

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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Creating
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Hap Seng Consolidated Berhad 197601000914 (26877-W)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

PROPOSED DISPOSAL OF 50,000,000 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HS CREDIT (MANCHESTER) LTD BY HSC MANCHESTER HOLDING PTE. LTD., AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HAP SENG CONSOLIDATED BERHAD TO LEI SHING HONG CAPITAL LIMITED FOR A CASH CONSIDERATION OF GBP152,958,000 (EQUIVALENT TO RM837,337,979) (“PROPOSED DISPOSAL”)

PART B

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



CIMB Investment Bank Berhad
Registration No. 197401001266 (18417-M)

Independent Adviser



AFFIN HWANG INVESTMENT BANK BERHAD
Registration No. 197301000792 (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice convening the extraordinary general meeting (“**EGM**”) of Hap Seng Consolidated Berhad which will be conducted virtually through remote participation and electronic voting facilities (“**RPEV**”) at the broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 25 May 2023 at 12 p.m., or immediately following the conclusion of the 47th annual general meeting of the Company, which will be held at the same broadcast venue and on the same day at 10 a.m., whichever is later (or the adjournment thereof), is enclosed with this Circular. Please follow the procedures provided in administrative guide for the EGM in order to register, participate and vote remotely via RPEV which is available at <https://meeting.boardroomlimited.my>. The notice of the EGM, proxy form and administrative guide are available online and may be downloaded from the Company’s website at <https://www.hapseng.com.my/en/general-meeting.html>.

A member entitled to participate and vote at the EGM is entitled to appoint a proxy or proxies to participate and vote on his/her stead. In such event, the completed proxy form must either be (a) deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than twenty-four (24) hours before the time appointed for holding the EGM or the adjournment thereof. Accordingly, the last day and time for lodging of the proxy form is 24 May 2023 at 12 p.m., or the adjournment thereof.

This Circular is dated 27 April 2023

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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 (Registration No. 197301000792 (14389-U))
Announcement	: The announcement dated 22 March 2023 made by CIMB on behalf of HSCB on Bursa Securities in relation to the Proposed Disposal
Balance Sum	: A sum of GBP137,662,200 (equivalent to RM753,604,181) representing the balance 90% of the Sale Consideration payable by LSHCL to HSC Manchester
BNM	: Bank Negara Malaysia
Board	: Board of Directors of the Company
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
Business Day	: A day on which commercial banks are open for business in Kuala Lumpur, Singapore, Labuan, United Kingdom and Hong Kong (excluding Saturdays, Sundays and public holidays)
CIMB or Principal Adviser	: CIMB Investment Bank Berhad (Registration No. 197401001266 (18417-M))
Circular	: This circular issued by HSCB to its shareholders dated 27 April 2023 in relation to the Proposed Disposal
Completion	: The completion of the SSA which shall take place on or before the expiry of one (1) month from the date on which the Condition Precedent is satisfied or an automatic extension of one (1) month period if LSHCL fails to pay the Balance Sum on the expiry of one (1) month from the date on which the Condition Precedent is satisfied
Completion Date	: The date on which the Completion takes place
Condition Precedent	: The condition precedent of the Proposed Disposal as set out in Section 2 of Appendix II of this Circular
Cut-Off Date	: The last day of the period of three (3) months from the date of the SSA or such other date as may be agreed in writing between HSC Manchester and LSHCL
Deposit	: A sum of GBP15,295,800 (equivalent to RM83,733,798) representing 10% of the Sale Consideration, payable within seven (7) days from the date of execution of SSA by LSHCL to HSC Manchester
Disposal of HCBL	: The disposal of 50,000,001 ordinary shares representing 100% of the issued and paid-up share capital of HS Credit (Birmingham) Ltd by HSC Birmingham Holding Limited, an indirect wholly-owned subsidiary of HSCB, to LSHCL which was completed on 2 August 2022
EGM	: The extraordinary general meeting of the Company to be held on 25 May 2023 or the adjournment thereof, to consider and if thought fit, to approve the Proposed Disposal

DEFINITIONS *(Cont'd)*

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 (Registration No. 197401003566 (20706-X))
HCML	:	HS Credit (Manchester) Ltd (Company No. 11234444), a company incorporated in United Kingdom and a wholly-owned subsidiary of HSC Manchester
HCML Shares	:	Ordinary shares of HCML
HSC Manchester	:	HSC Manchester Holding Pte. Ltd. (Company No. 201936037D), a company incorporated in Singapore and a wholly-owned subsidiary of HSCI
HSCB or Company	:	Hap Seng Consolidated Berhad (Registration No. 197601000914 (26877-W))
HSCB Group or Group	:	HSCB and its subsidiaries, collectively
HSCB Shares or Shares	:	Ordinary shares of HSCB
HSCI	:	HSC International Limited (Company No. LL13985), a company incorporated in Labuan, Malaysia and a wholly-owned subsidiary of HSCB
HSIS	:	Hap Seng Insurance Services Sdn Bhd (Registration No. 197501000146 (21774-X)), a wholly-owned subsidiary of Gek Poh
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 and Mr. Lee Wee Yong as disclosed in Section 11.2 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 and HSIS as disclosed in Section 11.1 of Part A of this Circular
Lead Star	:	Lead Star Business Limited (Company No. 1474599), a company incorporated in British Virgin Islands
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	17 April 2023, being the latest practicable date prior to the printing and despatch of this Circular
LSH	:	Lei Shing Hong Limited (Company No. 28253), a company incorporated in Hong Kong
LSHCL	:	Lei Shing Hong Capital Limited (Company No. 438542), a company incorporated in Hong Kong and a wholly-owned subsidiary of LSH
LTD	:	21 March 2023, being the last trading day prior to the Announcement
MFRS	:	Malaysian Financial Reporting Standards
MFRS 121	:	MFRS 121 The Effects of Changes in Foreign Exchange Rates

DEFINITIONS *(Cont'd)*

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
PER	:	Price earnings ratio
Proposed Disposal	:	Proposed disposal by HSC Manchester of the Sale Shares to LSHCL for the Sale Consideration
Registered Office	:	21 st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
Sale Consideration	:	The cash consideration of GBP152,958,000 (equivalent to RM837,337,979)
Sale Shares	:	50,000,000 ordinary shares representing 100% of the issued share capital of HCML
SSA	:	The shares sale agreement dated 22 March 2023 entered into between HSC Manchester and LSHCL for the Proposed Disposal
Tan Sri Lau	:	Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak

Currencies

GBP or £	:	British Pound Sterling, the lawful currency of United Kingdom
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

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.

DEFINITIONS *(Cont'd)*

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 GBP1.00:RM5.4743, being the BNM's middle exchange rate as at 5.00 p.m. on 21 March 2023, being the market day preceding the date of the Announcement, is used throughout this Circular for illustration purposes.

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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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Disposal in this Circular. You are advised to read and carefully consider the contents of this Circular and the appendices contained herein in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Disposal before voting at the forthcoming EGM.

Key Information	Description	Reference to this Circular																						
Details of the Proposed Disposal	The Proposed Disposal is by HSC Manchester, an indirect wholly-owned subsidiary of HSCB, disposing 100% of the issued and paid-up share capital of HCML to LSHCL for a cash consideration of GBP152,958,000 (equivalent to RM837,337,979 based on the BNM exchange rate of GBP1.00:RM5.4743 as at 5.00 p.m. on 21 March 2023).	Section 2.1, Part A of this Circular																						
Basis and justification for the Sale Consideration	The Sale Consideration was arrived at on a “willing-buyer willing-seller” basis after taking into consideration, the audited NA and audited PAT of HCML for the FYE 31 December 2022 as well as the rationale for the Proposed Disposal which is set out in Section 4 of Part A of this Circular.	Section 2.4, Part A of this Circular																						
Proposed utilisation of the Sale Consideration	<p>Pursuant to the Proposed Disposal, HSCB will receive a total of RM837,337,979⁽¹⁾. HSCB intends to utilise the Sale Consideration in the following manner:</p> <table border="1"> <thead> <tr> <th rowspan="2">Details of proposed utilisation of the Sale Consideration</th> <th rowspan="2">Estimated timeframe for utilisation from Completion Date</th> <th colspan="2">Amount</th> </tr> <tr> <th>RM 000</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Repayment of borrowings</td> <td>within 36 months</td> <td>650,000</td> <td>77.63</td> </tr> <tr> <td>Working capital requirements</td> <td>within 36 months</td> <td>186,438</td> <td>22.26</td> </tr> <tr> <td>Estimated expenses</td> <td>within 1 month</td> <td>900</td> <td>0.11</td> </tr> <tr> <td>Total</td> <td></td> <td>837,338</td> <td>100.00</td> </tr> </tbody> </table> <p>Note:</p> <p>(1) <i>The Sale Consideration of GBP152,958,000 is translated to RM837,337,979 for illustrative purposes only based on the BNM exchange rate of GBP1.00:RM5.4743 as at 5.00 p.m. on 21 March 2023.</i></p>	Details of proposed utilisation of the Sale Consideration	Estimated timeframe for utilisation from Completion Date	Amount		RM 000	%	Repayment of borrowings	within 36 months	650,000	77.63	Working capital requirements	within 36 months	186,438	22.26	Estimated expenses	within 1 month	900	0.11	Total		837,338	100.00	Section 2.10, Part A of this Circular
Details of proposed utilisation of the Sale Consideration	Estimated timeframe for utilisation from Completion Date			Amount																				
		RM 000	%																					
Repayment of borrowings	within 36 months	650,000	77.63																					
Working capital requirements	within 36 months	186,438	22.26																					
Estimated expenses	within 1 month	900	0.11																					
Total		837,338	100.00																					
Rationale for the Proposed Disposal	<p>On 3 February 2023, HSC Manchester had received a verbal conditional offer from LSHCL to acquire HCML at an attractive valuation of approximately three (3) times PBR based on the audited financial statements of HCML as at 31 December 2022. The said offer was conditional upon LSHCL’s board approval which was obtained on 17 March 2023. The said unconditional offer was accepted on 22 March 2023 via the execution of the SSA.</p> <p>The proceeds from the Proposed Disposal will enable HSCB to pare down part of its borrowings and meet its working capital needs.</p>	Section 4, Part A of this Circular																						

EXECUTIVE SUMMARY (cont'd)

Key Information	Description	Reference to this Circular
	<p>The part repayment of borrowings would result in an annual interest savings for the HSCB Group of approximately RM29.25 million.</p> <p>The Proposed Disposal will enable HSCB to realise a substantial gain from the divestment of HCML.</p>	
Risk factors for the Proposed Disposal	<p>(i) Non-completion of the Proposed Disposal; (ii) Foreign exchange risk; and (iii) Loss of income from HCML.</p>	Section 5, Part A of this Circular
Approvals required for the Proposed Disposal	The Proposed Disposal is subject to the approval by Non-Interested Shareholders to be obtained at the forthcoming EGM.	Section 7, Part A of this Circular
Interests of Directors, Major Shareholders and Persons Connected with them	<p><u>Interested Shareholders</u> Tan Sri Lau, Gek Poh and HSIS are the Interested Shareholders and are deemed interested in the Proposed Disposal.</p> <p>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.</p> <p>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.</p> <p><u>Interested Directors</u> Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong are the Interested Directors deemed interested in the Proposed Disposal.</p> <p>The Interested Directors 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.</p> <p>The Interested Directors 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.</p>	Section 11, Part A of this Circular

EXECUTIVE SUMMARY (cont'd)

Key Information	Description	Reference to this Circular
Directors' statement	<p>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 Gek Poh as well as Gek Poh's indirect interest in LSHCL held through LSH), having considered all aspects of the Proposed Disposal (including but not limited to the rationale and the 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:</p> <ul style="list-style-type: none"> (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. <p>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.</p>	Section 14, Part A of this Circular
Audit committee's statement	<p>The audit committee of HSCB, 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:</p> <ul style="list-style-type: none"> (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. 	Section 15, Part A of this Circular
Independent Adviser's conclusion and recommendation	<p>Premised on the Independent Adviser's overall assessment and evaluation of the Proposed Disposal based on the information available to the Independent Adviser up to the LPD, the Independent Adviser is of the view that the Proposed Disposal is fair and reasonable and is not detrimental to the Non-Interested Shareholders.</p> <p>Accordingly, the Independent Adviser recommends the Non-Interested Shareholders to vote in favour of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.</p>	Part B of this Circular



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

27 April 2023

Board of Directors

Mr. Thomas Karl Rapp (*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*)
Mr. Leow Ming Fong @ Leow Min Fong (*Independent Non-Executive Director*)
Dato' Wan Mohd Fadzmi Bin Che Wan Othman Fadzilah (*Independent Non-Executive Director*)
Mr. Tan Boon Peng (*Independent Non-Executive Director*)
Mr. Wong Yoke Nyen (*Independent Non-Executive Director*)

To: Shareholders of the Company

Dear Sir/Madam

PROPOSED DISPOSAL

1. INTRODUCTION

On 22 March 2023, CIMB on behalf of the Board, announced that the Company is proposing to undertake the proposed disposal by HSC Manchester of the Sale Shares to LSHCL for the 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 22 March 2023, 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 22 March 2023, HSC Manchester entered into the SSA for the disposal of Sale Shares, for a cash consideration of GBP152,958,000 (equivalent to RM837,337,979 based on the BNM exchange rate of GBP1.00:RM5.4743 as at 5.00 p.m. on 21 March 2023) to LSHCL.

2.1.1 Information on HCML

HCML was incorporated in England and Wales on 5 March 2018 under the Companies Act 2006 of the United Kingdom. HCML is principally involved in the provision of term loans to corporations in the United Kingdom.

HCML is a wholly-owned subsidiary of HSC Manchester.

As at LPD, the issued and paid-up share capital of HCML is GBP50,000,000 comprising 50,000,000 HCML Shares of GBP1.00 each.

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

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

2.2 Salient terms of the SSA

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

2.3 Liabilities that remain with HSCB

There is no liability, including any contingent liability, in relation to HCML which will remain with HSCB after the Proposed Disposal.

In addition, the Proposed Disposal does not involve the issuance of any guarantee by HSCB to HCML or to LSHCL.

2.4 Basis and justification for the Sale Consideration

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

- (i) the audited NA of HCML for the FYE 31 December 2022 of GBP50.99 million (equivalent to RM271.30 million⁽¹⁾);
- (ii) the audited PAT of HCML for the FYE 31 December 2022 of GBP0.986 million (equivalent to RM5.27 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 NA as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3210 on 31 December 2022, which is the year-end closing rate, in accordance with MFRS 121.*
- (2) *The PAT as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3481 which is the average month-end exchange rate for the 12-month period for the FYE 31 December 2022, in accordance with MFRS 121.*

The Sale Consideration translates into an implied PBR of approximately three (3) times based on the audited NA of HCML as at 31 December 2022 and PER of approximately one hundred and fifty-five (155) times based on the audited PAT of HCML for the FYE 31 December 2022. The implied PBR and PER were computed based on the Sale Consideration.

There are no companies listed on Bursa Securities and other stock exchanges which are identical or similar to HCML in terms of composition of business, scale of operations, track record and risk profile. As HCML is not a bank-based financial institution, listed bank-based financial institutions are not selected as comparable companies due to differences in nature of business. However, for comparison purposes only, the following companies listed on London Stock Exchange which have similar principal activities as HCML have been selected by the management of HSCB.

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

Comparable Companies	Principal Activities⁽¹⁾
Funding Circle Holdings plc	Funding Circle Holdings plc operates as a lending platform for small businesses. It offers investors to borrow and lend their money to small and medium sized businesses. It serves clients in the United Kingdom, the United States, Germany, and the Netherlands.
LendInvest plc	LendInvest plc offers an asset management platform. It provides bridging loans, development finance, and buy-to-let mortgages for intermediaries, landlords, and developers. It serves customers in the United Kingdom.
Time Finance plc	Time Finance plc provides commercial finance services. It offers asset finance, hire purchase, and commercial loans through invoice finance and factoring. It serves customers in the United Kingdom.
Vector Capital Plc	Vector Capital Plc provides principal finance to the private and corporate sectors. It offers commercial mortgages, development lending, and business finance solutions. It serves customers worldwide.

Note:

(1) *The principal activities of the respective comparable companies were extracted from Bloomberg and the latest available annual reports as at the LTD.*

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The following table below illustrates the trading multiples of comparable financing companies vis-à-vis HCML 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⁾	PER ⁽⁵⁾
		£ million	£ 000	£ 000	Times	Times
Funding Circle Holdings plc	England, United Kingdom	192.21	288,000	62,600	0.67	3.07
LendInvest plc	England, United Kingdom	126.62	97,500	10,900	1.30	11.62
Time Finance plc	England, United Kingdom	22.67	58,053	921	0.39	24.61
Vector Capital Plc	England, United Kingdom	18.32	23,949	2,289	0.76	8.00
Average					0.78	11.83
High					1.30	24.61
Low					0.39	3.07
Implied ratio of HCML based on audited financial statement as at 31 December 2022					3.00	Approx. 155

Notes:

- (1) 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 PATNCI of the respective comparable companies.

Based on the table above, the Sale Consideration translates into an implied PBR of approximately three (3) times and PER of approximately one hundred and fifty-five (155) times based on the audited financial statements of HCML as at 31 December 2022. The Sale Consideration is above the average PBR and above the range of PER of the comparable companies. Hence, this represents an attractive offer for HSCB.

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

Based on the audited financial statements for the FYE 31 December 2022, the PAT of HCML was GBP0.986 million and contributed approximately a PAT of RM5.27 million⁽¹⁾ to HSCB Group’s PATNCI of approximately RM950.66 million which is 0.55% of HSCB Group’s PATNCI. HCML’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 PAT as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3481 which is the average month-end exchange rate for the 12-month period for the FYE 31 December 2022, in accordance with MFRS 121.*

2.6 Expected proforma gain from the Proposed Disposal

The Sale Consideration of GBP152,958,000 (equivalent to RM837,337,979) is translated to RM for illustrative purposes only based on the BNM exchange rate of GBP1.00:RM5.4743 as at 5.00 p.m. on 21 March 2023.

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2022, the Proposed Disposal is expected to give rise to a proforma gain of approximately RM558.43 million⁽¹⁾ to HSCB Group for the FYE 31 December 2022, after taking into consideration the Sale Consideration of RM837,337,979 for the Proposed Disposal. The actual gain from the Proposed Disposal can only be ascertained upon the completion of the Proposed Disposal.

Note:

(1) *The proforma gain is derived as follows:*

	RM 000
<i>Sale consideration</i>	<i>837,338</i>
<i>Add/(Less):</i>	
<i>NA of HCML as at 31 December 2022</i>	<i>(271,298)</i>
<i>Foreign exchange reserve recycled to profit or loss</i>	<i>(7,613)</i>
<i>Proforma gain on disposal</i>	<i>558,427</i>

2.7 Manner of payment of the Sale Consideration

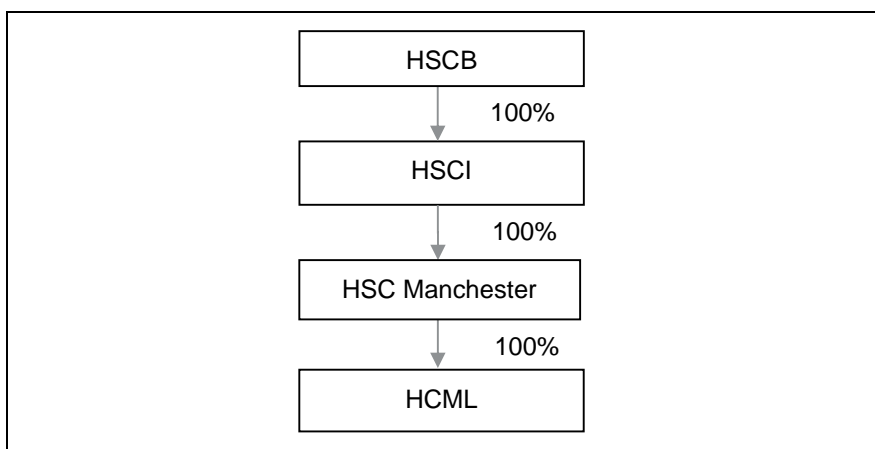
The Sale Consideration shall be fully satisfied in cash and the Balance Sum will be paid by way of telegraphic transfer or other electronic means either in whole or in various batches to the account to be designated by HSC Manchester in writing on or before Completion Date. As at 28 March 2023, HSC Manchester has received the Deposit from LSHCL in accordance with the terms of the SSA. Further details of the manner of payment is set out in Section 1 of Appendix II of this Circular.

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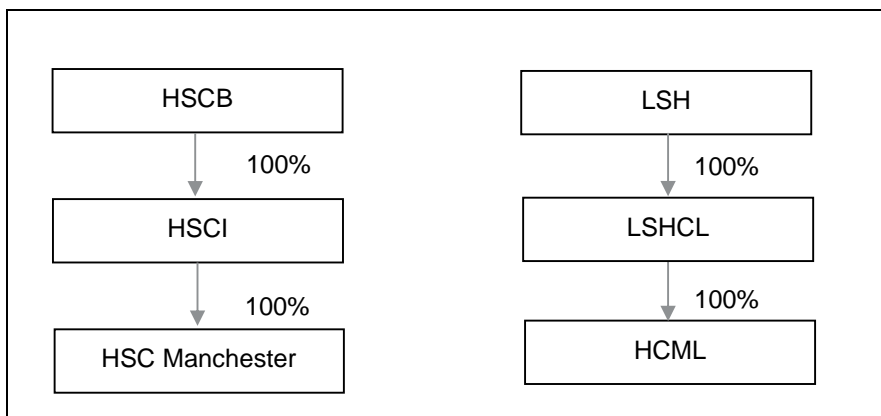
2.8 Corporate Structure

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

Before the Proposed Disposal:



After the Proposed Disposal:



2.9 Date and original cost of investment in HCML

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

Date of investment	No. of HCML Shares	Cost of investment (£)
31 October 2019	1	1
15 March 2022	24,999,999	24,999,999
29 April 2022	25,000,000	25,000,000
	50,000,000	50,000,000

2.10 Proposed utilisation of the Sale Consideration

Pursuant to the Proposed Disposal, HSCB will receive a total of RM837,337,979⁽¹⁾. HSCB intends to utilise the Sale Consideration in the following manner:

Details of proposed utilisation of the Sale Consideration	Estimated timeframe for utilisation from Completion Date	Amount	
		RM 000	%
Repayment of borrowings ⁽²⁾	within 36 months	650,000	77.63
Working capital requirements ⁽³⁾	within 36 months	186,438	22.26
Estimated expenses ⁽⁴⁾	within 1 month	900	0.11
Total		837,338	100.00

Notes:

- (1) The Sale Consideration of GBP152,958,000 is translated to RM837,337,979 for illustrative purposes only based on the BNM exchange rate of GBP1.00:RM5.4743 as at 5.00 p.m. on 21 March 2023.
- (2) The total borrowings of HSCB Group as at 31 December 2022 were approximately RM7,069 million. HSCB Group intends to utilise part of the proceeds from the Proposed Disposal to pare down RM650 million of HSCB Group's existing borrowings. Such repayment is expected to result in interest savings of approximately RM29.25 million per annum based on the interest rate of approximately 4.5% 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 are only expected to be repaid over a period of up to thirty-six (36) months from the Completion Date after taking into consideration the due and maturity dates of the borrowings.

	Amount outstanding as at 31 December 2022	Proposed repayment	Post repayment	Assumed interest rate % per annum	Interest savings
	RM 000	RM 000	RM 000		RM 000
Total borrowings	7,069,000	650,000	6,419,000	4.5	29,250

- (3) HSCB intends to utilise the proceeds from the Proposed Disposal to meet HSCB Group's working capital requirements in the following estimated proportions:
- (i) to purchase inventories for the following business segments:

Inventories	Business segment	RM 000	%
Fertilizers	Trading	100,000	53.64
Automobiles	Automotive	50,000	26.82
Building materials such as steel bars and cement	Trading	36,438	19.54
	Total	186,438	100.00%

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 Sale Consideration.

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

Estimated expenses	RM 000
Estimated professional fees	721
Other fees (including regulatory fees) and expenses incurred in connection with the Proposed Disposal such as printing and advertising expenses	69
Miscellaneous expenses and contingencies	110
Total	900

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.

For comparison purposes, the table below sets out the status update of the utilisation of proceeds from the Disposal of HCBL.

Details of utilisation	Proposed utilisation		As at 31 December 2022	
	Per Circular⁽¹⁾	Adjusted⁽²⁾	Utilised	Balance Unutilised⁽³⁾
	RM 000	RM 000	RM 000	RM 000
Repayment of borrowings	560,000	560,000	400,000	160,000
Working capital requirements:				
- <u>Purchase of inventories</u>				
(a) fertilizers	70,000	70,000	34,100	35,900
(b) automobiles	50,000	50,000	50,000	-
(c) building materials such as steel bars and cement	25,022	12,829	-	12,866 ⁽⁴⁾
	145,022	132,829	84,100	48,766
Estimated expenses	1,150	1,150	1,113	- ⁽⁴⁾
	706,172	693,979	485,213	208,766

Notes:

- (1) This is based on the circular of HSCB to shareholders dated 5 July 2022.
- (2) The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the actual foreign exchange rate at completion date. This resulted in reduction of proceeds by RM12.19 million which was deducted from the proposed utilisation for working capital requirements, item (c).
- (3) The unutilised amount has been fully utilised as at 31 March 2023.
- (4) The estimated expenses of RM37,000 not utilised, have been deployed for working capital requirements, item (c).

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. LSHCL is principally involved in investment holding. LSHCL is a wholly-owned subsidiary of LSH.

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

As at 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
Gek Poh	Malaysia	-	-	500,000,000 ⁽²⁾	100.00
Tan Sri Lau	Malaysia	-	-	500,000,000 ⁽³⁾	100.00

Notes:

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

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

4. RATIONALE FOR THE PROPOSED DISPOSAL

On 3 February 2023, HSC Manchester had received a verbal conditional offer from LSHCL to acquire HCML at an attractive valuation of approximately three (3) times PBR based on the audited financial statements of HCML as at 31 December 2022. The said offer was conditional upon LSHCL's board approval which was obtained on 17 March 2023. The said unconditional offer was accepted on 22 March 2023 via the execution of the SSA.

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 fertilizers, automotive and building materials trading activities of HSCB Group.

The part repayment of borrowings would result in an annual interest savings for the HSCB Group of approximately RM29.25 million.

The Proposed Disposal will enable HSCB to realise a substantial gain from the divestment of HCML.

5. RISK FACTORS FOR THE PROPOSED DISPOSAL

5.1 Non-completion of the Proposed Disposal

There is no assurance that the Condition Precedent will be fulfilled within the timeframe as set out in the SSA. If the Condition Precedent is not fulfilled by HSC Manchester, 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 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 SSA and the Completion Date.

If the GBP/RM exchange rate fluctuates from the date of the SSA up to the 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 RM558.43 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 GBP against the RM will reduce the total proceeds from the Proposed Disposal in RM.

5.3 Loss of income from HCML

HCML was incorporated in 2018 but has only commenced its operations in 2022 and generated a profit of GBP0.986 million (equivalent to RM5.27 million⁽¹⁾) for the FYE 31 December 2022. Upon completion of the Proposed Disposal, HCML will no longer be a subsidiary of the HSCB Group and as such, the Company would lose a source of revenue and potential profit contribution from HCML in the future. Notwithstanding, the potential loss of income from HCML is minimal compared to the expected gain from the Proposed Disposal.

HSCB intends to utilise the 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 approximately 4.5% per annum and based on utilisation of proceeds where RM650 million of the proceeds will be utilised for part repayment of HSCB Group's existing borrowings, the potential interest savings will be approximately RM29.25 million, which is higher as compared to the current year PAT of HCML of GBP0.986 million (equivalent to RM5.27 million⁽¹⁾).

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.

The prospect of the credit financing business of the Group will not be affected by the Proposed Disposal as the revenue and profit contributions of HCML as set out in Section 7 of Appendix I of this Circular were immaterial.

In addition, the prospect of the credit financing business of the Group has not been affected by the completion of the Disposal of HCBL as the revenue and profit contributions of HS Credit (Birmingham) Ltd were immaterial prior to the Disposal of HCBL.

Note:

- (1) The PAT as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3481 which is the average month-end exchange rate for the 12-month period for the FYE 31 December 2022, in accordance with MFRS 121.

6. EFFECTS OF THE PROPOSED DISPOSAL**6.1 Share capital**

The Proposed Disposal will 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 will 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 fully satisfied 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 2022, 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 2022	Proforma after the Proposed Disposal
	RM 000	RM 000
Share capital	3,519,554	3,519,554
Non-distributable reserve	118,654	126,267 ⁽¹⁾
Retained profit	4,035,566	4,593,093 ⁽²⁾
Treasury shares	(113)	(113)
Shareholders' funds / NA	7,673,661	8,238,801
Non-controlling interests	1,320,562	1,320,562
Total equity	8,994,223	9,559,363
Total equity (excluding intangible assets)	8,956,389	9,521,529
Number of shares in issue (000) ⁽³⁾	2,489,670	2,489,670
NA per share (RM) ⁽⁴⁾	3.08	3.31
Total borrowings	7,069,000	6,419,000 ⁽⁵⁾
Total borrowings (net of money market deposits and cash and bank balances)	4,213,074	3,539,672 ⁽⁵⁾
Debt-to-equity ratio (times) ⁽⁶⁾	0.79	0.67
Net debt-to-equity ratio (times) ⁽⁷⁾	0.47	0.37

Notes:

- (1) After taking into account the reversal of foreign exchange reserves due to the Proposed Disposal.
- (2) After taking into account the expected proforma gain from the Proposed Disposal of approximately RM558.43 million and the estimated expenses for the Proposed Disposal of RM0.9 million.

- (3) Number of shares after deducting 12,000 treasury shares held by the Company as at 31 December 2022 from its total number of 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) After taking into account the repayment of borrowings amounting to RM650 million.
- (6) Computed based on total borrowings over total equity (excluding intangible assets).
- (7) Computed based on total borrowings (net of money market deposits and cash and bank balances) over total equity (excluding intangible assets).

From the table above, the illustrative proforma effects of the Proposed Disposal shows an improvement in the NA of the Group from RM7,674 million to RM8,239 million (or from RM3.08 to RM3.31 on a NA per share basis) as well as an improvement of the net debt-to-equity ratio from 0.47 times to 0.37 times.

6.4 Earnings and EPS

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2022 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 38.18 sen to 61.46 sen as a result of the Proposed Disposal as illustrated below.

	<u>PATNCI</u>	<u>EPS⁽¹⁾</u>
	<u>RM 000</u>	<u>Sen</u>
PATNCI and EPS	950,655	38.18
Add/(Less):		
Gain on disposal of HCML	563,701	22.64
PAT of HCML for FYE 2022	(5,274)	(0.21)
Proforma gain as at 31 December 2022	558,427	22.43
Interest savings (Net of tax at 24%)	22,230	0.89
Estimated expenses for the Proposed Disposal	(900)	(0.04)
Proforma PATNCI and EPS for the FYE 31 December 2022	<u>1,530,412</u>	<u>61.46</u>

Note:

- (1) Based on the weighted average number of HSCB Shares in issue of 2,489,670,000 for the FYE 31 December 2022.

7. APPROVALS REQUIRED FOR THE PROPOSED DISPOSAL

The Proposed Disposal is subject to the approval by Non-Interested Shareholders to be obtained at the forthcoming EGM.

8. CONDITIONALITY OF THE PROPOSED DISPOSAL

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

9. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

There is no other corporate exercise which has been announced but not yet completed prior to the printing of the Circular, save for the following:

- (i) the Proposed Disposal, being the subject matter of this Circular;
- (ii) on 23 December 2021, Positive Sunland Sdn Bhd ("**Positive Sunland**"), a wholly-owned subsidiary of HSCB entered into a conditional sale and purchase agreement ("**Platinum Park SPA**") to acquire from, Sovereign Towers Sdn Bhd, ("**Sovereign Towers**"), the wholly-owned subsidiary of Naza Corporation Holdings Sdn Bhd ("**NCH**"), the beneficial proprietor, and Profound Reliance Sdn Bhd, the 70%-owned subsidiary of NCH ("**Profound Reliance**"), the registered proprietor, all that parcel of vacant commercial land known as Plot No. 5, Lorong Kuda, Platinum Park, Kuala Lumpur identified as Lot No. 387, Seksyen 63 held under Title No. Geran 71978, Bandar Kuala Lumpur, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, measuring approximately 74,346 sq. ft. ("**Platinum Park Land**") for a cash consideration of RM265,786,950.00 ("**Platinum Park Acquisition Consideration**"). Upon execution of the Platinum Park SPA, 10% of the Platinum Park Acquisition Consideration ("**Platinum Park Deposit**") was paid to Sovereign Towers ("**Proposed Platinum Park Acquisition**"). Completion of the Proposed Platinum Park Acquisition is conditional upon the approval of the Economic Planning Unit of the Prime Minister's Department, Malaysia ("**EPU Approval**") to be obtained on or before 22 September 2023 ("**Platinum Park Conditional Period**").

On 20 June 2022, Positive Sunland, Sovereign Towers and Profound Reliance entered into a supplemental agreement to vary the terms of the Platinum Park SPA as follows:-

- (a) notwithstanding that the Platinum Park SPA has not become unconditional, Positive Sunland shall pay the redemption sum of the Platinum Park Land ("**Platinum Park Redemption Sum**") and a further 70% of the Platinum Park Acquisition Consideration ("**Platinum Park 70% Payment**") in exchange for the delivery of the discharge documents which included the original title of Platinum Park Land ("**Platinum Park Discharge Documents**"), together with an irrevocable power of attorney in respect of the Platinum Park Land ("**Platinum Park PA**") to Positive Sunland's solicitors' to be held by them as stakeholders;
- (b) the balance of the Platinum Park Acquisition Consideration after deducting the Platinum Park Deposit, the Platinum Park Redemption Sum and the Platinum Park 70% Payment shall be paid within one (1) month of the Platinum Park SPA becoming unconditional; and
- (c) In the event the EPU Approval could not be fulfilled for any reason whatsoever on expiry of the Platinum Park Conditional Period, Sovereign Towers shall refund to Positive Sunland all monies paid pursuant to the Platinum Park SPA, free of interest, in exchange for the return of all documents delivered to Positive Sunland including the Platinum Park Discharge Documents and the Platinum Park PA.

The Platinum Park Redemption Sum and Platinum Park 70% Payment were paid on 23 August 2022 and 28 August 2022 respectively.

(iii) on 3 January 2022, Sierra Positive Sdn Bhd ("**Sierra Positive**"), a wholly-owned subsidiary of HSCB entered into a conditional sale and purchase agreement ("**Met 3 SPA**") with TTDI KL Metropolis Sdn Bhd ("**TKLM**"), the wholly-owned subsidiary of Naza TTDI Sdn Bhd, which in turn is a 80%-owned subsidiary of NCH to acquire all that parcel of vacant commercial land known as Met 3, Plot 7A, KL Metropolis held under H.S.(D) 123243, PT 50386 (formerly held under Pajakan Negeri 52355, Lot 80929, Jalan Duta), Mukim Batu, District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, measuring approximately 668,212.79 sq. ft ("**Met 3 Land**") for a cash consideration of RM868,676,627.00 ("**Met 3 Acquisition Consideration**"). Upon execution of the Met 3 SPA, 10% of the Met 3 Acquisition Consideration ("**Met 3 Deposit**") was paid to TKLM ("**Proposed Met 3 Acquisition**"). Completion of the Proposed Met 3 Acquisition is conditional upon the following authorities' approvals to be obtained on or before 2 October 2023 ("**Met 3 Conditional Period**"), namely:

- (a) the EPU Approval; and
- (b) the approval of Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur to be obtained by TKLM for the transfer of the Met 3 Land in favour of Sierra Positive (collectively, "**Authorities' Approvals**").

On 12 January 2022, Sierra Positive and TKLM entered into a supplemental agreement to vary the terms of the Met 3 SPA as follows:

- (aa) notwithstanding that the Met 3 SPA has not become unconditional, Sierra Positive shall pay the redemption sum of the Met 3 Land ("**Met 3 Redemption Sum**") and a further 70% of the Met 3 Acquisition Consideration ("**Met 3 70% Payment**") in exchange for the delivery of the discharge documents which included the original title of Met 3 Land ("**Met 3 Discharge Documents**"), together with an irrevocable power of attorney in respect of the Met 3 Land ("**Met 3 PA**") to Sierra Positive's solicitors' to be held by them as stakeholders;
- (ab) the balance of the Met 3 Acquisition Consideration after deducting the Met 3 Deposit, the Met 3 Redemption Sum and the Met 3 70% Payment shall be paid within one (1) month of the Met 3 SPA becoming unconditional; and
- (ac) in the event the Authorities' Approvals could not be fulfilled for any reason whatsoever on expiry of the Met 3 Conditional Period, TKLM shall refund to Sierra Positive all monies paid pursuant to the Met 3 SPA, free of interest, in exchange for the return of all documents delivered to Sierra Positive including the Met 3 Discharge Documents and the Met 3 PA.

The Met 3 Redemption Sum and the Met 3 70% Payment were paid on 13 January 2022 and 19 January 2022 respectively.

Pursuant to the supplemental agreement dated 30 August 2022 ("**Met 3 Second SA**"), TKLM agreed to deliver the Met 3 Land title with freehold status on completion of the Proposed Met 3 Acquisition and in consideration thereof, Sierra Positive shall pay to TKLM the sum of RM65,000,000.00 ("**Met 3 Conversion Sum**") which resulted in an increase of the Met 3 Acquisition Consideration from RM868,676,627.00 to RM933,676,627.00 based on the valuation report dated 30 August 2022 of Met 3 Land. Upon execution of the Met 3 Second SA, 15% of the Met 3 Conversion Sum amounting to RM9,750,000.00 was paid to TKLM. The balance 85% of the Met 3 Conversion Sum amounting to RM55,250,000.00 was paid to TKLM on 26 September 2022.

10. 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 second (2nd) quarter of 2023. The tentative timetable in relation to the Proposed Disposal is as follows:

Month	Events
25 May 2023	The forthcoming EGM/fulfilment of Condition Precedent
By 24 June 2023	Completion of the Proposed Disposal

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

11.1 Interested Shareholders

As at LPD, Tan Sri Lau is deemed to hold 38.74% in LSH via Lead Star and is a 56.00% major shareholder and director of Gek Poh. Gek Poh's aggregate shareholdings in HSCB is 62.64%, comprising 54.63% direct and 8.01% indirect shareholdings via HSIS. Hence, Tan Sri Lau, Gek Poh and HSIS are the Interested Shareholders and are deemed interested in the Proposed Disposal.

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

Interested Shareholders	Shareholdings in HSCB			
	No. of HSCB Shares			
	Direct	%#	Indirect	%#
Tan Sri Lau ⁽¹⁾	-	-	1,559,459,122 ⁽²⁾	62.64
Gek Poh	1,360,094,542	54.63	199,364,580 ⁽³⁾	8.01
HSIS	199,364,580	8.01	-	-

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 LPD.
- (1) As at LPD, Tan Sri Lau holds 56.00% direct shareholding in Gek Poh and 100.00% direct shareholding in Lead Star. Lead Star holds 38.74% shareholding in LSH. Accordingly, pursuant to Section 8 of the Act, Tan Sri Lau is deemed to have an interest of 52.92% shareholding in LSH comprising 38.74% shareholding held via Lead Star and 14.18% 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 199,364,580 HSCB Shares constituting 8.01% 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.
- (3) Pursuant to Section 8 of the Act, Gek Poh is deemed to have interest in 199,364,580 HSCB Shares constituting 8.01% shareholding in HSCB held by HSIS.

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.

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.

11.2 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 LPD, Gek Poh holds 14.18% equity interest in LSH and hence, is a major shareholder of LSH. LSH in turn holds 100% in LSHCL. 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 Edward Lee Ming Foo and Mr. Lee Wee Yong are the Interested Directors deemed interested in the Proposed Disposal.

As at LPD, none of the directors of HSCB has any direct and/or indirect shareholdings in HSCB.

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.

12. PERCENTAGE RATIO APPLICABLE TO THE PROPOSED DISPOSAL 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 Proposed Disposal is 11.15%.

13. OTHER TRANSACTIONS WITH THE SAME RELATED PARTY

The amount of related party transactions⁽¹⁾ with the same related party, namely LSHCL, for the preceding 12 months from the date of this Circular is GBP127,800,000 for the Disposal of HCBL which was approved by the shareholders of HSCB at the EGM held on 28 July 2022 and completed on 2 August 2022⁽²⁾.

Notes:

- (1) *The expression "transactions" used herein excludes recurrent related party transactions entered into in the ordinary course of business of HSCB Group.*
- (2) *The Disposal of HCBL will not be aggregated with the Proposed Disposal pursuant to the principles of aggregation as set out in paragraph 2.1(a)(ii) of Practice Note 14 of the Listing Requirements as shareholders' approval for the Disposal of HCBL has been obtained on 28 July 2022.*

14. 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 Gek Poh as well as Gek Poh's indirect interest in LSHCL held through LSH), having considered all aspects of the Proposed Disposal (including but not limited to the rationale and the 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.

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.

15. AUDIT COMMITTEE'S STATEMENT

The audit committee of HSCB, 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.

16. 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 11 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 as the Independent Adviser to advise the Non-Interested Directors and the 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 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.

17. 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, will be conducted virtually through remote participation and electronic voting facilities ("RPEV") at the broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 25 May 2023 at 12 p.m., or immediately following the conclusion of the 47th annual general meeting of the Company, which will be held at the same broadcast venue and on the same day at 10 a.m., whichever is later (or the adjournment thereof). Please follow the procedures provided in administrative guide for the EGM in order to register, participate and vote remotely via RPEV which is available at <https://meeting.boardroomlimited.my>. The notice of the EGM, proxy form and administrative guide are available online and may be downloaded from the Company's website at <https://www.hapseng.com.my/en/general-meeting.html>.

If you are unable to participate and vote in person at the forthcoming EGM, you should complete the enclosed proxy form in accordance with the instructions thereon and must either be (a) deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than twenty-four (24) hours before the time appointed for holding the EGM or the adjournment thereof. However, the lodging of the proxy form will not preclude you from participating and voting in person at the forthcoming EGM should you subsequently wish to do so.

18. 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

Thomas Karl Rapp
Independent Non-Executive Chairman

PART B

INDEPENDENT ADVICE LETTER FROM AFFIN HWANG IB

TO THE NON-INTERESTED SHAREHOLDERS

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 22 March 2023, CIMB on behalf of the Board, announced that the Company is proposing to undertake the Proposed Disposal.

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 11 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 an implied PBR of approximately 3 times (based on the audited NA of HCML as at 31 December 2022); and(ii) provides cashflow for part repayment of borrowings and working capital needs of the HSCB Group. <p>Although the Proposed Disposal will result in a loss of income contribution from HCML to the HSCB Group, it is immaterial (i.e. 0.55% of HSCB's consolidated PATNCI for the FYE 31 December 2022), while the Proposed Disposal represents an offer at an attractive valuation where the Group is expected to realise a proforma gain of approximately RM557.53 million (net of estimated expenses of RM0.90 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 Sale Consideration	<p>The 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 HCML for the FYE 31 December 2022 of GBP50.99 million (equivalent to RM271.30 million); (ii) the audited PAT of HCML for the FYE 31 December 2022 of GBP0.986 million (equivalent to RM5.27 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 Sale Consideration is fair as it represents an implied PBR of approximately 3 times which is above the median PBR of the Comparable Companies of 0.72 times (based on the audited NA).</p>
6.3	Salient terms of the SSA	<p>The salient terms of the SSA include:</p> <ul style="list-style-type: none"> (i) Sale Consideration and manner of payment; (ii) Condition Precedent; (iii) Completion; (iv) Termination; and (v) SSA governing law and submission jurisdiction. <p>We are of the view that the salient terms of the SSA are reasonable.</p>
6.4	Utilisation of proceeds from the Proposed Disposal	<p>HSCB intends to utilise the Sale Consideration for the following purposes:</p> <ul style="list-style-type: none"> (i) Repayment of borrowings; (ii) Working capital requirements to fund purchase of inventories such as fertilizers, 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>
6.5	Risk factors for 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 HCML.

EXECUTIVE SUMMARY

Section in this Independent Advice Letter	Section of evaluation	Comments
		<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 by the HSCB Group.</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 share and debt-to-equity ratio</u></p> <p>(i) Proforma NA is expected to increase by approximately RM565.14 million from approximately RM7.67 billion to RM8.24 billion;</p> <p>(ii) Proforma NA per Share is expected to increase by approximately RM0.23 per HSCB Share from approximately RM3.08 to RM3.31;</p> <p>(iii) Proforma debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.79 times to 0.67 times; and</p> <p>(iv) Proforma net debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.47 times to 0.37 times.</p> <p><u>Earnings and EPS</u></p> <p>The proforma earnings and EPS for the FYE 31 December 2022 are expected to increase from RM950.66 million (EPS of 38.18 sen) to RM1.53 billion (EPS of 61.46 sen) after the completion of the Proposed Disposal, with the assumption that the Proposed Disposal had been effected at the beginning of that financial year. The increase in earnings and EPS is due to the proforma gain from the Proposed Disposal of approximately RM557.53 million (net of estimated expenses of RM0.90 million) and interest savings of RM22.23 million per annum (net of tax of 24%) assuming such sums of borrowings are paid immediately.</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>

EXECUTIVE SUMMARY

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 Company's forthcoming EGM.

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27 April 2023

To: The Non-Interested Shareholders

Dear Sir/Madam,

HAP SENG CONSOLIDATED BERHAD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS 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 22 March 2023, CIMB on behalf of the Board, announced that the Company is proposing to undertake the Proposed Disposal.

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 11 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 22 March 2023 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.

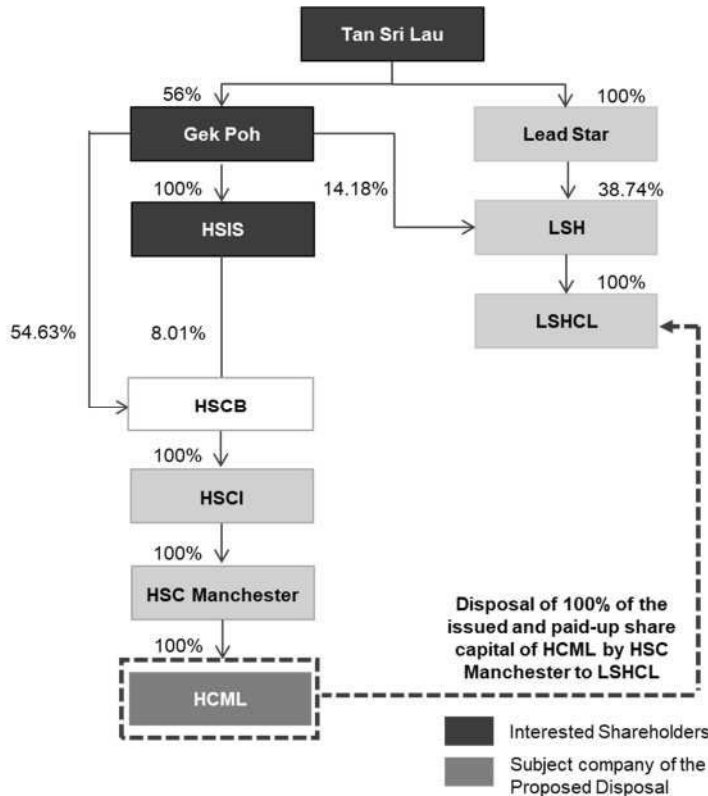
Further information on the Proposed Disposal is set out in Section 2 of Part A of the Circular.

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 11 of Part A of the Circular.

We note from Section 11.1 of Part A of the Circular that the Interested Shareholders comprise Tan Sri Lau, Gek Poh and HSI. 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 Company’s forthcoming EGM.

Section 11.2 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 14.18% equity interest in LSH and hence, is a major shareholder of LSH. LSHCL, being the purchaser for HCML, is a wholly-owned subsidiary 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 the Company on the resolution pertaining to the Proposed Disposal to be tabled at the Company’s 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.

As at the LPD, none of the directors of HSCB has any direct and/or indirect shareholdings in HSCB.

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 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 require 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

Affin Hwang IB, being the independent adviser to the Company for the Proposed Disposal, has given and has not subsequently withdrawn its consent to the inclusion in this Independent Advice Letter of its name and all references thereto in the form and context in which they appear in this Independent Advice Letter and the Circular.

Save as mentioned below, Affin Hwang IB does not have any other professional relationship with HSCB in the past 2 years up to the LPD:

Affin Hwang IB has been appointed by the Board on 27 May 2022 to act as the independent adviser for the disposal of 50,000,001 ordinary shares representing 100% of the issued and paid-up share capital of HS Credit (Birmingham) Ltd by HSC Birmingham Holding Limited, an indirect wholly-owned subsidiary of HSCB to LSHCL for a cash consideration of GBP127,800,000 (equivalent to RM706,171,680). Our independent advice letter was issued on 5 July 2022.

Affin Hwang IB is of the view that the professional relationship as set out above would not give rise to a situation of conflict of interest in Affin Hwang IB's role as the independent adviser for the Proposed Disposal. Accordingly, 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.

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 advisory, structured lending, stockbroking 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 before the date of announcement of the Proposed Disposal and up to the LPD, issued independent advice opinions in relation to 3 related party transactions which included a major disposal under the Listing Requirements and 1 take-over offer under the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia with a total transaction value of approximately RM4,082.73 million.

The details of our past experience are as follows:

- (i) disposal of all the securities of:
 - (a) Lingkaran Trans Kota Sdn Bhd, a wholly-owned subsidiary of Lingkaran Trans Kota Holdings Berhad ("**Litrak Holdings**") by Litrak Holdings for a disposal consideration of RM2,326 million fully satisfied in cash; and
 - (b) Sistem Penyuraian Trafik KI Barat Sdn Bhd, a wholly-owned subsidiary of Sistem Penyuraian Trafik KI Barat Holdings Sdn Bhd ("**Sprint Holdings**") by Sprint Holdings, which is in turn a 50% associate company of Litrak Holdings, for a disposal consideration of RM904 million fully satisfied in cash.

Our independent advice letter was issued on 14 July 2022;

- (ii) disposal of 50,000,001 ordinary shares representing 100% of the issued and paid-up share capital of HS Credit (Birmingham) Ltd by HSC Birmingham Holding Limited, an indirect wholly-owned subsidiary of Hap Seng Consolidated Berhad to Lei Shing Hong Capital Limited for a cash consideration of GBP127,800,000 (equivalent to RM706,171,680). Our independent advice letter was issued on 5 July 2022;
- (iii) settlement of amount owing of RM47.68 million by NBH Service Centre Sdn Bhd to Chin Well Service Centre Sdn Bhd, a wholly-owned subsidiary of Chin Well Holdings Berhad. Our independent advice letter was issued on 12 January 2022; and
- (iv) unconditional voluntary take-over offer by Jardine Cycle & Carriage Limited ("**JCCL**"), through CIMB Investment Bank Berhad, to acquire all the remaining ordinary shares in Cycle & Carriage Bintang Berhad not already held by JCCL ("**Offer Shares**") at a cash consideration of RM2.40 per Offer Share. Our independent advice circular was issued on 19 April 2021.

Based on the above, we are capable and competent in carrying out our role and responsibilities as the independent adviser to advise the Non-Interested Shareholders in relation to the Proposed Disposal.

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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 Sale Consideration	Section 6.2
(iii) Salient terms of the SSA	Section 6.3
(iv) Utilisation of proceeds from the Proposed Disposal	Section 6.4
(v) Risk factors for 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 HCML at an attractive valuation at an implied PBR of approximately 3 times based on the audited NA of HCML as at 31 December 2022**

The HSCB Group is expected to realise a proforma gain of approximately RM557.53 million (net of estimated expenses of RM0.90 million) arising from the Proposed Disposal.

For the FYE 31 December 2022, the breakdown of HSCB Group's revenue based on the geographical location of their customers is set out below:

Geographical locations of HSCB Group's customers	Revenue (RM'000)	% of total revenue
Malaysia	5,887,879	82.80
Asia (excluding Malaysia)	1,102,711	15.51
Others	119,906	1.69
Total	7,110,496	100.00

Based on the table above, the revenue of the HSCB Group has largely been derived from Malaysia which accounted for 82.80% of the Group's revenue for the FYE 31 December 2022.

HCML was incorporated in England and Wales on 5 March 2018 under the Companies Act 2006 of the United Kingdom as a private company limited by shares. HCML was dormant since its incorporation and only commenced its operations on 1 April 2022. HCML is principally involved in the provision of term loans to corporations in the United Kingdom.

The business of HCML is reported under the credit financing division of the HSCB Group. For the FYE 31 December 2022, the credit financing division is one of the major contributors to the Group and contributed approximately 18.63% to the Group's operating profit (after inter-segment eliminations). However, in terms of revenue contribution, the credit financing division only contributed 2.69% to the Group's external revenue for the FYE 31 December 2022.

In terms of geographical segmentation, the business of the HCML is reported under "Others", which along with other countries, only contributed 1.69% to the HSCB Group's revenue for the FYE 31 December 2022.

While the credit financing division is a major contributor to the HSCB Group, HCML (which principally undertakes the credit financing business in the United Kingdom) does not currently contribute materially to the revenue and earnings of the HSCB Group. For the FYE 31 December 2022, HCML only reported:

- Revenue of GBP1.24 million or approximately RM6.66 million⁽¹⁾ for the FYE 31 December 2022, vis-à-vis the revenue of the HSCB Group of RM7.11 billion for the FYE 31 December 2022, representing only 0.09% of revenue contribution to the HSCB Group; and
- PAT of GBP0.986 million or approximately RM5.27 million⁽¹⁾ for the FYE 31 December 2022, vis-à-vis the PATNCI of the HSCB Group of RM950.66 million for the FYE 31 December 2022, representing only 0.55% of profit contribution to the HSCB Group.

Note:

(1) *The revenue/PAT in RM as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3481 which is the average month-end exchange rate for the 12-month period for the FYE 31 December 2022, in accordance with MFRS 121.*

Although the Proposed Disposal will result in a loss of income contribution from HCML to the HSCB Group, it is immaterial (i.e. 0.55% of HSCB's consolidated PATNCI for the FYE 31 December 2022), while the Proposed Disposal represents an offer at an attractive valuation where the Group is expected to realise a proforma gain of approximately RM557.53 million (net of estimated expenses of RM0.90 million) arising from the Proposed Disposal.

We note that HCML was incorporated in England and Wales on 5 March 2018 and only commenced its operations on 1 April 2022. Thus, the business operations of HCML is at its infancy. It is expected that HCML is required to maintain its liquidity and ensure there are sufficient funds available for its ongoing operations.

Although HCML had recorded a revenue and PAT of approximately RM6.66 million and RM5.27 million respectively as stated above, as highlighted in the audited financial statements of HCML for the FYE 31 December 2022, rising base rates could impact on the affordability and level of arrears in its lending book with a resulting impact on the profitability of HCML. Despite HCML being a profitable subsidiary to the HSCB Group, the potential economic risk may affect the profitability of HCML moving forward. Accordingly, the Proposed Disposal presents an opportunity for the HSCB Group to realise its investment in HCML at an attractive valuation. In addition, it is noted that although HCML does not have any direct exposure to the Russia-Ukraine war that was declared on 24 February 2022, it is indirectly affected by rising energy prices, increased household costs and inflation, potential supply chain issues faced by customers and increased cyber security threats. It is plausible that such indirect exposures could have a negative impact to the loan book of HCML. (**Source:** Extracts from the audited financial statements of HCML for FYE 31 December 2022).

We also note that in the global economy, there were some positive developments with the reopening of China's economy and better-than-expected growth outturns in major economies, supported by resilient domestic demand. Nevertheless, the global economy continues to be weighed down by elevated cost pressures and higher interest rates. Headline inflation moderated slightly from high levels in recent months, but core inflation remained above historical averages. (**Source:** Monetary Policy Statement by BNM dated 9 March 2023).

Please refer to Section 6.2 of this Independent Advice Letter for our evaluation of the 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 (77.63%);
- (b) to fund the HSCB Group's working capital requirements (22.26%); and
- (c) to defray the expenses of the Proposed Disposal (0.11%).

We note that the part repayment of borrowings would result in interest savings for the HSCB Group of approximately RM22.23 million per annum (net of tax of 24%) assuming such sums are paid immediately, which is above the revenue and PAT recorded by HCML of approximately RM6.66 million and RM5.27 million respectively for the FYE 31 December 2022. Accordingly, the loss of income from HCML is compensated by the interest savings and availability of working capital for the business operations of the HSCB Group.

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.

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6.2 EVALUATION OF THE SALE CONSIDERATION

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

- (i) the audited NA of HCML for the FYE 31 December 2022 of GBP50.99 million (equivalent to RM271.30 million)⁽¹⁾;
- (ii) the audited PAT of HCML for the FYE 31 December 2022 of GBP0.986 million (equivalent to RM5.27 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) *The NA as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3210 on 31 December 2022, which is the year-end closing rate, in accordance with MFRS 121.*
- (2) *The PAT as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3481 which is the average month-end exchange rate for the 12-month period for the FYE 31 December 2022, in accordance with MFRS 121.*

The Sale Consideration translates into an implied PBR of approximately 3 times and PER of approximately 155 times based on the audited financial statements of HCML as at 31 December 2022.

We have undertaken a comparative analysis of the Sale Consideration with comparable companies selected based on criteria that an investor would regard as similar to HCML. HCML is principally involved in the provision of term loans to corporations in the United Kingdom. Accordingly, the comparable companies were selected based on the following criteria (the “**Comparable Companies**”):

	Criteria	Remarks
(i)	Listed on the London Stock 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 London Stock Exchange were selected as HCML was incorporated and currently operates in the United Kingdom 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 HCML. These loss-making companies may also have higher credit risk and liquidity risk as compared to its profit-making peers.</p> <p>100% of HCML'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 HCML's business. Financial institutions such as banks were excluded as they have different business models and regulations from non-financial institutions such as HCML.</p>

We wish to highlight that the Comparable Companies tabulated below are by no means exhaustive and may differ from HCML 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⁾ (GBP'mil)	Principal activities	Revenue segmentation	% revenue derived from the provision of financial services
Funding Circle Holdings plc ("Funding Circle")	192.21	Funding Circle operates as a lending platform for small businesses. It serves clients in the United Kingdom, the United States, Germany and the Netherlands.	Funding Circle offers investors to borrow and lend their money to small and medium sized businesses.	100
LendInvest plc ("LendInvest")	126.62	LendInvest offers an asset management platform. It serves customers in the United Kingdom.	LendInvest provides bridging loans, development finance, and buy-to-let mortgages for intermediaries, landlords, and developers.	100
Time Finance plc ("Time Finance")	22.67	Time Finance provides commercial finance services. It serves customers in the United Kingdom.	Time Finance offers asset finance, hire purchase, and commercial loans through invoice finance and factoring.	99.55
Vector Capital plc ("Vector")	18.32	Vector provides principal finance to the private and corporate sectors. It serves customers worldwide.	Vector offers commercial mortgages, development lending, and business finance solutions.	100

(Source: Bloomberg, the website of the London Stock Exchange and the website and 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.

Although HCML is a going-concern, we have not adopted earnings-based methodologies (such as PER and the discounted cash flow methods) in evaluating the Sale Consideration as although HCML was incorporated on 5 March 2018, it had remained dormant until it commenced operations on 1 April 2022. HCML only has a year of operating history and hence, its earnings trend is not available for a meaningful earnings-based valuation analysis.

As HCML is principally involved in the provision of term loan 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 Sale Consideration. Hence, we have adopted the PBR valuation methodology in our evaluation of the Sale Consideration.

The Sale Consideration translates into an implied PBR of approximately 3 times as set out below:

	Formula	GBP'000
Sale Consideration	(A)	152,958
Audited NA of HCML as at 31 December 2022	(B)	⁽¹⁾ 50,986
PBR (times)	(A)/(B)	3

Note:

(1) NA of HCML is derived as follows:

	Formula	GBP'000	Remarks
Total assets	(C)	51,019	Mainly comprise debtors and cash amounting to GBP20.37 million and GBP30.64 million, respectively
Total liabilities	(D)	33	Comprise accrued expenses amounting to GBP33,000
Total equity or NA	(C) – (D)	50,986	

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

Comparable Companies	Market capitalisation (GBP'mil)	Audited		
		FYE	NA (GBP'mil)	PBR (times)
Funding Circle	192.21	31 Dec 2021	288.00	0.67
LendInvest	126.62	31 Mar 2022	97.50	1.30
Time Finance	22.67	31 May 2022	58.05	0.39
Vector	18.32	31 Dec 2021	23.95	0.76
	Simple average			0.78
	Median			0.72
	Minimum			0.39
	Maximum			1.30

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

The Sale Consideration is fair as the implied PBR based on the audited NA of HCML as at 31 December 2022 of approximately 3 times is above the median PBR of the Comparable Companies of 0.72 times (based on the audited NA).

We also wish to highlight that despite HCML being an unlisted entity, the implied PBR of the 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 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 HCML as at 31 December 2022 of approximately 3 times is also above the average PBR of the Comparable Companies of 0.78 times (based on the audited NA).

6.3 SALIENT TERMS OF THE SSA

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

Salient terms of the SSA	Affin Hwang IB's comments
Sale Consideration and manner of payment	
<p>(1) The Sale Consideration for the Sale Shares is GBP152.96 million and is payable by LSHCL to HSC Manchester in the following manner:</p> <p>(i) the Deposit within 7 days from the date of execution of SSA; and</p> <p>(ii) the Balance Sum on or before Completion Date which shall take place on or before the expiry of 1 month from the date of satisfaction of the condition precedent of the SSA as set out in Section 2 of Appendix II of the Circular or an automatic extended period of 1 month if LSHCL fails to pay the Balance Sum on the expiry of 1 month from Completion Date by way of telegraphic transfer or other electronic means either in whole or in batches to the account to be designated by HSC Manchester in writing.</p> <p>HSC Manchester has received the Deposit from LSHCL on 28 March 2023 in accordance with the terms of the SSA.</p>	<p>The Sale Consideration payable by LSHCL shall be in GBP, which is a commercial arrangement between HSC Manchester and LSHCL, which is reasonable as HCML is a United Kingdom incorporated company.</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 GBP. We note that HSC Manchester has received the Deposit from LSHCL on 28 March 2023 in accordance with the terms of the SSA. The payment of 10% deposit is in line with common commercial terms of other acquisition or disposal transactions.</p> <p>We further note that the Balance Sum may be settled by LSHCL on or before the Completion Date. Such flexibility of payment for the Balance Sum before the Completion Date, although not a common commercial term, is not detrimental to the HSCB Group.</p>
Condition Precedent	
<p>(2) The Proposed Disposal is conditional upon the approval from the shareholders of HSCB for the sale of the Sale Shares, being obtained on or before the Cut-Off Date.</p>	<p>The Cut-off Date, being a 3-month from the date of the SSA to fulfil the Condition Precedent, has been agreed upon by the parties after taking into consideration that the only approval required for the Proposed Disposal is the approval from HSCB's shareholders which is necessary to give effect to the Proposed Disposal.</p> <p>The Cut-Off Date, although is relatively shorter than other acquisition or disposal transactions, the timeline for the fulfilment of the Condition Precedent is driven by HSCB.</p>

Salient terms of the SSA	Affin Hwang IB's comments
Completion	
<p>(3) The completion of the SSA shall take place on the Completion Date where:</p> <p>(i) HSC Manchester shall deliver or make available to LSHCL the instrument of transfer of the Sale Shares duly executed in favour of LSHCL accompanied by the relevant share certificates (or an express indemnity in a form satisfactory to LSHCL in the case of any certificate found to be missing) and such documents and information provided by the company secretary of HCML together with a copy of the latest audited financial statements of HCML and such other documents as may be necessary for the purpose of assessing stamp duty payable on the transfer of the Sale Shares;</p> <p>(ii) HSC Manchester shall deliver or make available to LSHCL the certificates of incorporation, certifications of change of names (if any), corporate seals (if any), cheque books, statutory and other books of HCML (duly written up-to-date);</p> <p>(iii) HSC Manchester shall deliver or make available to LSHCL copies of the requisite resolution of the board of directors of HCML duly certified as true copies of the original by the secretary of HCML:</p> <p>(a) approving the registration of the share transfers referred to in Section (3)(i) of Appendix II of the Circular subject only to them being duly stamped; and</p> <p>(b) appointing such persons as LSHCL may nominate as directors;</p> <p>(iv) If there is any amount owing by HCML to any companies within HSCB Group, LSHCL shall within 14 days from the 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 HCML to the relevant companies within the HSCB Group.</p>	<p>The SSA is to be completed no later than 1 month from the date on which the Condition Precedent is satisfied, which is a reasonable timeline to facilitate both parties' completion obligations.</p> <p>This clause sets out the respective roles of HSC Manchester and LSHCL on the Completion Date to give effect to the Proposed Disposal.</p> <p>The delivery of the required documents by HSC Manchester is necessary to facilitate the timely registration for the transfers of the Sale Shares to effect the transfer of ownership after the payment of the Balance Sum.</p> <p>The requirement for LSHCL to settle the amount owing by HCML to any companies within the HSCB Group on the Completion Date is appropriate as HCML will cease to be a subsidiary of HSCB after the Proposed Disposal. However, we note that HCML does not have any borrowings or liabilities due to the HSCB Group as at the LPD.</p>

Salient terms of the SSA	Affin Hwang IB's comments
Termination	
<p>(4) (i) HSC Manchester's default</p> <p>If, at any time prior to the Completion, HSC Manchester is in default or breaches any of its undertakings, covenants, representations, warranties or other obligations under the SSA, LSHCL shall be entitled to give a notice in writing to HSC Manchester specifying such default or breach requiring HSC Manchester to remedy or make good such default or breach within 14 days from the date of such notice. If HSC Manchester fails, neglects or refuses to remedy or make good of such default or breach within the said 14 days' period, LSHCL shall be entitled:</p> <p>(a) to pursue an action for specific performance of the SSA; or</p> <p>(b) alternatively, elect to terminate the SSA by serving a notice on HSC Manchester and HSC Manchester shall within 7 Business Days thereof refund the Deposit and all monies received hereunder free of interest and pay a sum amounting to 10% of the Sale Consideration to LSHCL as agreed liquidated damages failing which HSC Manchester 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>(ii) LSHCL's default</p> <p>If, at any time prior to Completion, LSHCL is in default of or breaches any of its undertakings, covenants, representations, warranties or other obligations under the SSA, HSC Manchester shall be entitled to give notice in writing 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 Manchester shall be entitled:</p> <p>(a) to pursue an action for specific performance of the SSA; or</p>	<p>The remedies available to each party upon termination of the SSA are parallel. The termination clauses protect the interest of each party.</p> <p>The terms allow HSC Manchester to rectify any breach under the SSA within 14 days upon receiving a notice from LSHCL of such default or breach.</p> <p>If HSC Manchester fails to remedy such default or breach, the Deposit and all monies received will be refunded to LSHCL free of interest and the SSA shall be terminated. In addition, HSC Manchester will be required to pay 10% of the Sale Consideration to LSHCL as agreed liquidated damages.</p> <p>LSHCL is also subject to a similar reciprocal clause, i.e. in the event of LSHCL's default or breach, HSC Manchester can terminate the SSA and HSC Manchester shall forfeit the 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 shall be imposed on any late payment to protect the interests of LSHCL in the event HSC Manchester fails to refund the Deposit and pay a sum amounting to 10% of the Sale 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>

Salient terms of the SSA		Affin Hwang IB's comments
	(b) alternatively, elect to terminate the SSA by serving a notice on LSHCL and that 10% of the Sale Consideration (being the Deposit) shall be forfeited by HSC Manchester absolutely as agreed liquidated damages, and HSC Manchester shall refund to LSHCL within 7 Business Days thereof free of interest any other monies (other than the Deposit) as may have been received pursuant to the SSA.	
SSA governing law and submission jurisdiction		
(5)	<p>(i) The SSA shall be governed by and construed in accordance with the laws of Malaysia.</p> <p>(ii) In the event that HSC Manchester and LSHCL cannot settle any dispute between them, the matter shall be referred to the arbitration of a single arbitrator, whereby such arbitrator shall be appointed by the Asian International Arbitration Centre (Malaysia) ("AIAC") under the provisions of the AIAC Arbitration Rules 2021. The decision of the arbitrator shall be final and binding on both HSC Manchester and LSHCL. The arbitration shall be held at the AIAC in Kuala Lumpur.</p>	This is commercial arrangement between HSC Manchester and LSHCL. We are of the view that this term is reasonable, as HSCB, being the ultimate holding company of HCML, is based in Malaysia.

Based on the salient terms of the SSA and our comments as set out above, we are of the view that the salient terms of the 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 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 Completion Date	Amount (RM'000)	% over Sale Consideration
Repayment of borrowings	within 36 months	650,000	77.63
Working capital requirements	within 36 months	186,438	22.26
Estimated expenses	within 1 month	900	0.11
Total		837,338	100.00

HSCB intends to utilise RM650 million or approximately 77.63% of the Sale Consideration to pare down its existing borrowings. Assuming such sums are paid immediately, the HSCB Group is expected to benefit from interest cost savings of up to RM22.23 million (net of tax of 24%) based on the interest rate of approximately 4.5% per annum. As at 31 December 2022, the total borrowings of the HSCB Group were approximately RM7.07 billion. The repayment of borrowings is expected to decrease the proforma net debt-to-equity ratio of the HSCB Group from 0.47 times as at 31 December 2022 to 0.37 times. We note that the borrowings are expected to be repaid over a period of up to 36 months from the Completion Date after taking into consideration the due and maturity dates of the borrowings.

In addition, HSCB will utilise 22.26% of the Sale Consideration or approximately RM186.44 million to meet the HSCB Group's working capital requirements in the following estimated proportions:

Details of utilisation⁽¹⁾	Amount (RM'000)	%
Purchase of inventories		
Including purchase of:		
- Fertilizers;	100,000	53.64
- Automobiles; and	50,000	26.82
- Building materials such as steel bars and cement	36,438	19.54
Total	186,438	100.00

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 Sale Consideration.*

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 RM0.90 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:

Breakdown of the estimated expenses	RM'000
Estimated professional fees	721
Other fees (including regulatory fees) and expenses incurred in connection with the Proposed Disposal such as printing and advertising expenses	69
Miscellaneous expenses and contingencies	110
Total	900

We note that the use of the proceeds from the Proposed Disposal are primarily for the repayment of HSCB Group's borrowings and working capital requirements for its 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 FOR 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 Condition Precedent will be fulfilled within the timeframe as set out in the SSA. If the Condition Precedent is not fulfilled by HSC Manchester, 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 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 SSA is the approval from HSCB's shareholders where HSCB will take all reasonable steps to satisfy it; failing which, the Proposed Disposal will be terminated and HSC Manchester shall refund the Deposit to LSHCL. The approval from HSCB's shareholders will be sought at the Company's forthcoming EGM.

We also wish to highlight that there are completion obligations to be met by both parties of the SSA, such as the delivery of the required documents by HSC Manchester to effect the transfer of ownership of the Sale Shares, and the payment of any amount owing by HCML to any companies within the HSCB Group. However, we note that HCML does not have any borrowings or liabilities due to the HSCB Group as at the LPD. Should any party default or breach any terms and conditions applicable to the relevant party under the 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 alternatively, elect to terminate the SSA and receive an agreed liquidated damages equivalent to 10% of the Sale Consideration (or forfeit the 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 SSA and the Completion Date.

If the GBP/RM exchange rate fluctuates from the date of the SSA up to the 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 RM557.53 million (net of estimated expenses of RM0.90 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 GBP 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 SSA) up to the subsequent settlement date (i.e. the 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 RM557.53 million (net of estimated expenses of RM0.90 million) in relation to the Proposed Disposal (Section 2.6 of Part A of the Circular) may differ should the GBP/RM exchange rate fluctuate from the date of the SSA up to the Completion Date. Any depreciation of GBP against the RM will reduce the total proceeds from the Proposed Disposal in RM. However, any appreciation of the GBP against the RM will increase the total proceeds from the Proposed Disposal.

(iii) Loss of income from HCML

HCML was incorporated in 2018 and generated a profit of GBP0.986 million (equivalent to RM5.27 million⁽¹⁾) for the FYE 31 December 2022. Upon completion of the Proposed Disposal, HCML will no longer be a subsidiary of the HSCB Group and as such, the Company would lose a source of revenue and potential profit contribution from HCML in the future. Notwithstanding, the potential loss of income from HCML is minimal compared to the expected gain from the Proposed Disposal.

HSCB intends to utilise the 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 approximately 4.5% per annum and based on utilisation of proceeds where RM650 million of the proceeds will be utilised for part repayment of the borrowings, the potential interest savings will be approximately RM22.23 million per annum (net of tax of 24%) assuming such sums are paid immediately, which is higher as compared to the current year PAT of HCML of GBP0.986 million (equivalent to RM5.27 million⁽¹⁾).

Note:

- (1) *The PAT as set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3481 which is the average month-end exchange rate for the 12-month period for the FYE 31 December 2022, in accordance with MFRS 121.*

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

While there is no assurance that the utilisation of the Sale Consideration will generate a better return than if HSCB continues to grow the business of HCML, we note that HCML had only commenced its operations on 1 April 2022 where it recorded a PAT of GBP0.986 million for the FYE 31 December 2022 (equivalent to RM5.27 million). On the other hand, the Proposed Disposal represents an opportunity for HSCB to realise a proforma gain on disposal of RM557.53 million (net of estimated expenses of RM0.90 million) immediately. The potential loss of income from HCML is minimal as 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 for the Proposed Disposal can be managed by the HSCB Group.

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 Proposed Disposal does not involve any issuance of HSCB Shares and will be satisfied fully in cash.

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

Based on the latest audited consolidated statements of financial position of HSCB as at 31 December 2022, the proforma effects of the Proposed Disposal on the NA, NA per Share and debt-to-equity ratio are as set out below:

- (a) Proforma NA is expected to increase by approximately RM565.14 million⁽¹⁾ from approximately RM7.67 billion to RM8.24 billion;
- (b) Proforma NA per Share is expected to increase by approximately RM0.23 per HSCB Share from approximately RM3.08 to RM3.31;
- (c) Proforma debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.79 times to 0.67 times; and
- (d) Proforma net debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.47 times to 0.37 times.

Note:

(1) Comprises a gain on disposal of RM557.53 million (net of estimated expenses of RM0.90 million).

The proforma effects above arises mainly due to the proforma gain from the Proposed Disposal of approximately RM557.53 million (net of estimated expenses of RM0.90 million) and the part repayment of borrowings.

(iii) Earnings and EPS

The proforma earnings and EPS for the FYE 31 December 2022 are expected to increase from RM950.66 million (EPS of 38.18 sen) to RM1.53 billion (EPS of 61.46 sen) after the completion of the Proposed Disposal, with the assumption that the Proposed Disposal had been effected at the beginning of that financial year.

The increase in earnings and EPS is due to the proforma gain from the Proposed Disposal of approximately RM557.53 million (net of estimated expenses of RM0.90 million) and interest savings of RM22.23 million per annum (net of tax of 24%) assuming such sums of borrowings are paid immediately. The EPS of the HSCB Group is expected to increase by 23.28 sen (net of estimated expenses) based on the weighted average number of HSCB Shares in issue of 2,489,670,000 for the FYE 31 December 2022.

Upon completion of the Proposed Disposal, HCML will cease to be an indirect subsidiary of HSCB. Therefore, the financial results of HCML 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.

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 before 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 an implied PBR of approximately 3 times (based on the audited NA of HCML as at 31 December 2022); and</p> <p>(ii) provides cashflow for part repayment of borrowings and working capital needs of the HSCB Group.</p> <p>Although the Proposed Disposal will result in a loss of income contribution from HCML to the HSCB Group, it is immaterial (i.e. 0.55% of HSCB's consolidated PATNCI for the FYE 31 December 2022), while the Proposed Disposal represents an offer at an attractive valuation where the Group is expected to realise a proforma gain of approximately RM557.53 million (net of estimated expenses of RM0.90 million) arising from the Proposed Disposal.</p> <p>Further, as the business operations of HCML is at its infancy, the Proposed Disposal presents an opportunity for the HSCB Group to realise an investment at an attractive valuation.</p> <p>Considering the above factors, we are of the view that the rationale of the Proposed Disposal is reasonable.</p>
6.2	Evaluation of the Sale Consideration	<p>We are of the view that the Sale Consideration is fair as it represents an implied PBR of approximately 3 times which is above the median PBR of the Comparable Companies of 0.72 times (based on the audited NA).</p>
6.3	Salient terms of the SSA	<p>After evaluating the salient terms of the SSA, we are of the view that the salient terms of the SSA are reasonable.</p>
6.4	Utilisation of proceeds from the Proposed Disposal	<p>The 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 part repayment of HSCB Group's borrowings and working capital requirements for 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>

Section in this Independent Advice Letter	Section of evaluation	Comments
6.5	Risk factors for 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 for the Proposed Disposal can be managed by the HSCB Group.</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 Share and debt-to-equity ratio</u></p> <p>(i) Proforma NA is expected to increase by approximately RM565.14 million from approximately RM7.67 billion to RM8.24 billion;</p> <p>(ii) Proforma NA per Share is expected to increase by approximately RM0.23 per HSCB Share from approximately RM3.08 to RM3.31;</p> <p>(iii) Proforma debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.79 times to 0.67 times; and</p> <p>(iv) Proforma net debt-to-equity ratio of the HSCB Group is expected to decrease from approximately 0.47 times to 0.37 times.</p> <p><u>Earnings and EPS</u></p> <p>Proforma earnings and EPS for the FYE 31 December 2022 are expected to increase from RM950.66 million (EPS of 38.18 sen) to RM1.53 billion (EPS of 61.46 sen) after the completion of the Proposed Disposal, with the assumption that the Proposed Disposal had been effected at the beginning of that financial year. The increase in earnings and EPS is largely due to the proforma gain from the Proposed Disposal of approximately RM557.53 million (net of estimated expenses of RM0.90 million) and interest savings of RM22.23 million per annum (net of tax of 24%) assuming such sums of borrowings are paid immediately.</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.

Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Disposal to be tabled at the Company's 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 HCML

1. DATE AND PLACE OF INCORPORATION

HCML was incorporated in England and Wales on 5 March 2018 under the Companies Act 2006 of the United Kingdom as a private company limited by shares.

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

HCML does not have any subsidiary or associated company.

2. ISSUED AND PAID-UP SHARE CAPITAL

As at LPD, the issued and paid-up share capital of HCML is GBP50,000,000 comprising 50,000,000 HCML Shares of GBP1.00 each.

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

HCML is principally involved in the provision of term loans to corporations in the United Kingdom and is registered under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. The said regulations are regulated by the Financial Conduct Authority. HCML commenced its operations on 1 April 2022.

HCML provides short and medium-term financing to diversified business sectors for purpose of working capital, purchase of land and property, property development and bridging needs.

As at 31 December 2022, HCML does not own any significant assets other than loan debtors amounting to GBP20.34 million (equivalent to RM108.25 million⁽¹⁾) and cash of GBP30.64 million (equivalent to RM163.03 million⁽¹⁾).

Note:

(1) *The loan debtors amount set out above is translated to RM based on the exchange rate of GBP1.00:RM5.3210 on 31 December 2022, which is the year-end closing rate, in accordance with MFRS 121.*

4. DETAILS OF MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at LPD, the directors of HCML 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 HCML.

5. DIRECTORS

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

Name	Designation	Nationality
Ms. Cheah Yee Leng	Director	Malaysian
Mr. Thai Chong Yim	Director	Malaysian

APPENDIX I – INFORMATION ON HCML (Cont'd)

6. SUBSTANTIAL SHAREHOLDERS

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

Name	Country of Incorporation/ Nationality	Direct		Indirect ⁽¹⁾	
		No. of HCML shares	%	No. of HCML shares	%
HSC Manchester	Singapore	50,000,000	100	-	-
HSCI	Labuan, Malaysia	-	-	50,000,000 ⁽²⁾	100
HSCB	Malaysia	-	-	50,000,000 ⁽³⁾	100
Gek Poh	Malaysia	-	-	50,000,000 ⁽⁴⁾	100
Tan Sri Lau	Malaysian	-	-	50,000,000 ⁽⁵⁾	100

Notes:

- (1) As HCML is a company incorporated in England and Wales, the disclosure of indirect interest is determined by applying Section 8 of the Act.
- (2) Deemed interested by virtue of its interest in HSC Manchester pursuant to Section 8 of the Act.
- (3) Deemed interested by virtue of its interest in HSCI pursuant to Section 8 of the Act.
- (4) Deemed interested by virtue of its interest in HSCB pursuant to Section 8 of the Act.
- (5) Deemed interested by virtue of his interest in Gek Poh pursuant to Section 8 of the Act.

7. SUMMARY OF FINANCIAL INFORMATION

7.1 The summary of the key audited financial information of HCML for the past financial year ended 31 December 2022 and the latest available unaudited interim information for the three (3) month FPE 31 March 2023 are as follows:

	Audited	Unaudited
	FYE 31 December	FPE 31 March
	2022	2023
	£ 000	£ 000
Revenue	1,245	766
Other income	191	97
Profit before tax	1,230	599
PAT	986	442
Paid-up capital	50,000	50,000
Shareholders' funds / NA	50,986	51,428
Number of shares in issue	50,000,000	50,000,000
Weighted average number of shares in issue	36,780,822	50,000,000
Borrowings	-	-
EPS (£) ⁽¹⁾	0.03	0.01
NA per share (£) ⁽²⁾	1.02	1.03
Debt-to-equity (times)	Not applicable ("N/A")	N/A
Current ratio ⁽³⁾	1,568	1,225

Notes:

- (1) *Computed based on PAT over the weighted average number shares in issue.*
- (2) *Computed based on shareholders' funds / NA over number of shares in issue.*
- (3) *Computed based on current assets over current liabilities.*

(i) Commentaries on financial performance

HCML only commenced its operations on 1 April 2022. It recorded a revenue of GBP1.25 million and a profit before tax of GBP1.23 million on the back of a loan portfolio of GBP20.4 million. The other income comprised mainly of fixed deposit interest income earned.

7.2 Accounting Policies and audit qualification

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

There have been no audit qualifications reported in the audited financial statement of HCML for the FYE 31 December 2022.

8. MATERIAL CONTRACTS

HCML 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 LPD, HCML 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 HCML and, to the best of the knowledge and belief of the management of HCML, 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 HCML.

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

APPENDIX II – SALIENT TERMS OF THE SSA

The salient terms of the SSA are as follows:

1. Sale Consideration and manner of payment

The Sale Consideration for the Sale Shares is GBP152,958,000 and is payable by LSHCL to HSC Manchester in the following manner:

- (i) the Deposit within seven (7) days from the date of execution of SSA; and
- (ii) the Balance Sum on or before Completion Date which shall take place on or before the expiry of one (1) month from the date of satisfaction of the condition precedent of the SSA as set out in Section 2 of Appendix II of this Circular or an automatic extended period of one (1) month if LSHCL fails to pay the Balance Sum on the expiry of one (1) month from Completion Date by way of telegraphic transfer or other electronic means either in whole or in batches to the account to be designated by HSC Manchester in writing.

HSC Manchester has received the Deposit from LSHCL on 28 March 2023 in accordance with the terms of the SSA.

2. Condition Precedent

The Proposed Disposal is conditional upon the approval from the shareholders of HSCB for the sale of the Sale Shares, being obtained on or before the Cut-Off Date.

3. Completion

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

- (i) HSC Manchester shall deliver or make available to LSHCL the instrument of transfer of the Sale Shares duly executed in favour of LSHCL accompanied by the relevant share certificates (or an express indemnity in a form satisfactory to LSHCL in the case of any certificate found to be missing) and such documents and information provided by the company secretary of HCML together with a copy of the latest audited financial statements of HCML and such other documents as may be necessary for the purpose of assessing stamp duty payable on the transfer of the Sale Shares;
- (ii) HSC Manchester shall deliver or make available to LSHCL the certificates of incorporation, certifications of change of names (if any), corporate seals (if any), cheque books, statutory and other books of HCML (duly written up-to-date);
- (iii) HSC Manchester shall deliver or make available to LSHCL copies of the requisite resolution of the board of directors of HCML duly certified as true copies of the original by the secretary of HCML:
 - (a) approving the registration of the share transfers referred to in Section 3(i) of Appendix II of this Circular subject only to them being duly stamped; and
 - (b) appointing such persons as LSHCL may nominate as directors; and
- (iv) If there is any amount owing by HCML to any companies within HSCB Group, LSHCL shall within fourteen (14) days from the 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 HCML to the relevant companies within HSCB Group.

4. Termination

(i) HSC Manchester's default

If, at any time prior to the Completion, HSC Manchester is in default or breaches any of its undertakings, covenants, representations, warranties or other obligations under the SSA, LSHCL shall be entitled to give a notice in writing to HSC Manchester specifying such default or breach requiring HSC Manchester to remedy or make good such default or breach within fourteen (14) days from the date of such notice. If HSC Manchester fails, neglects or refuses to remedy or make good of such default or breach within the said fourteen (14) days' period, LSHCL shall be entitled:

- (a) to pursue an action for specific performance of the SSA; or
- (b) alternatively, elect to terminate the SSA by serving a notice on HSC Manchester and HSC Manchester shall within seven (7) Business Days thereof refund the Deposit and all monies received hereunder free of interest and pay a sum amounting to 10% of the Sale Consideration to LSHCL as agreed liquidated damages failing which HSC Manchester 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, at any time prior to Completion, LSHCL is in default of or breaches any of its undertakings, covenants, representations, warranties or other obligations under the SSA, HSC Manchester shall be entitled to give notice in writing to LSHCL specifying such default or breach and requiring LSHCL to remedy or make good such default or breach within fourteen (14) days from the date of such notice. If LSHCL fails, neglects or refuses to remedy or make good such default or breach within fourteen (14) days' period, HSC Manchester shall be entitled:

- (a) to pursue an action for specific performance of the SSA; or
- (b) alternatively, elect to terminate the SSA by serving a notice on LSHCL and that 10% of the Sale Consideration (being the Deposit) shall be forfeited by HSC Manchester absolutely as agreed liquidated damages, and HSC Manchester shall refund to LSHCL within seven (7) Business Days thereof free of interest any other monies (other than the Deposit) as may have been received pursuant to the SSA.

5. SSA governing law and submission jurisdiction

- (i) The SSA shall be governed by and construed in accordance with the laws of Malaysia.
- (ii) In the event that HSC Manchester and LSHCL cannot settle any dispute between them, the matter shall be referred to the arbitration of a single arbitrator, whereby such arbitrator shall be appointed by the Asian International Arbitration Centre (Malaysia) ("**AIAC**") under the provisions of the AIAC Arbitration Rules 2021. The decision of the arbitrator shall be final and binding on both HSC Manchester and LSHCL. The arbitration shall be held at AIAC in Kuala Lumpur.

REGISTERED NUMBER: 11234444 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
FOR
HS CREDIT (MANCHESTER) LTD**

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

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FOR THE YEAR ENDED 31 DECEMBER 2022**

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HS CREDIT (MANCHESTER) LTD

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS:	Chong Yim, Thai Yee Leng, Cheah
SECRETARY:	TMF Corporate Administration Services Limited
REGISTERED OFFICE:	7-8 Brighton Road Stockport Cheshire United Kingdom SK4 2BE
REGISTERED NUMBER:	11234444 (England and Wales)
SENIOR STATUTORY AUDITOR:	Vijaya Sena Herath
INDEPENDENT AUDITORS:	Herath Associates Limited, Statutory Auditor Chartered Certified Accountants 24 Chiltern Business Centre 63 - 65 Woodside Road Amersham Buckinghamshire HP6 6AA
BANKERS:	HSBC Bank PLC 62-76 Park Street London SE1 9DZ

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their strategic report for the year ended 31 December 2022.

REVIEW OF BUSINESS

HS Credit (Manchester) Ltd ("the company") is a wholly owned subsidiary of HSC Manchester Holding Pte Ltd (incorporated in Singapore). The intermediate holding company is HSC International Limited (incorporated in Labuan, Malaysia) and the penultimate holding company is Hap Seng Consolidated Berhad (incorporated in Malaysia). The ultimate holding company is Gek Poh (Holdings) Sdn Bhd (incorporated in Malaysia).

Results

The results of the company, as set out on page 9, show a profit for the year of £986,142 (2021: £Nil) on the back of a revenue of £1,244,955 (2021: £Nil). As at 31 December 2022, the company had net assets of £50,986,142 (2021: £1).

The company continued with its objective of investing for growth in 2022, with a specific focus on investment in people and technology. The benefit of all the investment is demonstrated by the growth in revenue and the loan book. The company is committed to continue with its investment in people and technology in 2023 and beyond.

Future developments

The company's strong balance sheet places it in a comfortable position to be selective in considering applications from potential low risk borrowers. This strategy will ensure that the company grows its loan book whilst at the same time mitigate any potential loan defaults.

PRINCIPAL RISKS AND UNCERTAINTIES

In common with every business, the company is open to exposure from certain risks which could affect our ability to be successful. The board and management team regularly review these risks to assess whether the controls are operating effectively and whether the strategy is being implemented within the agreed risk appetite.

The principal risks and uncertainties (including financial risks) impacting the company are considered below.

Economic risk

The company has an exposure to economic risk in respect of its trading performance and the recoverability of its loan assets. The headline rate of CPI inflation in the UK rose from 5.5% at the start of the year to a peak of 11.1% in October, before falling back to 10.5% in December 2022. As a result of higher inflation, the Monetary Policy Committee of the Bank of England had gradually increased the Bank Base rate over the year to curb the inflationary rises in the UK economy. The effects of the increased base rate will see the UK headline rate of CPI inflation falling to under 4% by the end of 2023 and reach its 2% target sustainably in the medium term. The outlook for inflation is uncertain however, with the Bank of England highlighting upside risks, especially around persistent inflationary pressure from average earnings growth and services inflation. The current Bank base rate is set at 4%.

The rising base rates could impact on the affordability and level of arrears in the lending book with a resulting impact on the profitability of the company. The board and management monitor the company's exposure to economic risk through reviews of economic forecasts and careful monitoring of the arrears experience and trends in the loan book.

Credit/counterparty risk

The company has an exposure to credit risk in respect of loans and receivables, which is the risk the customer will be unable to pay the amounts in full as they fall due. Provisions are made to provide for losses that have been incurred or are foreseen at the balance sheet date in respect of loans advanced prior to the balance sheet date. A mitigating factor in addressing credit risk is that the company's policy on Loan to Value ratio is relatively low.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company actively monitors its cash flows and expected liabilities and ensures that it has the resources to meet its liabilities as they fall due at all times.

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

KEY PERFORMANCE INDICATORS

The key performance indicators ("KPIs") used to monitor and manage the company's performance are set out below:

	<u>2022</u>	<u>2021</u>
	£	£
Revenue	1,244,955	-
Profit for the year	986,142	-
Net cash outflow from operating and investing activities	(19,359,972)	-
Number of loans at year end	8	-

The directors and management of the company monitor the operating expenses in order to effectively manage the activities of the company.

ON BEHALF OF THE BOARD:



Chong Yim, Thai - Director

16 March 2023

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was the provision of term loans.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

Chong Yim, Thai
Yee Leng, Cheah

GOING CONCERN

The directors consider the company to be a going concern and the financial statements are prepared on this basis. Details of the directors' assessment and expectation are shown in note 2 of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022**

AUDITOR

The auditor, Herath Associates Limited, will be considered for reappointment in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



Chong Yim, Thai - Director

16 March 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HS CREDIT (MANCHESTER) LTD**

Opinion

We have audited the financial statements of HS Credit (Manchester) Ltd (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HS CREDIT (MANCHESTER) LTD

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

Irregularities, including fraud are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006 provisions and FRS 101 "Reduced Disclosure Framework".
- We understood how the company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance matters.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management and key staff members. We also tested controls and performed procedures to respond to the fraud risk as identified in our audit plan.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HS CREDIT (MANCHESTER) LTD

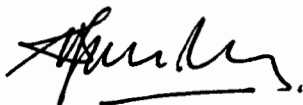
Auditor's responsibilities for the audit of the financial statements - continued

Our audit procedures were designed to respond to risks of material misstatement in the financial statements recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Vijaya Sena Herath (Senior Statutory Auditor)
for and on behalf of Herath Associates Limited, Statutory Auditor
Amersham
Buckinghamshire
HP6 6AA

16 March 2023

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Year Ended 31.12.22 £	Year Ended 31.12.21 £
REVENUE	3	1,244,955	-
Administrative expenses		<u>(144,282)</u>	<u>-</u>
OPERATING PROFIT		1,100,673	-
Interest receivable and similar income	5	190,753	-
Net loss on impairment of financial instruments		<u>(61,214)</u>	<u>-</u>
PROFIT BEFORE TAXATION	6	1,230,212	-
Tax on profit	7	<u>(244,070)</u>	<u>-</u>
PROFIT FOR THE YEAR		<u>986,142</u>	<u>-</u>

The notes form part of these financial statements

**APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER
2022 (Cont'd)**

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Year Ended 31.12.22 £	Year Ended 31.12.21 £
PROFIT FOR THE YEAR		986,142	-
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		<u>986,142</u>	<u>-</u>

The notes form part of these financial statements

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

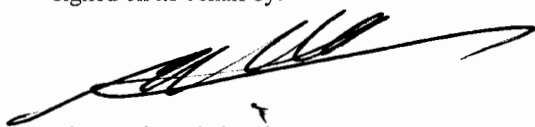
HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**BALANCE SHEET
31 DECEMBER 2022**

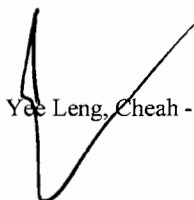
	Notes	31.12.22 £	£	31.12.21 £	£
FIXED ASSETS					
Tangible assets	8		7,150		-
CURRENT ASSETS					
Debtors	9	20,365,564		-	
Cash at bank		30,640,028		1	
Current tax assets		<u>5,930</u>		<u>-</u>	
		51,011,522		1	
CREDITORS					
Amounts falling due within one year	10	<u>32,530</u>		<u>-</u>	
NET CURRENT ASSETS			<u>50,978,992</u>		<u>1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>50,986,142</u>		<u>1</u>
CAPITAL AND RESERVES					
Called up share capital	11		50,000,000		1
Retained earnings	12		<u>986,142</u>		<u>-</u>
SHAREHOLDERS' FUNDS			<u>50,986,142</u>		<u>1</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 16 March 2023 and were signed on its behalf by:



Chong Yim, Thai - Director



Yee Leng, Cheah - Director

The notes form part of these financial statements

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2021 / 31 December 2021	<u>1</u>	<u>-</u>	<u>1</u>
Changes in equity			
Issue of share capital	49,999,999	-	49,999,999
Total comprehensive income	<u>-</u>	<u>986,142</u>	<u>986,142</u>
Balance at 31 December 2022	<u>50,000,000</u>	<u>986,142</u>	<u>50,986,142</u>

The notes form part of these financial statements

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	Year Ended 31.12.22 £	Year Ended 31.12.21 £
Cash flows from operating activities			
Cash used in operations	1	<u>(19,541,693)</u>	<u>-</u>
Net cash used in operating activities		<u>(19,541,693)</u>	<u>-</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(9,032)	-
Interest received		<u>190,753</u>	<u>-</u>
Net cash from investing activities		<u>181,721</u>	<u>-</u>
Cash flows from financing activities			
Issuance of share capital		<u>49,999,999</u>	<u>-</u>
Net cash from financing activities		<u>49,999,999</u>	<u>-</u>
Increase in cash and cash equivalents		30,640,027	-
Cash and cash equivalents at beginning of year	2	<u>1</u>	<u>1</u>
Cash and cash equivalents at end of year	2	<u><u>30,640,028</u></u>	<u><u>1</u></u>

The notes form part of these financial statements

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH USED IN OPERATIONS

	Year Ended 31.12.22 £	Year Ended 31.12.21 £
Profit before taxation	1,230,212	-
Depreciation charges	1,882	-
Net loss on impairment of financial instruments	61,214	-
Deposit account interest	<u>(190,753)</u>	-
	1,102,555	-
Increase in trade and other debtors	<u>(20,426,778)</u>	-
Increase in other creditors	<u>32,530</u>	-
	(19,291,693)	-
Income tax paid	<u>(250,000)</u>	-
Cash used in operations	<u>(19,541,693)</u>	-

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2022

	31.12.22 £	01.01.22 £
Cash and cash equivalents	<u>30,640,028</u>	<u>1</u>

Year ended 31 December 2021

	31.12.21 £	01.01.21 £
Cash and cash equivalents	<u>1</u>	<u>1</u>

The notes form part of these financial statements

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. STATUTORY INFORMATION

HS Credit (Manchester) Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the Financial Statements, the Directors are required to make judgements and estimates. Judgements involve an interpretation of requirements to decide how to allocate, value or recognise an item. Estimates arise from using assumptions which result in a range of possible outcomes. The most important judgements and estimates used in preparing these Financial Statements are described below. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Accounting Judgement

The assessment of fair value on initial recognition for loans

There is uncertainty in both the expected cash flows and the Effective Interest Rate (EIR) used to calculate the fair value at initial recognition for loans to businesses. The EIR is subsequently used in the calculation of interest income recognised in the Statement of Comprehensive Income as the fair value adjustment amortises.

The cash flows comprise four main components: principal, interest, expected loss on principal and expected loss on interest. For each individual account and for each period, the expected loss on principal and the expected loss on interest are assessed by taking the outstanding contractual amounts and adjusting for the marginal probability of default and loss given default.

Sources of estimation uncertainty

The estimate that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the assessment of ECL impairment allowances against assets held at amortised cost and financial assets.

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES – continued

The assessment of ECL impairment allowances against amortised cost financial assets

The calculation of impairment provisions is inherently uncertain and requires the Company to make a number of assumptions and estimates. The measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The impact of the Covid-19 pandemic and the Russia-Ukraine war has raised further matters for consideration in assessing the Company's amortised cost financial assets. This has been incorporated into the post-model overlay process.

Economic scenarios and associated probability weightings

IFRS 9 requires the calculation of ECLs to account for multiple forward-looking macroeconomic scenarios that are plausible. The Company estimates the expected credit losses on receivables using a provision matrix with reference to historical credit loss experience and other macroeconomic indicators such as Consumer Price Index growth rates, interest rates, and unemployment rates.

Impairment

Financial assets

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company are exposed to credit risk.

The Company estimates the expected credit losses on receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES – continued

Impairment – continued

Financial assets – continued

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised

Tangible fixed assets

Depreciation is provided for on a straight-line basis at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment 25%

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. ACCOUNTING POLICIES – continued

Debtors

Trade and other debtors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. The company calculates the expected credit loss for debtors based on lifetime expected credit losses under the IFRS 9 simplified approach.

Going concern

Having reviewed the company's forecast working capital and cash flow requirements, in addition to making enquiries and examining areas which could give risk to financial exposure, the directors have a reasonable expectation that the company has adequate resources to continue its operations for the foreseeable future. As a result they continue to adopt the going concern basis in preparing the accounts.

Revenue recognition

Revenue represents fees receivable for the arranging of finance and servicing that finance.

Revenue earned for the arrangement of finance is classified as transaction fees and is recognised immediately once loans are funded and accepted by the borrowers. Such fees are automatically deducted from the amount borrowed and recognised at that point as the company has the right to consideration.

Revenue earned from servicing of finance is classified as servicing fees. It comprises an annualised fee representing a percentage of outstanding principal and is recognised on a monthly basis upon repayment of loan parts by borrowers.

Interest receivable

Interest receivable is recognised on an accruals basis within 'Interest Income' in the Income Statement.

3. REVENUE

The revenue and profit before taxation are attributable to the one principal activity of the company.

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. EMPLOYEES AND DIRECTORS

	Year Ended 31.12.22	Year Ended 31.12.21
	£	£
Wages, salaries and other staff related expenses	46,447	-
Social security costs	<u>5,923</u>	<u>-</u>
	<u>52,370</u>	<u>-</u>

The average number of employees during the year was as follows:

	Year Ended 31.12.22	Year Ended 31.12.21
Operational	<u>1</u>	<u>-</u>

	Year Ended 31.12.22	Year Ended 31.12.21
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31.12.22	Year Ended 31.12.21
	£	£
Deposit account interest	<u>190,753</u>	<u>-</u>

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	Year Ended 31.12.22	Year Ended 31.12.21
	£	£
Depreciation - owned assets	1,882	-
Auditors' remuneration	<u>26,800</u>	<u>-</u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. TAXATION

Analysis of tax expense

	31.12.22 £	31.12.21 £
Current tax:		
UK corporation tax	<u>244,070</u>	-
Total tax expense in income statement	<u><u>244,070</u></u>	<u><u>-</u></u>

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.22 £	31.12.21 £
Profit before income tax	<u>1,230,212</u>	<u>-</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	233,740	-
Effect of:		
Non-deductible expenses	57	-
Temporary differences arising from fixed assets not recognised	(1,358)	-
Impairment charge	11,631	-
Tax expense	<u><u>244,070</u></u>	<u><u>-</u></u>

8. TANGIBLE FIXED ASSETS

	Computer equipment £	Totals £
COST		
At 1 January 2022	-	-
Additions	<u>9,032</u>	<u>9,032</u>
At 31 December 2022	<u>9,032</u>	<u>9,032</u>
DEPRECIATION		
At 1 January 2022	-	-
Charge for year	<u>1,882</u>	<u>1,882</u>
At 31 December 2022	<u>1,882</u>	<u>1,882</u>
NET BOOK VALUE		
At 31 December 2022	<u><u>7,150</u></u>	<u><u>7,150</u></u>
At 31 December 2021	<u><u>-</u></u>	<u><u>-</u></u>

APPENDIX III – AUDITED FINANCIAL STATEMENTS OF HCML FOR THE FYE 31 DECEMBER 2022 (Cont'd)

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. DEBTORS		31.12.22	31.12.21
		£	£
Trade debtors		20,404,616	-
Impairment		<u>(61,214)</u>	<u>-</u>
		20,343,402	-
Other debtors		<u>22,162</u>	<u>-</u>
		<u>20,365,564</u>	<u>-</u>
Amounts falling due within one year:			
Trade debtors		5,282,350	-
Other debtors		<u>22,162</u>	<u>-</u>
		<u>5,304,512</u>	<u>-</u>
Amounts falling due after more than one year:			
Trade debtors		<u>15,061,052</u>	<u>-</u>
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		31.12.22	31.12.21
		£	£
Accrued expenses		<u>32,530</u>	<u>-</u>
11. CALLED UP SHARE CAPITAL			
Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	
			31.12.22
			£
50,000,000	Ordinary	£1	<u>50,000,000</u>
			31.12.21
			£
			<u>1</u>
49,999,999 Ordinary shares of £1 each were allotted and fully paid for cash at par value during the year.			
12. RETAINED EARNINGS		31.12.22	31.12.21
		£	£
As at 1 January		-	-
Profit for the year		<u>986,142</u>	<u>-</u>
As at 31 December		<u>986,142</u>	<u>-</u>

HS CREDIT (MANCHESTER) LTD (REGISTERED NUMBER: 11234444)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. CONTROLLING PARTIES

The immediate parent company is HSC Manchester Holding Pte Ltd, a company incorporated in Singapore. The intermediate holding company is HSC International Limited, a company incorporated in Labuan, Malaysia. The penultimate holding company and the smallest and largest group to consolidate these financial statements is Hap Seng Consolidated Berhad, a company incorporated in Malaysia. Copies of the Hap Seng Consolidated Berhad consolidated financial statements can be obtained from the Company Secretary at Menara Hap Seng, Jalan P.Ramlee, 50250 Kuala Lumpur, Malaysia.

The company's ultimate controlling party is Gek Poh (Holdings) Sdn Bhd, a company incorporated in Malaysia.

14. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2022 (2021: £Nil).

15. CAPITAL COMMITMENTS

The total amount contracted for but not provided in the financial statements was £Nil (2021: £Nil).

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 and its related companies was extracted from publicly available information and information provided by the management and/or directors of LSHCL and its related companies. 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, 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, any member of the CIMB Group may at any time, in the ordinary course of business offer or provide its services to or engage in any transactions (on its own account or otherwise) with the Company and/or any other person of the Company, hold long or short positions in securities issued by the Group and/or its 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 the Company and/or its 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 and PT Bank CIMB Niaga Tbk have, in the ordinary course of its banking business, extended credit facilities to the HSCB Group. As at 31 March 2023, the outstanding amount is RM110.87 million and RM49.83 million, respectively. These credit facilities were provided on an arms' length basis and in the ordinary course of business of CIMB Group.

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

- (i) CIMB Bank Berhad and PT Bank CIMB Niaga Tbk are licensed commercial banks 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 and PT Bank CIMB Niaga Tbk to the Group are not material when compared to the audited NA of the CIMB Group as at 31 December 2022 of RM62,491 million.

APPENDIX IV – FURTHER INFORMATION (Cont'd)

Accordingly, CIMB confirms that there is no conflict of interest which exists or is likely to exist in its capacity to act as the Principal Adviser for the Proposed Disposal.

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 31 December 2022, 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	816,171
- Investment properties	487,434
	<u>1,303,605</u>

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 Articles of Association of HCML;
- (ii) the audited financial statements for the FYE 31 December 2021 and the FYE 31 December 2022 for HSCB;
- (iii) the audited financial statements for the FYE 31 December 2022 and the latest unaudited financial results of HCML for the three (3)-month FPE 31 March 2023;
- (iv) the SSA; and
- (v) letters of consent and no conflict of interest referred to in Sections 2 and 3 of Appendix IV of this Circular.

Hap Seng Consolidated Berhad 197601000914 (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 conducted virtually through remote participation and electronic voting facilities (“**RPEV**”) at the broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 25 May 2023 at 12 p.m., or immediately following the conclusion of the 47th annual general meeting of the Company, which will be held at the same broadcast venue and on the same day at 10 a.m., whichever is later (or the adjournment thereof), to consider and if thought fit, to approve the following ordinary resolution:

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF 50,000,000 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HS CREDIT (MANCHESTER) LTD (“HCML”) BY HSC MANCHESTER HOLDING PTE. LTD. (“HSC MANCHESTER”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HSCB, TO LEI SHING HONG CAPITAL LIMITED (“LSHCL”) FOR A CASH CONSIDERATION OF BRITISH POUND STERLING (“GBP”) 152,958,000

“**THAT**, approval be and is hereby given to HSC Manchester to dispose 50,000,000 ordinary shares representing 100% of the issued and paid-up share capital of HCML to LSHCL for a cash consideration of GBP152,958,000, details of which are set out in Part A of the Circular to Shareholders dated 27 April 2023, in accordance with the terms and conditions of the Shares Sale Agreement dated 22 March 2023 entered into between HSC Manchester 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)
SSM Practising Certificate No. 202008003410
Company Secretary

Kuala Lumpur
Dated: 27 April 2023

Notes:

1. *The EGM will be conducted virtually through RPEV which is available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the administrative guide for the EGM in order to register, participate and vote remotely via RPEV.*
2. *The chairman of the EGM will be at the broadcast venue in compliance with section 327(2) of the Companies Act 2016. No shareholder/proxy shall be physically present at the meeting venue.*
3. *A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 18 May 2023.*
4. *Subject to note 5 below, a member entitled to participate and vote at the EGM is entitled to appoint a proxy or proxies to participate 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.*

5. *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.*
6. *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. Such duly executed instrument appointing a proxy must be either be (a) deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than twenty-four (24) hours before the time appointed for holding the EGM or the adjournment thereof.*

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Hap Seng Consolidated Berhad 197601000914 (26877-W)

PROXY FORM

No. of Shares	CDS Account No.

I/WeNRIC 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 conducted virtually through remote participation and electronic voting facilities (“RPEV”) at the broadcast venue at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Thursday, 25 May 2023 at 12 p.m., or immediately following the conclusion of the 47th annual general meeting of the Company, which will be held at the same broadcast venue and on the same day at 10 a.m., whichever is later (or the adjournment thereof), in the following manner:

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION – PROPOSED DISPOSAL OF 50,000,000 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF HS CREDIT (MANCHESTER) LTD BY HSC MANCHESTER HOLDING PTE. LTD., AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, TO LEI SHING HONG CAPITAL LIMITED FOR A CASH CONSIDERATION OF GBP152,958,000		

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 _____, 2023

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

Notes:

- The EGM will be conducted virtually through RPEV which is available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the administrative guide for the EGM in order to register, participate and vote remotely via RPEV.
- The chairman of the EGM will be at the broadcast venue in compliance with section 327(2) of the Companies Act 2016. No shareholder/proxy shall be physically present at the meeting venue.
- A depositor shall not be regarded as a member entitled to participate and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 18 May 2023.
- Subject to note 5 below, a member entitled to participate and vote at the EGM is entitled to appoint a proxy or proxies to participate 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.
- 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.
- 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. Such duly executed instrument appointing a proxy must either be (a) deposited at Reception Counter, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur; or (b) submitted electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than twenty-four (24) hours before the time appointed for holding the EGM or the adjournment thereof.



Fold this flap for sealing

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AFFIX
STAMP

THE COMPANY SECRETARY
HAP SENG CONSOLIDATED BERHAD
(Registration No. 197601000914 (26877-W))
Reception Counter, Ground Floor, Menara Hap Seng
Jalan P. Ramlee
50250 Kuala Lumpur
MALAYSIA

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