on the HCMPL Completion Date where:</p> <ul style="list-style-type: none"> (i) HSC Melbourne shall deliver the instrument of transfer of the HCMPL Sale Shares duly executed in favour of LSHCL and the relevant share certificates and such other documents as may be requested by LSHCL for the purpose of assessing stamp duty on the transfer of the HCMPL Sale Shares; (ii) HSC Melbourne shall deliver the certificates of incorporation, certifications of change of names, corporate seals, cheques books, statutory and other books of HCMPL; (iii) HSC Melbourne shall deliver or make available to LSHCL the requisite resolutions of the board of directors of HCMPL duly certified as true copies of the originals by the secretary of HCMPL: <ul style="list-style-type: none"> (a) approving the registration of the share transfers referred to in Section 6.3(3)(i) in this Independent Advice Letter subject only to it being duly stamped; and (b) appointing such persons as LSHCL may nominate as directors; (iv) HSC Melbourne shall deliver or make available to LSHCL the requisite resolutions of the board of directors/shareholders of HSC Melbourne duly certified as true copies of the originals by the secretary of HSC Melbourne authorising HSC Melbourne to enter into the HCMPL SSA, perform the obligations contained therein and to consummate the transaction contemplated herein;
	<p>The HCMPL SSA is to be completed no later than 30 days from the date on which the HCMPL Condition Precedent is satisfied, which is a reasonable timeline.</p> <p>This clause sets out the respective roles of HSC Melbourne and LSHCL on the HCMPL Completion Date to give effect to the Proposed Disposal.</p> <p>The delivery of the required documents by HSC Melbourne is necessary to facilitate the timely registration for the transfers of the HCMPL Sale Shares to effect the transfer of ownership after the payment of the HCMPL Balance Sum.</p>

Salient terms of the HCMPL SSA	Affin Hwang IB's comments
<p>(v) On Completion, LSHCL shall deliver or make available to HSC Melbourne the certified extract of the resolution of the board of directors of LSHCL certified by the secretary of LSHCL authorising LSHCL to enter into the HCMPL SSA, perform the obligations contained therein and to consummate the transaction contemplated herein; and</p> <p>(vi) If there is any amount owing by HCMPL to any companies within HSCB Group, LSHCL shall within 14 days from the HCMPL Completion, settle or procure the settlement, in full, free of all taxes of all liabilities and debts (including, any interest or other charges and whether due or not) owed or payable by HCMPL to the relevant companies within the HSCB Group.</p>	<p>The requirement for LSHCL to settle the amount owing by HCMPL to the HSCB Group on the HCMPL Completion Date is appropriate as HCMPL will cease to be a subsidiary of HSCB after the Proposed Disposal. However, we note that HCMPL does not have any borrowings or liabilities due to the HSCB Group as at the LPD.</p>
HCMPL SSA Termination	
<p>(4) (i) HSC Melbourne's default</p> <p>If, prior to the HCMPL Completion, HSC Melbourne is in default or breaches any of the terms and conditions applicable to it under the HCMPL SSA, LSHCL shall be entitled to give notice in writing to HSC Melbourne specifying such default or breach requiring HSC Melbourne to remedy or make good such default or breach within 14 days from the date of such notice. If HSC Melbourne fails, neglects or refuses to remedy or make good of such default or breach within the said 14 days' period, LSHCL shall be entitled to:</p> <p>(a) pursue an action for specific performance of the HCMPL SSA; or</p> <p>(b) elect to terminate the HCMPL SSA in which event HSC Melbourne shall within 7 days from the date of termination, refund to LSHCL the HCMPL Deposit and all monies received free of interest and pay a sum amounting to 10% of the HCMPL Sale Consideration to LSHCL as agreed liquidated damages failing which HSC Melbourne shall pay LSHCL interest at the rate of 8% per annum calculated on a daily basis on the amount outstanding from the expiry of the aforementioned period to the receipt of the aforementioned sum by LSHCL.</p>	<p>The remedies available to each party upon termination of the HCMPL SSA are parallel. The termination clauses protect the interest of each party.</p> <p>The terms allow HSC Melbourne to rectify any breach under the HCMPL SSA within 14 days upon receiving a notice from LSHCL of such default or breach.</p> <p>If HSC Melbourne fails to remedy such default or breach, the HCMPL Deposit and all monies received will be refunded to LSHCL free of interest and the HCMPL SSA shall be terminated. In addition, HSC Melbourne will be required to pay 10% of the HCMPL Sale Consideration to LSHCL as agreed liquidated damages.</p>

Salient terms of the HCMPL SSA	Affin Hwang IB's comments
<p>(ii) LSHCL's default</p> <p>If, prior to HCMPL Completion, LSHCL is in default of or breaches any of the terms and conditions applicable to it under the HCMPL SSA, HSC Melbourne shall be entitled to give notice to LSHCL specifying such default or breach and requiring LSHCL to remedy or make good such default or breach within 14 days from the date of such notice. If LSHCL fails, neglects or refuses to remedy or make good such default or breach within 14 days' period, HSC Melbourne shall be entitled to:</p> <p>(a) pursue an action for specific performance of the HCMPL SSA; or</p> <p>(b) elect to terminate the HCMPL SSA, in which event the HCMPL Deposit shall be forfeited by HSC Melbourne absolutely as agreed liquidated damages and HSC Melbourne shall within 7 days from the date of termination, refund all monies received (other than the HCMPL Deposit) to LSHCL free of interest.</p>	<p>LSHCL is also subject to a similar reciprocal clause, i.e. in the event of LSHCL's default or breach, HSC Melbourne can terminate the HCMPL SSA and HSC Melbourne shall forfeit the HCMPL Deposit as agreed liquidated damages which is in line with the commercial terms of other acquisition or disposal transactions.</p> <p>Interest of 8% per annum has been imposed on any late payment to protect the interests of LSHCL in the event HSC Melbourne fails to refund the HCMPL Deposit and pay a sum amounting to 10% of the HCMPL Sales Consideration as agreed liquidated damages within the stipulated timeline. The prescribed rate of 8% per annum is in line with common commercial terms of other acquisition or disposal transactions.</p> <p>We are of the view that this term is reasonable.</p>
HCMPL SSA governing law and submission jurisdiction	
<p>(5) The HCMPL SSA shall be governed by and construed in accordance with the laws of Malaysia.</p> <p>In the event that the parties cannot settle any dispute, the matter shall be referred to the arbitration of a single arbitrator under the provisions of the AIAC Arbitration Rules, 2018. The decision of the arbitrator shall be final and binding on both parties hereto. The arbitration shall be held at the Asian International Arbitration Centre.</p>	<p>We are of the view that this term is reasonable as the ultimate holding company of HCMPL, HSCB, is based in Malaysia.</p>

Based on the salient terms of the HCMPL SSA and our comments as set out above, we are of the view that the salient terms of the HCMPL SSA are reasonable.

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6.4 UTILISATION OF PROCEEDS FROM THE PROPOSED DISPOSAL

We note from Section 2.10 of Part A of the Circular that HSCB intends to utilise the HCMPL Sale Consideration for the operations of the HSCB Group and to defray estimated expenses relating to the Proposed Disposal in the following manner:

Purpose of utilisation	Estimated timeframe for utilisation from the HCMPL Completion Date	Amount (RM'000)	% over HCMPL Sale Consideration
Repayment of borrowings	within 24 months	500,000	69.28
Working capital requirements	within 24 months	221,044	30.63
Estimated expenses	within 1 month	700	0.09
Total		721,744	100

HSCB intends to utilise RM500 million or approximately 69.28% of the HCMPL Sale Consideration to pare down its existing borrowings. Assuming such sums are paid immediately, the HSCB Group is expected to realise interest cost savings of up to RM25.00 million per annum based on the interest rate of approximately 5% per annum. As at 30 June 2019, the total borrowings of the HSCB Group were approximately RM5.96 billion. The repayment of borrowings is expected to improve the proforma debt-to-equity ratio of the HSCB Group from 0.65 times as at 31 December 2018 to 0.56 times. We note that the borrowings (including short-term borrowings) are expected to be repaid over a period of 24 months from the HCMPL Completion Date after taking into consideration the due and maturity dates of the borrowings. The proceeds from the Proposed Disposal used for repayment of borrowings will also provide financial flexibility to the Group where funds allocated for repayment of borrowings can now be utilised for other business purposes such as its property development and property investment activities, and the purchase of inventories for the Group's trading (fertilisers trading and general trading operations) and automotive business segments.

In addition, HSCB will utilise 30.63% of the HCMPL Sale Consideration or approximately RM221.04 million to meet the HSCB Group's working capital requirements in the following estimated proportions:

Details of utilisation ⁽¹⁾	Amount (RM'000)	%
Property development and property investment costs Part finance the KL Midtown mixed development and the construction of Hyatt Centric Kota Kinabalu hotel	125,000	56.55
Purchase of inventories Including purchase of:		
- Fertilisers;	40,000	18.10
- Automobiles; and	26,044	11.78
- Building materials such as steel bars, wire mesh and cement	30,000	13.57
	96,044	43.45
Total	221,044	100

Note:

(1) The percentage of the breakdown set out above represents an estimation only and the actual utilisation by the HSCB Group in each category may differ subject to its operating requirements at the time of the utilisation of the HCMPL Sale Consideration.

KL Midtown mixed development

Based on our discussions with the Management, KL Midtown is an 8.95-acre mixed development in Kuala Lumpur and comprises both investment property, and property development of commercial and residential units. This development is located along Jalan Dutamas 2 and fronting the Malaysia International Trade and Exhibition Centre (MITEC), and forms part of the 75.5-acre commercial master plan development known as KL Midtown. The development for this 8.95-acre land is undertaken through the Company's 70%-owned subsidiary, KL Midtown Sdn Bhd ("**KL Midtown SB**") (formerly known as Golden Suncity Sdn Bhd) and the remaining equity interest of KL Midtown SB is held by the master developer, TTDI KL Metropolis Sdn Bhd ("**TTDI KL**") (a wholly-owned subsidiary of Naza TTDI Sdn Bhd).

On 4 January 2019, it was announced that the development rights agreement between TTDI KL and KL Midtown SB has become unconditional, granting KL Midtown SB the exclusive rights to develop the 8.95-acre land into a mixed property development at the consideration of RM467.834 million. The project has an estimated gross development cost and gross development value of RM3.5 billion and RM4.3 billion respectively. Currently, earthwork on the site is being performed and the perimeter retaining wall is being constructed. The development commenced in August 2018 and is expected to complete in 2028.

Although the current property market sentiment is subdued, we are of the view the project risk is manageable given the strategic location of KL Midtown which is along Jalan Dutamas 2 as well as the long development period of the project (which completion is only expected to take place in 2028) where the Management will be able to monitor market conditions and demands prior to any launches/sales. Accordingly, we anticipate this project to contribute positively to the earnings of the Group in the medium to long term.

Construction of Hyatt Centric Kota Kinabalu hotel

The property investment in Hyatt Centric Kota Kinabalu will be a 5-star hotel which is located on the site of Wisma Gek Poh in Kota Kinabalu. Based on our discussions with the Management, the 22-storey hotel will have 220 rooms and will be built on a 1,200 square metres land. A management agreement between Hyatt Hotels Corporation and Sunhill Ventures Sdn Bhd, a wholly-owned subsidiary of HSCB, was signed on 5 May 2019 to develop the first Hyatt Centric branded hotel in Malaysia. Construction of the said hotel commenced in December 2018 and is expected to complete in 2021.

In view of the on-going and planned developments in Kota Kinabalu to boost its tourism industry, including the Sabah International Convention Centre, the Kota Kinabalu Convention City (a waterfront development), Jesselton Quay and One Jesselton Waterfront (a waterfront development/district) and the planned International Cruise Terminal Kota Kinabalu (*Source: "Kota Kinabalu Port Area to get Tourism Boost", The Star Online, 8 January 2019*), as well as the well-known hotel manager, Hyatt Hotels Corporation which is a multinational hospitality company, we anticipate this investment to contribute positively to the earnings of the Group in the long term.

The utilisation of proceeds to finance the day-to-day operations of the HSCB Group is expected to improve the HSCB Group's financial flexibility in managing the operating cashflow of the Group.

HSCB intends to utilise RM0.70 million of the proceeds from the Proposed Disposal to defray estimated expenses relating to the Proposed Disposal. The breakdown of the estimated expenses in relation to the Proposed Disposal is set out below:

	RM'000
Estimated professional fees	475
Other fees (including regulatory fees) and expenses incurred in connection with the Proposed Disposal such as printing and advertising expenses	75
Miscellaneous expenses and contingencies	150
Total	700

We note that the use of the proceeds from the Proposed Disposal are primarily for the repayment of HSCB Group's borrowings, working capital requirements for its property segment and purchase of inventories which will benefit the HSCB Group's businesses. We are of the view that the utilisation of proceeds is reasonable.

6.5 RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL

We have taken note of the risk factors associated with the Proposed Disposal as set out in Section 5 of Part A of the Circular:

(i) Non-completion of the Proposed Disposal

There is no assurance that the HCMPL Condition Precedent will be fulfilled within the timeframe as set out in the HCMPL SSA. If the HCMPL Condition Precedent is not fulfilled by HSC Melbourne, the Proposed Disposal might be delayed or terminated.

The management of HSCB will use its best endeavours to ensure the completion of the Proposed Disposal and will take all reasonable steps to ensure that the HCMPL Condition Precedent is fulfilled in a timely manner, to avoid delays or termination and to facilitate the completion of the Proposed Disposal.

We note that the only condition precedent to the HCMPL SSA is the HSCB's shareholders' approval for the Proposed Disposal where HSCB will take all reasonable steps to satisfy it; failing which, the Proposed Disposal will be terminated and HSC Melbourne shall refund the HCMPL Deposit to LSHCL. This approval from HSCB's shareholders will be sought at the forthcoming EGM.

We also wish to highlight that there are completion obligations to be met by both parties of the HCMPL SSA, such as the delivery of the required documents by HSC Melbourne to effect the transfer of ownership of the HCMPL Sale Shares, and the payment of any amount owing by HCMPL to any companies within the HSCB Group. Should any party default or breaches any terms and conditions applicable to the relevant party under the HCMPL SSA, the non-defaulting party is entitled to give notice in writing to the defaulting party and if the defaulting party fails, neglects or refuses to remedy or make good such default or breach within 14 days, the non-defaulting party shall be entitled to pursue specific performance, or elect to terminate the HCMPL SSA and receive an agreed liquidated damages equivalent to 10% of the HCMPL Sale Consideration (or forfeit the HCMPL Deposit, as the case may be). The remedies to each party are parallel and the termination clauses protect the interest of each party.

(ii) Foreign exchange risk

For the Proposed Disposal, there is a risk of the exchange rate changing between the date of the HCMPL SSA and the HCMPL Completion Date.

If the USD/RM exchange rate fluctuates from the date of the HCMPL SSA up to the HCMPL Completion Date, the intended utilisation of proceeds as set out in Section 2.10 of Part A of the Circular as well as the computed proforma gain on disposal of approximately RM480.93 million in relation to the Proposed Disposal as set out in Section 2.6 of Part A of the Circular may differ. Any depreciation of USD against the RM will reduce the total proceeds from the Proposed Disposal in RM.

The foreign exchange risk for the Proposed Disposal involves the risk of an exchange rate changing between the transaction date (i.e. the date of the HCMPL SSA) up to the subsequent settlement date (i.e. the HCMPL Completion Date).

We note that the intended utilisation of proceeds (Section 2.10 of Part A of the Circular) as well as the computed proforma gain on disposal of RM480.93 million in relation to the Proposed Disposal (Section 2.6 of Part A of the Circular) may differ should the USD/RM exchange rate fluctuates from the date of the HCMPL SSA up to the HCMPL Completion Date. Any depreciation of USD against the RM will reduce the total proceeds from the Proposed Disposal in RM. However, any appreciation of the USD against the RM will increase the total proceeds from the Proposed Disposal.

(iii) Loss of income from HCMPL

HCMPL was incorporated in 2017 and generated a profit of AUD1.28 million (equivalent to RM3.84 million) for the FYE 31 December 2018. Upon completion of the Proposed Disposal, HCMPL will no longer be a subsidiary of the HSCB Group and as such, the Company would lose a source of revenue and profits from HCMPL. Notwithstanding, the potential loss of income from the newly-incorporated company is minimal compared to the expected gain from the Proposed Disposal.

HSCB intends to utilise the HCMPL Sale Consideration in the manner set out in Section 2.10 of Part A of the Circular. For illustrative purposes, assuming interest savings at a rate of 5% and based on utilisation of proceeds where RM500 million of the proceeds will be utilised for part repayment of the borrowings, the potential interest savings will be approximately RM25 million, which is higher as compared to the current year PAT of HCMPL of AUD1.28 million (equivalent to RM3.84 million).

Upon completion of the Proposed Disposal, HCMPL will cease to be an indirect subsidiary of HSCB. Accordingly, HCMPL's result will not be consolidated into the financial performance of HSCB.

While there is no assurance that the utilisation of the HCMPL Sale Consideration will generate a better return than if HSCB continues to grow the business of HCMPL, we note that HCMPL is a relatively new company and only commenced its operations on 23 May 2018. HCMPL recorded a PAT of AUD1.28 million for the FYE 31 December 2018 (equivalent to RM 3.84 million). On the other hand, the Proposed Disposal represents an opportunity for HSCB to realise a proforma gain on disposal of RM480.23 million (net of estimated expenses of RM0.70 million) immediately. The potential loss of income from HCMPL is minimal compared to the expected gain on disposal.

We wish to highlight that although the HSCB Group will make the necessary efforts to mitigate the risks identified, no assurance can be given that the risks above will not occur.

Nonetheless, based on the above, we are of the view that the risk factors in relation to the Proposed Disposal can be managed and are not detrimental to the Non-Interested Shareholders.

6.6 EFFECTS OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken note of the effects of the Proposed Disposal as set out Section 6 of Part A of the Circular.

(i) Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued share capital of HSCB and substantial shareholders' direct and/or indirect shareholdings in HSCB as the HCMPL Sale Consideration will be satisfied fully in cash.

(ii) NA, NA per HSCB Share and debt-to-equity ratio

Based on the latest audited consolidated statements of financial position of HSCB as at 31 December 2018, the proforma effects of the Proposed Disposal on the NA, NA per HSCB Share and debt-to-equity ratio are as set out below:

- (a) Proforma NA is expected to increase by approximately RM483.54 million⁽¹⁾;
- (b) Proforma NA per HSCB Share is expected to increase by approximately RM0.20 per HSCB share;
- (c) Proforma debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.65 times to 0.56 times; and

- (d) Proforma net debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.46 times to 0.36 times.

Note:

- (1) *Comprises a gain on disposal of RM480.23 million and reversal of foreign exchange reserves of RM3.31 million due to the disposal of HCMPL.*

The proforma effects above arises mainly due to the proforma gain from the Proposed Disposal of approximately RM480.23 million (net of estimated expenses of RM0.70 million).

(iii) Earnings and EPS

Earnings and EPS are expected to increase from RM1.15 billion (EPS of 46.01 sen) to RM1.63 billion (EPS of 65.30 sen) after the completion of the Proposed Disposal.

The increase in earnings and EPS is due to the proforma gain from the Proposed Disposal of approximately RM480.23 million (net of estimated expenses of RM0.70 million). The EPS of the HSCB Group is expected to increase by 19.29 sen (net of estimated expenses) based on the weighted average number of HSCB Shares in issue of 2,489,674,000 for the FYE 31 December 2018.

Upon completion of the Proposed Disposal, HCMPL will cease to be an indirect subsidiary of HSCB. Therefore, the financial results of HCMPL will no longer be consolidated with the financial results of HSCB.

Based on the above, we are of the view that the effects of the Proposed Disposal are not to the detriment of the Non-Interested Shareholders.

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7. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the terms of the Proposed Disposal and have set out our evaluation in Section 6 of this Independent Advice Letter, as summarised in the table below. Non-Interested Shareholders should consider the merits and demerits of the Proposed Disposal carefully based on all relevant and pertinent factors including those set out below and other considerations as set out in this Independent Advice Letter, Part A of the Circular together with the appendices and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Disposal.

Section in this Independent Advice Letter	Section of evaluation	Comments
6.1	Rationale for the Proposed Disposal	<p>The Proposed Disposal:</p> <p>(i) is an opportunity for the Group to divest its credit business at an attractive valuation at the PBR of 3.07 times (based on audited NA of HCMPL as at 31 December 2018);</p> <p>(ii) provides cashflow for repayment of borrowings and working capital needs of the HSCB Group.</p> <p>Although the Proposed Disposal will result in loss of earnings contribution from HCMPL to the HSCB Group, it is immaterial (i.e. 0.34% of HSCB's consolidated PATNCI for the FYE 31 December 2018), while the Proposed Disposal represents an offer at an attractive valuation where the Group is expected to realise a proforma gain of approximately RM480.23 million (net of estimated expenses of RM0.70 million) arising from the Proposed Disposal.</p> <p>We are of the view that the rationale of the Proposed Disposal is reasonable.</p>
6.2	Evaluation of the HCMPL Sale Consideration	We are of the view that the HCMPL Sale Consideration is fair as it represents an implied PBR of 3.07 times which is above the median PBR of the Comparable Companies of 1.76 times (audited NA) and 1.65 times (latest filing NA).
6.3	Salient terms of the HCMPL SSA	After evaluating the salient terms of the HCMPL SSA, we are of the view that the salient terms of the HCMPL SSA are reasonable.
6.4	Utilisation of proceeds from the Proposed Disposal	<p>The HCMPL Sale Consideration is expected to be utilised for repayment of borrowings, working capital requirements and to defray the estimated expenses for the Proposed Disposal.</p> <p>We note that the use of the proceeds from the Proposed Disposal are primarily for the repayment of HSCB Group's borrowings, working capital requirements for its property segment and purchase of inventories which will benefit the HSCB Group's businesses.</p> <p>We are of the view that the utilisation of proceeds is reasonable.</p>
6.5	Risk factors in relation to the Proposed Disposal	<p>Although the Management will make the necessary efforts to mitigate the risks identified, no assurance can be given that the risks identified will not occur.</p> <p>Nonetheless, we are of the view that the risk factors in relation to the Proposed Disposal can be managed and are not detrimental to the Non-Interested Shareholders.</p>

Section in this Independent Advice Letter	Section of evaluation	Comments
6.6	Effects of the Proposed Disposal	<p><u>Share capital and substantial shareholders' shareholdings</u></p> <p>No effect.</p> <p><u>NA, NA per HSCB Share and debt-to-equity ratio</u></p> <p>(i) Proforma NA is expected to increase by approximately RM483.54 million;</p> <p>(ii) Proforma NA per HSCB Share is expected to increase by approximately RM0.20 per HSCB Share;</p> <p>(iii) Proforma debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.65 times to 0.56 times; and</p> <p>(iv) Proforma net debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.46 times to 0.36 times.</p> <p><u>Earnings and EPS</u></p> <p>Earnings and EPS are expected to increase from RM1.15 billion (EPS of 46.01 sen) to RM1.63 billion (EPS of 65.30 sen) after the completion of the Proposed Disposal. The increase in earnings and EPS is largely due to the proforma gain from the Proposed Disposal of approximately RM480.23 million (net of estimated expenses of RM0.70 million).</p> <p>We are of the view that the effects of the Proposed Disposal are not to the detriment of the Non-Interested Shareholders.</p>

After taking into consideration our overall assessment and evaluation of the Proposed Disposal based on the information available to us up to the LPD, we are of the view that the Proposed Disposal is **fair and reasonable** and is **not detrimental** to the Non-Interested Shareholders of HSCB.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

Yours faithfully
for and on behalf of
AFFIN HWANG INVESTMENT BANK BERHAD

JOHAN HASHIM
Head
Corporate Finance

STELLA CHOY
Director
Corporate Finance

APPENDIX I – INFORMATION ON HCMPL

1. DATE AND PLACE OF INCORPORATION

HCMPL was incorporated in Australia on 2 November 2017 under the Corporations Act 2001 of Australia as a private company limited by shares.

HCMPL is a wholly-owned subsidiary of HSC Melbourne, which is a wholly-owned subsidiary of HSCI, which in turn is wholly-owned by HSCB.

HCMPL has no subsidiary and associated company.

2. ISSUED SHARE CAPITAL

As at LPD, the issued share capital of HCMPL is AUD80,000,100 comprising 80,000,100 HCMPL Shares.

3. BRIEF HISTORY OF HCMPL, THE GENERAL NATURE OF BUSINESS CONDUCTED BY HCMPL AND THE ASSETS OWNED BY HCMPL

HCMPL is principally involved in the provision of financial services in Victoria, Australia. HCMPL mainly provides term loans to corporates in the property sector. HCMPL started its operations on 23 May 2018.

As at 30 June 2019, HCMPL does not own any significant assets other than loan debtors amounting to AUD64,081,000 (equivalent to RM186,090,000) and cash of AUD19,061,000 (equivalent to RM55,353,000).

4. DETAILS OF MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, the directors of HCMPL are not aware of any material commitments and contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have an impact on the profits or NA of HCMPL.

5. DIRECTORS

As at the LPD, the directors of HCMPL are as follows and none of the directors hold any HCMPL Shares:

Name	Designation	Nationality
Mr. Paul Gregory Betar	Director	Australian
Ms. Cheah Yee Leng	Director	Malaysian
Mr. Thai Chong Yim	Director	Malaysian

APPENDIX I – INFORMATION ON HCMPL (cont'd)

6. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of HCMPL and their respective shareholdings in HCMPL are as follows:

Name	Country of Incorporation/ Nationality	Direct		Indirect ⁽¹⁾	
		No. of HCMPL shares	%	No. of HCMPL shares	%
HSC Melbourne	Singapore	80,000,100	100	-	-
HSCI	Malaysia	-	-	80,000,100 ⁽²⁾	100
HSCB	Malaysia	-	-	80,000,100 ⁽³⁾	100
Gek Poh	Malaysia	-	-	80,000,100 ⁽⁴⁾	100
Tan Sri Lau	Malaysian	-	-	80,000,100 ⁽⁵⁾	100

Notes:

- (1) As HCMPL is an Australian company, the disclosure of indirect interest is determined by applying Section 8 of the Act.
- (2) Deemed interested by virtue of its shareholdings in HSC Melbourne pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of its shareholdings in HSCI pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of its shareholdings in HSCB pursuant to Section 8 of the Act.
- (5) Deemed interested by virtue of his shareholdings in HSCB, held via Gek Poh pursuant to Section 8 of the Act.

7. SUMMARY OF FINANCIAL INFORMATION

7.1 Set out below are the selected financial information of HCMPL. As HCMPL was only incorporated on 2 November 2017, hence, only audited financial statements of HCMPL for the FYE 31 December 2018 is available.

	Audited
	31 December 2018
	AUD 000
Interest revenue	1,309
Other income	1,571
PBT	1,840
PAT	1,283
Paid-up capital	80,000
Shareholders' funds / NA / Total equity	81,283
Number of shares in issue	80,000,100
Weighted average number of shares in issue	25,698,730
Borrowings ⁽¹⁾	-
EPS (AUD) ⁽²⁾	0.05
NA per share (AUD) ⁽³⁾	1.02
Debt-to-equity ratio (times)	Not applicable ("N/A")
Current ratio (times) ⁽⁴⁾	62

APPENDIX I – INFORMATION ON HCMPL (cont'd)

Notes:

- (1) *HCMPL does not have any borrowings or liabilities from HSCB and there are no guarantees given by HSCB to LSHCL nor HCMPL.*
- (2) *Computed based on PAT over the weighted average number of shares in issue.*
- (3) *Computed based on shareholders' funds / NA over number shares in issue.*
- (4) *Computed based on current assets over current liabilities.*

7.2 Accounting Policies and audit qualification

There were no peculiar accounting policies adopted by HCMPL. Accounting policies adopted by HCMPL are consistent with the HSCB Group.

There have been no audit qualifications reported in the audited financial statement of HCMPL for the FYE 31 December 2018.

8. MATERIAL CONTRACTS

HCMPL has not entered into any material contract (not being contracts entered into in the ordinary course of its business) since its incorporation.

9. MATERIAL LITIGATION

As at the LPD, HCMPL is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of HCMPL and, to the best of the knowledge and belief of the management of HCMPL, they are not aware of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position or business of HCMPL.

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APPENDIX II – SALIENT TERMS OF THE HCMPL SSA

The salient terms of the HCMPL SSA are as follows:

1. HCMPL Sale Consideration and manner of payment

The HCMPL Sale Consideration for the HCMPL Sale Shares is USD175,500,000 and is payable by LSHCL to HSC Melbourne in the following manner:

- (i) the HCMPL Deposit within 7 days from the date of execution of HCMPL SSA; and
- (ii) the HCMPL Balance Sum on or before HCMPL Completion Date either in whole or in various batches to the account to be designated by HSC Melbourne in writing.

The HCMPL Deposit was paid by LSHCL to HSC Melbourne on 23 July 2019.

2. HCMPL Condition Precedent

The Proposed Disposal is conditional upon the approval from the shareholders of HSCB being obtained on or before the HCMPL Cut-Off Date.

3. HCMPL Completion

The completion of the HCMPL SSA shall take place on the HCMPL Completion Date where:

- (i) HSC Melbourne shall deliver the instrument of transfer of the HCMPL Sale Shares duly executed in favour of LSHCL and the relevant share certificates and such other documents as may be requested by LSHCL for the purpose of assessing stamp duty on the transfer of the HCMPL Sale Shares;
- (ii) HSC Melbourne shall deliver the certificates of incorporation, certifications of change of names, corporate seals, cheques books, statutory and other books of HCMPL;
- (iii) HSC Melbourne shall deliver or make available to LSHCL the requisite resolutions of the board of directors of HCMPL duly certified as true copies of the originals by the secretary of HCMPL:
 - (a) approving the registration of the share transfers referred to in Section 3(i) of Appendix II of this Circular subject only to it being duly stamped; and
 - (b) appointing such persons as LSHCL may nominate as directors;
- (iv) HSC Melbourne shall deliver or make available to LSHCL the requisite resolutions of the board of directors/shareholders of HSC Melbourne duly certified as true copies of the originals by the secretary of HSC Melbourne authorising HSC Melbourne to enter into the HCMPL SSA, perform the obligations contained therein and to consummate the transaction contemplated herein;
- (v) On Completion, LSHCL shall deliver or make available to HSC Melbourne the certified extract of the resolution of the board of directors of LSHCL certified by the secretary of LSHCL authorising LSHCL to enter into the HCMPL SSA, perform the obligations contained therein and to consummate the transaction contemplated herein; and
- (vi) If there is any amount owing by HCMPL to any companies within HSCB Group, LSHCL shall within 14 days from the HCMPL Completion, settle or procure the settlement, in full, free of all taxes of all liabilities and debts (including, any interest or other charges and whether due or not) owed or payable by HCMPL to the relevant companies within HSCB Group.

4. HCMPL SSA Termination

(i) HSC Melbourne's default

If, prior to the HCMPL Completion, HSC Melbourne is in default or breaches any of the terms and conditions applicable to it under the HCMPL SSA, LSHCL shall be entitled to give notice in writing to HSC Melbourne specifying such default or breach requiring HSC Melbourne to remedy or make good such default or breach within 14 days from the date of such notice. If HSC Melbourne fails, neglects or refuses to remedy or make good of such default or breach within the said 14 days' period, LSHCL shall be entitled to:

- (a) pursue an action for specific performance of the HCMPL SSA; or
- (b) elect to terminate the HCMPL SSA in which event HSC Melbourne shall within 7 days from the date of termination, refund to LSHCL the HCMPL Deposit and all monies received free of interest and pay a sum amounting to 10% of the HCMPL Sale Consideration to LSHCL as agreed liquidated damages failing which HSC Melbourne shall pay LSHCL interest at the rate of 8% per annum calculated on a daily basis on the amount outstanding from the expiry of the aforementioned period to the receipt of the aforementioned sum by LSHCL.

(ii) LSHCL's default

If, prior to HCMPL Completion, LSHCL is in default of or breaches any of the terms and conditions applicable to it under the HCMPL SSA, HSC Melbourne shall be entitled to give notice to LSHCL specifying such default or breach and requiring LSHCL to remedy or make good such default or breach within 14 days from the date of such notice. If LSHCL fails, neglects or refuses to remedy or make good such default or breach within 14 days' period, HSC Melbourne shall be entitled to:

- (a) pursue an action for specific performance of the HCMPL SSA; or
- (b) elect to terminate the HCMPL SSA, in which event the HCMPL Deposit shall be forfeited by HSC Melbourne absolutely as agreed liquidated damages and HSC Melbourne shall within 7 days from the date of termination refund all monies received (other than the HCMPL Deposit) to LSHCL free of interest.

5. HCMPL SSA governing law and submission jurisdiction

The HCMPL SSA shall be governed by and construed in accordance with the laws of Malaysia.

In the event that the parties cannot settle any dispute, the matter shall be referred to the arbitration of a single arbitrator under the provisions of the AIAC Arbitration Rules, 2018. The decision of the arbitrator shall be final and binding on both parties hereto. The arbitration shall be held at the Asian International Arbitration Centre.

HS Credit (Melbourne) Pty Ltd

ABN 58 622 630 826

Financial Statements for the year ended 31 December 2018

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Directors' Report

Your Directors present their report on HS Credit (Melbourne) Pty Ltd ("the Company") for the financial year ended 31 December 2018 and the comparative period from the date of incorporation on 2 November 2017 to 31 December 2017.

Directors

The names of the Directors in office at any time during or since the end of the year are:

- Mr Thai Chong Yim
- Ms Cheah Yee Leng
- Mr Paul Gregory Betar
- Mr Nicholas Rodney Quince (Ceased directorship on 1 July 2018)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations and financial results

The Company was incorporated on 2 November 2017, where operations for the Company commenced in May 2018. The profit of the Company for the financial year after providing for income tax amounted to \$1,283,000 (2017: nil).

Significant changes in state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Company during the financial year were the provision of financial services by way of term loan financing to businesses.

There have been no significant changes in the nature of these activities during the year.

Events arising since the end of the reporting period

An interim dividend of A\$0.005 amounting to A\$400,000.50 was declared and paid on 18 January 2019.

No other matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future development, prospects and business strategies

The prospects of the Company remains good as reflected in the results after several months of business operations. The loan products offered and the interest rates pricing are acceptable by the market as evidenced by strong flow of new businesses in the pipeline. The Company's strategy is to intensify business development activities, improvement to loan processes and to build up capacity.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCMLP FOR THE FYE 31 DECEMBER 2018 (cont'd)

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

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Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Dividends paid or recommended

There were no dividends that were paid or declared during the financial year reported.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnities given to, and insurance premiums paid for, auditors and officers

The Directors and Officers of the Company are covered by Directors and Officers liability insurance which is maintained on a group basis by the penultimate holding company, Hap Seng Consolidated Berhad in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the group of companies subject to the terms of the policy.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Company against a liability incurred as such by an officer.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

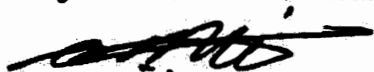
Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this Directors' Report.

Rounding of amounts

HS Credit (Melbourne) Pty Ltd is a type of Company referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.



Mr Thai Chong Yim
Director
19 April 2019



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Auditor's Independence Declaration

To the Directors of HS Credit (Melbourne) Pty Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of HS Credit (Melbourne) Pty Ltd for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in black ink that reads "M. Leivesley".

M R Leivesley
Partner – Audit & Assurance

Sydney, 19 April 2019

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HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 \$000	Period from 2 November 2017 to 31 December 2017 \$000
Interest revenue	2	1,309	-
Other income	2	1,571	-
		<hr/> 2,880	<hr/> -
Interest expense		(61)	-
Employee benefits expense		(228)	-
Depreciation expense		(1)	-
Impairment expense		(186)	-
Administrative expense		(564)	-
Profit before income tax		<hr/> 1,840	<hr/> -
Income tax expense	3	<hr/> (557)	<hr/> -
Profit for the year representing total comprehensive income for the year attributable to the owners of the Company		<hr/> 1,283 <hr/>	<hr/> - <hr/>

This statement should be read in conjunction with the notes to the financial statements.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2018 (cont'd)

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

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Statement of Financial Position

As at 31 December 2018

	Notes	2018 \$000	2017 \$000
Current assets			
Cash and cash equivalents	5	25,890	-
Loan receivables	6	29,509	-
Other receivables	7	673	-
Total current assets		56,072	-
Non-current assets			
Loan receivables	6	26,108	-
Plant and equipment	8	3	-
Total non-current assets		26,111	-
Total assets		82,183	-
Current liabilities			
Other payables	9	343	-
Provision for taxation	10	557	-
Total current liabilities		900	-
Total liabilities		900	-
Net assets		81,283	-
Equity			
Contributed equity	13	80,000	-
Retained earnings		1,283	-
Total equity		81,283	-

This statement should be read in conjunction with the notes to the financial statements.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2018 (cont'd)

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

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Statement of Changes in Equity

For year ended 31 December 2018

	Contributed equity \$000	Retained earnings \$000	Total \$000
Balance at 31 December 2016	-	-	-
Profit for the period	-	-	-
Total comprehensive income for the period	-	-	-
Transactions with owners in their capacity as owners:			
• contributions of equity	-	-	-
Sub-total	-	-	-
Balance at 31 December 2017	-	-	-
Profit for the year	-	1,283	1,283
Total comprehensive income for the year	-	1,283	1,283
Transactions with owners in their capacity as owners:			
• contributions of equity	80,000	-	80,000
Sub-total	80,000	-	80,000
Balance at 31 December 2018	80,000	1,283	81,283

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

For year ended 31 December 2018

	Notes	2018 \$000	2017 \$000
Cash flows from operating activities			
Receipts from customers		332	-
Disbursement of term loan to customers		(53,376)	-
Payments to suppliers and employees		(1,215)	-
Interest received		214	-
Finance costs		(61)	-
Net cash (used in) operating activities	14	(54,106)	-
Cash flows from investing activities			
Purchase of plant and equipment		(4)	-
Net cash (used in) investing activities		(4)	-
Cash flows from financing activities			
Proceeds from contributed equity		80,000	-
Net cash generated from financing activities		80,000	-
Net change in cash and cash equivalents held		25,890	-
Cash and cash equivalents at beginning of financial year		-	-
Cash and cash equivalents at end of financial year	5	25,890	-

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

1 Statement of significant accounting policies

The Directors' have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on a general purpose financial report. The financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the *Corporations Act 2001*.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and AASB 1054 *Australian Additional Disclosures*.

HS Credit (Melbourne) Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia. HS Credit (Melbourne) Pty Ltd is a for-profit entity for the purpose of preparing financial statements under Australian Accounting Standards.

1.1 Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

1.2 New and amended standards adopted by the Company

The Company has adopted AASB 15: Revenue from Contracts with Customers and AASB 9: Financial Instruments, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2018.

None of the amendments have had a significant impact on the Company.

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated.

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCMPL FOR THE FYE 31 DECEMBER
2018 (cont'd)**

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

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AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to align hedge accounting with entities' risk management activities. The new hedge accounting looks to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCMPL FOR THE FYE 31 DECEMBER 2018 (cont'd)

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

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1 Statement of significant accounting policies (continued)

1.3 Significant accounting policies

Income tax

The income tax expense for the year comprises current income tax expense. Current income tax expense is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities / (assets) are therefore measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured at cost less depreciation and impairment losses.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Useful life</i>
Computers and office equipment:	4 – 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

1 Statement of significant accounting policies (continued)

1.3 Significant accounting policies (continued)

Plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income.

When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

1 Statement of significant accounting policies (continued)

1.3 Significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into amortised costs.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

1 Statement of significant accounting policies (continued)

1.3 Significant accounting policies (continued)

Impairment of financial assets (continued)

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Company allows 1% for amounts that are 30 to 60 days past due, 1.5% for amounts that are between 60 and 90 days past due and writes off fully any amounts that are more than 90 days past due.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

1 Statement of significant accounting policies (continued)

1.3 Significant accounting policies (continued)

Classification and measurement of financial liabilities (continued)

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Interest income

Interest income is recognised using the effective interest method.

Loan receivables

Interest income on term loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either daily or monthly.

Where the repayment of an account is in arrears for three months or more, the uncollected interest from that account is suspended until it is realised on a cash basis.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

1 Statement of significant accounting policies (continued)

1.3 Significant accounting policies (continued)

Goods and Services Tax (GST) (continued)

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 1.4.

Rounding of amounts

The Company is a type of Company referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

1.4 Estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Provision for impairment of loan receivables

The provision for impairment of loan receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account recent loan repayments, the number of days the loan is in arrears, historical collection rates and specific knowledge of the individual borrower's financial position.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER
2018 (cont'd)**

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

17

2 Revenue

	2018	2017
	\$000	\$000
Operating activities		
Loan interest income	1,309	-
Fee income	1,357	-
Fixed deposit interest income	214	-
Other income	1,571	-
Total revenue	2,880	-

3 Income tax expense

	2018	2017
	\$000	\$000
The components of income tax expense comprise:		
• current tax	557	-
	557	-

4 Auditor's remuneration

	2018	2017
	\$000	\$000
Remuneration of the auditor of Company, Grant Thornton Australia Ltd for:		
• auditing the financial statements	36	-
	36	-

5 Cash and cash equivalents

	2018	2017
	\$000	\$000
Petty cash	2	-
Cash at bank and in hand	25,888	-
	25,890	-

6 Loan receivables

	2018	2017
	\$000	\$000
Current		
Term loan receivables	29,607	-
Provision for loan impairment	(98)	-
Total current	29,509	-
Non-Current		
Term loan receivables	29,196	-
Provision for loan impairment	(88)	-
Total non-current	26,108	-

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER
2018 (cont'd)**

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

18

7 Other receivables

	2018	2017
	\$000	\$000
Current		
Other receivables	673	-
	<u>673</u>	<u>-</u>

8 Plant and equipment

	2018	2017
	\$000	\$000
Computers & Office equipment		
• at cost	4	-
• accumulated depreciation	(1)	-
Total computers & office equipment	<u>3</u>	<u>-</u>

9 Other payables

	2018	2017
	\$000	\$000
Current		
• Establishment fee	285	-
• Accrued expenses	48	-
• Other payables	10	-
	<u>343</u>	<u>-</u>

10 Provision for taxation

	2018	2017
	\$000	\$000
Current provision for tax	557	-
	<u>557</u>	<u>-</u>

11 Lease commitments

	2018	2017
	\$'000	\$'000
Operating lease commitments		
<i>Non-cancellable operating leases contracted for but not capitalised in the financial statements</i>		
Payable – minimum lease payments:		
• not later than twelve months	87	-
• between twelve months and five years	98	-
	<u>185</u>	<u>-</u>

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER
2018 (cont'd)**

HS Credit (Melbourne) Pty Ltd
For the year ended 31 December 2018

19

12 Contingent assets and contingent liabilities

The Company has no contingent assets or liabilities.

13 Contributed equity

	2018 \$'000	2017 \$'000
Contributed equity from the immediate holding company *representing A\$100	80,000	-
	<u>80,000</u>	<u>-</u>

14 Cash flow information

	2018 \$'000	2017 \$'000
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	1,283	-
Non-cash flows in profit:		
• depreciation	1	-
• impairment expense	186	-
Changes in assets and liabilities:		
• (increase) in trade and other receivables	(56,476)	-
• increase in trade and other payables	343	-
• increase in provision for taxation	557	-
Net cash (used in) operating activities	<u>(54,106)</u>	<u>-</u>

15 Events after the reporting date

An interim dividend of A\$0.005 amounting to A\$400,000.50 was declared and paid on 18 January 2019.

No other matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

16 Company details

The registered office of the Company is:

Level 17, 383 Kent Street
Sydney NSW 2000

The principal place of business is:

Level 45, Rialto South Tower
525 Collins Street
Melbourne VIC 3000

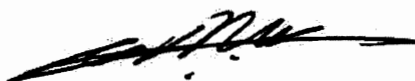
Directors' Declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 5 to 19 , are in accordance with the *Corporations Act 2001*:
 - a Comply with Accounting Standards as described in Note 1 to the financial statements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b Give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements; and
- 2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Thai Chong Yim
Director

Dated the 19th April 2019



Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

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W www.grantthornton.com.au

Independent Auditor's Report

To the Members of HS Credit (Melbourne) Pty Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of HS Credit (Melbourne) Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- b complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Members. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in black ink that reads "M. Leivesley".

M R Leivesley
Partner – Audit & Assurance

Sydney, 19 April 2019

APPENDIX IV(A) – DISCLOSURE OF HSPD DISPOSAL 1

1. INTRODUCTION

HSCB had on 3 December 2018 announced that its wholly-owned subsidiary, HSPD had on even date entered into sale and purchase agreements with Goldcoin Ventures (“HSPD SPAs 1”) pursuant to which HSPD disposed two (2) contiguous parcels of vacant leasehold lands (transaction referred to as “Disposal A” and “Disposal B”) for a consideration of RM9,468,000 and RM14,758,000, respectively (hereinafter collectively referred to as “HSPD Disposal 1”), both situated at Mile 10, Apas Road, District of Tawau, State of Sabah (“HSPD Lands 1”), particulars of which are disclosed in Section 2.1 below, to Goldcoin Ventures.

Goldcoin Ventures is a wholly-owned subsidiary of Akal Megah, which in turn is a wholly-owned subsidiary of LSH.

The HSPD Disposal 1 was deemed a related party transaction pursuant to Paragraph 10.08 of Chapter 10 of the Listing Requirements.

2. DETAILS OF THE HSPD DISPOSAL 1

As announced on 3 December 2018, the terms of the HSPD Disposal 1 were agreed upon on even date with the execution of the HSPD SPAs 1.

2.1 DETAILS OF THE HSPD LANDS 1

Title details	:	<table border="1"><tr><th>Land Title Number</th></tr><tr><td>CL 105173475</td></tr><tr><td>CL 105245887</td></tr></table>	Land Title Number	CL 105173475	CL 105245887
Land Title Number					
CL 105173475					
CL 105245887					

Registered owner : HSPD

Locality : Mile 10, Apas Road, District of Tawau, State of Sabah

Leasehold tenure	:	<table border="1"><thead><tr><th>Land Title Number</th><th>Expiry of leasehold</th></tr></thead><tbody><tr><td>CL 105173475</td><td>Leasehold expiring on 31 December 2049</td></tr><tr><td>CL 105245887</td><td>Leasehold expiring on 31 December 2061</td></tr></tbody></table>	Land Title Number	Expiry of leasehold	CL 105173475	Leasehold expiring on 31 December 2049	CL 105245887	Leasehold expiring on 31 December 2061
Land Title Number	Expiry of leasehold							
CL 105173475	Leasehold expiring on 31 December 2049							
CL 105245887	Leasehold expiring on 31 December 2061							

Brief description : Vacant leasehold lands

Land area	:	<table border="1"><thead><tr><th>Land Title Number</th><th>Approximate area (acres)</th></tr></thead><tbody><tr><td>CL 105173475</td><td>6.21</td></tr><tr><td>CL 105245887</td><td>9.68</td></tr></tbody></table>	Land Title Number	Approximate area (acres)	CL 105173475	6.21	CL 105245887	9.68
Land Title Number	Approximate area (acres)							
CL 105173475	6.21							
CL 105245887	9.68							

Net book value as at 31 December 2017 : Collective net book value of RM306,357 including deferred development expenditure

Market value	:	<table border="1"><thead><tr><th>Land Title Number</th><th>Market value (RM)</th></tr></thead><tbody><tr><td>CL 105173475</td><td>9,468,000</td></tr><tr><td>CL 105245887</td><td>14,758,000</td></tr><tr><td>Total</td><td>24,226,000</td></tr></tbody></table>	Land Title Number	Market value (RM)	CL 105173475	9,468,000	CL 105245887	14,758,000	Total	24,226,000
Land Title Number	Market value (RM)									
CL 105173475	9,468,000									
CL 105245887	14,758,000									
Total	24,226,000									

Date of valuation : 6 September 2018

Encumbrances : Nil

3. DISPOSAL CONSIDERATION

The disposal considerations for Disposal A was RM9,468,000 (“**Disposal A Consideration**”) and Disposal B was RM14,758,000 (“**Disposal B Consideration**”). Accordingly, the total disposal consideration of the HSPD Disposal 1 was RM24,226,000 (“**HSPD Disposal Consideration 1**”).

3.1 Basis of arriving at the HSPD Disposal Consideration 1, other than on a “willing buyer and willing seller” basis

Both the said Disposal A Consideration and said Disposal B Consideration were based on the selling price of RM35 per square foot. The HSPD Disposal Consideration 1 was arrived at on a willing buyer and willing seller basis after taking into consideration of VPC Alliance (Sabah) Sdn Bhd (“**VPC**”) valuation of the CL 105173475 at RM9,468,000 and CL 105245887 at RM14,758,000, using Market Value as set out in their valuation report dated 6 September 2018. VPC is an independent firm of registered professional valuers.

3.2 Justification for the HSPD Disposal Consideration 1

The HSPD Disposal 1 had given rise to a gain to HSCB Group.

3.3 The manner in which the HSPD Disposal Consideration 1 was satisfied including the terms of any arrangement for payment on a differed basis

The HSPD Disposal Consideration 1 was paid in cash by Goldcoin Ventures to HSPD within one (1) month from the date of the HSPD SPAs 1 (“**Completion Period 1**”) upon which HSPD SPAs1 was completed.

4. FINANCIAL INFORMATION OF THE HSPD LANDS 1

4.1 Net profits attributable to the HSPD Lands 1

Not applicable as there was no business activity carried out on the HSPD Lands 1.

4.2 NA or net book value of the HSPD Lands 1

The net book values of the HSPD Lands 1 as at 31 December 2017 were RM306,357 including deferred development expenditure.

5. EFFECTS OF THE HSPD DISPOSAL1

5.1 EPS

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2017 and assuming that the HSPD Disposal 1 had been effected at the beginning of the financial year, the EPS of HSCB Group would have increased by approximately 0.73 sen.

5.2 NA per share

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2017 and assuming that the HSPD Disposal 1 had been effected at the end of the financial year, the NA per share of HSCB Group would have increased by approximately 1 sen.

5.3 Gearing

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2017 and assuming that the HSPD Disposal 1 had been effected at the end of the financial year, the net gearing* of HSCB Group would have decreased from 0.65 times to 0.64 times.

Note:

* *Net gearing ratio was computed after deducting money market deposits and cash and bank balances.*

5.4 Share capital and substantial shareholders' shareholdings of HSCB

As the HSPD Disposal 1 did not involve issuance of new shares by HSCB, the HSPD Disposal 1 did not have any effect on the issued share capital of HSCB and the substantial shareholders' shareholdings in HSCB.

6. DETAILS OF THE HSPD DISPOSAL 1**6.1 Gains from HSPD Disposal 1 to HSCB Group**

The HSPD Disposal 1 gave rise to a net gain of approximately RM18.14 million to HSCB Group.

6.2 Information on Goldcoin Ventures, Akal Megah and LSH**(i) Information on Goldcoin Ventures**

Goldcoin Ventures is a private limited company incorporated in Malaysia on 2 January 2014 with its registered office at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Goldcoin Ventures has a share capital of RM545,000,000 comprising 545,000,000 ordinary shares. Goldcoin Ventures is principally involved in property development.

(ii) Information on Akal Megah

Akal Megah is a private limited company incorporated in Malaysia on 25 June 1997 with its registered office at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Akal Megah has a share capital of RM405,000,000 comprising 405,000,000 ordinary shares. Akal Megah is principally involved in investment holding and property investment.

(iii) Information on LSH

LSH is a limited liability company incorporated in Hong Kong on 13 June 1972 with its registered office at 8/F, New World Tower I, 18 Queen's Road Central, Hong Kong. LSH has an issued share capital of HKD5,075,074,066 comprising 1,189,824,288 ordinary shares. LSH is principally involved in investment holding.

6.3 Particulars of liabilities assumed by HSCB arising from the HSPD Disposal 1

There were no liabilities (including contingent liabilities and guarantees) assumed by HSCB arising from the HSPD Disposal 1.

APPENDIX IV(A) – DISCLOSURE OF HSPD DISPOSAL 1 (cont'd)

6.4 The original cost of investment and the date of investment of the HSPD Lands 1

<u>Land Title Number</u>	<u>Date of Investment</u>	<u>Original Cost of Investment</u>
CL 105173475	31 January 2004	RM94,355
CL 105245887	31 January 2004	RM147,079

7. APPLICATION OF THE HSPD DISPOSAL CONSIDERATION 1 AND THE BREAKDOWN, INCLUDING THE TIMEFRAME FOR FULL UTILISATION OF PROCEEDS

The HSPD Disposal Consideration 1 was used as working capital of HSCB Group.

8. WHETHER THE HSPD DISPOSAL 1 WAS SUBJECT TO SHAREHOLDERS' APPROVAL AND THE RELEVANT GOVERNMENT AUTHORITIES' APPROVAL AND THE ESTIMATED TIME FRAME FOR SUBMISSION OF THE APPLICATION TO THE RELEVANT AUTHORITIES

The HSPD Disposal 1 was not subject to the approval of the shareholders of HSCB and/or the relevant authorities.

9. WHETHER THE DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH A DIRECTOR OR MAJOR SHAREHOLDER HAVE ANY INTEREST, DIRECT OR INDIRECT, IN THE TRANSACTION, AND THE NATURE AND EXTENT OF THEIR INTERESTS

As at the date of the announcement of the HSPD Disposal 1 on 3 December 2018:

Tan Sri Lau is a 50.10% deemed major shareholder of LSH. He is also a director and a 56.00% major shareholder of Gek Poh. Gek Poh holds 12.42% shares of LSH and Gek Poh is also the holding company of HSCB with an aggregate shareholding of 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding via HSIS. LSHI, a wholly-owned subsidiary of LSHCL, which in turn is a wholly-owned subsidiary of LSH, is a 13.08% major shareholder of HSCB. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI are deemed interested in the HSPD Disposal 1.

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. Gek Poh holds 12.42% equity interest in LSH and hence, Gek Poh is a major shareholder of LSH. Goldcoin Ventures is a wholly-owned subsidiary of LSH. 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 HSPD Disposal 1. As such, they have abstained from all board deliberations and voting in respect of the HSPD Disposal 1.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH and a director in Akal Megah. Premised on Datuk Simon Shim Kong Yip's common directorships in HSCB, LSH and Akal Megah, he is deemed interested in the HSPD Disposal 1. As such, Datuk Simon Shim Kong Yip has abstained from all board deliberations and voting in respect of the HSPD Disposal 1.

10. RATIONALE FOR THE HSPD DISPOSAL 1

The HSPD Disposal 1 was in line with the Group's strategy in disposing parcels of land located in non-strategic locations without immediate development potential. The proceeds from the HSPD Disposal 1 were used to reduce bank borrowings and/or to contribute to the working capital of HSCB Group.

11. SALIENT TERMS OF THE HSPD SPAs 1

11.1 Salient terms of the HSPD SPAs 1

- (a) HSPD shall sell and Goldcoin Ventures shall purchase the HSPD Lands 1 on an "as is where is" basis free from all encumbrances at the HSPD Disposal Consideration 1 subject to all conditions of title whether express or implied and restrictions in interest contained in the issued document of title, if any and upon such terms and conditions of the HSPD SPAs 1;
- (b) The transactions contemplated in the HSPD SPAs 1 shall be deemed completed upon full payment of the HSPD Disposal Consideration 1 to HSPD;
- (c) In the event Goldcoin Ventures is unable to pay the HSPD Disposal Consideration 1 to HSPD within the Completion Period 1, HSPD shall grant to Goldcoin Ventures a further grace period of one (1) month to pay the HSPD Disposal Consideration 1 subject to Goldcoin Ventures paying to HSPD, late payment interest at the rate of eight per centum (8%) per annum on the HSPD Disposal Consideration 1 calculated until the date of full settlement;
- (d) Upon execution of the HSPD SPAs 1, HSPD shall deliver to Goldcoin Ventures, inter alia, the certified true copies of the resolution of its board of directors, approving the disposal of the HSPD Lands 1 on the terms and conditions of the HSPD SPAs 1;
- (e) Upon execution of the HSPD SPAs 1, Goldcoin Ventures shall deliver to HSPD, inter alia, the certified true copies of the resolution of its board of directors, approving the purchase of HSPD Lands 1 on the terms and conditions of the HSPD SPAs 1;
- (f) Upon execution of the HSPD SPAs 1, pending the registration of the memorandum of transfer ("MOT") of the HSPD Lands 1 in favour of Goldcoin Ventures, HSPD shall execute a power of attorney ("said PA") in favour of Goldcoin Ventures or its nominees on such terms so as to enable Goldcoin Ventures to deal with the HSPD Lands 1 as if they were the registered proprietors thereof, which said PA shall be delivered to Goldcoin Ventures upon full payment of HSPD Disposal Consideration 1 to HSPD;
- (g) Upon payment of the HSPD Disposal Consideration 1 in full, HSPD shall forthwith deliver a valid registrable unstamped MOT to Goldcoin Ventures together with the original issue document of title to the HSPD Lands 1 and all other relevant documents necessary for adjudication as to the stamp duties chargeable thereon and thereafter for Goldcoin Ventures to effect the registration of the MOT at the appropriate land office; and
- (h) Vacant possession of the HSPD Lands 1 shall be deemed delivered to Goldcoin Ventures upon full payment of the HSPD Disposal Consideration 1 to HSPD.

11.2 Documents available for inspection

The HSPD SPAs 1 and the valuation report dated 6 September 2018 were available for inspection at the registered office of HSCB at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur during normal business hours from Mondays to Fridays (except during public holidays) for a period of three (3) months from 3 December 2018, being the date of the HSPD Disposal 1 announcement.

12. STATEMENT BY THE BOARD OF DIRECTORS, EXCLUDING INTERESTED DIRECTORS, STATING WHETHER THE TRANSACTION IS IN THE BEST INTERESTS OF HSCB

The Board of Directors (save for the interested directors stated in Section 9 of this Appendix IV(A)) had considered all aspects of the HSPD Disposal 1 (including but not limited to the rationale and financial effects of the HSPD Disposal 1), was of the view that the HSPD Disposal 1 was in the best interest of the HSCB.

13. ESTIMATED TIME FRAME TO COMPLETE THE HSPD DISPOSAL 1

Barring unforeseen circumstances, the HSPD Disposal 1 was expected to be completed within one (1) month from the date of the HSPD SPAs 1. The HSPD Disposal 1 was completed on 26 December 2018.

14. THE HIGHEST PERCENTAGE RATIO APPLICABLE TO THE HSPD DISPOSAL 1 PURSUANT TO PARAGRAPH 10.02(G) OF THE LISTING REQUIREMENTS

Pursuant to paragraph 10.02(g) of the Listing Requirements, the highest percentage ratios applicable to Disposal A and Disposal B were 0.16% and 0.26% respectively. Hence, applying the rule of aggregation pursuant to paragraph 10.12(2)(a) of the Listing Requirements, the highest percentage ratio applicable to the HSPD Disposal 1 was 0.42%.

15. STATEMENT BY AUDIT COMMITTEE

The audit committee of HSCB (save for Datuk Simon Shim Kong Yip who had abstained from deliberating and voting on the resolution in respect of the HSPD Disposal 1 due to his common directorships in HSCB, LSH and Akal Megah), have considered all aspects of the HSPD Disposal 1 (including but not limited to the rationale and the financial effects of the HSPD Disposal 1), was of the opinion that the HSPD Disposal 1 was:

- (a) in the best interest of the HSCB and the Group;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the interest of the minority shareholders.

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1. INTRODUCTION

HSCB had on 13 June 2019 announced that its wholly-owned subsidiary, HSPD had on even date entered into a sale and purchase agreement with Goldcoin Ventures (“**HSPD SPA 2**”) pursuant to which HSPD disposed all that parcel of vacant leasehold land measuring approximately 20.77 acres situated at Mukim of Tinagat, located within Bandar Sri Indah development at Mile 10, Apas Road, District of Tawau, State of Sabah (“**HSPD Land 2**”) to Goldcoin Ventures on the terms and conditions therein contained (“**HSPD Disposal 2**”).

Goldcoin Ventures is a wholly-owned subsidiary of Akal Megah, which in turn is a wholly-owned subsidiary of LSH.

The HSPD Disposal 2 was deemed a related party transaction pursuant to Paragraph 10.08 of Chapter 10 of the Listing Requirements.

2. DETAILS OF THE HSPD DISPOSAL 2

As announced on 13 June 2019, the terms of the HSPD Disposal 2 were agreed upon on even date with the execution of the HSPD SPA 2.

2.1 DETAILS OF THE PROPERTY

Title details	:	CL 105241245
Registered owner	:	HSPD
Postal Address	:	Mile 10, Apas Road, District of Tawau, State of Sabah
Tenure	:	Leasehold expiring on 23 May 2060
Land area	:	Approximately 20.77 acres
Brief Description	:	Vacant leasehold land
Net book value as at 31 December 2018	:	RM473,674 including deferred development expenditure
Market value	:	RM27,142,000
Date of valuation	:	12 April 2019
Encumbrances	:	Nil

3. DISPOSAL CONSIDERATION

The disposal consideration of the HSPD Disposal 2 was RM27,142,000 only (“**HSPD Consideration 2**”).

3.1 Basis of arriving at the HSPD Disposal Consideration 2, other than on a “willing buyer willing seller” basis

The HSPD Disposal Consideration 2 was based on the selling price of RM30 per square foot. The HSPD Disposal Consideration 2 was arrived at on a willing buyer and willing seller basis after taking into consideration of the valuation of the HSPD Land 2 by VPC at RM27,142,000. The said valuation was arrived at by using Comparison Method as set out in the valuation report dated 12 April 2019. VPC is an independent firm of registered professional valuers.

3.2 Justification for the HSPD Disposal Consideration 2

The HSPD Disposal 2 gave rise to a gain to HSCB Group.

3.3 The manner in which the HSPD Disposal Consideration 2 was satisfied including the terms of any arrangement for payment on a deferred basis

The HSPD Disposal Consideration 2 was paid in cash by Goldcoin Ventures to HSPD within one (1) month from the date of the HSPD SPA 2 (“**Completion Period 2**”) upon which HSPD Disposal 2 was completed.

4. FINANCIAL INFORMATION OF THE HSPD LAND 2

4.1 Net profits attributable to the HSPD Land 2

Not applicable as there was no business activity carried out on the HSPD Land 2.

4.2 NA or net book value of the HSPD Land 2

The net book value of the HSPD Land 2 as at 31 December 2018 was RM473,674 only including deferred development expenditure.

5. EFFECTS OF THE HSPD DISPOSAL 2

5.1 EPS

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2018 and assuming that the HSPD Disposal 2 had been effected at the beginning of the financial year, the EPS of HSCB Group would have increased by approximately 0.81 sen.

5.2 NA per share

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2018 and assuming that the HSPD Disposal 2 had been effected at the end of the financial year, the NA per share of HSCB Group would have increased by approximately 1 sen.

5.3 Gearing

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2018 and assuming that the HSPD Disposal 2 had been effected at the end of the financial year, the net gearing* of HSCB Group would have decreased from 0.54 times to 0.53 times.

Note:

* *Net gearing ratio was computed after deducting money market deposits and cash and bank balances.*

5.4 Share capital and substantial shareholders' direct and/or indirect shareholdings of HSCB

As the HSPD Disposal 2 did not involve issuance of new shares by HSCB, the HSPD Disposal 2 did not have any effect on the issued share capital of HSCB and the substantial shareholders' direct and/or indirect shareholdings in HSCB.

APPENDIX IV(B) – DISCLOSURE OF HSPD DISPOSAL 2 (cont'd)

6. DETAILS OF THE HSPD DISPOSAL 2

6.1 Gains from HSPD Disposal 2

The HSPD Disposal 2 gave rise to a net gain of approximately RM20.27 million to HSCB Group.

6.2 Information on Goldcoin Ventures, Akal Megah and LSH

(i) Information on Goldcoin Ventures

Goldcoin Ventures is a private limited company incorporated in Malaysia on 2 January 2014 with its registered office at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Goldcoin Ventures has a share capital of RM552,240,000 comprising 552,240,000 ordinary shares. Goldcoin Ventures is principally involved in property development.

As of 13 June 2019, the directors of Goldcoin Ventures are as follows and none of them hold any Goldcoin Ventures shares:

Name	Designation	Nationality
Datuk Gan Khian Seng	Director	Malaysian
Madam Sim Siew Meng	Director	Malaysian
Mr. Chong Chee Wooi	Director	Malaysian
Mr. Pang Min Hiung	Director	Malaysian

As at 13 June 2019, the substantial shareholders of Goldcoin Ventures and their respective direct and/or indirect shareholdings in Goldcoin Ventures are as follows:

Name	Country of incorporation/ Nationality	Direct		Indirect	
		No. of Goldcoin Ventures Shares	%	No. of Goldcoin Ventures Shares	%
Akal Megah	Malaysia	552,240,000	100	-	-
World Prosperity Developments Limited (“World Prosperity”)	Hong Kong	-	-	552,240,000 ⁽¹⁾	100
Lei Shing Hong Properties Ltd (“LSHPL”)	Hong Kong	-	-	552,240,000 ⁽²⁾	100
LSH	Hong Kong	-	-	552,240,000 ⁽³⁾	100

Notes:

- (1) *Deemed interested by virtue of its shareholdings in Akal Megah pursuant to Section 8 of the Act.*
- (2) *Deemed interested by virtue of its shareholdings in Akal Megah, held by World Prosperity pursuant to Section 8 of the Act.*
- (3) *Deemed interested by virtue of its shareholdings in Akal Megah, held by LSHPL pursuant to Section 8 of the Act.*

(ii) Information on Akal Megah

Akal Megah is a private limited company incorporated in Malaysia on 25 June 1997 with its registered office at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Akal Megah has a share capital of RM2,845,158,128 comprising 2,845,158,128 ordinary shares. Akal Megah is principally involved in investment holding and property investment.

(iii) Information on LSH

LSH is a limited liability company incorporated in Hong Kong on 13 June 1972 with its registered office at 8/F, New World Tower I, 18 Queen's Road Central, Hong Kong. LSH has an issued share capital of HKD5,075,074,066 comprising 1,189,824,288 ordinary shares. LSH is principally involved in investment holding.

6.3 Particulars of liabilities, including contingent liabilities, in relation to the HSPD Disposal 2 which remained with HSCB, together with the details and justification for such arrangements and any guarantees given to Goldcoin Ventures

There were no liabilities (including contingent liabilities and guarantees) assumed by HSCB arising from the HSPD Disposal 2 and no guarantee was given to Goldcoin Ventures.

6.4 The original cost of investment and the date of investment of the HSPD Land 2

Land Title Number	Date of Investment	Original Cost of Investment
CL 105241245	31 January 2004	RM315,581

7. APPLICATION OF THE HSPD DISPOSAL CONSIDERATION 2 AND THE BREAKDOWN, INCLUDING THE TIMEFRAME FOR FULL UTILIZATION OF PROCEEDS

The HSPD Disposal Consideration 2 was used as working capital of HSCB Group.

8. A STATEMENT ON WHETHER THE HSPD DISPOSAL 2 WAS SUBJECT TO SHAREHOLDERS' APPROVAL AND THE RELEVANT GOVERNMENT AUTHORITIES AND THE ESTIMATED TIME FRAME FOR SUBMISSION OF THE APPLICATION TO THE RELEVANT AUTHORITIES

The HSPD Disposal 2 was not subject to the approval of the shareholders of HSCB and/or the relevant authorities.

9. A STATEMENT ON WHETHER THE DIRECTORS, CHIEF EXECUTIVES, MAJOR SHAREHOLDERS OR PERSONS CONNECTED WITH A DIRECTOR OR MAJOR SHAREHOLDER OR CHIEF EXECUTIVE HAVE ANY INTEREST, DIRECT OR INDIRECT, IN THE TRANSACTION, AND THE NATURE AND EXTENT OF THEIR INTERESTS

As at the date of the announcement of the HSPD Disposal 2 on 13 June 2019:

Tan Sri Lau is a 50.10% deemed major shareholder of LSH. He is also a director and a 56.00% major shareholder of Gek Poh. Gek Poh holds 12.42% shares of LSH and Gek Poh is also the holding company of HSCB with an aggregate shareholding of 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding via HSIS. LSHI, a wholly-owned subsidiary of LSHCL, which in turn is a wholly-owned subsidiary of LSH, is a 13.08% major shareholder of HSCB. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI are deemed interested in the HSPD Disposal 2.

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. Gek Poh holds 12.42% equity interest in LSH and hence, Gek Poh is a major shareholder of LSH. Goldcoin Ventures is a wholly-owned subsidiary of LSH. 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 HSPD Disposal 2. As such, they have abstained from all board deliberations and voting in respect of the HSPD Disposal 2.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH and a director of Akal Megah. Premised on Datuk Simon Shim Kong Yip's common directorship in HSCB, LSH and Akal Megah, he is deemed interested in the HSPD Disposal 2. As such, Datuk Simon Shim Kong Yip has abstained from all board deliberations and voting in respect of the HSPD Disposal 2.

Mr. Chong Chee Wooi is the deputy finance director of HSCB and a director of both Akal Megah and Goldcoin Ventures. Premised on his position in HSCB and directorships in Akal Megah and Goldcoin Ventures, he is deemed interested in the HSPD Disposal 2.

10. RATIONALE FOR THE HSPD DISPOSAL 2 INCLUDING ANY BENEFIT WHICH ACCRUED TO HSCB FROM A BUSINESS, FINANCIAL AND OPERATIONAL PERSPECTIVE

The HSPD Disposal 2 was in line with HSCB Group's strategy in disposing parcels of land located in non-strategic locations without immediate development potential. The proceeds from the HSPD Disposal 2 were used to reduce bank borrowings and/or to contribute to the working capital of HSCB Group.

11. SALIENT TERMS OF THE HSPD SPA 2

11.1 Salient terms of the HSPD SPA 2

- (a) HSPD shall sell and Goldcoin Ventures shall purchase the HSPD Land 2 on an "as is where is" basis free from all encumbrances at the HSPD Disposal Consideration 2 subject to all conditions of title whether express or implied and restrictions in interest contained in the issued document of title, if any and upon such terms and conditions of the HSPD SPA 2;
- (b) The transaction contemplated in the HSPD SPA 2 shall be deemed completed upon full payment of the HSPD Disposal Consideration 2 to HSPD;
- (c) In the event Goldcoin Ventures is unable to pay the HSPD Disposal Consideration 2 within the Completion Period 2, the HSPD shall grant to Goldcoin Ventures a further grace period of one (1) month to pay the same subject to Goldcoin Ventures paying to HSPD, late payment interest at the rate of eight per cent (8%) per annum on the HSPD Disposal Consideration 2 up to the date of full settlement;
- (d) Upon the execution of HSPD SPA 2, HSPD shall deliver to Goldcoin Ventures inter alia, certified true copy of the resolution of its board of directors approving of the disposal of the HSPD Land 2 on the terms and conditions of the HSPD SPA 2;
- (e) Upon the execution of HSPD SPA 2, Goldcoin Ventures shall deliver to HSPD inter alia, certified true copy of the resolution of its board of directors approving of the purchase of the HSPD Land 2 on the terms and conditions of the HSPD SPA 2;

- (f) Upon full payment of the HSPD Disposal Consideration 2 by Goldcoin Ventures to HSPD, pending the adjudication and registration of the memorandum of transfer (“MOT”) in favour of the Goldcoin Ventures, HSPD shall execute a power of attorney (the “said PA”) in favour of Goldcoin Ventures or its nominees in such terms so as to enable Goldcoin Ventures to deal with the HSPD Land 2 as if Goldcoin Ventures was the registered owner thereof including but not limited to the power to sell, transfer, lease, charge and sign all other documents in relation to the HSPD Land 2 and shall deliver the said PA to Goldcoin Ventures to cause the said PA to be stamped and noted at the relevant land registry PROVIDED that in consideration therefore, Goldcoin Ventures hereby undertakes and agrees that it will indemnify and keep HSPD indemnified against all claims costs and liabilities arising from the exercise or purported exercised by Goldcoin Ventures of any of the powers conferred under the said PA;
- (g) Upon receipt of the HSPD Disposal Consideration 2 in full, HSPD shall forthwith deliver a valid and registrable unstamped MOT to Goldcoin Ventures together with the original issue document of title to the HSPD Land 2 and all other relevant documents necessary for the adjudication as to the stamp duty chargeable thereon and thereafter for Goldcoin Ventures to effect the registration of the MOT in favour of Goldcoin Ventures at the appropriate land office; and
- (h) Vacant possession of the HSPD Land 2 shall be deemed delivered to Goldcoin Ventures upon full payment of the said HSPD Disposal Consideration 2 to HSPD.

11.2 Documents available for inspection

The HSPD SPA 2 and valuation report dated 12 April 2019 were available for inspection at the registered office of HSCB at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur during normal business hours from Mondays to Fridays (except for public holidays) for a period of three (3) months from 13 June 2019, being the date of announcement of the HSPD Disposal 2.

12. A STATEMENT BY THE BOARD OF DIRECTORS, EXCLUDING INTERESTED DIRECTORS, STATING WHETHER THE TRANSACTION IS IN THE BEST INTERESTS OF HSCB

The Board of Directors (save for the interested directors stated in Section 9 of this Appendix IV(B)) had considered all aspects of the HSPD Disposal 2 (including but not limited to the rationale and financial effects of the HSPD Disposal 2), was of the view that the HSPD Disposal 2 was in the best interest of HSCB.

13. ESTIMATED TIME FRAME TO COMPLETE THE HSPD DISPOSAL 2

Barring unforeseen circumstances, the HSPD Disposal 2 was expected to be completed within one (1) month from the date of the HSPD SPA 2. The HSPD Disposal 2 was completed on 25 June 2019.

14. THE HIGHEST PERCENTAGE RATIO APPLICABLE TO THE HSPD DISPOSAL 2 PURSUANT TO PARAGRAPH 10.02(G) OF THE LISTING REQUIREMENTS

Pursuant to paragraph 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the HSPD Disposal 2 was 0.39%.

15. STATEMENT BY AUDIT COMMITTEE

The audit committee of HSCB (save for Datuk Simon Shim Kong Yip who had abstained from deliberating and voting on the resolution in relation to the HSPD Disposal 2 on 13 June 2019 due to his common directorships in HSCB, LSH and Akal Megah), having considered all aspects of the HSPD Disposal 2 (including but not limited to the rationale and the financial effects of the HSPD Disposal 2), was of the opinion that the HSPD Disposal 2 was:

- (a) in the best interest of HSCB and the Group;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the interest of the minority shareholders.

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APPENDIX V – FURTHER INFORMATION

1. Directors' responsibility statement

This Circular has been seen and approved by the Board and they collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after 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.

Information pertaining to LSHCL was extracted from publicly available information and information provided by the management and/or directors of LSHCL. Therefore, the responsibility of the Board is restricted to the accurate reproduction of the said information.

2. Consents

CIMB and Affin Hwang IB have given and have not subsequently withdrawn their written consents to the inclusion in this Circular of their names, letters and reports (where applicable) and all references thereto in the form and context in which they appear in this Circular.

3. Declarations of conflict of interest

3.1 CIMB

CIMB, being the Principal Adviser for the Proposed Disposal, has given and has not withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

CIMB, its related and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company (the “**CIMB Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for the Group. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or any other person(s), hold long or short positions in securities issued by us and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. This is a result of the businesses of CIMB Group generally acting independently of each other and accordingly, there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of the Group.

CIMB Bank Berhad has, in the ordinary course of its banking business, extended credit facilities to the HSCB Group. As at the LPD, the outstanding amount is RM177.6 million.

CIMB has confirmed that the abovementioned extension of credit facilities does not result in conflict of interest situation in respect of its role as the Principal Adviser for the Proposed Disposal due to the following:

- (i) CIMB Bank Berhad is a licensed commercial bank and the extension of credit facilities to the Group arose in the ordinary course of its banking business; and
- (ii) the total credit facilities extended by CIMB Bank Berhad to the Group are not material when compared to the audited NA of the CIMB Group as at 31 December 2018.

APPENDIX V – FURTHER INFORMATION (cont'd)

3.2 Affin Hwang IB

Affin Hwang IB, being the Independent Adviser for the Proposed Disposal, has given its written confirmation that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the independent adviser in respect of the Proposed Disposal.

4. Material commitments

Save as disclosed below, as at 30 June 2019, the Group is not aware of any commitment incurred or known to be incurred by the Company or its subsidiaries which upon becoming enforceable may have a material impact on the financial position of the Group:

Capital expenditure	Group
	RM 000
Contracted but not provided for	
- Property, plant and equipment	102,622
- Investment properties	219,486
	<hr/> 322,108 <hr/>

5. Contingent liabilities

As at LPD, the Group is not aware of any contingent liability which upon becoming enforceable may have a material impact on the financial position of the Group.

6. Documents available for inspection

The following documents are available for inspection at HSCB's Registered Office at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia during normal office hours from Mondays to Fridays (excluding public holidays) from the date of this Circular up to the date of the EGM:

- (i) the Constitution of HSCB and HCMPL;
- (ii) the audited financial statements for the FYE 31 December 2017 and the FYE 31 December 2018 for HSCB and the latest unaudited financial results of HSCB for the six (6)-month FPE 30 June 2019;
- (iii) the audited financial statements for FYE 31 December 2018 for HCMPL and the latest unaudited financial results of HCMPL for the six (6)-month FPE 30 June 2019;
- (iv) the HCMPL SSA;
- (v) letters of consent and no conflict of interest referred to in Sections 2 and 3 of Appendix V of this Circular; and
- (vi) valuation reports referred to in Appendix IV(A) and Appendix IV(B).

Hap Seng Consolidated Berhad (26877-W)**NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“**EGM**”) of Hap Seng Consolidated Berhad (“**HSCB**” or the “**Company**”) will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Friday, 8 November 2019 at 3 p.m. or the adjournment thereof, to consider and if thought fit, to approve the following ordinary resolution:

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF 80,000,100 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF HS CREDIT (MELBOURNE) PTY LTD (“HCMPL”) BY HSC MELBOURNE HOLDING PTE LTD (“HSC MELBOURNE”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HAP SENG CONSOLIDATED BERHAD (“HSCB” OR THE “COMPANY”), TO LEI SHING HONG CAPITAL LIMITED (“LSHCL”) FOR A CASH CONSIDERATION OF USD175,500,000

“**THAT**, approval be and is hereby given to HSC Melbourne to dispose 80,000,100 ordinary shares representing 100% of the issued share capital of HCMPL to LSHCL for a cash consideration of United States Dollar (“**USD**”) 175,500,000, details of which are set out in Part A of the Circular to Shareholders dated 22 October 2019, in accordance with the terms and conditions of the Shares Sale Agreement dated 23 July 2019 entered into between HSC Melbourne and LSHCL (“**Proposed Disposal**”).

AND THAT the Board of Directors of HSCB (“**Board**”) be and is hereby authorised to give full effect to the Proposed Disposal with full powers to assent to any terms, conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Board may deem necessary or expedient in the best interests of the Company and to do all acts, deeds and things and to execute, sign and deliver for and on behalf of the Company all such documents as may be necessary and/or expedient in the best interests of the Company.”

BY ORDER OF THE BOARD

Lim Guan Nee (MAICSA 7009321)
Quan Sheet Mei (MIA 6742)
Company Secretaries

Kuala Lumpur
Dated: 22 October 2019

Notes:

1. *A depositor shall not be regarded as a member entitled to attend the EGM to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 1 November 2019.*
2. *Subject to note 3 below, a member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*
3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“**Omnibus Account**”) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the EGM or the adjournment thereof.*



Hap Seng Consolidated Berhad (25877-W)

PROXY FORM

No. of Shares	CDS Account No.

I/We NRIC No./Company No
(FULL NAME IN BLOCK LETTERS)

of
(FULL ADDRESS)

Tel No.being a member/members of **Hap Seng Consolidated Berhad** (the "Company"), do hereby
appoint NRIC No. / Company No.....
(FULL NAME OF PROXY IN BLOCK LETTERS)

of Tel. No.
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the extraordinary general meeting ("EGM") of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Friday, 8 November 2019 at 3 p.m. or the adjournment thereof in the following manner:

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION – PROPOSED DISPOSAL OF 80,000,100 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF HS CREDIT (MELBOURNE) PTY LTD BY HSC MELBOURNE HOLDING PTE LTD, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, FOR A CASH CONSIDERATION OF USD175,500,000		

Please indicate with a check mark ("✓") in the appropriate box against resolution how you wish your proxy to vote. In the absence of specific instructions, the proxy will vote or abstain at his/her discretion.

Signed this _____ day of _____, 2019

.....
Signature(s) / Common Seal of Shareholder(s)

Notes:

1. A depositor shall not be regarded as a member entitled to attend the EGM to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 1 November 2019.
2. Subject to note 3 below, a member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the EGM or the adjournment thereof.



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AFFIX
STAMP

THE COMPANY SECRETARY
HAP SENG CONSOLIDATED BERHAD (197601000914/26877-W)
21st Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
MALAYSIA

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