

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

**MINUTES OF THE FORTY-THIRD ANNUAL GENERAL MEETING OF THE COMPANY
HELD AT THE KINABALU ROOM, GROUND FLOOR, MENARA HAP SENG, JALAN P.
RAMLEE, 50250 KUALA LUMPUR ON THURSDAY, 30 MAY 2019 AT 10AM**

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

Absent with Apologies: Datuk Simon Shim Kong Yip

In attendance: Ms Lim Guan Nee
 Ms Quan Sheet Mei

Members: 224 members as per attendance sheet

Proxies: 111 proxies as per attendance sheet

By invitation: 4 invitees as per attendance sheet

QUORUM

The chairman welcomed all members present at the meeting.

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

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

NOTICE

The chairman informed the meeting that the notice convening this meeting was set out in the annual report 2018 which had been sent out to all members of the Company, Bursa Malaysia Securities Berhad and the auditors of the Company on 30 April 2019. The notice was published on the New Straits Times and the annual report 2018 was posted on the Company's website on the same day.

The Notice convening the meeting was taken as read.

1. TO TABLE THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 TOGETHER WITH THE REPORTS OF DIRECTORS AND AUDITORS

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

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

VOTING BY POLL

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

The chairman further informed that the polling would be conducted in a paperless manner using a wireless handheld device. As for the polling procedures, the chairman informed the meeting that the Company had appointed Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) (“Boardroom”) as the poll administrator and GovernAce Advisory & Solutions Sdn Bhd as the scrutineer. Ms Cheryl Leong, the representative from Boardroom had further briefed the meeting on the electronic polling procedures before the shareholders and proxies proceeded to cast their votes.

2. TO RE-ELECT DATUK EDWARD LEE MING FOO, JP WHO RETIRES BY ROTATION IN ACCORDANCE WITH CLAUSE 116 OF THE COMPANY’S CONSTITUTION

The chairman proceeded with the following proposed Resolution 1:-

“**THAT** Datuk Edward Lee Ming Foo, JP who is retiring as director pursuant to clause 116 of the Company’s constitution be hereby re-elected to serve on the board of directors of the Company.”

Low Yat Seow proposed for the above resolution to be approved and the same was seconded by Choong Sen Min.

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

For	%	Against	%
1,621,150,906	99.42	9,487,896	0.58

3. TO RE-ELECT MR. LEE WEE YONG WHO RETIRES BY ROTATION IN ACCORDANCE WITH CLAUSE 116 OF THE COMPANY'S CONSTITUTION

The chairman proceeded with the following proposed Resolution 2:-

“**THAT** Mr. Lee Wee Yong who is retiring as director pursuant to clause 116 of the Company's constitution be hereby re-elected to serve on the board of directors of the Company.”

Soo Thien Ming proposed for the above resolution to be approved and the same was seconded by Low Yat Seow.

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

For	%	Against	%
1,622,712,177	99.51	7,919,381	0.49

4. TO RE-ELECT LT GEN (R) DATUK ABDUL AZIZ BIN HASAN WHO RETIRES BY ROTATION IN ACCORDANCE WITH CLAUSE 116 OF THE COMPANY'S CONSTITUTION

The chairman proceeded with the following proposed Resolution 3:-

“**THAT** Lt Gen (R) Datuk Abdul Aziz Bin Hasan who is retiring as director pursuant to clause 116 of the Company's constitution be hereby re-elected to serve on the board of directors of the Company.”

Soo Thien Ming proposed for the above resolution to be approved and the same was seconded by Low Yat Seow.

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

For	%	Against	%
1,621,070,583	99.42	9,510,475	0.58

5. TO APPROVE THE PAYMENT OF DIRECTORS' FEES OF THE COMPANY AND ITS SUBSIDIARIES AMOUNTING TO RM970,000.00 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The chairman proceeded with the following proposed Resolution 4:-

“**THAT** the payment of directors' fees of the Company and its subsidiaries amounting to RM970,000.00 for the financial year ended 31 December 2018, be and is hereby approved.”

Low Yat Seow proposed for the above resolution to be approved and the same was seconded by Soo Thien Ming.

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

For	%	Against	%
1,630,495,158	99.99	110,300	0.01

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

The chairman proceeded with the following proposed Resolution 5:-

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

Low Yat Seow proposed for the above resolution to be approved and the same was seconded by Low Chik Lim.

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

For	%	Against	%
1,617,968,275	99.22	12,690,383	0.78

SPECIAL BUSINESS:-

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

The chairman explained that the special business for the meeting was to consider and if thought fit, approve the authority to the directors to issue shares in the Company up to an amount not exceeding 10% of the total number of issued share of the Company. As at the date of this meeting, no new shares had been issued pursuant to the mandate obtained at the last annual general meeting.

The chairman proceeded with the following proposed Resolution 6:-

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

Choong Sen Min proposed for the above resolution to be approved and the same was seconded by Low Yat Seow.

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

For	%	Against	%
1,629,252,635	99.92	1,336,023	0.08

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

Upon invitation of the chair, Datuk Edward Lee Ming Foo informed the meeting that Dato' Jorgen Bornhoft, has served as the independent non-executive director of the Company for a cumulative term of more than 12 years. Despite having served on the board as an independent director for more than 12 years, Dato' Jorgen Bornhoft has continued to act objectively in the best interest of the Company and is in compliance with all criteria as set out in the Listing Requirements.

Datuk Edward Lee Ming Foo explained that pursuant to Malaysian Code on Corporate Governance, the Company was seeking the shareholders' approval through a two-tier voting process to retain Dato' Jorgen Bornhoft to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting.

Datuk Edward Lee Ming Foo proceeded with the following proposed Resolution 7:-

“**THAT** pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Dato’ Jorgen Bornhoft who has served as the independent non-executive chairman of the Company for more than 12 years be and is hereby authorised to continue in office as the independent non-executive chairman of the Company until the conclusion of the next annual general meeting.”

Wong Yin Pheng proposed for the above resolution to be approved and the same was seconded by Choong Sen Min.

Datuk Edward Lee Ming Foo put the motion to a vote by poll and based on the following poll results, Datuk Edward Lee declared that Resolution 7 was carried:-

Tier 1:

For	%	Against	%
1,514,459,122	100	0	0

Tier 2:

For	%	Against	%
109,112,800	93.92	7,063,336	6.08

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

The chairman explained that item 7 on the agenda was to consider and if thought fit, to pass the resolution on the proposed renewal of and new shareholders’ mandate for recurrent related party transactions with the respective related parties. The related parties are:

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

The chairman mentioned that the proposed Resolution 8, if passed, would allow Hap Seng Consolidated Berhad Group to enter into recurrent transactions pursuant to paragraph 10.09 of the Listing Requirements. Further information on the proposed shareholders’ mandate for recurrent related party transactions with the respective related parties was set out in section 2.2 of Part A of the Circular/Statement to shareholders dated 30 April 2019.

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

The chairman proceeded with the following proposed Resolution 8:-

“**THAT** proposed renewal of and new shareholders' mandate for the recurrent related party transactions with the related parties as set out in Section 2.2 of Part A of the Circular/Statement to shareholders dated 30 April 2019 be and is hereby approved.”

Low Yat Seow proposed for the above resolution to be approved and the same was seconded by Wong Yin Pheng.

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

For	%	Against	%
112,649,940	96.99	3,501,896	3.01

10. PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The chairman explained that Resolution 9 was to consider and if thought fit, to pass the resolution to renew shareholders authorisation for the Company to purchase its own shares through Bursa Malaysia Securities Berhad up to a maximum of 10% of the total number of issued ordinary share capital of the Company. Further information on the proposed renewal of share buy-back authority was set out in the share buy-back statement, which has earlier been sent to all shareholders.

The chairman proceeded with the following proposed Resolution 9:-

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

Heng Ai Cheng proposed for the above resolution to be approved and the same was seconded by Low Yat Seow.

The chairman put the motion to a vote by poll and based on the following poll results, the chairman declared that Resolution 9 was carried:-

For	%	Against	%
1,630,540,158	100	0	0

The chairman informed the meeting that Dato' Mohammed Bin Haji Che Hussein had expressed his intention to resign as a director of the Company at the conclusion of the AGM, after having served as an independent director for more than 9 years. On behalf of the board, the chairman thanked Dato' Mohammed Hussein for his invaluable contribution and support rendered to the board and the Company during his tenure.

Dato' Mohammed Hussein said it was an honour and privilege to be part of the Board and he expressed his best wishes to the Hap Seng Group for continuing growth.

CONCLUSION

There being no other business, the meeting concluded at 10.50 am with a vote of thanks to the chairman.



CHAIRMAN
Kuala Lumpur

Strategy & Financial Matters

1. Plantation Division

Q: The Plantation Division's revenue for the financial year under review was RM390.8 million, 29.6% lower than the previous financial year of RM555.1 million as it was adversely impacted by the lower average prices of crude palm oil and palm kernel. Consequently, operating profit decreased by 74.7% to RM37.2 million (2017: RM146.9 million). The plantation industry continues to be impacted by labour shortages and high production cost. (Management, Discussion & Analysis "MD&A", page 11, Annual Report)

How will you address the rising cost pressures arising from higher minimum wage, labour shortages and higher fertilizers costs in Plantation Division?

A: *The management is constantly looking at ways to manage and keep the operating costs low. We keep ourselves abreast with the latest developments within the plantation industry but there is not much technological advances for harvesting. In relation to the wages cost and labour shortages, mechanization has been introduced wherever possible and training and upgrading skills have been provided to improve productivity. Consequently, our plantations have benefitted from the efficient ways of applying fertilizers and FFB collection.*

In addition, we have an in-house accredited lab to run comprehensive soil and foliar tests to determine the optimum volume of fertilizers to be applied which helped to control the expensive fertilizer costs.

2. Credit Financing Division

Q: On page 26, MD&A, Annual Report, it was stated that credit financing expects a competitive financing landscape, rising funding costs, pressures on interest margin and slightly higher non-performing loans. Gross non-performing ratio has also deteriorated to 1.67% in 2018. (2017: 1.38%)

What is the non-performing ratio as at Q1 of 2019? What measures will you take to improve the ration, going forward?

A: *For the period ended Q1 2019, Credit Financing Division's NPL ratio has reduced to 1.58% as compared to the financial year ended 31 December 2018 ratio of 1.67%. We have initiated legal actions against two accounts which were well collateralized. If both these accounts were to be excluded, the NPL ratio is 0.62% which we believe is well within the industry standards. The Credit Financing Division has done well over the past few years and would continue to focus on collateralized lending, disciplined collection follow-up and proactive monitoring of receivables ageing to manage our business and NPL risks.*

3. Trading Division

The Trading Division anticipates a challenging year in 2019 and fertilizers trading operation faces significant price risks due to uncertainties emanating from US-China trade war and volatility in crude palm oil prices. The general trading segment is also impacted by slowdown in the construction markets and the measures taken are to expand its existing customer base and market coverage.

(a) Q: How will you manage the price risk?

A: *The Division's fertilizers business is doing quite well although the margins are thin. We are the biggest fertilizers trader in Malaysia in 2018 and our market share has increased from an estimated 20% to 27%. Hence, we would like maintain our leading position and benefit from it when the market situation improves, despite being subject to price, surplus stock, currency and other risks. Measures have been put in place to mitigate such risks including the matching of purchases with sales commitments which would minimize the holding of uncommitted stocks and simultaneously, managing both the price and currency risks.*

(b) Q: What are the results achieved so far on the measures you have taken to address the slow-down in the construction markets?

A: *The construction industry is experiencing a slow-down. The general trading business has secured a more diverse range of products to offer to its customers as one of its strategies is to maintain the sales revenue. We have also consolidated both our fertilisers trading business and general trading business under one division which would provide synergies particularly in terms of customers' base. With the expansion of the customers' base and market coverage, the building materials segment of the Trading Division has performed well. This segment had achieved a turnover of RM666 million in this challenging and difficult year as compared to RM471 million in the previous year. This segment had also managed to improve its operating profits by RM5 million as compared to the previous year.*

4. Building Materials Division

Q: How will you address the challenges of poor market conditions and technological changes faced by your building material division in its ceramic tiles segment?

A: *We have re-organized our Ceramic Tiles business structure after taking into consideration of the industry challenges and difficult market conditions. We have ceased operations of one of our production lines and a staff-right sizing exercise was conducted to improve cost efficiencies. In this connection, the financial impact arising from the production line cessation assets impairment and operating loss amounted to about RM121 million. Our losses however, were mitigated by the profit guarantee given by the original vendor of Malaysian Mosaics Sdn Bhd (“MMSB”) and our overall claim of approximately RM175 million for the financial year ended 31 December 2018 was received in May 2019.*

Datuk Edward Lee added that going forward, the ceramic tiles business would be transformed and focus on trading with suppliers from OEM manufacturers. Given the availability of our factory production facilities, there are opportunities to collaborate with Chinese manufacturers on the production of OEM products in Malaysia. As for the expansion of tiles trading business, the Group had invested in Hafary Holdings Ltd (“Hafary”), a Singapore listed company, since 2015. Despite the market slowdown, Hafary had been doing well and there are plans to further develop the tiles trading business between MMSB and Hafary.

APPENDIX B

In response to a shareholder's request to elaborate further on the (a) property and (b) automotive business performances:-

- (a) Datuk Edward Lee Ming Foo explained that though the Group's development projects are at strategic locations, the take up rates has showed in tandem with the slowdown of the property market in Malaysia. Moving forward, the Group would focus on its investment properties. He highlighted that its investment properties at Menara Hap Seng, Menara Hap Seng 2 and Plaza Shell had achieved good occupancy rates exceeding 90% despite the present challenging commercial office leasing market. He added that upon the completion of Menara Hap Seng 3 by the end of 2019, it is expected to contribute rental income to the division once it begins to be tenanted in 2020. Datuk Edward also informed the members that the division had also diversified into the hotel business as there is demand from the growing tourism industry and increasing business travellers. The division's hotel in Sabah would be operated under the Hyatt's brand and would be named as the Hyatt Centric, Kota Kinabalu. The division is planning to develop another hotel in its KL Midtown, a joint venture project located at Mont Kiara as there is demand for hotel rooms especially from MITEC visitors.
- (b) The chairman stated that there was a growth in sales of passenger cars during the year under review in a very competitive market. The division achieved sales of 5,263 units in 2018 as compared to 4,691 units in 2017. This was partly due to the zero-GST period from June to August 2018. However, the division registered lower operating profit of RM19 million for FYE 31 December 2018 as compared to FYE 31 December 2017 of RM27.3 million as the division had incurred start-up cost for the new Mercedes and FUSO commercial vehicles wholesale distribution business for the Group under Hap Seng Trucks Distribution Sdn Bhd ("HSTD"). The chairman added that HSTD business is progressing as planned and would take some time to achieve profitability. As for passenger vehicles, the chairman mentioned that Hap Seng Star Sdn Bhd ("HSS") is the largest dealer of Mercedes-Benz passenger cars since early 2019 and had clinched most of the awards by Mercedes-Benz Malaysia to dealers for 2018. The success was attributed to HSS's eleven car dealerships across the country, certified pre-owned centre in Kinrara Industrial Park, Puchong and efforts to deliver the best customer experience for the showroom as well as the service centres. In FY 2018, approximately 54,000 cars went through HSS service centres. HSS is confident of providing better services and gain higher market share in after sales segment.