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**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

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

The resolutions in respect of the above proposal will be tabled at the forthcoming Annual General Meeting ("AGM") of Hong Leong Industries Berhad ("HLI") to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 29 October 2015 at 2.30 p.m. or at any adjournment thereof. The Notice of AGM and the Form of Proxy are set out in the 2015 Annual Report of HLI, which is despatched together with this Circular.

This Circular is dated 7 October 2015

## DEFINITIONS

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

“Act”	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“Board” or “Directors”	:	Board of Directors of HLI
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“ESS”	:	Executive Share Scheme of HLI
“Goods”	:	Finished goods, components and raw materials, including ceramic tiles, cement, hardware products, motorcycles, scooters, steel products, concrete products, concrete roofing and fibre cement products
“Group Management And/Or Support Services”	:	Include services such as corporate finance, corporate advisory, secretarial, legal, treasury and risk management, internal audit, accounting and tax, share registration, nominees, custodian and ESS administration, fund management, human resources management, payroll administration, credit control, information technology related services, training, investment, business development, support on corporate social responsibility initiatives, corporate affairs and public relations and any other services as may be agreed between the parties from time to time
“HIB”	:	Hume Industries Berhad (formerly known as Narra Industries Berhad), a 71.81% subsidiary of HLMG
“HLCM”	:	Hong Leong Company (Malaysia) Berhad, the ultimate holding company of HLI with 75.17% equity interest
“HLI” or “Company”	:	Hong Leong Industries Berhad
“HLI Group”	:	HLI and its subsidiaries
“HLMG”	:	Hong Leong Manufacturing Group Sdn Bhd, the holding company of HLI with 74.57% equity interest
“HLYR”	:	HL Yamaha Motor Research Centre Sdn Bhd, a company owned by Hong Leong Yamaha Motor Sdn Bhd (“HLYM”), a 69.41% subsidiary of HLI, and Yamaha Motor Co., Ltd (“YMC”) in the equity ratio of 49% and 51% respectively
“HMMC”	:	HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of HLMG
“LPD”	:	9 September 2015, being the latest practicable date prior to the printing of this Circular

## **DEFINITIONS (Cont'd)**

“Main Market Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
“MPI”	:	Malaysian Pacific Industries Berhad, a 52.48% subsidiary of HLMG
“Proposed Renewal of and New Shareholders’ Mandate”	:	Shareholders’ approval for a general mandate in relation to recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the HLI Group
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Services”	:	Include investment and fund management services, sales and marketing services, security guard services, technical and management services, research and development services, project and property management services, information technology related services, interior design fit-out works, e-commerce and technology-related services and any other services as may be agreed between the parties from time to time
“Shares”	:	Issued and paid-up ordinary shares of RM0.50 each in HLI
“SSB”	:	Southern Steel Berhad, a subsidiary of HLMG with 69.66% equity interest

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Registered Office:  
Level 9, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur

7 October 2015

**DIRECTORS:**

YBhg Datuk Kwek Leng San (Chairman; Non-Executive/Non-Independent)  
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar (Non-Executive Director/Independent)  
YBhg Dato' Ahmad Johari bin Tun Abdul Razak (Non-Executive Director/Independent)  
Mr Chuah Chuan Thye (Non-Executive Director/Non-Independent)  
YBhg Dato' Dr Zaha Rina binti Zahari (Non-Executive Director/Independent)  
Mr Peter Ho Kok Wai (Non-Executive Director/Independent)

To: The Shareholders of Hong Leong Industries Berhad

Dear Sir/Madam

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

**1. INTRODUCTION**

At the Company's AGM held on 16 October 2014, the Company obtained mandates from its shareholders for the HLI Group to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations with related parties. The said mandates shall, in accordance with the Main Market Listing Requirements, expire at the conclusion of the forthcoming AGM of the Company to be held on Thursday, 29 October 2015 at 2.30 p.m. ("Said AGM"), unless they are renewed at the Said AGM.

In connection thereto, on 2 October 2015, the Company announced that your Directors propose to seek shareholders' approval for the Proposed Renewal of and New Shareholders' Mandate at the Said AGM.

The purpose of this Circular is to provide you with the details of the Proposed Renewal of and New Shareholders' Mandate and to seek your approval for the proposed ordinary resolutions pertaining to the Proposed Renewal of and New Shareholders' Mandate to be tabled at the Said AGM.

The Notice of the Said AGM together with the Form of Proxy are set out in the 2015 Annual Report of HLI, which is despatched together with this Circular.

## **2. DETAILS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

### **2.1 Provisions under the Main Market Listing Requirements**

Paragraph 10.09(2) of the Main Market Listing Requirements provides that a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of a listed issuer or its subsidiaries ("RRPT") subject to, inter-alia, the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Main Market Listing Requirements;
- (c) the listed issuer's circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain the shareholder mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer exceeds the estimated value of the RRPT disclosed in the circular to shareholders by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

Where a listed issuer has procured a shareholder mandate pursuant to the above, the provisions of paragraph 10.08 of the Main Market Listing Requirements will not apply with regard to transactions as detailed in Section 2.3 of this Circular.

The Company proposes to seek its shareholders' approval for the Proposed Renewal of and New Shareholders' Mandate for the HLI Group to enter into transactions with related parties which are of a revenue or trading nature and necessary for the day-to-day operations on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders.

The Proposed Renewal of and New Shareholders' Mandate, if approved at the Said AGM, will take immediate effect upon the conclusion of the Said AGM and will continue in force until the conclusion of the next AGM of the Company or until the expiration of the period within which the next AGM is required by law to be held (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), unless revoked or varied by the Company in a general meeting, whichever is the earlier.

## 2.2 Classes of related parties

Shareholders' approval is sought for the Proposed Renewal of and New Shareholders' Mandate involving recurrent related party transactions which are carried out by companies within the HLI Group with any of the following classes of related parties:

- HLCM (a major shareholder of HLI through HLMG) and persons connected with HLCM ("Hong Leong Group") including but not limited to those as listed in Appendix II of this Circular;
- Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors"). Mr Chuah Chuan Thye (a Director of HLI) has direct (0.04%) and indirect (28.41%) interests in Hong Bee Hardware. Hong Bee Motors is a wholly-owned subsidiary of Hong Bee Hardware. Mr Chuah Chuan Thye's indirect interests in Hong Bee Hardware and Hong Bee Motors are through Chua Holdings Sdn Bhd ("Chua Holdings"), a company in which he has a major shareholding. YBhg Tan Sri Quek Leng Chan (a major shareholder of HLI), YBhg Datuk Kwek Leng San (a Director and a shareholder of HLI), Mr Quek Leng Chye (a major shareholder of HLI) and Mr Kwek Leng Beng (a major shareholder of HLI) have 8.75%, 0.17%, 0.17% and 0.04% direct interests respectively in Hong Bee Hardware. YBhg Tan Sri Quek Leng Chan, Mr Quek Leng Chye and Mr Kwek Leng Kee (a major shareholder of HLI) have an aggregate indirect interest of 32.48% in Hong Bee Hardware. Mr Kwek Leng Beng has 42.89% indirect interest in Hong Bee Hardware;
- Syarikat Motor Singa Sdn Bhd ("Sykt Motor Singa") and Sing Heng Motor Trading Sdn Bhd ("Sing Heng Motor"). Both Sykt Motor Singa and Sing Heng Motor are owned by family members of Mr Ng Choong Hai. Mr Ng Choong Hai is a past Director of a subsidiary of HLI, namely HLYM;
- YMC and persons connected with YMC ("YMC Group"), including but not limited to Yamaha Motor Asia Pte Ltd ("Yamaha Asia"), Yamaha Motor Distribution Singapore Pte Ltd ("YDS"), Thai Yamaha Motor Co Ltd ("TYM"), P.T. Yamaha Indonesia Motor Manufacturing ("YIM"), Yamaha Motor Taiwan Trading Co Ltd ("YMTT"), Sunward International Inc ("SII"), Yamaha Motor (China) Co Ltd ("YMCC") and Yamaha Motor Vietnam Co Ltd ("YMVN"). YMC is a major shareholder of HLYM. Yamaha Asia, YDS, TYM, YIM, YMTT, SII, YMCC and YMVN are subsidiaries of YMC; and
- Hong Leong Investment Holdings Pte. Ltd. ("HLIH") (a major shareholder of HLI through HLCM) and persons connected with HLIH ("HLIH Group") including but not limited to Tasek Corporation Berhad ("Tasek") and its subsidiaries and associated corporations. YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye and Mr Kwek Leng Kee are directors and deemed major shareholders of HLIH. YBhg Datuk Kwek Leng San (a director and a shareholder of HLI) is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye.

YMC and Mr Ng Choong Hai (a past director) do not hold any share, either directly or indirectly, in HLI. The details of shareholdings of HLCM, HLMG, HLIH, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee, YBhg Datuk Kwek Leng San and Mr Chuah Chuan Thye in HLI are set out in Section 5 of this Circular.

### **2.3 Nature of recurrent related party transactions contemplated**

HLI is principally an investment holding company. The activities of the HLI Group include manufacturing and assembling of motorcycles, scooters and related parts and products; distribution of motorcycles and motorcycle components; manufacturing and sale of ceramic tiles; provision of research and development services for ceramic tiles; distribution of building materials; and manufacturing and sale of fibre cement and concrete roofing products. Details of subsidiaries of HLI undertaking these activities are set out in Appendix III of this Circular.

The Hong Leong Group is also involved in a diverse range of industries including, inter-alia, manufacturing, procuring and assembling of motorcycles, motorcycle engines and related parts; provision of maintenance and repair services for motorcycles; provision of research and development services for motorcycles; manufacturing and sale of newsprint and related paper products; manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes; manufacturing and sale of cement and cement-related products; manufacturing and sale of concrete and related products, and provision of research and development services for concrete products; design, manufacturing and supply of furniture and interior design fit-out works; manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete bars and wires, hot-rolled steel coils, steel pipes, steel wires, fencing panels, galvanised wires, fine steel wire and other wire products; commercial banking business and provision of related services which include Islamic banking business, real property investment, investment holding and nominee services; insurance and takaful businesses; investment banking, stockbroking business, futures broking and related financial services; nominees and custodian services; unit trust management, fund management and sale of unit trusts; property investment and development; project and property management; hotel operations; and provision of management, training and security guard services. In view of the diversity of the Hong Leong Group's businesses, it is envisaged that in the normal course of business of the HLI Group, transactions in respect of Goods and/or services between companies in the HLI Group and the Hong Leong Group will occur with some degree of frequency from time to time and may arise at any time.

The Group Management And/Or Support Services are part of the shared services of companies within the Hong Leong Group. These shared services are provided in-house in order to align with the Hong Leong Group's corporate objective and management disciplines and to reduce operating cost and improve efficiency such as through economies of scale, better utilisation and allocation of resources, standardisation of processes and operating procedures and information technology. Accordingly, the Board considers it beneficial to enter into transactions in respect of the Group Management And/Or Support Services. The Group Management And/Or Support Services are carried out on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and which will not be, in the Company's opinion, detrimental to the minority shareholders of HLI.



Details of recurrent related party transactions carried out/contemplated shall include, but not limited to, those described below:

(A) Recurrent related party transactions with the Hong Leong Group are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 24 September 2014 ("Estimated Value") (RM'million)	Actual value transacted (from date of AGM on 16 October 2014 up to the LPD) ("Actual Value") (RM'million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders' Mandate ("Current Estimated Value") (RM'million)
(a) Sale of Goods	HLI Group	Hong Leong Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, HLMG and HLCM	80.00	15.10	80.00
(b) Purchase of goods such as motorcycle engines and components, building materials, furniture, and other products	Hong Leong Group	HLI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, HLMG and HLCM	800.00	356.81	800.00
(c) Rental of properties from HMMC, such as the following office spaces at: (i) Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur (ii) Office Tower A, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur <sup>^</sup>	HMMC**	HLI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, HLMG and HLCM	1.00	0.18	1.00
				Not Applicable	Not Applicable	0.50

(A) Recurrent related party transactions with the Hong Leong Group are as follows: *(cont'd)*

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 24 September 2014 ("Estimated Value") (RM' million)	Actual value transacted (from date of AGM on 16 October 2014 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders' Mandate ("Current Estimated Value") (RM' million)
(d) Receipt of Services	Hong Leong Group	HLI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, HLMG and HLCM	3.00	0.97	3.00
(e) Receipt of Group Management And/Or Support Services	Hong Leong Group	HLI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, HLMG and HLCM	60.00	13.99	60.00
(f) Payment for usage of the Hong Leong Group logo and trade mark	Hong Leong Group	HLI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee and HLCM	0.50	0.042	0.50
(g) Payment for usage of the HUME logo and trade mark	Hong Leong Group	HLI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, HLMG and HLCM	0.02	Nil	0.02

(B) Recurrent related party transactions with major shareholders and persons connected with directors, a past director and major shareholders are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 24 September 2014 ("Estimated Value") (RM' million)	Actual value transacted (from date of AGM on 16 October 2014 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders' Mandate ("Current Estimated Value") (RM' million)
(a) Sale of Goods	HLI Group	Hong Bee Hardware and Hong Bee Motors	Chuah Chuan Thye, Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye and Kwek Leng Kee	100.00	46.33	100.00
(b) Sale of Goods	HLYM	Sykt Motor Singa and Sing Heng Motor	Ng Choong Hai	50.00	12.47	50.00
(c) Sale of Goods	HLYM	YMC Group	YMC	100.00	0.54	100.00
(d) Purchase of building materials	Hong Bee Hardware	HLI Group	Chuah Chuan Thye, Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye and Kwek Leng Kee	50.00	0.99	50.00
(e) Purchase of motorcycle components and parts	YMC Group	HLYM	YMC	600.00	277.94	600.00
(f) Provision of advertising and promotional services	HLYM	YMC	YMC	1.00	0.16	1.00

(B) Recurrent related party transactions with major shareholders and persons connected with directors, a past director and major shareholders are as follows: (cont'd)

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 24 September 2014 ("Estimated Value") (RM' million)	Actual value transacted (from date of AGM on 16 October 2014 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Renewal of Shareholders' Mandate ("Current Estimated Value") (RM' million)
(g) Payment of royalties and technical fees for usage of the Yamaha trade mark and technical support	YMC	HLYM	YMC	50.00	9.49	50.00
(h) Rental of property such as: - Office space at Kompleks Hong Leong Yamaha, Lot 57, Persiaran Bukit Rahman Putra 3, 47000 Sungai Buloh, Selangor Darul Ehsan from HLYM	HLYM	HLYR	YMC	2.00	0.14	2.00
(i) Receipt of research and development services	HLYR	HLYM	YMC	10.00	3.49	10.00
(j) Purchase of cement and related products	HLJH Group	HLI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Quek Leng Chye and Kwek Leng Kee	100.00	15.44	100.00

Notes:

\* The Current Estimated Value of the transactions is based on the Actual Value transacted and/or management's estimate of the value to be transacted during the validity period of the Proposed Renewal of and New Shareholders' Mandate. The Current Estimated Value of these transactions may be subject to changes.

\*\* Tenancy agreement entered or to be entered into for the rental of the said office spaces for tenure of up to 3 years with an option to renew. The rental payment is or will be on a monthly basis and is or will be shared between HMMC, HLI, MPI, HIB and SSB.

@ The rental of property is for a tenure of up to 3 years with an option to renew and payment of rental is on a monthly basis.

^ The transaction under item 2.3(A)(c)(ii) is a new transaction.

None of the Actual Value of the recurrent related party transactions as disclosed above has exceeded the Estimated Value by 10% or more.

## **2.4 Amount due and owing by related parties**

As at the financial year ended 30 June 2015, there is no amount due and owing to the Company by its related parties arising from the recurrent related party transactions as set out in Sections 2.3(A) to 2.3(B) of this Circular, which exceeded the credit term.

## **2.5 Methods or procedures on which transaction prices are determined/review procedures for recurrent related party transactions**

To ensure that the recurrent related party transactions are conducted on commercial terms consistent with the HLI Group's usual business practices and policies and on transaction prices and terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders, the following principles will apply:

- (i) the sale of Goods, purchase of goods such as motorcycles and parts, building materials and furniture and receipt of Services shall be determined based on prevailing rates/prices of the Goods or Services (including where applicable, preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases) according to commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations;
- (ii) the rental of properties shall be at the prevailing market rates for the same or substantially similar properties and shall be on commercial terms;
- (iii) the receipt of Group Management And/Or Support Services is based on commercial terms;
- (iv) the payment for usage of the Hong Leong Group and HUME logos and trade marks are based on commercial terms;
- (v) the receipt of research and development services for motorcycles and related accessories is based on commercial terms;
- (vi) the provision of advertising and promotional services shall be based on reimbursement of costs and/or rates and is based on commercial terms; and
- (vii) the payment of royalties and technical fees for usage of the Yamaha trade mark and technical support is based on commercial terms.

At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the Board Audit & Risk Management Committee of the Company, in its review of the recurrent related party transactions may, as it deems fit and whenever available, request for additional information pertaining to the transactions from independent sources or advisers.

To monitor, track and identify the recurrent related party transactions, the following review procedures have been implemented:

- (i) A register is maintained to record all recurrent related party transactions which are entered into pursuant to the Proposed Renewal of and New Shareholders' Mandate.
- (ii) The Board Audit & Risk Management Committee will undertake a quarterly review of recurrent related party transactions to ensure that such transactions are undertaken on commercial terms and on transaction prices and terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders and are in the best interest of the HLI Group.

There are no specific thresholds for approval of recurrent related party transactions within the HLI Group. However, all recurrent related party transactions are subject to the approval of the Heads of the relevant operating companies or such persons to whom they may delegate such power subject always to any HLI Group's policies that may be issued from time to time.

The Board Audit & Risk Management Committee will review the existing procedures and processes, on an annual basis and as and when required, to ensure that the recurrent related party transactions are at all times carried out on commercial terms consistent with the HLI Group's usual business practices and policies.

The Board Audit & Risk Management Committee of the Company has reviewed the above procedures and is satisfied that the said procedures are adequate to monitor, track and identify recurrent related party transactions in a timely and orderly manner and are sufficient to ensure that the recurrent related party transactions will be carried out on commercial terms consistent with the HLI Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders. Any member of the Board Audit & Risk Management Committee who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

## **2.6 Validity period of the Proposed Renewal of and New Shareholders' Mandate**

The Proposed Renewal of and New Shareholders' Mandate, if approved at the Said AGM, shall take immediate effect and shall continue to be in force until:

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

whichever is the earlier.

The Proposed Renewal of and New Shareholders' Mandate is subject to the satisfactory review by the Board Audit & Risk Management Committee of the Company of its continued application to recurrent related party transactions.

## **2.7 Disclosure**

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of the recurrent related party transactions made during the financial year, types of transactions made, names of the related parties involved and their relationship with the HLI Group pursuant to the Proposed Renewal of and New Shareholders' Mandate in accordance with paragraph 10.09(2) and Practice Note No. 12 of the Main Market Listing Requirements.

## **3. RATIONALE FOR AND BENEFITS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

The rationale for and the benefits of the Proposed Renewal of and New Shareholders' Mandate to the HLI Group are as follows:

- (i) The Proposed Renewal of and New Shareholders' Mandate will facilitate transactions with related parties which are in the ordinary course of business of the HLI Group and undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders.
- (ii) The Proposed Renewal of and New Shareholders' Mandate will enhance the HLI Group's ability to pursue business opportunities which are time-sensitive in nature and will eliminate the need for the Company to convene separate general meetings to seek shareholders' approval for each transaction.
- (iii) For certain transactions, where it is vital that confidentiality be maintained, it would not be viable to obtain shareholders' prior approval, as releasing details of the transactions prematurely may adversely affect and prejudice the HLI Group's interests and place the HLI Group at a disadvantage as compared with its competitors who may not require shareholders' approval to be obtained.
- (iv) The Proposed Renewal of and New Shareholders' Mandate will substantially reduce the expenses associated with convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channeled towards attaining other corporate objectives.
- (v) In respect of the Group Management And/Or Support Services, the Proposed Renewal of and New Shareholders' Mandate will enable the HLI Group to reduce operating cost and to improve efficiency, thereby improving business and administrative efficacy for the HLI Group.

## **4. CONDITION OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

The Proposed Renewal of and New Shareholders' Mandate is subject to the approval of the shareholders of HLI at the Said AGM.

## **5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

HLMG, a wholly-owned subsidiary of HLCM, is a major shareholder of HLI. YBhg Tan Sri Quek Leng Chan is a major shareholder of HLI, and a Director and major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of HLI, HLMG and HLCM, and a shareholder of HLI and HLCM. Mr Kwek Leng Beng, is a major shareholder of HLI, and a Director and major shareholder of HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of HLI and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers.

Mr Chuah Chuan Thye is a Director of HLI and has deemed interest in the shares of HLI.

YMC and Mr Ng Choong Hai (a past director) do not hold any shares, either directly or indirectly, in HLI. The shareholdings of HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Chuah Chuan Thye in HLI as at 30 September 2015 are as follows:

	<b>No. of Shares</b>			
	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
HLMG	238,217,035	74.57	-	-
HLCM	-	-	240,153,670	75.17*
HLIH	-	-	242,173,003	75.80**
Tan Sri Quek Leng Chan	-	-	245,435,003	76.82***
Datuk Kwek Leng San	2,520,000	0.79	-	-
Kwek Leng Beng	-	-	242,173,003	75.80**
Quek Leng Chye	-	-	242,173,003	75.80**
Kwek Leng Kee	-	-	242,173,003	75.80**
Chuah Chuan Thye	-	-	2,298,036	0.72@

*Notes:*

\* *Held through subsidiaries*

\*\* *Held through HLCM and a company in which the substantial shareholder has interest*

\*\*\* *Held through HLCM and companies in which Tan Sri Quek Leng Chan and his children have interests*

@ *Held through Hong Bee Hardware and Chua Holdings*

YBhg Datuk Kwek Leng San and Mr Chuah Chuan Thye had abstained and will continue to abstain from deliberating and voting on the relevant proposed ordinary resolutions pertaining to the Proposed Renewal of and New Shareholders' Mandate in which they are interested at the Board level.

HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Chuah Chuan Thye will abstain from voting, in respect of their direct and/or indirect interests, on the relevant proposed ordinary resolutions pertaining to the Proposed Renewal of and New Shareholders' Mandate at the Said AGM. HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee, Mr Chuah Chuan Thye, Mr Ng Choong Hai and YMC will ensure that persons connected with them will also abstain from voting on their direct and/or indirect interests on the relevant proposed ordinary resolutions pertaining to the Proposed Renewal of and New Shareholders' Mandate at the Said AGM.

Save as disclosed above, the Company is not aware of any of its other Directors and major shareholders and persons connected with them, has any interest, direct or indirect, in the relevant resolutions pertaining to the Proposed Renewal of and New Shareholders' Mandate.



## **6. DIRECTORS' RECOMMENDATION**

Your Directors (except for YBhg Datuk Kwek Leng San who had abstained and will continue to abstain from expressing any opinion in relation to the proposed Ordinary Resolutions 7, 8 and 11 and Mr Chuah Chuan Thye who had abstained and will continue to abstain from expressing any opinion in relation to the proposed Ordinary Resolution 8 in view of their interests), having taken into consideration all aspects of the Proposed Renewal of and New Shareholders' Mandate, are of the opinion that the Proposed Renewal of and New Shareholders' Mandate is in the best interest of the HLI Group and accordingly, your Directors (except for YBhg Datuk Kwek Leng San and Mr Chuah Chuan Thye) recommend that you vote in favour of the proposed ordinary resolutions pertaining to the Proposed Renewal of and New Shareholders' Mandate to be tabled at the Said AGM.

## **7. RESOLUTIONS ON THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE AND AGM**

The proposed ordinary resolutions on the Proposed Renewal of and New Shareholders' Mandate will be tabled at the Said AGM to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 29 October 2015 at 2.30 p.m. or at any adjournment thereof. The said resolutions are set out in the 2015 Annual Report of HLI.

The Notice of the Said AGM and the Form of Proxy are enclosed in the 2015 Annual Report of HLI, which is despatched together with this Circular.

If you are unable to attend the Said AGM in person and wish to appoint other person(s) to be your proxy, please complete the Form of Proxy and deposit it at the Registered Office of HLI at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, so as to arrive not less than forty-eight (48) hours before the time appointed for holding of the Said AGM or at any adjournment thereof.

The completion and deposit of the Form of Proxy will not preclude you from attending and voting at the Said AGM in person should you wish to do so. The Form of Proxy should be completed strictly in accordance with the instructions contained therein.

## **8. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix IV of this Circular for further information.

Yours faithfully  
For and on behalf of the Board

DATO' AHMAD JOHARI BIN  
TUN ABDUL RAZAK  
Independent Non-Executive Director

## DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

- “related party(ies)”
- (a) in relation to a corporation, means a director, major shareholder or person connected with such director or major shareholder; or
  - (b) in relation to a business trust means:
    - (i) the trustee-manager or person connected with the trustee-manager;
    - (ii) a director, major shareholder of the trustee-manager or person connected with such director or major shareholder; or
    - (iii) major unit holder or person connected with the major unit holder of the business trust; or
  - (c) in relation to a closed-end fund, in addition to subparagraph (a) above, means:
    - (i) the Manager or person connected with the Manager; or
    - (ii) a director, major shareholder of the Manager, or person connected with such director or major shareholder.

For the purpose of this definition, “director”, “major shareholder” and “major unit holder” have the meanings given in paragraph 10.02 of the Main Market Listing Requirements and “Manager” has the meaning given in paragraph 1.01 of the Main Market Listing Requirements.

- “director”
- has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:
- (a) a director of the listed issuer, its subsidiary or holding company;
  - (b) a chief executive of the listed issuer, its subsidiary or holding company;
  - (c) in relation to a special purpose acquisition company (“SPAC”), a member of the SPAC’s management team;
  - (d) in relation to a business trust, a director or chief executive of the trustee-manager, its subsidiary or holding company; and
  - (e) in relation to a closed-end fund, in addition to a director or chief executive of the closed-end fund, a director or chief executive of the Manager, its subsidiary or holding company.

- “major shareholder”
- includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:

- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
- (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation

(For the purpose of this definition, “interest in shares” has the meaning given in Section 6A of the Act).

“person connected”

- (a) in relation to a director or major shareholder of a corporation;
  - (b) in relation to a member of the management team of a SPAC;
  - (c) in relation to a trustee-manager, director or major shareholder of the trustee-manager, or major unit holder of a business trust, or
  - (d) in relation to a Manager, director or major shareholder of the Manager,
- (each person mentioned under (a), (b), (c) and (d) above is referred to as “said Person”),

means such person who falls under any one of the following categories:

- (i) a family member of the said Person;
- (ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
- (iii) a partner of the said Person, or a partner of a person connected with that said Person;
- (iv) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
- (v) a person in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
- (vi) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
- (vii) a body corporate or its directors whose directions, instructions or wishes the said Person is accustomed or under an obligation, whether formal or informal, to act;
- (viii) a body corporate in which the said Person, or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (ix) a body corporate which is a related corporation.

## PERSONS CONNECTED WITH HLCCM AS AT LPD

Company	Interest of HLCCM as at LPD (%)	Nature of business
1. HL Management Co Sdn Bhd and its subsidiaries and/or its related corporations	100.00	Provision of management and training services; investment holding; and provision of fund management, nominees and custodian services
2. Hong Leong Share Registration Services Sdn Bhd	100.00	Provision of share registration services
3. Guardian Security Consultants Sdn Bhd	20.00	Provision of security guard services
4. GuoLine Group Management Co. Limited and its subsidiary	100.00	Investment holding and provision of management services
5. GuoLine Intellectual Assets Limited	100.00	Intellectual properties holding company
6. GuoLine eMarketing Sdn Bhd	100.00	E-commerce and technology-related services
7. Hong Leong Manufacturing Group Sdn Bhd and its unlisted subsidiaries and associated corporations	100.00	Investment holding and provision of management services
8. Hong Leong Financial Group Berhad and its unlisted subsidiaries and associated corporations	77.31	Investment holding; provision of services to its subsidiaries to enhance group value; and life and general insurance businesses and takaful businesses
9. Hong Leong Bank Berhad and its subsidiaries and associated corporations	64.52	Commercial banking business and provision of related services which include Islamic banking business, real property investment, investment holding and nominee services
10. Hong Leong Capital Berhad and its subsidiaries and associated corporations	81.33	Investment holding; investment banking, stockbroking business, futures broking and related financial services; nominees and custodian services; and unit trust management, fund management and sale of unit trusts
11. GuocoLand (Malaysia) Berhad and its subsidiaries and associated corporations	64.99	Investment holding; property development; property investment; hotel operations; trading in securities; provision of management and property-related services; and operation of oil palm estates

<b>Company</b>	<b>Interest of HLCM as at LPD (%)</b>	<b>Nature of business</b>
12. Malaysian Pacific Industries Berhad and its subsidiaries and associated corporations	55.40	Investment holding; and manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes
13. Hume Industries Berhad (formerly known as Narra Industries Berhad) and its subsidiaries and associated corporations	72.78	Investment holding; manufacturing and sale of cement and cement-related products; manufacturing and sale of concrete and related products, and provision of research and development services for concrete products; and design, manufacturing and supply of furniture and interior design fit-out works
14. Southern Steel Berhad and its subsidiaries and associated corporations	69.66	Investment holding; and manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete bars and wires, hot-rolled steel coils, steel pipes, steel wires, fencing panels, galvanised wires, fine steel wire and other wire products
15. Guoco Group Limited and its non-Malaysian subsidiaries and associated corporations	71.88	Investment holding; investment management; principal investment; property development and investment; and hospitality and leisure business as well as financial services, including stock and commodity broking, bullion trading, corporate advisory services, banking and financing as well as insurance
16. Lam Soon (Hong Kong) Limited and its subsidiaries and associated corporations	57.53	Investment holding; importing, processing and trading of flour products; manufacturing, processing and trading of edible oils; and processing and trading of detergent products

## ACTIVITIES OF THE HLI GROUP AS AT LPD

<b>Name of Company</b>	<b>Effective % Held</b>	<b>Principal Activities</b>
<b>Subsidiaries</b>		
Guocera Holdings Sdn Bhd and its subsidiaries:	100.00	Investment holding
Guocera Tile Industries Sdn Bhd	100.00	Manufacture of ceramic tiles
Guocera Tile Industries (Meru) Sdn Bhd	70.00	Manufacture of ceramic tiles
Guocera Marketing Sdn Bhd and its subsidiary:	100.00	General trading in ceramic tiles and investment holding
Guocera Marketing Singapore Pte Ltd	100.00	General trading in ceramic tiles
Ceramic Research Company Sdn Bhd	100.00	Research and development of ceramic tiles and related products
Guocera Marketing (International) Sdn Bhd	100.00	Procurement and sale of raw materials, parts and components, and finished products of ceramic tiles for the local and export markets
Hume Marketing Co Sdn Bhd	100.00	Distribution of building materials
Hume Marketing (EM) Sdn Bhd	100.00	Distribution of building materials
Hong Leong Yamaha Motor Sdn Bhd	69.41	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding
Stableview Sdn Bhd	100.00	Investment holding
Maxider Sdn Bhd	100.00	Investment holding
Megah Court Condominium Development Sdn Bhd	100.00	Property management
HLI Trading Limited and its subsidiary:	100.00	Investment holding
Avenues Zone Inc	100.00	Investment holding

<b>Name of Company</b>	<b>Effective % Held</b>	<b>Principal Activities</b>
<b>Subsidiaries</b>		
Hume Roofing Products Sdn Bhd	100.00	Manufacture and sale of concrete roofing tiles
Hume Cemboard Industries Sdn Bhd	100.00	Manufacture and sale of fibre cement products
Malex Industrial Products Sdn Bhd	100.00	Investment holding. Ceased manufacturing of fibre cement products
Hume Fibreboard Sdn Bhd	100.00	Investment holding

**FURTHER INFORMATION**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

**2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

As at the LPD, HLI Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors of HLI are not aware of any proceeding pending or threatened against the HLI Group or any facts likely to give rise to any proceeding which might materially and adversely affect the business and financial position of the HLI Group.

**3. MATERIAL CONTRACTS**

There are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by the HLI Group within the two (2) years immediately preceding the date of this Circular.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of HLI at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular to the date of the Said AGM:

- (i) Memorandum and Articles of Association of HLI; and
- (ii) audited consolidated financial statements of HLI for the past two (2) financial years ended 30 June 2014 and 2015.