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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HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

PROPOSED DISPOSAL OF 250,000,000 ORDINARY SHARES REPRESENTING 100% OF THE EQUITY INTEREST IN HAP SENG LOGISTICS SDN BHD BY HAP SENG CONSOLIDATED BERHAD ("COMPANY") TO LSH LOGISTICS LIMITED FOR A CASH CONSIDERATION OF RM750.00 MILLION ("PROPOSED DISPOSAL")

PART B

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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser	*Independent Adviser*
CIMB	AFFIN HWANG CAPITAL
CIMB Investment Bank Berhad (18417-M)	**AFFIN HWANG INVESTMENT BANK BERHAD (14389-U)**
(A Participating Organisation of Bursa Malaysia Securities Berhad)	(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice convening the extraordinary general meeting ("**EGM**") of Hap Seng Consolidated Berhad to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 11 a.m., or immediately following the conclusion of the 41st annual general meeting of the Company, which will be held at the same venue and on the same day at 10 a.m., whichever is later (or the adjournment thereof), is enclosed with this Circular.

A member entitled to attend and vote at the EGM is entitled to appoint a proxy to vote on his/her behalf. In such event, the completed proxy form must be lodged at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur no later than 48 hours before the appointed time of the EGM (or the adjournment thereof). Accordingly, the last day and time for lodging of the proxy form is 29 May 2017 at 11 a.m. (or the adjournment thereof). However, lodging of the proxy form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 17 May 2017

SUMMARY OF CONTENTS

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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 (14389-U)
AGM	:	Annual general meeting of the Company
Akal Megah	:	Akal Megah Sdn Bhd (436594-W), a wholly-owned subsidiary of World Prosperity Developments Limited (678683), which in turn is the wholly-owned subsidiary of LSH
Announcement	:	The announcement dated 7 March 2017 made by CIMB on behalf of HSCB on Bursa Securities in relation to the Proposed Disposal
Balance Sum	:	A sum of RM675.00 million representing the balance 90% of the Sale Consideration payable by LSHL to the Company in relation to the Proposed Disposal
Board	:	Board of Directors of the Company
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Business Day	:	A day on which commercial banks are open for business in Kuala Lumpur and Hong Kong (excluding Saturdays, Sundays and public holidays)
CIMB or Principal Adviser	:	CIMB Investment Bank Berhad (18417-M)
Circular	:	This circular issued by HSCB to its shareholders dated 17 May 2017
Conditions Precedent	:	The conditions precedent of the Proposed Disposal as set out in Section 2.2.2 of Part A of this Circular
Deposit	:	A deposit of RM75.00 million representing 10% of the Sale Consideration payable by LSHL to the Company in relation to the Proposed Disposal
EGM	:	The extraordinary general meeting of the Company to be held on 31 May 2017, or the adjournment thereof, to consider and if thought fit, to approve the Proposed Disposal
Encumbrances	:	Any statutory restraint on dealings, right, option, interest, right to set off, caveat, prohibitory order, burden, liability, mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, lease, tenancy and licence, preferential right, trust arrangement or other security arrangement or agreement conferring a right to a priority of payment or advantage over other creditors or any agreement to create any of the foregoing or any right arising as a consequence of the enforcement of a judgment and howsoever created or arising
EPS	:	Earnings per share
FYE	:	Financial year ended/ending, as the case may be
Gek Poh	:	Gek Poh (Holdings) Sdn Bhd (20706-X)

Goldcoin	:	Goldcoin Ventures Sdn Bhd (1076176-D), a wholly-owned subsidiary of Akal Megah
Goldcoin Disposal	:	Disposal of the Goldcoin Land by HPSD to Goldcoin for the Goldcoin Purchase Consideration
Goldcoin Land	:	Lot 1 and Lot 4 forming part of CL 105420666 measuring approximately 52.57 acres, situated at Mile 10, Apas Road, District of Tawau, State of Sabah
Goldcoin Purchase Consideration	:	The purchase consideration of RM91.00 million paid by Goldcoin to HSPD for the Goldcoin Disposal
Goldcoin SPA	:	The sale and purchase agreement dated 13 January 2017 entered into between HSPD and Goldcoin in relation to the Goldcoin Disposal
HSCB or Company	:	Hap Seng Consolidated Berhad (26877-W)
HSCB Group or Group	:	HSCB and its subsidiaries, collectively
HSCB Shares or shares	:	Ordinary shares of HSCB
HSIS	:	Hap Seng Insurance Services Sdn Bhd (21774-X), a wholly-owned subsidiary of Gek Poh
HSL	:	Hap Seng Logistics Sdn Bhd (44038-U), a wholly-owned subsidiary of HSCB
HSL Completion	:	The completion of the HSL SSA which shall take place on a day which is a date no later than thirty (30) days from the date on which all the Conditions Precedent are satisfied or such date as may be agreed in writing between the Company and LSHL
HSL Completion Date	:	The date on which the HSL Completion takes place
HSL Cut-off Date	:	The last day of the period of six (6) months from the date of the HSL SSA or such other date as may be agreed in writing between the Company and LSHL
HSL Shares	:	Ordinary shares of HSL
HSL SSA	:	The shares sale agreement dated 7 March 2017 entered into between the Company and LSHL for the Proposed Disposal
HSLD	:	Hap Seng Land Development Sdn Bhd (94612-T), a wholly-owned subsidiary of Hap Seng Land Sdn Bhd (354071-T), which in turn is the wholly-owned subsidiary of HSCB
HSPD	:	Hap Seng Properties Development Sdn Bhd (11995-D), a wholly-owned subsidiary of HSLD
HSPD Disposal	:	Disposal of the HSPD Land by HSPD to Supergreen for the HSPD Purchase Consideration
HSPD Land	:	A parcel of vacant leasehold land held under PL106149633 measuring approximately 24.88 acres situated at Jalan Sin Onn, District of Tawau, State of Sabah
HSPD Purchase Consideration	:	The purchase consideration of RM54,188,640.00 paid by Supergreen to HSPD for the HSPD Disposal

HSPD SPA	:	The sale and purchase agreement dated 26 September 2016 entered into between HSPD and Supergreen in relation to the HSPD Disposal
Independent Advice Letter	:	The independent advice letter by Affin Hwang IB as set out in Part B of this Circular
Independent Registered Property Valuer	:	PA International Property Consultants (KL) Sdn Bhd (748916-W)
Interested Directors	:	The directors of the Company who are deemed interested in the Proposed Disposal, namely Datuk Edward Lee Ming Foo, Mr. Lee Wee Yong, Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan as disclosed in Section 9.2 of Part A of this Circular
Interested Shareholders	:	The shareholders of the Company who are deemed interested in the Proposed Disposal, namely Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI as disclosed in Section 9.1 of Part A of this Circular
Interested Parties	:	Interested Directors and Interested Shareholders and persons connected with them who are interested in the Proposed Disposal, collectively
Jesselton Hill	:	Hap Seng Land Development (Jesselton Hill) Sdn Bhd (863668-P), a wholly-owned subsidiary of HSLD
Jesselton Hill Disposal	:	Disposal of the Jesselton Hill Land by Jesselton Hill to Primary Goldennet for the Jesselton Hill Purchase Consideration
Jesselton Hill Land	:	A parcel of vacant leasehold land held under CL 015483806 measuring approximately 53.72 acres situated at Mile 13, Tuaran Road, District of Kota Kinabalu, State of Sabah
Jesselton Hill Purchase Consideration	:	The purchase consideration of RM60,841,123.20 paid by Primary Goldennet to Jesselton Hill for the Jesselton Hill Disposal
Jesselton Hill SPA	:	Sale and purchase agreement dated 26 September 2016 entered into between Jesselton Hill and Primary Goldennet in relation to the Jesselton Hill Disposal
Land	:	Two (2) adjacently-sited parcels of 99-year leasehold vacant industrial land held under HS(D) 296690 PT No. 325 and HS(D) 296691 PT No. 326, both within Section 23, Town of Shah Alam, District of Petaling, State of Selangor, which lease is due to expire on 30 May 2098
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	2 May 2017, being the latest practicable date prior to the printing and despatch of this Circular
LSH	:	Lei Shing Hong Limited (28253), a company incorporated in Hong Kong
LSHCL	:	Lei Shing Hong Capital Limited (438542), a company incorporated in Hong Kong and a wholly-owned subsidiary of LSH
LSHI	:	Lei Shing Hong Investment Limited (91301), a company incorporated in Hong Kong and a wholly-owned subsidiary of LSHCL
LSHL	:	LSH Logistics Limited (457977), a company incorporated in Hong Kong and a wholly-owned subsidiary of LSH
LTD	:	6 March 2017, being the last trading day prior to the Announcement

Market Value	:	The market value of the Land of RM155.00 million as appraised by Independent Registered Property Valuer
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
Pacific	:	Pacific Emerald Properties Sdn Bhd (1119242-M), a wholly-owned subsidiary of HSLD
PAT	:	Profit after tax
PATNCI	:	Profit after tax and non-controlling interest
PBR	:	Price-to-book ratio
PBT	:	Profit before tax
PER	:	Price earnings ratio
Primary Goldennet	:	Primary Goldennet Sdn Bhd (1010748-H), a wholly-owned subsidiary of Akal Megah
Proposed Disposal	:	Proposed disposal by the Company of the Sale Shares to LSHL for the Sale Consideration
Registered Office	:	21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia
RPS	:	Redeemable preference shares
Sale Consideration	:	The cash consideration of RM750.00 million in accordance with the HSL SSA
Sale Shares	:	250,000,000 ordinary shares representing 100% of the issued share capital of HSL
sq. ft.	:	Square feet
Supergreen	:	Supergreen Development Sdn Bhd (1099607-M), a wholly-owned subsidiary of Akal Megah
Tan Sri Lau	:	Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak
Valuation Report	:	The valuation report (together with the Valuation Certificate) dated 6 March 2017 prepared by the Independent Registered Property Valuer to appraise the market value of the Land
Valuation Certificate	:	The valuation certificate dated 6 March 2017

Currencies

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

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

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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

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

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

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PART A

LETTER FROM THE BOARD TO SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED DISPOSAL:

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

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

17 May 2017

Board of Directors

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

To: Shareholders of the Company

Dear Sir/Madam

PROPOSED DISPOSAL

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1. INTRODUCTION

On 7 March 2017, CIMB on behalf of the Board, announced that the Company is proposing to undertake the Proposed Disposal and had entered into the HSL SSA.

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of Chapter 10 of the Listing Requirements. Accordingly, the Company has 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 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 7 March 2017, the Company entered into the HSL SSA for the disposal of the Sale Shares, for a cash consideration of RM750.00 million in accordance with the HSL SSA.

The details of HSL are set out in Appendix I of this Circular.

2.2 Salient terms of the HSL SSA

The salient terms of the HSL SSA are summarised as follows:

2.2.1 Sale Consideration and manner of payment

The Sale Consideration is RM750.00 million and is payable by LSHL to HSCB in the following manner:

(i) the Deposit within seven (7) days from the date of execution of the HSL SSA; and

(ii) the Balance Sum on the HSL Completion Date.

All amounts payable by LSHL shall be paid in RM to HSCB unless otherwise agreed by HSCB and LSHL. If the Sale Consideration is to be paid in HKD, it shall be made at the average of the buying and selling rates quoted by the Hong Kong and Shanghai Banking Corporation Limited in its website at the close of Business Day immediately preceding the payment due date.

2.2.2 Conditions Precedent

The Proposed Disposal is conditional upon the following Conditions Precedent being obtained on or before the HSL Cut-off Date:

(i) approval to be obtained from the shareholders of HSCB;

(ii) approval to be obtained from the board and shareholders (if applicable) of LSHL; and

(iii) all such approvals and consents as may be required from any other parties, governmental authorities and the relevant regulatory authorities (if applicable).

2.2.3 Completion

The completion of the HSL SSA shall take place on the HSL Completion Date whereupon HSCB shall comply with its obligations specified in Section 2.2.4 of Part A of this Circular and LSHL shall pay the Balance Sum to HSCB in accordance with Section 2.2.1(ii) of Part A of this Circular.

2.2.4 Completion obligation

(i) HSCB's obligations- general obligations

On the HSL Completion, HSCB shall deliver the duly executed share transfer forms for the Sale Shares in favour of LSHL (or its nominee), the relevant share certificates, and such other documents as may be requested by LSHL and necessary for the purpose of assessing stamp duty payable on the transfer of the Sale Shares; and

(ii) HSCB's obligations- board resolutions of HSL

On the HSL Completion, HSCB shall ensure the passing of the requisite resolutions of the board of directors of HSL approving (among others):

(a) the registration of the share transfers referred to Section 2.2.4(i) of Part A of this Circular subject only to it being duly stamped;

(b) the cancellation of the existing share certificates issued in the name of HSCB and issuance of a new share certificate in the name of LSHL; and

(c) the affixation of the common seal of HSL on the new share certificate to be issued in the name of LSHL.

2.2.5 Termination

(i) HSCB's default

(a) If, prior to the HSL Completion, HSCB is in default of or breaches any of the terms and conditions applicable to it under the HSL SSA, LSHL shall be entitled to give notice in writing to HSCB specifying such default or breach and requiring HSCB to remedy or make good such default or breach within 14 days from the date of such notice. If HSCB fails, neglects or refuses to remedy or make good such default or breach within 14 days from the date of such notice, the HSL SSA shall be terminated.

(b) Upon the termination of HSL SSA pursuant to Section 2.2.5(i)(a) of Part A of this Circular, HSCB shall within seven (7) days from the date of termination, refund to LSHL the Deposit free of interest and pay a sum amounting to 10% of the Sale Consideration to LSHL as agreed liquidated damages.

(ii) LSHL's default

(a) If, prior to the HSL Completion, LSHL is in default of or breaches any of the terms and conditions applicable to it under the HSL SSA, HSCB shall be entitled to give notice in writing to LSHL specifying such default or breach and requiring LSHL to remedy or make good such default or breach within 14 days from the date of such notice. If LSHL fails, neglects or refuses to remedy or make good such default or breach within the said 14 days' period, the HSL SSA shall be terminated.

(b) Upon termination of the HSL SSA pursuant to Section 2.2.5(ii)(a) of Part A of this Circular, the Deposit shall be forfeited to HSCB absolutely as agreed liquidated damages.

2.3 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 HSL for the FYE 31 December 2016 of RM251,738,830; and

(ii) the rationale for the Proposed Disposal which is set out in Section 3 of Part A of this Circular.

The Sale Consideration translates into an implied PBR of 2.98 times based on the audited financial statements of HSL as at 31 December 2016. In determining the Sale Consideration, HSCB has taken into consideration the PBR of companies listed in Malaysia whose principal business activities are involved in providing transportation and other logistic services.

There are no companies listed on the Main Market of Bursa Securities which are identical or similar to HSL in terms of composition of business, scale of operations, track record and risk profile. However, for comparison purposes only, the following companies listed on the Main Market of Bursa Securities where more than 75% of their revenue is contributed by the provision of logistic operations have been selected by the management of HSCB ("**Selected Comparable Companies**"):

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Name of companies	Principal activities[1]	Market capitalisation as at the LTD[1][2]	Audited NA[3]	Audited PATNCI[3]	PBR[4]	PER[5]
		RM million	RM million	RM million	Times	
Tiong Nam Logistics Holdings Berhad	Tiong Nam Logistics Holdings Berhad is an investment holding company. The company, through its subsidiaries, provides warehousing and transportation services. Tiong Nam Logistics Holdings Berhad also leases properties.	674.17	598.44	77.08	1.13	8.75
Xin Hwa Holdings Berhad	Xin Hwa Holdings Berhad is an investment holding company engaged in the provision of management services. The company, through its subsidiaries, is a logistics service provider involved in land transport operations, warehousing and distribution operations.	216.00	127.54	15.96	1.69	13.54[6]
See Hup Consolidated Berhad	See Hup Consolidated Berhad is an investment holding company. The company, through its subsidiaries, provides transportation services, maintenance of heavy vehicles, forwarding agent services, bonded truck services, bonded warehousing, and contractor services. The company also rents properties and hires cranes and forklifts.	54.48	68.59	11.07	0.79	4.92
Complete Logistic Services Berhad	Complete Logistic Services Berhad is an investment holding company. The company, through its subsidiaries, owns ships, provides marine transportation services, general trading, trading of freight, lorry and trucking services, and logistics.	134.81	118.25	16.23	1.14	8.31
Average					**1.19**	**7.32**
High					**1.69**	**8.75**
Low					**0.79**	**4.92**
Implied ratio of HSL based on the audited financial statements as at 31 December 2016					2.98[7]	444.62[7]

Notes:

(1) The principal activities and the closing price of the respective Selected 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, website of Bursa Securities and the latest annual audited accounts of the Selected Comparable Companies multiplied by the closing price as at the LTD.

(3) Based on the annual audited accounts of the Selected Comparable Companies.

(4) Computed based on market capitalisation over the audited NA of the respective Selected Comparable Companies.

(5) Computed based on market capitalisation over the PATNCI of the respective Selected Comparable Companies.

(6) Outlier, excluded from the comparable computation.

(7) Computed based on the sale consideration of RM750 million.

HSL only commenced its operations of providing transportation and other logistic services in December 2015. Hence, the revenue from providing the transportation and logistics services is still relatively small. We believe that the PBR method is a more appropriate valuation method for comparison purposes against the Selected Comparable Companies listed above. The PBR of HSL is computed based on the sale consideration of RM750.00 million over the audited NA of HSL. The audited NA of HSL mainly comprises the Land with a book value of RM155.00 million and RM75.25 million non-trade balance due from a related company. The PER method of valuation is included for information purposes only.

Based on the table above, the Sale Consideration translates into an implied PBR of 2.98 times based on the audited financial statements of HSL as at 31 December 2016. The Sale Consideration also translates into an implied PER of 444.62 times based on the audited financial statements of HSL as at 31 December 2016 which is above the range of PBR and PER of the Selected Comparable Companies. This represents an attractive offer for HSCB.

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2.4 Expected proforma gains from the Proposed Disposal to the Group

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2016, the Proposed Disposal is expected to give rise to an expected proforma gain of approximately RM498.26 million for HSCB Group for the FYE 31 December 2016.

After taking into consideration the Sale Consideration, the expected proforma gain for the Proposed Disposal is as follows:

	RM 000
Sale Consideration	750,000
Less:	
NA of HSL as at 31 December 2016[1]	251,739
Expected gain from the Proposed HSL Disposal	**498,261**

Note:

(1) Based on the audited financial statements of HSL for the FYE 31 December 2016.

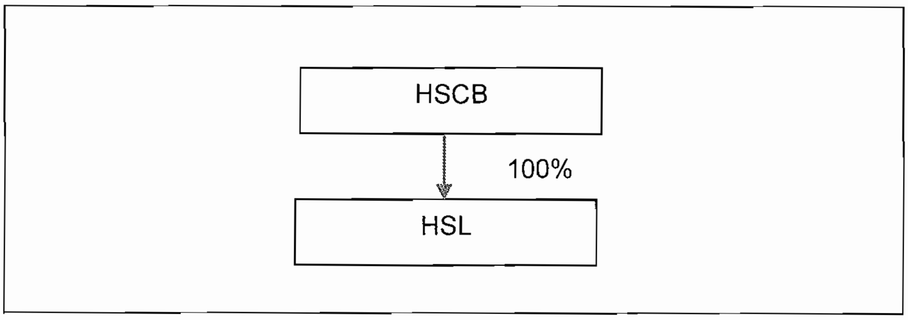
2.5 Manner of payment of the Sale Consideration

The Sale Consideration shall be fully satisfied in cash and the Balance Sum will be paid by way of telegraphic transfer to the designated account of HSCB on HSL Completion Date.

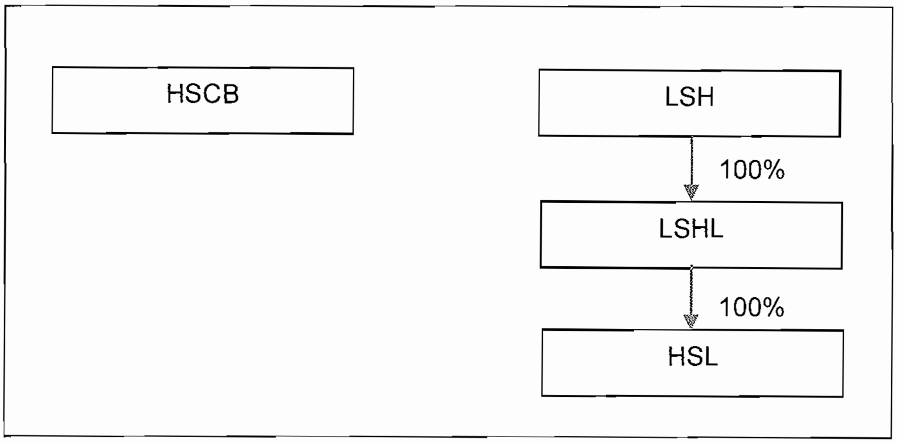
2.6 Corporate Structure

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

Before the Proposed Disposal:



After the Proposed Disposal:



2.7 Liabilities to be assumed by LSHL

Save for the existing liabilities incurred in the ordinary course of business of HSL, there are no liabilities, including contingent liabilities and guarantees, to be assumed by LSHL pursuant to the Proposed Disposal.

2.8 Date and original cost of investment of HSL

The date and the original cost of investment of HSCB in HSL are as follows:

Date of investment	No. of HSL Shares	Cost of investment
		RM
15 October 1997	200,000	356,048
30 December 2011	500,000	500,000
2 August 2016	249,300,000	249,300,000
	250,000,000	**250,156,048**

2.9 Information on LSHL

LSHL is a limited liability company incorporated in Hong Kong under the Companies Ordinance of Hong Kong on 21 December 1993 with its registered office at 8/F New World Tower I, 18 Queen's Road Central, Hong Kong. LSHL is currently dormant. LSHL is a wholly-owned subsidiary of LSH.

As at the LPD, the issued share capital of LSHL is HKD6,751,402 comprising 6,751,402 ordinary shares.

As at the LPD, the directors of LSHL are Tan Sri Lau, Datuk Yong Foo San and Datuk Gan Khian Seng.

2.10 Proposed Utilisation of the Sale Consideration

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

Details of utilisation	Estimated timeframe for utilisation from the HSL Completion Date	Amount	
		RM 000	%
Repayment of borrowings[1]	within 24 months	200,000	26.67
Working capital requirements[2]	within 24 months	473,745	63.17
Repayment of amount owing to HSL[3]	upon completion of the Proposed Disposal	75,255	10.03
Estimated expenses[4]	within 3 months	1,000	0.13
Total		**750,000**	**100.00**

Notes:

(1) The total borrowings of HSCB Group as at 31 December 2016 are approximately RM4,425.25 million. HSCB Group intends to utilise part of the proceeds from the Proposed Disposal to pare down RM200.00 million of HSCB Group's existing borrowings. Such repayment is expected to result in interest cost savings of approximately RM10.00 million per annum based on the interest rate of approximately 5% per annum.

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

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

Details of utilisation	***Amount***	
	RM 000	***%***
Purchase of inventories *This inventories involved purchase of fertilisers, automobiles, spare parts and inventories for building materials such as steel bars and cement*	*163,745*	*34.56*
Loan disbursements for credit financing division *The loan is expected to be disbursed to the following sectors:* *(a) manufacturing (RM25,000,000)* *(b) transportation (RM25,000,000)* *(c) real estate (RM70,000,000)*	*120,000*	*25.33*
Property development *This is to part finance the acquisition cost of the mixed-development at Metropolis Plot 5A*	*190,000*	*40.11*
Total	*473,745*	***100.00***

Nevertheless, the percentage of the breakdown 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.

(3) HSCB Group has a centralised treasury function where excess cash of its subsidiaries is transferred to a pool of funds managed by the centralised treasury. The pool of funds will then be, amongst others, placed into deposits and/ or money market instruments, which will generate returns for HSCB Group. The subsidiaries will in turn receive interest payments and the cash will be repayable on demand.

As at 31 December 2016, HSL has a sum of RM75,255,409 managed by the centralised treasury.

HSCB will repay the amount due to HSL upon completion of the Proposed Disposal.

(4) The estimated expenses relating to the Proposed Disposal include, amongst others, the professional fees, fees payable to the relevant authorities, expenses relating to the forthcoming EGM and other miscellaneous expenses.

3. RATIONALE FOR THE PROPOSED DISPOSAL

HSCB Group is currently focusing on our six (6) core businesses comprising plantation, property investment & development, credit financing, automotive, fertilisers trading and building materials. HSL's business of providing transportation and other logistic services is not one of the Group's current core businesses. Accordingly, HSCB Group has decided to divest its investment in HSL.

The Sale Consideration also enhances the liquidity of HSCB Group and allows the Group to utilise the proceeds to further grow its current core businesses.

The Sale Consideration translates into 2.98 times of the PBR (based on the audited financial statements of HSL as at 31 December 2016), and resulted in a gain of RM498.26 million. The Sale Consideration will be utilised for repayment of borrowings, working capital purposes of the HSCB Group, repayment of amount owing to HSL and to defray the expenses of the Proposed Disposal.

4. RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL

4.1 Non-completion of the Proposed Disposal

There is no assurance that all of the Conditions Precedent are going to be fulfilled within the timeframe as set out in the HSL SSA. If any one (1) of the Conditions Precedent is not fulfilled, the Proposed Disposal might be terminated.

The management of HSCB will use its best endeavours to ensure the HSL Completion and will take all reasonable steps to ensure that the Conditions Precedent are fulfilled in a timely manner, to avoid termination and to facilitate the HSL Completion.

4.2 Settlement risk

The Proposed Disposal is subject to the full settlement of the Sale Consideration by LSHL. However, there is no assurance that LSHL will be able to settle the Balance Sum on the HSL Completion Date.

4.3 Loss of income from HSL

HSCB intends to utilise the Sale Consideration in the manner set out in Section 2.10 of Part A of this Circular. There is no assurance that the manner in which HSCB proposes to utilise the Sale Consideration will be able to generate a better return than if HSCB continues to grow the transportation and other logistic business of HSL.

4.4 Loss of development opportunity

HSL is the owner of the two (2) adjacently-sited parcels of 99-year industrial land. Following the completion of the Proposed Disposal, HSCB Group will not have the opportunity to develop the Land. There is no assurance that the proposed utilisation of the Sale Consideration will be able to provide a better return than the profit that could be derived from the development of the Land.

4.5 Dependence on third parties

HSCB Group's transportation and other logistic services are mainly undertaken by HSL. Upon completion of the Proposed Disposal, the HSCB Group will be dependent on third parties to fulfill its transportation and other logistic needs.

5. EFFECTS OF THE PROPOSED DISPOSAL

5.1 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.

5.2 Substantial shareholders' shareholdings

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

5.3 NA, NA per share and gearing

Based on the audited consolidated financial statements of HSCB Group as at 31 December 2016, assuming that the Proposed Disposal had been effected at the end of that year, the proforma effects of the Proposed Disposal on the NA, NA per share and gearing are as follows:

	Audited as at 31 December 2016	**After the Proposed Disposal**
	RM 000	**RM 000**
Share capital	2,489,682	2,489,682
Non-distributable reserves	1,058,398	1,058,398
Retained profits	1,942,612	2,439,873[(1)]
Treasury shares	(16)	(16)
Shareholders' funds / NA	5,490,676	5,987,937
Number of shares in issue, net of treasury shares (000)	2,489,680	2,489,680
NA per HSCB Share (RM)[(2)]	2.21	2.41
Total borrowings	4,425,247	4,225,247[(5)]
Gearing (times)[(3)]	0.81	0.71
Net gearing (times)[(4)]	0.62	0.44

Notes:

(1) *After taking into account the expected proforma gain from the Proposed Disposal of approximately RM498.26 million and the estimated expenses for the Proposed Disposal of RM1.00 million.*

(2) *Computed based on shareholders' funds / NA over number of HSCB Shares, net of treasury shares.*

(3) *Computed based on total borrowings over shareholders' funds / NA.*

(4) *Computed based on total borrowings after deducting money market deposits and cash and bank balances over shareholders' funds / NA.*

(5) *After taking into account the proposed utilisation of the Sale Consideration for the repayment of borrowings amounting to RM200.00 million.*

5.4 Earnings and EPS

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2016 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 42.36 sen to 63.41 sen as a result of the Proposed Disposal.

	PATNCI	**EPS[(1)]**
	RM 000	**Sen**
PATNCI and EPS	1,000,960	42.36
Add:		
Expected proforma gain from the Proposed Disposal	498,261	21.09
Less:		
Estimated expenses for the Proposed Disposal	(1,000)	(0.04)
Proforma PATNCI and EPS for the FYE 31 December 2016	1,498,221	63.41

Note:

(1) Based on the weighted average number of HSCB Shares in issue of 2,362,902,000 for the FYE 31 December 2016.

No adjustment has been made to exclude the PAT of HSL for the FYE 31 December 2016 from the PATNCI of HSCB Group as the amount is immaterial.

6. APPROVALS REQUIRED FOR THE PROPOSED DISPOSAL

The Proposed Disposal is subject to the following being obtained:

(i) the approval of the shareholders of HSCB at the forthcoming EGM; and

(ii) such other approvals from any other relevant parties/authorities, if required.

7. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Disposal and the proposal disclosed below, there are no other corporate exercises which have been announced but not yet completed prior to the printing of this Circular:

On 20 January 2016, HSLD acquired the entire issued and paid-up share capital of Golden Suncity Sdn Bhd ("**GSSB**") comprising 2 ordinary shares of RM1.00 each at cash consideration of RM2.00. On 29 January 2016, HSLD entered into a shareholders' agreement ("**SHA**") with TTDI KL Metropolis Sdn Bhd ("**TTDI KL**"), a wholly-owned subsidiary of Naza TTDI Sdn Bhd, and GSSB to regulate their relationship inter-se as shareholders of GSSB based on a shareholding proportion of 70:30.

Simultaneous with the execution of the SHA, GSSB has entered into a development rights agreement ("**DRA**") with TTDI KL, pursuant to which TTDI KL as the registered and beneficial proprietor of all that parcel of a leasehold land held under PN52352, Lot 80928, Mukim Batu, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan KL measuring 8.95 acres (approximately 389,862 sq. ft.) ("**TTDI Land**") has agreed to grant to GSSB, the exclusive rights to develop the TTDI Land at the consideration of RM467,834,400.00.

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

(i) TTDI KL having obtained the relevant approval and consent from the relevant authorities for the relocation of the existing suction tank and pump house from the TTDI Land;

(ii) TTDI KL having obtained the approval from the State Authority for the charge of the TTDI Land in favour of GSSB's financier;

(iii) TTDI KL having completed the construction of the main sewerage reticulation lines for GSSB to connect from the agreed tapping points to the TTDI Land; and

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

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

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

8. ESTIMATED TIMEFRAME FOR COMPLETION

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 2017. The tentative timetable in relation to the Proposed Disposal is as follows:

Month	Events
31 May 2017	The forthcoming EGM
31 May 2017	Fulfilment of all the Conditions Precedent
End June 2017	Completion of the Proposed Disposal

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

9.1 Interested Shareholders

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

The direct and/or indirect interests of the Interested Shareholders of HSCB based on the register of substantial shareholders as at the LPD are as follows:

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

Notes:

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

(1) *As at the LPD, Tan Sri Lau holds 56.00% direct shareholding in Gek Poh and 100.00% direct shareholding in Lead Star Business Limited ("**Lead Star**"). Lead Star holds 37.68% shareholding in LSH. Accordingly, pursuant to Section 8 of the Act, Tan Sri Lau is deemed to have an interest of 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star and 12.42% shareholding held via Gek Poh.*

(2) *Pursuant to Section 8 of the Act, Tan Sri Lau is deemed to have interest in 1,360,094,542 HSCB Shares constituting 54.63% shareholding in HSCB held by Gek Poh by virtue of his direct substantial interest in Gek Poh and 154,364,580 HSCB Shares constituting 6.20% shareholding in HSCB held by HSIS by virtue of his direct substantial interest in Gek Poh as HSIS is the wholly-owned subsidiary Gek Poh. Tan Sri Lau is also deemed to have interest in 325,675,660 HSCB Shares constituting 13.08% shareholding in HSCB held by LSHI by virtue of his deemed substantial interest in LSH, the holding company of LSHI.*

(3) *Pursuant to Section 8 of the Act, Gek Poh is deemed to have interest in 154,364,580 HSCB Shares constituting 6.20% shareholding in HSCB held by HSIS.*

(4) *Pursuant to Section 8 of the Act, LSH is deemed to have interest in 325,675,660 HSCB Shares constituting 13.08% shareholding in HSCB by virtue of LSHCL and LSHI.*

(5) *Pursuant to Section 8 of the Act, LSHCL is deemed to have interest in 325,675,660 HSCB Shares constituting 13.08% shareholding in HSCB held by LSHI.*

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

The Interested Shareholders have undertaken that they will also ensure that persons connected with them who have interests in the shares in HSCB will abstain from voting in respect of their direct and/or indirect shareholdings in HSCB on the resolution in relation to the Proposed Disposal to be tabled at the forthcoming EGM to be convened.

9.2 Interested Directors

Datuk Edward Lee Ming Foo is the managing director of both HSCB and Gek Poh. Mr. Lee Wee Yong is an executive director of HSCB and a director of Gek Poh. As at the LPD, Gek Poh holds 12.42% equity interest in LSH and hence, is a major shareholder of LSH. LSHL is a wholly-owned subsidiary of LSH. Premised on the above, Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong are deemed interested in the Proposed Disposal. As such, they have abstained and will continue to abstain from all deliberations and voting at the relevant board of directors meetings and from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution in relation 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 on the resolution in relation to the Proposed Disposal at the forthcoming EGM.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH and Mr. Ch'ng Kok Phan is a non-independent non-executive director of HSCB and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan's common directorship in HSCB and LSH, they are interested in the Proposed Disposal. As such, they have abstained and will continue to abstain from all deliberations and voting at the relevant Board and audit committee (in the case of Datuk Simon Shim Kong Yip) meetings and from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution in relation 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 on the resolution in relation to the Proposed Disposal at the forthcoming EGM.

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

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

Interested Directors	Shareholdings in HSCB			
	No. of HSCB Shares			
	Direct	%#	Indirect	%#
Dato' Jorgen Bornhoft	25,000	0.001	-	-
Datuk Edward Lee Ming Foo	-	-	-	-
Mr. Lee Wee Yong	-	-	-	-
Ms. Cheah Yee Leng	-	-	-	-
Datuk Simon Shim Kong Yip	-	-	-	-
Lt. Gen. (R) Datuk Abdul Aziz bin Hasan	-	-	-	-
Dato' Mohammed Bin Haji Che Hussein	36,000	0.001	-	-
Mr. Ch'ng Kok Phan	-	-	-	-
Mr. Leow Ming Fong @ Leow Min Fong	-	-	-	-

Note:

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

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

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

The amount of related party transactions with the same related party, namely Tan Sri Lau, for the preceding 12 months from the date of this Circular is RM206,029,763.20 (excluding the Proposed Disposal). The details are as follows:

Type of transactions(1)	Transacting parties	Date of the transactions	Value
			RM
HSPD Disposal	Supergreen(2)	26 September 2016	54,188,640.00
Jesselton Hill Disposal	Primary Goldennet(2)	26 September 2016	60,841,123.20
Goldcoin Disposal	Goldcoin(2)	13 January 2017	91,000,000.00
Total			**206,029,763.20**

Notes:

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

(2) *Supergreen, Primary Goldennet and Goldcoin are indirect wholly-owned subsidiaries of LSH.*

Hence, applying the rule of aggregation pursuant to Paragraph 10.12(2)(a) of the Listing Requirements, the total amount of related party transactions entered into with the same related party, namely Tan Sri Lau, for the preceding 12 months period from the date of this Circular is RM956,029,763.20 (including the Proposed Disposal) and the highest percentage ratio thereof pursuant to Paragraph 10.02(g) of the Listing Requirements is 22.54%.

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

11. DIRECTORS' STATEMENT

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

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

12. AUDIT COMMITTEE'S STATEMENT

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

(i) in the best interests of the Company and the HSCB Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the Non-Interested Shareholders.

13. 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 9 of Part A of this Circular, the Proposed Disposal is deemed to be a related party transaction pursuant to Chapter 10 of the Listing Requirements.

As such, in accordance with Paragraph 10.08(2)(c) of the Listing Requirements, Affin Hwang IB has been appointed on 7 March 2017 as the Independent Adviser to advise the Non-Interested Directors and the Non-Interested Shareholders of HSCB on the fairness and the reasonableness of the Proposed Disposal and whether the Proposed Disposal is detrimental to the Non-Interested Shareholders of the Company and to advise the Non-Interested Shareholders on whether they should vote in favour of the Proposed Disposal.

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

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

14. EGM

The Proposed Disposal will be subject to the approval of the shareholders at the forthcoming EGM. The EGM, the notice of which is enclosed with this Circular, is to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 11 a.m. or immediately following the conclusion of the 41st AGM, which will be held at the same venue and on the same day at 10 a.m., whichever is later (or the adjournment thereof).

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

15. FURTHER INFORMATION

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

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

Dato' Jorgen Bornhoft
Independent Non-Executive Chairman

PART B

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

EXECUTIVE SUMMARY

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

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

This Executive Summary highlights the salient information of the Proposed Disposal. We advise all Non-Interested Shareholders to read and understand this Independent Advice Letter in its entirety, together with Part A of the Circular and the appendices thereto for any other relevant information. 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 relating 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 7 March 2017, CIMB, on behalf of the Board, announced that HSCB had entered into a share sale agreement with LSHL for the disposal of its 100% equity interest in HSL comprising 250,000,000 ordinary shares for a cash consideration of RM750,000,000.

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Shareholders and Interested Directors as set out in Section 9 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	The Proposed Disposal: (i) allows the Group to utilise the Sale Consideration to further grow its current core businesses; (ii) represents an opportunity for HSCB to realise a gain on disposal from HSCB's investment in HSL and at an attractive valuation; and (iii) allows the Sale Consideration to be utilised for repayment of borrowings, working capital purposes of the HSCB Group, repayment of amount owing to HSL and to defray the estimated expenses of the Proposed Disposal.
6.2	Evaluation of 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 HSL as at 31 December 2016 of RM251,738,830; and (ii) the rationale for the Proposed Disposal as set out in Section 3 of Part A of the Circular.

Section in this Independent Advice Letter	Section of evaluation	Comments
		The Sale Consideration translates into an implied PBR of 2.98 times based on the audited financial statements of HSL as at 31 December 2016. In determining the Sale Consideration, HSCB had taken into consideration the PBR of companies listed in Malaysia where their principal business activities are involved in providing transportation and other logistics services.
6.3	Salient terms of the HSL SSA	These terms were mutually agreed upon by the parties pursuant to the Proposed Disposal and include, *inter alia:* (i) Sale Consideration and manner of payment; (ii) Conditions Precedent; (iii) Completion and completion obligations; and (iv) Termination.
6.4	Utilisation of proceeds from the Proposed Disposal	HSCB intends to utilise the Sale Consideration for the following: (i) Repayment of borrowings; (ii) Working capital requirements; (iii) Repayment of amount owing to HSL; and (iv) Estimated expenses relating to the Proposed Disposal.
6.5	Risk factors in relation to the Proposed Disposal	Risk factors relating to the Proposed Disposal are: (i) Non-completion of the Proposed Disposal; (ii) Settlement risk; (iii) Loss of income from HSL; (iv) Loss of development opportunity; and (v) Dependence on third parties.
6.6	Effects of the Proposed Disposal	**<u>Share capital and substantial shareholders' shareholdings</u>** No effect. **<u>NA, NA per HSCB Share and gearing</u>** (i) Proforma NA to increase from approximately RM5.49 billion to approximately RM5.99 billion; (ii) Proforma NA per HSCB Share to increase from RM2.21 to RM2.41;

Section in this Independent Advice Letter	Section of evaluation	Comments
		(iii) Proforma gearing to decrease from 0.81 times to 0.71 times; and (iv) Proforma net gearing to decrease from 0.62 times to 0.44 times. **Earnings and EPS** The EPS (net of estimated expenses of RM1 million) of the HSCB Group is expected to increase by 21.05 sen based on the weighted average number of HSCB Shares in issue of 2,362,902,000 for the FYE 31 December 2016.

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 prior to making a decision to vote on the resolution pertaining to the Proposed Disposal.

Premised on our overall assessment and evaluation of the Proposed Disposal based on the information available to us up to the LPD, we are of the view that the Proposed Disposal is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the Non-Interested Shareholders.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

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17 May 2017

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

Dear Sir/Madam,

HAP SENG CONSOLIDATED BERHAD

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

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

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

1. INTRODUCTION

On 7 March 2017, CIMB, on behalf of the Board, announced that HSCB had entered into a share sale agreement with LSHL for the disposal of its 100% equity interest in HSL comprising 250,000,000 ordinary shares for a cash consideration of RM750,000,000.

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Shareholders and Interested Directors as set out in Section 9 of Part A of the Circular.

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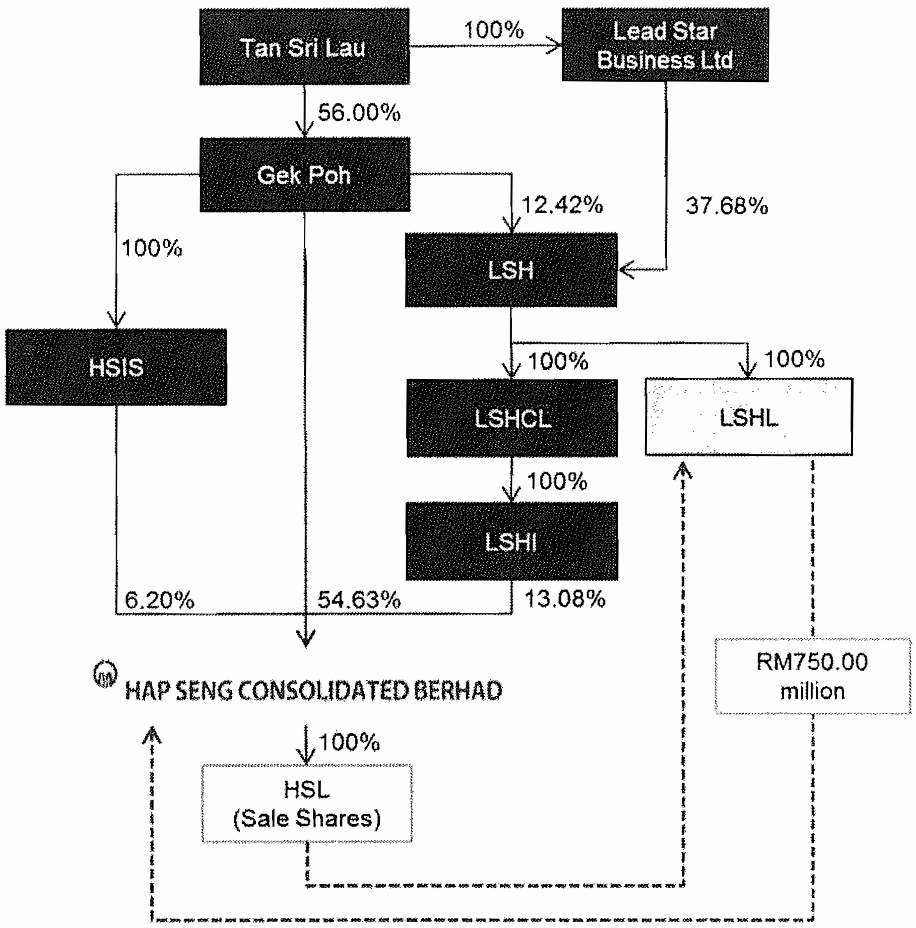
The parties to the Proposed Disposal are set out in the diagram below:



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 7 March 2017 to act as the independent adviser to provide an independent evaluation of the Proposed Disposal to the Non-Interested Directors and Non-Interested Shareholders.

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/OR PERSONS CONNECTED WITH THEM

The details of the Interested Shareholders and Interested Directors are set out in Section 9 of Part A of the Circular.

We note from Section 9.1 of Part A of the Circular that the Interested Shareholders comprise Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI. The Interested Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution in relation to 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 of the Company will also abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution in relation to the Proposed Disposal to be tabled at the forthcoming EGM.

Section 9.2 of Part A of the Circular states that:

(i) Datuk Edward Lee Ming Foo is the managing director of both HSCB and Gek Poh; and

(ii) Mr. Lee Wee Yong is an executive director of HSCB and a director of Gek Poh.

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

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

In addition, we also note that:

(i) Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH; and

(ii) Mr. Ch'ng Kok Phan is a non-independent non-executive director of HSCB and an executive director of LSH.

Premised on Datuk Simon Shim Kong Yip's and Mr. Ch'ng Kok Phan's common directorship in HSCB and LSH, they are interested in the Proposed Disposal. As such, they have abstained and will continue to abstain from all deliberations and voting at the relevant Board and audit committee (in the case of Datuk Simon Shim Kong Yip) meetings, and from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution in relation to the Proposed Disposal to be tabled at the forthcoming EGM. We note that Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan 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 in relation to the Proposed Disposal to be tabled at the forthcoming EGM.

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

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

(i) the information contained in Part A of the Circular and the appendices attached thereto;

(ii) the HSL SSA;

(iii) the Valuation Report;

(iv) 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

(v) 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 solely for the benefit of the Non-Interested Shareholders as a whole, we have not taken into consideration any specific investment objectives, financial and tax position, risk profiles, financial situation and particular needs of any individual shareholder or any specific group of shareholders.

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

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

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.

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4. DECLARATION OF CONFLICT OF INTEREST

Save for our role as the independent adviser for the Proposed Disposal, and the past related party transactions set out below[(1)], Affin Hwang IB does not have any other professional relationship with HSCB in the past 2 years prior to the date of execution of the HSL SSA. Further, Affin Hwang IB confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the independent adviser for the Proposed Disposal.

Note:

(1) Affin Hwang IB was appointed as the independent adviser for the following related party transactions for the past 2 years:

	Date of appointment	***Related party transaction***	***Completion date of the related party transaction***
(a)	*11 March 2015*	*HSC Disposal and KK Building Acquisition (as defined in Section 5(vi) of this Independent Advice Letter)*	*16 June 2015*
(b)	*1 March 2016*	*MMSB Acquisition (as defined in Section 5(iii) of this Independent Advice Letter)*	*25 May 2016*
(c)	*1 March 2016*	*HSCV Disposal and HSCV Option Shares Disposal (as defined in Section 5(ii) of this Independent Advice Letter)*	*The HSCV Disposal was completed on 25 May 2016 while the HSCV Option Shares Disposal was completed on 3 January 2017.*

5. CREDENTIALS AND EXPERIENCE OF AFFIN HWANG IB

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

Affin Hwang IB had, over the past 2 years prior to the date of execution of the HSL SSA, issued 9 independent advice opinions in relation to related party transactions that include acquisitions, disposals, a business transaction and an exemption pursuant to the Malaysian Code on Take-Over and Mergers, 2010, by certain public listed companies, with a total transaction value of RM3.04 billion.

The details of our past experience are as follows:

(i) acquisition by Magna City Shah Alam Sdn Bhd, a wholly-owned subsidiary of Magna Prima Berhad, of a piece of leasehold land measuring approximately 5.25 acres, located at Lot 737, Seksyen 13, Bandar Shah Alam, District of Petaling, Selangor Darul Ehsan for a purchase consideration of RM43 million from Regalia Raintree Sdn Bhd, where our independent advice letter was issued on 7 September 2016;

(ii) disposal by Hap Seng Star Sdn Bhd ("**HSS**") (a wholly-owned subsidiary of Hap Seng Auto Sdn Bhd which in turn is a subsidiary of Hap Seng Consolidated Berhad ("**HSCB**")) of 51% of the issued share capital of Hap Seng Commercial Vehicle Sdn Bhd ("**HSCV**") to Lei Shing Hong Commercial Vehicles Limited ("**LSHCV**") for a cash consideration of RM382.50 million ("**HSCV Disposal**"); and disposal by HSS of the balance of 49% or part thereof of the issued share capital of HSCV for a cash consideration of up to RM367.50 million pursuant to the exercise of the put option granted by LSHCV to HSS ("**HSCV Option Shares Disposal**"), where our independent advice letter was issued on 5 May 2016;

(iii) acquisition by HSCB of the entire issued share capital of Malaysian Mosaics Sdn Bhd from Gek Poh for a cash consideration of RM380 million, where our independent advice letter was issued on 5 May 2016 ("**MMSB Acquisition**");

(iv) disposal by Masterskill (M) Sdn Bhd ("**Masterskill**") (a wholly-owned subsidiary of Masterskill Education Group Berhad, now known as Asiamet Education Group Berhad) of its property assets in Petaling Jaya, Selangor and Masai, Johor to Brilland Property Sdn Bhd (a company controlled by Mr Siva Kumar a/l M Jeyapalan) for a total cash consideration of RM79.70 million; and leaseback of Masai Property 2 (as defined in the circular dated 28 May 2015) to Masterskill after completion of the disposal subject to the terms and conditions of the lease agreement. Our independent advice letter was issued on 28 May 2015;

(v) acquisition of 20% equity interest in IDB Interactive Sdn Bhd by iDimension Consolidated Bhd ("**iDimension**") for a total purchase consideration of RM5 million, to be satisfied via the issuance of 50,000,000 new ordinary shares in iDimension ("**iDimension Shares**") at an issue price of RM0.10 per iDimension Share. Our independent advice letter was issued on 28 May 2015;

(vi) disposal by HSCB of 49,600,000 ordinary shares representing 100% of the issued share capital of Hap Seng Capital Pte Ltd to LSH for a cash consideration of Singapore Dollar ("**SGD**") 240 million equivalent to RM640.80 million (based on pre-agreed exchange rate of SGD1:RM2.67)("**HSC Disposal**"); and acquisition by Hap Seng Realty (KK I) Sdn Bhd, a wholly-owned subsidiary of HSCB, of a purpose-built 14-storey retail and office tower block to be known as Menara Hap Seng KK in Kota Kinabalu, Sabah, Malaysia from Akal Megah Sdn Bhd, a wholly-owned subsidiary of LSH, for a cash consideration of RM395 million ("**KK Building Acquisition**"), where our independent advice letter was issued on 20 May 2015;

(vii) exemption under Paragraph 16.1(b), Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 for Dato' Daud Bin Ahmad and his person acting in concert for the placement of up to 40,978,112 new ordinary shares in Cypark Resources Berhad ("**CRB Shares**") ("**CRB Placement**"), namely Tan Sri Razali Bin Ismail, from the obligation to undertake a mandatory take-over offer for all the remaining CRB Shares not already held by them upon completion of the CRB Placement, where our independent advice letter was issued on 20 April 2015;

(viii) disposal by Perduren (M) Berhad of the entire issued share capital of Advantage Equity Sdn Bhd, Balance Focus Sdn Bhd and Grand Sentosa Hotel Management Services Sdn Bhd to Jerusan Indah Sdn Bhd and 30% equity interest held in Landmark Zone Sdn Bhd to Meridian Hectares Sdn Bhd for an aggregate cash consideration of RM81.50 million, where our independent advice letter was issued on 17 April 2015; and

(ix) related party transaction in relation to the new jetty terminal usage agreement entered into between Lekir Bulk Terminal Sdn Bhd, a subsidiary of Integrax Berhad, TNB Manjung Five Sdn Bhd, a wholly-owned subsidiary of Tenaga Nasional Berhad, where our independent advice letter was issued on 24 March 2015.

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 Directors and Non-Interested Shareholders in relation to the Proposed Disposal.

6. EVALUATION OF THE PROPOSED DISPOSAL

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

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

6.1 RATIONALE FOR THE PROPOSED DISPOSAL

We note the rationale for the Proposed Disposal as set out in Section 3 of Part A of the Circular as summarised below:

(i) HSL's business of providing transportation and other logistics services is not one of the Group's current core businesses. Accordingly, HSCB Group has decided to divest its investment in HSL. The Sale Consideration also enhances the liquidity of HSCB Group and allows the Group to utilise the proceeds to further grow its current core businesses.

The Proposed Disposal will allow the management to focus on the growth of the existing core businesses of the HSCB Group which is in line with the utilisation of the Sale Consideration. We note from the Annual Report 2016 of HSCB that the HSCB Group has 6 divisions comprising plantation, property investment & development, credit financing, automotive, fertilisers trading and building materials. As set out in Section 2.10 of the Circular, approximately RM473.75 million or 63.17% of the Sale Consideration will be utilised for working capital purposes for the following core businesses of the HSCB Group:

Details of utilisation	Amount (RM'000)	Utilisation by	Contribution by division based on operating profit for the FYE 31 December 2016
Purchase of inventories	163,745	Plantations, building materials, automotive and fertilisers trading divisions	Plantations (19%) Building materials (17%) Automotive (3%) Fertilisers trading (3%)
Loan disbursements	120,000	Credit financing division	Credit financing (16%)
To part finance the acquisition cost of the mixed-development at Metropolis Plot 5A	190,000	Property investment & development division	Property investment & development (42%)
Total	**473,746**		

(ii) Represents an opportunity for HSCB to realise a gain on disposal from HSCB's investment in HSL and at an attractive valuation.

As stated in the Section 2.4 of Part A of the Circular, HSCB is expected to realise a one-off proforma gain from the Proposed Disposal of approximately RM497.26 million (net of estimated expenses of RM1 million).

The proforma gain from the Proposed Disposal is expected to have a positive impact on the proforma NA, gearing and earnings of the HSCB Group as set out below:

(a) The proforma audited consolidated NA of HSCB as at FYE 31 December 2016 will increase from approximately RM5.49 billion to RM5.99 billion after the Proposed Disposal;

(b) The proforma gearing of the HSCB Group as at FYE 31 December 2016 will decrease from 0.81 times to 0.71 times;

(c) The proforma net gearing of the HSCB Group as at FYE 31 December 2016 will decrease from 0.62 times to 0.44 times; and

(d) The proforma audited consolidated PATNCI of HSCB for the FYE 31 December 2016 will increase from RM1.00 billion to approximately RM1.50 billion.

For our evaluation on the Sale Consideration please refer to Section 6.2 of this Independent Advice Letter.

(iii) The Sale Consideration will be utilised for the repayment of borrowings, working capital purposes of the HSCB Group, repayment of amount owing to HSL and to defray the expenses of the Proposed Disposal.

The proceeds from the Proposed Disposal will be utilised for the repayment of HSCB Group's existing borrowings, to fund the HSCB Group's working capital requirements, repayment of amount owing to HSL and to defray the expenses of the Proposed Disposal.

The utilisation of proceeds to finance the day-to-day operations of the HSCB Group is expected to improve its financial flexibility in managing the operating cashflow of the HSCB Group. Please refer to Section 6.4 of this Independent Advice Letter for further information on the utilisation of proceeds from the Proposed Disposal.

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

6.2 EVALUATION OF THE 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 HSL as at 31 December 2016 of RM251,738,830; and

(ii) the rationale for the Proposed Disposal which is set out in Section 3 of Part A of the Circular.

The Sale Consideration translates into an implied PBR of 2.98 times based on the audited financial statements of HSL as at 31 December 2016. In determining the Sale Consideration, HSCB has taken into consideration the PBR of companies listed in Malaysia where their principal business activities are involved in the provision of transportation and other logistic services.

Accordingly, in evaluating the Sale Consideration, we have taken into consideration the PBR of the Comparable Companies (as referred to and defined below) as the Board had considered the audited NA of HSL for the FYE 31 December 2016 in arriving at the Sale Consideration.

Although HSL is a going-concern, we have not adopted an earnings-based methodology in evaluating the Sale Consideration due to the following reasons:

(a) HSL is a relatively new start-up company and only recorded its first full year result for FYE 31 December 2016. Therefore, its earnings pattern has not yet been established for a meaningful earnings-based valuation analysis;

(b) The revenue of HSL for the FYE 31 December 2016 of RM36.07 million was derived from internal logistics requirements of the HSCB Group; and

(c) Out of the total PBT of RM2.07 million for the FYE 31 December 2016, 82.61% of HSL's PBT or RM1.71 million was derived from interest income.

PBR of Comparable Companies

PBR is a method used in the valuation of companies by comparing the company's market value to its book value. The Sale Consideration translates into an implied PBR of approximately 2.98 times as set out below:

	Workings	RM'000
Sale Consideration	(A)	750,000
Audited NA of HSL as at 31 December 2016	(B)	251,739
PBR (times)	**(A)/(B)**	**2.98**

To analyse the implied PBR of the Sale Consideration, we have selected comparable companies based on criteria that an investor would regard as similar to HSL. HSL is involved in the provision of transportation and other logistic services in Malaysia. Accordingly, the comparable companies were selected based on the following criteria:

(i) Listed on Bursa Securities; and

(ii) At least 75% of its revenue is derived from the trucking logistics segment.

(defined as the "**Comparable Companies**")

We wish to highlight that the Comparable Companies tabulated below are by no means exhaustive and may differ from HSL in terms of, *inter alia*, size/market capitalisation, marketability and liquidity of shares, size of the operations, composition of business activities, 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 are summarised as follows:

Comparable Companies	Market capitalisation as at the LTD[(1)] (RM'mil)	Principal activities
Complete Logistic Services Berhad ("**Complete Logistic**")	134.81	Complete Logistic is an investment holding company. The company, through its subsidiaries, owns ships, provides marine transportation services, general trading, trading of freight, lorry and trucking services, and logistics.
See Hup Consolidated Berhad ("**See Hup**")	54.48	See Hup is an investment holding company. The company, through its subsidiaries, provides transportation services, maintenance of heavy vehicles, forwarding agent services, bonded truck services, bonded warehousing, and contractor services. See Hup also rents properties and hires cranes and forklifts.

Comparable Companies	Market capitalisation as at the LTD[(1)] (RM'mil)	Principal activities
Tiong Nam Logistics Holdings Berhad ("**Tiong Nam**")	674.17	Tiong Nam is an investment holding company. The company, through its subsidiaries, provides warehousing and transportation services. It also leases properties.
Xin Hwa Holdings Berhad ("**Xin Hwa**")	216.00	Xin Hwa is an investment holding company engaged in the provision of management services. The company, through its subsidiaries, is a logistics service provider involved in land transport operations, warehousing and distribution operations.

*(**Source**: Bloomberg, website of Bursa Securities and the latest annual reports of the Comparable Companies available as at the LTD.)*

Note:

(1) Based on the last price multiplied by the number of shares outstanding of the respective companies as at the LTD.

The computation of the PBR of the Comparable Companies are as set out below:

Comparable Companies	Last price as at LTD (RM)	Audited	
		NA per share (RM)	PBR (times)
Complete Logistic	1.10	0.96	1.15
See Hup	1.05	1.32	0.80
Tiong Nam	1.61	1.43	1.13
Xin Hwa	1.00	0.59	1.69
		Median	**1.14**
		Simple average	**1.19**
		Maximum	**1.69**
		Minimum	**0.80**

*(**Source**: Bloomberg, the website of Bursa Securities and the latest audited consolidated financial statements of the Comparable Companies available as at the LTD.)*

The implied PBR of the Sale Consideration is above the median, simple average and maximum PBR of the Comparable Companies.

We wish to highlight that, as part of the Comparable Companies selection process, we have also considered the following companies but are of the view that they are not directly comparable to HSL due to reasons stated below. Accordingly, we have excluded the following companies from the Comparable Companies selection:

Company	Reason for exclusion
Nationwide Express Courier Services Berhad ("**Nationwide Express**")	Based on Nationwide Express' Annual Report 2016, Nationwide Express and its subsidiaries are principally involved in express courier services and mailroom management services (93% of its revenue was derived from this segment for the FYE 31 March 2016). Therefore, its business is not directly comparable to the trucking logistics business of HSL.

Company	Reason for exclusion
Ancom Logistics Berhad ("**Ancom**")	Based on Ancom's Annual Report 2016, although Ancom and its subsidiaries are principally involved in providing logistics services (87% of its revenue was derived from this segment for the FYE 31 May 2016), the logistics services comprised tank farm business and the operation of a fleet of road tankers. Therefore, its business is not directly comparable to the trucking logistics business of HSL.
Transocean Holdings Bhd ("**Transocean**")	Based on Transocean's Annual Report 2016, the reportable business segments of Transocean and its subsidiaries ("**Transocean Group**") comprised logistics solutions, trading of tyres and investment holding. The logistics solution business segment only accounted for 65% of its total revenue for the FYE 31 December 2016, which is below our selection criterion where at least 75% of the revenue is derived from trucking logistics business. Further, the Transocean Group also provides custom brokerage, warehousing, freight forwarding trucking related services, international air and ocean freight services. Therefore, the business of the Transocean Group is not directly comparable to the trucking logistics business of HSL.
Tasco Berhad ("**Tasco**")	Based on Tasco's Annual Report 2016, the operations of Tasco and its subsidiaries ("**Tasco Group**") are organised into the following segments – air freight forwarding division, contract logistics division, trucking division, ocean freight forwarding division and origin cargo order and vendor management division. The trucking division of Tasco Group only accounted for 16% of its total revenue for the FYE 31 March 2016, which is below our selection criterion where at least 75% of the revenue is derived from trucking logistics business. Therefore, the business of the Tasco Group is not directly comparable to the trucking logistics business of HSL.

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Audited NA of HSL

We wish to highlight that the NA of HSL comprises mainly the Land and amount due from related companies. We note that the book value of the Land as at 31 December 2016 is RM155 million and that the Land had been valued by the Independent Registered Property Valuer on 18 January 2017. The Valuation Certificate is appended in Appendix II of the Circular. The amount due from related companies as at 31 December 2016 is RM80.37 million and comprised the following:

	Amount RM'000	Comments
Amount due from related companies (trade in nature)	5,118	Based on HSL's audited financial statements, these amounts are unsecured, non-interest bearing and subject to normal credit terms of 30 days. As at the LPD, the amount due from related companies have been settled in full.
Amount due from a related company (non-trade in nature)	75,255	Based on HSL's audited financial statements, this amount is unsecured, repayable on demand and interest is charged at the rate of 4% per annum. This amount owing by HSCB to HSL arose from a centralised treasury function performed by HSCB on behalf of HSL as its wholly-owned subsidiary. The amount will be settled on the HSL Completion Date as part of the utilisation of the Sale Consideration taking into account that HSL will cease to be a subsidiary of HSCB after the Proposed Disposal.
Total	**80,373**	

The Land comprises 2 adjacently-sited parcels of vacant industrial land, next to one another identified as Title No. HSD 296690 for PT No. 325 and Title No. HSD 296691 for PT No.326, both within Seksyen 23, Town of Shah Alam, District of Petaling, State of Selangor. It is situated along Persiaran Perusahaan, Seksyen 23, Shah Alam, Selangor Darul Ehsan. The application for the amalgamation of these two parcels of vacant industrial land was registered on 30 August 2016 and approved on 20 February 2017.

The Independent Registered Property Valuer adopted the Comparison Method to value the Land. The comparison method is the market approach of comparing the subject property with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In comparing properties, due consideration was given to factors such as location, size, time element and other relevant factors to arrive at the opinion of value.

We note that the Valuation Report was prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia.

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We set out below the comparable transactions considered by the Independent Registered Property Valuer:

	Land	Comparable 1	Comparable 2	Comparable 3
Title and lot number	HSD 296690 and HSD 296691	Geran 97610, Lot No. 64410	Parent Title No. GRN 311546, Lot No.62010	GRN 177487, Lot No. 38273
Location	Seksyen 23, Town of Shah Alam, District of Petaling, State of Selangor	Mukim of Damansara, District of Petaling, State of Selangor (Persiaran Gerbang Utama, Bukit Jelutong)	Pekan of Hicom, District of Petaling, State of Selangor (Jalan Jijan 28/35, Seksyen 28, Shah Alam, Selangor)	Pekan Baru Hicom, District of Petaling, State of Selangor (Persiaran Jubli Perak, Taman Perindustrian Subang, Seksyen 22, Shah Alam, Selangor)
Type of property	Vacant industrial land	A parcel of freehold industrial land	A part of freehold industrial land erected with building which is not utilised at the time of transaction	A parcel of freehold industrial land with an old building (which is unused/under-utilised as at the time of transaction)
Tenure	Leasehold for 99 years expiring on 30 May 2098 (an unexpired term of approximately 81 years)	Freehold	Freehold	Freehold
Transaction date		16 March 2016	14 March 2016	1 July 2016
Consideration (RM)		46,508,704	69,000,000	25,750,000
Land area (sq. ft.)	881,134	232,544	431,762	190,769
Market rate (RM per sq. ft.)		200.00	159.81	134.98
Adjusted market rate (RM per sq. ft.)		175.10	149.23	176.23
Adopted market rate (RM per sq. ft.)				**175.00**
Market value of the Land (RM)				**154,198,393**
Adopted market value of the Land (RM)				**155,000,000**

*(**Source**: Valuation Report)*

The Independent Registered Property Valuer had factored in adjustments for dissimilarities between the available comparables and the Land in arriving at its market value, including adjustments for time lapse, location, frontage, exposure, accessibility, tenure, plot size, development potential and planning approval. The Independent Registered Property Valuer had adopted the adjusted value of Comparable 1 to be the market rate to value the Land as Comparable 1 has fairly similar characteristics with the Land in terms of location and development potential.

The audited book value of the Land as at 31 December 2016 is equivalent to the market value derived by the Independent Registered Property Valuer. Therefore, there is no adjustment required on the book value of the Land as it is reflective of its market value.

Based on the above, the Sale Consideration is fair as it represents an implied PBR which is above the median, simple average and maximum PBR of the Comparable Companies.

6.3 SALIENT TERMS OF THE HSL SSA

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

<table>
<tr><th colspan="2">Salient terms of the HSL SSA</th><th>Affin Hwang IB's comments</th></tr>
<tr><td colspan="3">Sale Consideration and manner of payment</td></tr>
<tr><td>(1)</td><td>The Sale Consideration is RM750 million and is payable by LSHL to HSCB in the following manner:

(i) the Deposit within 7 days from the date of execution of the HSL SSA; and

(ii) the Balance Sum on the HSL Completion Date.

All amounts payable by LSHL shall be paid in RM to HSCB unless otherwise agreed by HSCB and LSHL. If the Sale Consideration is to be paid in HKD, it shall be made at the average of the buying and selling rates quoted by the Hong Kong and Shanghai Banking Corporation Limited on its website at the close of Business Day immediately preceding the payment due date.</td><td>The manner of payment is in line with common commercial terms of other acquisition or disposal transactions

The payment of deposit within 7 days is reasonable to facilitate the conversion of currency from HKD (LSHL's country of domicile is Hong Kong) to RM.

It is the Management's intention for the Balance Sum to be settled in RM. Therefore, there will be no foreign exchange exposure.</td></tr>
<tr><td colspan="3">Conditions Precedent</td></tr>
<tr><td>(2)</td><td>The Proposed Disposal is conditional upon the following conditions precedent being obtained on or before the HSL Cut-off Date:

(i) approval to be obtained from the shareholders of HSCB;

(ii) approval to be obtained from the board and shareholders (if applicable) of LSHL; and

(iii) all such approvals and consents as may be required from any other parties, governmental authorities and the relevant regulatory authorities, (if applicable).</td><td>The HSL Cut-off Date, being a 6-month period to fulfil the Conditions Precedent, has been agreed upon by the parties after taking into consideration the relevant approvals required for the Proposed Disposal.

We note that the only outstanding Conditions Precedent as at the date of this Independent Advice Letter is the approval from the shareholders of HSCB to give effect to the Proposed Disposal.</td></tr>
</table>

Salient terms of the HSL SSA		Affin Hwang IB's comments
Completion and completion obligations		
(3)	The completion of the HSL SSA shall take place on the HSL Completion Date whereupon LSHL shall pay the Balance Sum to HSCB and HSCB shall comply with its obligations as follows: (i) HSCB shall deliver the duly executed share transfer forms for the Sale Shares in favour of LSHL (or its nominee) and the relevant share certificates, and such other documents as may be requested by LSHL and necessary for the purpose of assessing stamp duty payable on the transfer of the Sale Shares; and (ii) HSCB shall ensure the passing of the requisite resolutions of the board of directors of HSL, approving (among others): (a) the registration of the share transfers referred in Section 6.3(3)(i) above subject only to it being duly stamped; (b) the cancellation of the existing share certificates issued in the name of HSCB and issuance of a new share certificate in the name of LSHL; and (c) the affixation of the common seal of HSL on the new share certificate to be issued in the name of LSHL.	The HSL SSA is to be completed no later than 30 days from the date on which all the Conditions Precedent are satisfied, which is a reasonable timeline. This clause sets out the respective roles of HSCB and LSHL on the HSL Completion Date to give effect to the Proposed Disposal. The delivery of the required documents by HSCB 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.
Termination		
(4)	HSCB's default (i) If, prior to the completion of the HSL SSA, HSCB is in default of or breaches any of the terms and conditions applicable to it under the HSL SSA, LSHL shall be entitled to give notice in writing to HSCB specifying such default or breach within 14 days from the date of such notice. If HSCB fails, neglects or refuses to remedy or make good such default or breach within 14 days from the date of such notice, the HSL SSA shall be terminated.	The remedies to each party are parallel. The termination clauses protect the interest of each party. This term allows HSCB to rectify any breach under the HSL SSA within 14 days upon receiving a notice from LSHL of such default or breach. If HSCB fails to remedy such default or breach, the Deposit paid will be refunded to LSHL and the HSL SSA shall be terminated. In addition, HSCB will be required to pay 10% of the Sale Consideration as agreed liquidated damages.

Salient terms of the HSL SSA		Affin Hwang IB's comments
	(ii) Upon the termination of the HSL SSA pursuant to Section 6.3(4)(i) above, HSCB shall within 7 days from the date of termination: (a) refund to LSHL the Deposit free of interest; and (b) pay a sum amounting to 10% of the Sale Consideration to LSHL as agreed liquidated damages.	LSHL is also subject to a similar reciprocal clause i.e. in the event of LSHL's default or breach, HSCB can terminate the HSL SSA and HSCB shall forfeit the Deposit as agreed liquidated damages which is in line with the commercial terms of other acquisition or disposal transactions.
(5)	LSHL's default	
	(i) If prior to the completion of the HSL SSA, LSHL is in default of or breaches any of the terms and conditions applicable to it under the HSL SSA, HSCB shall be entitled to give notice in writing to LSHL specifying such default or breach and requiring LSHL to remedy or make good such default or breach within 14 days from the date of such notice. If LSHL fails, neglects or refuses to remedy or make good such default or breach within the said 14 days' period, the HSL SSA shall be terminated.	We are of the view that this term is reasonable as HSCB is also subject to similar reciprocal clauses, as set out in Section 6.3(4) of this Independent Advice Letter. Upon termination of the HSL SSA, the Deposit shall be forfeited by HSCB as agreed liquidated damages which is in line with the commercial terms of other acquisition or disposal transactions.
	(ii) Upon termination of the HSL SSA pursuant to Section 6.3(5)(i) above, the Deposit shall be forfeited to HSCB absolutely as agreed liquidated damages.	

Based on the salient terms of the HSL SSA and our comments as set out above, we are of the view that the salient terms of the HSL 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, HSCB intends to utilise the Sale Consideration for the operations of the Group and to defray estimated expenses relating to the Proposed Disposal in the following manner:

Purpose of utilisation	Estimated timeframe for utilisation from the HSL Completion Date	Amount (RM'000)	% of Sale Consideration
Repayment of borrowings	within 24 months	200,000	26.67
Working capital requirements	within 24 months	473,745	63.17
Repayment of amount owing to HSL	upon completion of the Proposed Disposal	75,255	10.03
Estimated expenses	within 3 months	1,000	0.13
	Total	**750,000**	**100**

HSCB intends to utilise RM200 million or approximately 26.67% of the Sale Consideration to pare down its existing borrowings. As at 31 December 2016, the total borrowings of the HSCB Group was approximately RM4.43 billion. The repayment of borrowings is expected to improve the gearing level of the Group as well as reduce interest cost expenses of approximately RM10 million per annum based on the interest rate of approximately 5% per annum. We note that the borrowings (including short-term borrowings) are expected to be repaid gradually taking into consideration the maturity dates of the borrowings. The Group is expected to repay its borrowings over a period of up to 24 months from the HSL Completion Date.

In addition, HSCB will utilise 63.17% of the Sale Consideration or approximately RM473.75 million to meet the Group's working capital requirements. HSCB intends to use RM473.75 million in the following estimated proportions:

Details of utilisation	Amount (RM'000)
Purchase of inventories These include the purchase of fertilisers, automobiles, spare parts and inventories for building materials such as steel bars and cement	163,745
Loan disbursements for credit financing division The loan is expected to be disbursed to the following sectors: (a) manufacturing (RM25,000,000); (b) transportation (RM25,000,000); and (c) real estate (RM70,000,000).	120,000
Property development This is to part finance the acquisition cost of the mixed-development at Metropolis Plot 5A	190,000
Total	**473,745**

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

HSCB will utilise 10.03% of the Sale Consideration or approximately RM75.26 million for the repayment of amount owing to HSL. The HSCB Group has a centralised treasury function where excess cash of its subsidiaries is transferred to a pool of funds managed by the centralised treasury. The pool of funds will then be, amongst others, placed into deposits and/or money market instruments, which will generate returns for the HSCB Group. The subsidiaries will in turn receive interest payments and the cash will be repayable on demand. As at 31 December 2016, HSL has a sum of RM75,255,409 managed by the centralised treasury which is repayable on demand and subject to an interest at the rate of 4% per annum. HSCB will repay the amount due to HSL upon completion of the Proposed Disposal.

HSCB intends to utilise RM1 million of the proceeds from the Proposed Disposal to pay the estimated expenses relating to the Proposed Disposal which include, amongst others, the professional fees, fees payable to the relevant authorities, expenses relating to the forthcoming EGM and other miscellaneous expenses.

Based on the above, the utilisation of proceeds for the Proposed Disposal is reasonable.

6.5 RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL

We have taken note of the risk factors associated with the Proposed Disposal as set out in Section 4 of Part A of the Circular:

(i) Non-completion of the Proposed Disposal

There is no assurance that all of the Conditions Precedent are going to be fulfilled within the timeframe as set out in the HSL SSA. If any one of the Conditions Precedent is not fulfilled, the Proposed Disposal might be terminated.

The management of HSCB will use its best endeavours to ensure the HSL Completion and will take all reasonable steps to ensure that the Conditions Precedent are fulfilled in a timely manner, to avoid termination and to facilitate the HSL Completion.

As at the date of this Independent Advice Letter, we note that the only outstanding Conditions Precedent is the approval of the shareholders of HSCB for the Proposed Disposal where HSCB will take all reasonable steps to ensure it is satisfied; failing which, the Proposed Disposal will be terminated and HSCB shall refund the Deposit to LSHL.

(ii) Settlement risk

The Proposed Disposal is subject to full settlement of the net proceeds of the Sale Consideration by LSHL. However, there is no assurance that LSHL will be able to settle the Balance Sum on the HSL Completion Date.

We note that the delivery of title to the Sale Shares is simultaneous in exchange for the payment of the Balance Sum. As such, ownership of the shares will not be transferred to LSHL until the payment of the Balance Sum has been received.

In addition, should LSHL defaults or breaches any of the terms and conditions applicable to it under the HSL SSA and if the HSL SSA is terminated due to such default or breach, the Deposit shall be forfeited to HSCB as agreed liquidated damages. Please refer to Section 2.2.5 of Part A of the Circular for further details on the termination of the HSL SSA.

(iii) **Loss of income from HSL**

HSCB intends to utilise the Sale Consideration in the manner set out in Section 2.10 of Part A of the Circular. There is no assurance that the manner in which HSCB proposes to utilise the Sale Consideration will be able to generate a better return than if HSCB continues to grow the transportation and other logistics services business of HSL.

Upon completion of the Proposed Disposal, HSL will cease to be a subsidiary of HSCB. Accordingly, HSL's result will not be consolidated into the financial performance of HSCB. However, we wish to highlight that the revenue, PAT and NA contribution of HSL to the HSCB Group is immaterial for the FYE 31 December 2016 (less than 1%, 1% and 5%, respectively).

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 HSL, we note that HSL is a relatively new start-up company and only recorded its first full year result for FYE 31 December 2016. The Proposed Disposal represents an opportunity for HSCB to realise a gain of RM497.26 million (net of estimated expenses of RM1 million) immediately.

(iv) **Loss of development opportunity**

HSL is the owner of the 2 adjacently-sited parcels of 99-year industrial land. Following the completion of the Proposed Disposal, HSCB Group will not have the opportunity to develop the Land. There is no assurance that the proposed utilisation of the Sale Consideration will be able to provide a better return than the profit that could be derived from the development of the Land.

We note that following completion of the Proposed Disposal, HSCB will not have the opportunity to develop the Land. Based on our discussion with the Management, we understand that HSCB does not have any plans to develop the Land at this juncture. The Proposed Disposal represents an opportunity for HSCB to realise its investment in the Land (via the Proposed Disposal) at an attractive valuation immediately.

(v) **Dependence on third parties**

HSCB Group's transportation and other logistics services are mainly undertaken by HSL. Upon completion of the Proposed Disposal, the HSCB Group will be dependent on third parties to fulfil its transportation and other logistics needs.

Whilst we have taken note of the risk factor above, we are of the view that the HSCB Group's risk is mitigated as based on our discussion with the Management, HSCB is able to utilise the services of other logistics services providers, including HSL to fulfil its transportation and other logistics needs. Hence, the Management does not foresee any difficulties in procuring these services for its logistics requirements.

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.

Based on the above, we are of the view that the risk factors in relation to the Proposed Disposal are not detrimental to the Non-Interested Shareholders.

6.6 EFFECTS OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken note of the effects of the Proposed Disposal as set out Section 5 of Part A of the Circular.

(i) Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the share capital and substantial shareholders' shareholdings in the Company as the Sale Consideration will be satisfied fully in cash and there will be no issuance of new HSCB Shares.

(ii) NA, NA per HSCB Share and gearing

Based on the latest audited consolidated statements of financial position of HSCB as at 31 December 2016, the proforma effects of the Proposed Disposal on the NA, NA per HSCB Share and gearing are as set out below:

(a) Proforma NA to increase from approximately RM5.49 billion to approximately RM5.99 billion;

(b) Proforma NA per HSCB Share to increase from RM2.21 to RM2.41;

(c) Proforma gearing to decrease from 0.81 times to 0.71 times; and

(d) Proforma net gearing to decrease from 0.62 times to 0.44 times.

The proforma effects above arises mainly from the proforma gain on disposal of approximately RM497.26 million (net of estimated expenses of RM1 million).

(iii) Earnings and EPS

Upon completion of the Proposed Disposal, HSCB Group is expected to record a proforma gain on disposal of approximately RM497.26 million (net of estimated expenses of RM1 million). The EPS of the HSCB Group is expected to increase by 21.05 sen based on the weighted average number of HSCB Shares in issue of 2,362,902,000 for the FYE 31 December 2016.

Upon completion of the Proposed Disposal, HSL will cease to be a subsidiary of HSCB. Accordingly, HSL's result will not be consolidated into the financial performance of HSCB. However, we wish to highlight that the revenue, PAT and NA contribution of HSL to the HSCB Group is immaterial for the FYE 31 December 2016 (less than 1%, 1% and 5%, respectively).

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

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7. CONCLUSION AND RECOMMENDATION

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

	Section of evaluation	Comments
(a)	**Rationale for the Proposed Disposal**	The Proposed Disposal: (i) allows the Group to utilise the Sale Consideration to further grow its current core businesses; (ii) represents an opportunity for HSCB to realise a gain on disposal from HSCB's investment in HSL and at an attractive valuation; and (iii) allows the Sale Consideration to be utilised for repayment of borrowings, working capital purposes of the HSCB Group, repayment of amount owing to HSL and to defray the estimated expenses of the Proposed Disposal. We are of the view that the rationale for the Proposed Disposal is reasonable.
(b)	**Evaluation of the Sale Consideration**	The Sale Consideration is fair as it represents an implied PBR which is above the median, simple average and maximum PBR of the Comparable Companies.
(c)	**Salient terms of the HSL SSA**	After evaluating the salient terms of the HSL SSA as set out in Section 6.3 of this Independent Advice Letter, we note that the terms of the HSL SSA are reasonable.
(e)	**Utilisation of proceeds from the Proposed Disposal**	The Sale Consideration is expected to be utilised for repayment of borrowings, working capital requirements, repayment of amount owing to HSL and to defray the estimated expenses for the Proposed Disposal. The utilisation of proceeds to finance the day-to-day operations of the HSCB Group is expected to improve its financial flexibility in managing the operating cashflow of the HSCB Group.
(f)	**Risk factors in relation to the Proposed Disposal**	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. We are of the view that the risk factors in relation to the Proposed Disposal are not detrimental to the Non-Interested Shareholders.

	Section of evaluation	Comments
(g)	**Effects of the Proposed Disposal**	**<u>Share capital and substantial shareholders' shareholdings</u>** The share capital and substantial shareholders' shareholdings of HSCB will not be affected by the Proposed Disposal. **<u>NA, NA per HSCB Share and gearing</u>** (i) Proforma NA to increase from approximately RM5.49 billion to approximately RM5.99 billion; (ii) Proforma NA per HSCB Share to increase from RM2.21 to RM2.41; (iii) Proforma gearing to decrease from 0.81 times to 0.71 times; and (iv) Proforma net gearing to decrease from 0.62 times to 0.44 times. **<u>Earnings and EPS</u>** The EPS (net of estimated expenses of RM1 million) of the HSCB Group is expected to increase by 21.05 sen based on the weighted average number of HSCB Shares in issue of 2,362,902,000 for the FYE 31 December 2016. Accordingly, we are of the view that the effects of the Proposed Disposal are not to the detriment of the Non-Interested Shareholders.

After taking into consideration our overall assessment and evaluation of the Proposed Disposal based on the information available to us up to the LPD, we are of the view that the Proposed Disposal is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the Non-Interested Shareholders of HSCB.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

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

JOHAN HASHIM
Head
Corporate Finance

STELLA CHOY
Director
Corporate Finance

1. DATE AND PLACE OF INCORPORATION

HSL was incorporated in Malaysia under the name of Hevea Palm Advisory Services Sdn Bhd on 26 December 1978 under the Companies Act 1965 and registered under the Act. On 24 July 1998, HSL changed its name to Hap Seng Agrotech Sdn Bhd and subsequently on 13 July 2015 assumed its current name.

2. ISSUED SHARE CAPITAL

As at the LPD, the issued share capital of HSL is RM250,000,000.00 comprising 250,000,000 HSL Shares.

3. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, HSL does not have any subsidiary or associated company.

4. BRIEF HISTORY OF HSL FOR THE PAST THREE YEARS, THE GENERAL NATURE OF BUSINESS CONDUCTED BY HSL AND THE ASSETS OWNED BY HSL

HSL has been principally involved in providing transportation and other logistic services since December 2015. HSL provides transportation and other logistic services to some of the subsidiaries of HSCB. In addition, HSL owns trucks which are used to support the off-road transportation and other logistic services for HSCB Group's plantation by transporting fresh fruit bunches within the plantation estate and from the plantation estate to the oil mills. Prior to that, HSL was a dormant company.

Additionally, HSL owns two (2) adjacently-sited parcels of vacant industrial land, details of which are set out in Section 11 of Appendix I and Appendix II of this Circular.

5. DETAILS OF MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, the directors of HSL 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 HSL.

6. DIRECTORS

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

Name	Designation	Nationality
Datuk Edward Lee Ming Foo	Director	Malaysian
Mr. Lee Wee Yong	Director	Malaysian
Ms. Cheah Yee Leng	Director	Malaysian

7. SUBSTANTIAL SHAREHOLDERS

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

Name	Country of Incorporation/ Nationality	Direct No. of HSL shares	Direct %	Indirect No. of HSL shares	Indirect %
HSCB	Malaysia	250,000,000	100	-	-
Tan Sri Lau	Malaysian	-	-	250,000,000[(1)]	100
Gek Poh	Malaysia	-	-	250,000,000[(2)]	100

Notes:

(1) Deemed interested by virtue of his shareholdings in HSCB, held via Gek Poh pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of its shareholdings in HSCB pursuant to Section 8 of the Act.

8. SUMMARY OF FINANCIAL INFORMATION OF HSL

Set out below are the selected financial information of HSL based on the audited financial statements of HSL for the FYE 31 December 2014, 31 December 2015 and 31 December 2016.

	Audited	Audited	Audited
		FYE 31 December	
	2014	2015	2016
	RM	RM	RM
Revenue	-	1,402,538[(1)]	36,073,025
Other income – Interest income	18,243	13,439	1,708,101
PBT	14,796	22,929	2,073,920
PAT	14,796	22,929	1,686,846
Shareholders' funds/ NA	729,055	751,984	251,738,830
Number of shares in issue	700,000	700,000	250,000,000
Borrowings	-	-	-
EPS (sen) [(2)]	2.11	3.28	1.62[(4)]
NA per share (RM) [(3)]	1.04	1.07	1.01
Gearing ratio (times)	-	-	-
Current ratio (times)[(5)]	133.39	1.54	9.52

Notes:

(1) HSL commenced its operation of providing transportation and other logistic services in December 2015. Prior to that, HSL was a dormant company.

(2) Computed based on PAT over number of shares in issue.

(3) Computed based on shareholders' funds / NA over number of shares in issue.

(4) Computed based on weighted average number of HSL Shares of 104,234,426 shares.

(5) Computed based on current assets over current liabilities.

Commentaries:

FYE 31 December 2015 vs. FYE 31 December 2014

HSL commenced operations in December 2015 resulting in revenue from its transportation and other logistic operations of RM1,402,538. Interest income declined to RM13,439 from RM18,243 in the previous year.

As a result, PBT and PAT increased to RM22,929 from RM14,796 in the previous year.

FYE 31 December 2016 vs. FYE 31 December 2015

Revenue from its transportation and other logistic operations increased to RM 36,073,025 in FYE 31 December 2016 from RM1,402,538 in FYE 31 December 2015 as it completed its first full year of operations. Interest income grew from RM13,439 to RM1,708,101 primarily due to interest earned from excess funds from the injection of capital to HSL to support its acquisition of land and fixed assets for business expansion.

As a result of the above, PBT and PAT increased to RM2,073,920 and RM1,686,846 respectively, from RM22,929 in the previous year.

There were no exceptional and/or extraordinary items reported in the audited financial statements of HSL for the financial years under review. There have been no peculiar accounting policies adopted by HSL. Accounting policies adopted by HSL are consistent with the HSCB Group. There have been no audit qualifications reported in the audited financial statements of HSL during the financial years under review.

9. MATERIAL CONTRACTS

HSL has not entered into any material contract (not being contracts entered into in the ordinary course of its business) within the past two (2) years immediately preceding the date of this Circular, save as disclosed below:

On 11 August 2016, Pacific and HSL entered into a sale and purchase agreement whereby Pacific agreed to sell the Land and HSL agreed to purchase the Land at the purchase consideration of RM155,000,000.00. Simultaneously, Pacific executed a power of attorney in favour of HSL on such terms as to enable HSL to deal with the Land as if HSL is the registered proprietor thereof. Upon payment of the full purchase consideration of the Land to Pacific on 6 September 2016, HSL became the beneficial owner of the Land.

10. MATERIAL LITIGATION

As at the LPD, HSL 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 HSL and, to the best of the knowledge and belief of the management of HSL, 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 HSL.

11. LAND OWNED BY HSL

HSL is the beneficial owner of the following Land:

Title number	:	HSD 296690 for PT No.325 and HSD 296691 for PT No.326 both within Section 23, Town of Shah Alam, District of Petaling, State of Selangor
Registered proprietor	:	Pacific
Beneficial Owner	:	HSL
Locality	:	Situated along Persiaran Perusahaan, Seksyen 23, Shah Alam, Selangor Darul Ehsan
Leasehold tenure	:	Leasehold interest for 99 years expiring on 30 May 2098, thus leaving an unexpired term of about 81 years as at the date of valuation, ie 18 January 2017
Type of land	:	2 adjacently-sited parcels of vacant industrial land
Land size	:	81,860 square metres (or 20.23 acres)
Brief description	:	The land comprises two (2) adjacently-sited parcels of vacant industrial land, regular in shape and contains a total land area of 81,860 square meters (about 881,134 sq. ft.)
Existing use/ proposed use	:	Industrial
Net book value	:	RM155,000,000
Market value	:	RM155,000,000
Date of valuation	:	18 January 2017
Independent registered property valuer	:	PA International Property Consultants (KL) Sdn Bhd
Encumbrances	:	None

PA INTERNATIONAL
PROPERTY CONSULTANTS (KL) SDN BHD
(748916W) (V (1) 0077/5)
PA国际物业顾问(吉隆坡)有限公司

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Date: 6th March 2017

Board of Directors,
Hap Seng Consolidated Berhad
21st Floor, Menara Hap Seng,
Jalan P. Ramlee
50250 KUALA LUMPUR

Dear Sirs,

CERTIFICATE OF VALUATION FOR PROPERTY HELD UNDER TITLE NO. HSD 296690 FOR PT NO. 325 AND TITLE NO HSD 296691 FOR PT NO. 326, BOTH WITHIN SECTION 23, TOWN OF SHAH ALAM, DISTRICT OF PETALING, STATE OF SELANGOR ("SUBJECT PROPERTY")

Instructions

We have been instructed by Hap Seng Consolidated Berhad ("HSCB") to assess the Market Value of the unexpired leasehold interest in the subject property for the purpose of submission to Bursa Malaysia Securities Berhad ("Bursa Securities") for the proposed disposal by Hap Seng Consolidated Berhad of its 100% equity interest in Hap Seng Logistics Sdn Bhd.

We are pleased to certify that we have conducted a formal valuation report and valued the legal interests in the subject property as at the date of Valuation on **18th January 2017**.

This Valuation Certificate is prepared for inclusion in the circular to the shareholders of Hap Seng Consolidated Berhad, in relation to the Proposed Disposal.

Valuation

The Report and Valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by the Securities Commission Malaysia as well as the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia. The basis of valuation for the purpose of the valuation report is **MARKET VALUE,** which as defined in the **MALAYSIAN VALUATION STANDARDS** is as follows:

'Market Value' is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation report is also prepared with reference to a planning approval and other relevant information as provided by the Client. All data and information thus obtained from the said sources are deemed correct for the purpose of this valuation.

The necessary title search has been conducted at the Selangor Darul Ehsan Land Registry in Shah Alam, Selangor Darul Ehsan.

Subject Property

The subject property comprises two (2) adjacently-sited parcels of vacant industrial land commonly located along Persiaran Perusahaan, Seksyen 23, Shah Alam, Selangor Darul Ehsan.

Further details of the subject property are as follows:-

Title Particulars

Title Nos.	PT Nos.	Provisional Titled Land Area (square metres)	Quit Rent
HSD 296690	325 Seksyen 23	47,860	RM130,706.00
HSD 296691	326 Seksyen 23	34,000	RM92,854.00
Total		**81,860**	**RM223,560.00**

Other common title particulars are as follows:-

Town	:	Shah Alam
District	:	Petaling
State	:	Selangor
Tenure	:	Leasehold for 99 years expiring on 30th May 2098, thus leaving an unexpired term of about 81 years as at the date of this Valuation
Category of Land Use	:	Perusahaan
Express Conditions	:	Perusahaan
Restriction In Interest	: *	Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak, atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri.
Registered Proprietor	:**	Pacific Emerald Properties Sdn Bhd

The above particulars are deemed correct as at the date of valuation. It is advised that solicitors be appointed to verify the above details.

Note: * i) For the purpose of this Valuation, we have assumed that such consent will not be unreasonably withheld by the state authority.

**ii) Vide a Sale and Purchase Agreement dated 11th August 2016, the Registered Proprietor sold the subject property to Hap Seng Logistics Sdn Bhd (the Purchaser) for a consideration of RM155,000,000/-.

iii) Also vide a Power of Attorney dated 11th August 2016, the Registered Proprietor (the Donor) appointed the Purchaser (the Donee) to be the Donor's attorney to execute any acts, deeds, instruments, documents and things as and when the Attorney shall think fit with respect to the Donor's rights, titles and interests in and to the Land.

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Description	**<u>Location</u>** The subject property is located along Persiaran Perusahaan within an established industrial / manufacturing area known as Seksyen 23, Shah Alam, Selangor Darul Ehsan. It is also bounded by two other major roads viz. Persiaran Jubli Perak at the north and Persiaran Tengku Ampuan at the east. **<u>Surroundings</u>** The immediate vicinity of this property is predominantly industrial in character i.e. in the style of individually-designed factories and semi detached factories. Also notably located in the immediate neighbourhood are the KPJ Selangor Specialist Hospital, the Shah Alam Specialist Hospital (SALAM) and De Palma Hotel Shah Alam. Other than the above, the following industrial schemes/locales of Kawasan Perindustrian Subang Utama, Hicom Industrial Estate, and Seksyen 15, 16, 17, 18, 19, 20, 21, 22, and 24 of Bandar Shah Alam are also found in the broader locality and within easy reach of the subject property. Residences and commercial elements are also noted in the same i.e. respectively taking the form of single-storey and double-storey terraced houses, and several blocks of flats/ apartments/condominiums, and double-storey to four-storey terraced shophouses/offices.
	<u>Site</u> The subject site comprises two (2) adjacently-sited parcels of vacant industrial land, containing therein a total provisional titled land area of 81,860 square metres (about 881,134 square feet) and a regular-shaped plot that lies flattish and about level with the adjacently-sited roads of Persiaran Perusahaan, Persiaran Jubli Perak and Persiaran Tengku Ampuan. Site boundaries are generally demarcated by a combination of plastered brickwalls and chain-linked wire fencing. The subject property has been cleared of buildings and structures and presently covered with light undergrowth and demolition debris.
Planning Control	The subject property is designated for industrial use as expressly stipulated in the title documents. The subject property was also approved by Majlis Bandaraya Shah Alam for the amalgamation of the 2 properties comprised therein into a single plot – letter of approval ref. No. (26) MBSA/PRG/2016-16(23J) dated 24th May 2016 refers. *Vide a letter dated 20th February 2017 and bearing ref. (9)dlm.PTD.P.6/41/204B/21/16, the application for surrender and re-alienation of the land has been approved by Pejabat Daerah dan Tanah Petaling. Please take note that this letter was issued after the Date of Valuation.*

Valuation Approach

We have adopted the Comparison Approach as the only method of valuation in this instance as the subject property is a vacant industrial site without any planning approval or proposed development.

This Comparison Valuation Approach entails comparing the subject property with similar properties that have been sold recently and those that are currently being offered for sale in the vicinity or other comparable localities. In the comparison process, all characteristics, merits and demerits of these properties vis-a-vis the comparables are noted and appropriate adjustments made thereto to arrive at the market value of the subject property in the final analysis.

We have had adopted the following sales of industrial lands located within the subject locality as comparables for the purpose of arriving at the Market Value of the unexpired leasehold interest in subject property:-

Comparable	1	2	3
Source	JPPH Search Report & Form 14A search	Bursa Malaysia Securities Berhad	JPPH Search Report & Form 14A search
Type of Property	A parcel of freehold industrial land	A part of freehold industrial land erected with building which is not utilised at the time of transaction	A parcel of freehold industrial land with an old building, which is unused / under utilised as at the time of transaction
Title Particulars	Geran 97610, Lot No. 64410, Mukim of Damansara, District of Petaling, State of Selangor	Parent Title No. GRN 311546, Lot 62010, Pekan of Hicom, District of Petaling, State of Selangor	GRN 177487, Lot 38273, Pekan Baru Hicom, District of Petaling, State of Selangor
Location	Sited along Persiaran Gerbang Utama, Bukit Jelutong, Selangor Darul Ehsan	Sited along Jalan Jijan 28/35, Seksyen 28, Shah Alam, Selangor Darul Ehsan	Sited along Persiaran Jubli Perak, Taman Perindustrian Subang, Seksyen 22, Shah Alam, Selangor Darul Ehsan
Tenure	Freehold	Freehold	Freehold
Vendor	Natco Industrial Park Sdn Bhd	Hicom Indungan & Hicom Engineering Sdn Bhd	Maxis Broadband Sdn Bhd
Purchaser	Hansam Properties Sdn Bhd	POS Malaysia Berhad	Xin Hwa Trading & Transport Sdn Bhd (a wholly -owned subsidiary of Xin Hwa Holdings Berhad)
Titled Land Area	232,544 sq. ft.	431,762 sq. ft.	190,769 sq. ft.
Date of Transaction	16th March 2016	14th March 2016	1st July 2016
Consideration	RM46,508,704/-	RM69,000,000/-	RM25,750,000/-
Analysis (RM per sq. ft.)	RM200.00	RM159.81	RM134.98
Adjustments			
Adjustment	We have adjusted the abovementioned comparables for the improved site element, time lapse, location (macro), frontage / exposure / accessibility (micro),tenure, plot size, negative factors, development potential and planning approval factors to arrive at the rate given below		
Adjusted Value	**RM175.10 psf**	**RM149.23psf**	**RM176.23 psf**

The adjusted land values of the above comparables are ranged at RM149.23 per sq. ft. to RM176.23 per sq. ft. However, for this report and valuation, we have considered only Comparables No. 1 for having fairly similar characteristics as the subject property in terms of micro location and development potential to arrive at the base value of **RM175/- per sq. ft.** or rounded to a total of **RM155,000,000/-**.

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Conclusion

Taking into consideration all relevant factors, we are of the opinion that the present Aggregate Market Value of the unexpired leasehold interest in the subject property, held under Title No. HSD 296690 for PT No. 325 and Title No. HSD 296691 for PT No. 326, both within Section 23, Town of Shah Alam, District of Petaling, State of Selangor, in its existing state/condition, free from all encumbrances and with vacant possession, is **RM155,000,000/- (RINGGIT MALAYSIA: ONE HUNDRED AND FIFTY FIVE MILLION ONLY).**

Yours faithfully
for and on behalf of
PA INTERNATIONAL PROPERTY CONSULTANTS (KL) SDN BHD

PA International Property Consultants (KL) Sdn Bhd KUALA LUMPUR

SUBRAMANIAM A/L ARUMUGAM, FRISM, MRICS, MPEPS
Chartered Valuation Surveyor
& Registered Valuer (V-450)
SUB/Bai
KL/VAL170035

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HAP SENG LOGISTICS SDN BHD
(Company No: 44038-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2016

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

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Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2016.

Principal activities

The principal activities of the Company are providing transportation and other logistic services. There have been no significant changes in the nature of these activities during the financial year.

Results

	RM
Profit for the year	1,686,846

In the opinion of the directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Reserves and provision

There were no material transfers to or from reserves or provisions during the financial year.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend to be paid in respect of the financial year ended 31 December 2016.

Directors

The directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Edward Lee Ming Foo, JP
Lee Wee Yong
Cheah Yee Leng

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Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Directors' interests

None of the directors in office at the end of the financial year had any interest in shares in the Company during the financial year.

According to the register of directors' shareholdings, the interests of a director in office at the end of the financial year in shares in the Company's related corporations during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2016	Acquired	Sold	As at 31.12.2016
Hap Seng Plantations Holdings Berhad, a related company				
Cheah Yee Leng	31,200	-	-	31,200

None of the other directors in office at the end of the financial year had any interest in shares in the Company's related corporations during the financial year.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee or other contracts made by related corporations with certain directors as disclosed in the financial statements of related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest.

Holding companies

The immediate and ultimate holding companies are Hap Seng Consolidated Berhad and Gek Poh (Holdings) Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

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Hap Seng Logistics Sdn. Bhd.
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Issue of shares

During the financial year, the Company has increased its:

(a) authorised share capital from RM5,000,000 comprising of 4,300,000 ordinary shares of RM1.00 each and 700,000 redeemable preference shares ("RPS") of RM1.00 each to RM300,000,000 comprising of 299,300,000 ordinary shares of RM1.00 each and 700,000 RPS of RM1.00 each by the creation of an additional 295,000,000 ordinary shares of RM1.00 each.

(b) issued and paid-up share capital from RM700,000 to RM250,000,000 by the issuance of 249,300,000 ordinary shares of RM1.00 each at par for cash and working capital purposes.

Save for aforesaid, there were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

Other statutory information

(a) Before the financial statements of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and

  (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

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(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 APR 2017

Datuk Edward Lee Ming Foo, JP

Lee Wee Yong

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, **Datuk Edward Lee Ming Foo, JP** and **Lee Wee Yong**, being two of the directors of **Hap Seng Logistics Sdn. Bhd.**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 36 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 17 APR 2017

Datuk Edward Lee Ming Foo, JP

Lee Wee Yong

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, **Au Siew Loon**, being the person primarily responsible for the financial management of **Hap Seng Logistics Sdn. Bhd.**,do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 36 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Au Siew Loon**
at Kuala Lumpur in the Federal Territory
on 17 APR 2017 .

Au Siew Loon

Before me,

PESURUHJAYA SUMPAH
No: W465
Nama: KAPT. (B) JASNI BIN YUSOFF
MALAYSIA

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019-6680745

EY
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Ernst & Young AF 0039
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Company No: 44038-U

Independent auditors' report to the member of
Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Report on the financial statements

Opinion

We have audited the financial statements of Hap Seng Logistics Sdn. Bhd., which comprise the statement of financial position as at 31 December 2016, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 36.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Independent auditors' report to the member of
Hap Seng Logistics Sdn. Bhd.
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Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, 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.

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Company No: 44038-U

Independent auditors' report to the member of
Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing 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.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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Building a better working world

Company No: 44038-U

Independent auditors' report to the member of
Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Teoh Soo Hock
No. 2477/10/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
17 April 2017

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2016

	Note	2016 RM	2015 RM
Non-current assets			
Plant and equipment	3	13,285,502	5,581
Investment property	4	155,000,000	-
		168,285,502	5,581
Current assets			
Trade and other receivables	5	90,514,949	1,405,378
Cash and bank balances	6	2,852,531	715,789
		93,367,480	2,121,167
Total assets		261,652,982	2,126,748
Equity attributable to owner of the Company			
Share capital	7	250,000,000	700,000
Retained profits	8	1,738,830	51,984
Total equity		251,738,830	751,984
Current liabilities			
Trade and other payables	9	9,807,827	1,374,764
Tax payable		843	-
		9,808,670	1,374,764
Non-current liabilities			
Deferred tax liabilities	10	105,482	-
Total equity and liabilities		261,652,982	2,126,748

The accompanying notes form an integral part of these financial statements.

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 December 2016

	Note	2016 RM	2015 RM
Revenue	11	36,073,025	1,402,538
Cost of sales	11	(35,076,212)	(1,361,687)
Gross profit		996,813	40,851
Interest income		1,708,101	13,439
Interest expenses		(37,513)	-
Administrative expenses		(593,481)	(31,361)
Profit before tax	12	2,073,920	22,929
Income tax expense	14	(387,074)	-
Profit for the year, representing total comprehensive income for the year		1,686,846	22,929

The accompanying notes form an integral part of these financial statements.

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2016

	Share capital RM	Distributable Retained profits RM	Total equity RM
At 1 January 2015	700,000	29,055	729,055
Total comprehensive income for the year	-	22,929	22,929
At 31 December 2015/ 1 January 2016	700,000	51,984	751,984
Total comprehensive income for the year	-	1,686,846	1,686,846
Issuance of ordinary shares (Note 7)	249,300,000	-	249,300,000
At 31 December 2016	250,000,000	1,738,830	251,738,830

The accompanying notes form an integral part of these financial statements.

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2016

	2016 RM	2015 RM
Cash flows from operating activities		
Profit before tax	2,073,920	22,929
Adjustment for:		
Depreciation of plant and equipment (Note 3)	447,226	369
Interest expenses	37,513	-
Interest income	(1,708,101)	(13,439)
Operating profit before changes in working capital	850,558	9,859
Changes in working capital:		
Receivables	(13,854,162)	(1,405,378)
Payables	8,433,063	1,369,257
Cash flows used in operations	(4,570,541)	(26,262)
Interest paid	(37,513)	-
Interest received	1,452,692	13,439
Income tax paid	(280,749)	-
Net cash flows used in operating activities	(3,436,111)	(12,823)
Cash flows from investing activity		
Purchase of plant and equipment	(13,727,147)	(5,950)
Addition to investment property	(155,000,000)	-
Advances to a related company	(75,000,000)	-
Net cash flows used in investing activities	(243,727,147)	(5,950)
Cash flows from financing activity		
Increase in ordinary share capital, representing net cash flows generated from financing activity	249,300,000	-
Net increase/(decrease) in cash and cash equivalents	2,136,742	(18,773)
Cash and cash equivalents at beginning of year	715,789	734,562
Cash and cash equivalents at end of year (Note 6)	2,852,531	715,789

The accompanying notes form an integral part of these financial statements.

Company No: 44038-U

Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements - 31 December 2016

1. Corporate information

The principal activities of the Company are providing transportation and other logistic services. There have been no significant changes in the nature of these activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The principal place of business and registered office of the Company is located at 20th and 21st floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur.

The immediate and ultimate holding companies are Hap Seng Consolidated Berhad and Gek Poh (Holdings) Sdn. Bhd. respectively, both of which are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 April 2017.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company for the year ended 31 December 2016 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Company have also been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(b) Effects of adopting new and amended MFRS

The accounting policies adopted are consistent with those of the previous financial year. The adoption of new and amended MFRS and IC Interpretations effective for the financial year beginning on or after 1 January 2016 did not have any significant effect on the financial performance or position of the Company.

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Hap Seng Logistics Sdn. Bhd.
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

(c) Standards issued but not yet effective

The directors expect that the new MFRS, Amendments to MFRS and IC Interpretations which are issued but not yet effective for the financial year ended 31 December 2016 will not have a material impact on the financial performance or position of the Company in the period of initial application except for as discussed below:

MFRS 9 Financial Instruments

In November 2014, Malaysian Accounting Standard Board ("MASB") issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replace MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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2. Significant accounting policies (cont'd.)

(c) Standards issued but not yet effective (cont'd.)

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(d) Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost of plant and equipment comprises their purchase price and any directly attributable costs including interest costs capitalised in bringing the plant and equipment to working condition. When a major inspection is performed, its cost is recognised in the carrying amount of the assets as a replacement if the recognition criteria are satisfied and the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Depreciation

Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life. The estimated useful lives are:

Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 years

Assets under construction being commercial vehicles pending body fabrication, are not depreciated as these assets are not ready for their intended use.

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2. Significant accounting policies (cont'd.)

(d) Plant and equipment (cont'd.)

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

Disposal of plant and equipment

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(e) Investment property

Investment property is property which are held either to earn rental income or for capital appreciation or for both.

Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is determined based on valuations performed by registered independent valuers. Gains or losses arising from changes in the fair values of investment property is included in profit or loss in the year which they arise.

Subsequent expenditure is included in the investment property's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in the profit or loss during the financial period in which they are incurred.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(f) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

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2. Significant accounting policies (cont'd.)

(f) Impairment of non-financial assets (cont'd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

(g) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition. The financial assets of the Company are determined to be loans and receivables.

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

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2. Significant accounting policies (cont'd.)

(g) Financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

(h) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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2. Significant accounting policies (cont'd.)

(i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The financial liabilities of the Company are classified as other financial liabilities that include trade and other payables.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and deposits with licensed banks with maturity of three months or less which are subject to an insignificant risk of changes in value.

(k) Taxes

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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2. Significant accounting policies (cont'd.)

(k) Taxes (cont'd.)

(ii) Deferred tax

Deferred tax is provided using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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2. Significant accounting policies (cont'd.)

(k) Taxes (cont'd.)

(iii) Goods and Services Tax ("GST")

On and after 1 April 2015, revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or part of the expense item as applicable: and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(l) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised in equity in the period in which they are declared.

(m) Revenue recognition

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

Sale of services

Revenue from services is recognised when the services is rendered.

Rental income

Rental income is accounted for on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

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2. Significant accounting policies (cont'd.)

(n) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by the employees of the Company. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The company participates in the national pension schemes as defined by the laws of the country in which it has operations. The Company makes contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(o) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

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2. Significant accounting policies (cont'd.)

(p) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

(i) it is expected to be settled in normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(q) Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in Note 15.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company and the fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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2. Significant accounting policies (cont'd.)

(q) Fair value measurement (cont'd.)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(r) Judgements made in applying accounting policies

In the process of applying the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – as lessor

The Company has entered into vehicle leases on its commercial vehicles. The Company evaluated based on terms and conditions of the arrangements such as the lease term not constituting a major part of the economic life of the commercial vehicles and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial vehicles, that it retains all the significant risks and rewards of ownership of these vehicles and accounts for the contracts as operating leases.

(s) Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed in below:

(i) Fair value on investment properties

The Company carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Company engaged an independent valuation specialist to assess the fair value for its investment property. Fair value is arrived at using comparison method, where fair value is arrived at by reference to market evidence of transaction prices for similar properties, adjustments are made to account for factors such as differences in location, age, size and type of property.

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3. Plant and equipment

	Office equipment, furniture and fittings RM	Motor vehicles RM	Assets under construction RM	Total RM
Cost				
At 1 January 2015	-	-	-	-
Additions	5,950	-	-	5,950
At 31 December 2015/ 1 January 2016	5,950	-	-	5,950
Additions	10,420	10,676,727	3,040,000	13,727,147
At 31 December 2016	16,370	10,676,727	3,040,000	13,733,097
Accumulated depreciation				
At 1 January 2015	-	-	-	-
Charge for the year	369	-	-	369
At 31 December 2015/ 1 January 2016	369	-	-	369
Charge for the year	3,230	443,996	-	447,226
At 31 December 2016	3,599	443,996	-	447,595
Net carrying amount				
At 31 December 2016	12,771	10,232,731	3,040,000	13,285,502
At 31 December 2015	5,581	-	-	5,581

4. Investment property

	2016 RM	2015 RM
Leasehold land at fair value		
At 1 January	-	-
Additions	155,000,000	-
At 31 December	155,000,000	-

Fair value hierarchy disclosures for investment property is disclosed in Note 15(b).

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5. Trade and other receivables

	Note	2016 RM	2015 RM
Trade			
Third party	(a)	53,000	-
Amount due from related companies	(a)	5,118,263	1,405,224
		5,171,263	1,405,224
Non-trade			
Goods and Services Tax ("GST") recoverable		10,087,747	154
Deposits		530	-
Amount due from a related company	(b)	75,255,409	-
		85,343,686	154
Total trade and other receivables		90,514,949	1,405,378
Add: Cash and bank balances		2,852,531	715,789
Less: GST recoverable		(10,087,747)	(154)
Total loans and receivables		83,279,733	2,121,013

(a) These amounts are unsecured, non-interest bearing and subject to normal credit terms of 30 days. These amounts are neither past due nor impaired at the reporting date.

(b) Non-trade amount due from a related company is unsecured, repayable on demand and interest is charged at the rate of 4.00% per annum.

6. Cash and bank balances

	2016 RM	2015 RM
Cash and bank balances, representing cash and cash equivalents	2,852,531	715,789

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7. Share capital

	Number of shares of RM1.00 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised:				
Ordinary shares				
At beginning of the year	4,300,000	4,300,000	4,300,000	4,300,000
Created during the year	295,000,000	-	295,000,000	-
At end of the year	299,300,000	4,300,000	299,300,000	4,300,000
Redeemable preference shares				
At beginning and end of the year	700,000	700,000	700,000	700,000
Total	300,000,000	5,000,000	300,000,000	5,000,000
Issued and fully paid:				
Ordinary shares				
At beginning of the year	700,000	700,000	700,000	700,000
Issued during the year	249,300,000	-	249,300,000	-
At end of the year	250,000,000	700,000	250,000,000	700,000

During the financial year, the Company has increased its:-

(a) authorised share capital from RM5,000,000 comprising of 4,300,000 ordinary shares of RM1.00 each and 700,000 redeemable preference shares ("RPS") of RM1.00 each to RM300,000,000 comprising of 299,300,000 ordinary shares of RM1.00 each and 700,000 RPS of RM1.00 each by the creation of an additional 295,000,000 ordinary shares of RM1.00 each.

(b) issued and paid-up share capital from RM700,000 to RM250,000,000 by the issuance of 249,300,000 ordinary shares of RM1.00 each at par for cash and working capital purposes.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

8. Retained profits

The Company may distribute dividend out of its entire retained profits as at 31 December 2016 under the single tier system.

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9. Trade and other payables

	Note	2016 RM	2015 RM
Trade			
Trade payables	(a)	9,503,244	1,364,296
Non-trade			
Amount due to related companies	(b)	88,291	96
Other payables		216,292	10,372
		304,583	10,468
Total payables, representing total financial liabilities carried at amortised cost		9,807,827	1,374,764

(a) The normal trade credit terms granted to the Company is 30 days (2015: 30 days).

(b) The amount due to related companies is unsecured, non-interest bearing and subject to normal credit terms as disclosed in Note 9(a).

10. Deferred tax liabilities

	2016 RM	2015 RM
At 1 January	-	-
Recognised in profit or loss (Note 14)	105,482	-
At 31 December	105,482	-

The components and movements of deferred tax (assets) and liabilities during the financial year are as follows:

	Accelerated capital allowances RM	Unabsorbed capital allowances RM	Total RM
At 31 December 2015/1 January 2016	-	-	-
Recognised in profit or loss	921,472	(815,990)	105,482
At 31 December 2016	921,472	(815,990)	105,482

Deferred tax assets have not been recognised in respect of the following item:

	2016 RM	2015 RM
Unutilised business losses	-	534,279

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11. Revenue and cost of sales

(a) Revenue of the Company represents the invoiced value of logistic services and lease rental.

(b) Cost of sales represents cost directly attributable to the generation of the revenue.

12. Profit before tax

	2016 RM	2015 RM
Profit before tax is arrived at after charging/(crediting):		
Auditor's remuneration		
- Current	10,000	2,000
Depreciation (Note 3)	447,226	369
Employee benefits expenses (Note 13)	131,772	16,050
Management fees (Note 20)	217,245	295
Interest expenses		
- related company	37,513	-
Interest income		
- external	(38,522)	(13,439)
- related company	(1,669,579)	-

13. Employee benefits expenses

	2016 RM	2015 RM
Salaries, wages and other staff related expenses	117,614	14,348
Pension costs - defined contribution plan	14,158	1,702
	131,772	16,050

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14. Income tax expense

	2016 RM	2015 RM
Malaysian income tax:		
- Current income tax	281,592	-
Deferred tax (Note 10):		
- Relating to origination and reversal of temporary differences	104,143	-
- Underprovision in prior year	1,339	-
	105,482	-
Total tax expense	387,074	-

Income tax expense is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows:

	2016 RM	2015 RM
Profit before tax	2,073,920	22,929
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	497,741	5,732
Interest income not subjected to tax	-	(3,360)
Utilisation of previously not recognised deferred tax assets	(128,227)	(3,101)
Expenses not deductible for tax purpose	16,221	729
Underprovision of deferred tax in prior year	1,339	-
Tax expense for the year	387,074	-

15. Fair value measurement

(a) Fair value of financial instruments

The carrying amounts of the Company's cash and cash equivalents, short term receivables and payables are reasonable approximation of the fair values due to the relatively short term nature of these financial instruments.

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15. Fair value measurement (cont'd.)

(b) Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
2016				
Asset measured at fair value:				
- Investment property (Note 4)	155,000,000	-	-	155,000,000

The Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period. There has been no transfer during the financial year.

The fair value of investment property was determined based on a valuation performed by a registered independent valuer. Fair value is arrived at using comparison method, where fair value is arrived at by reference to market evidence of transaction prices for similar properties, adjustments are made to account for factors such as differences in location, age, size and type of property.

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16. Financial risk management objectives and policies

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its credit, interest rate and liquidity risk. The Company operates within clearly defined guidelines and it is the Company's policy not to engage in speculative transactions.

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluation reviews are regularly performed for new and existing customers who trade on credit to mitigate exposure on credit risk.

The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets and cash and cash equivalents, the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

At the reporting date, 99% (2015: 100%) of the Company's credit risk is relating to amounts due from related companies.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's financial is not exposed to significant interest rate risk as there are no significant floating interest bearing assets and liabilities.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

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16. Financial risk management objectives and policies (cont'd.)

(a) Liquidity risk (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	On demand or within 1 year RM'000
2016				
Trade and other payables	9,807,827	-	9,807,827	9,807,827
2015				
Trade and other payables	1,374,764	-	1,374,764	1,374,764

17. Capital management

The primary objective of the Company's capital management is to ensure that it maintains an adequate capital structure in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital through the amount of shareholders' funds. The Company believes that the level of shareholders' funds as at the reporting date is sufficient to support the Company's existing and expected level of business operations. No changes were made in the objectives, policies or processes during the current and previous financial year other than the new ordinary shares issued during the financial year. The Company is not subject to any externally imposed capital requirement.

18. Key management personnel compensation

Key management personnel comprise all the directors of the Company who having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. There was no compensation paid by the Company to the key management personnel during the current and previous financial years.

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19. Operating lease commitments - As Lessor

The Group has entered into vehicle leases on its commercial vehicles. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2016 RM	2015 RM
Within one year	2,188,032	-
After one year but not more than five years	8,279,698	-
	10,467,730	-

20. Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2016 RM	2015 RM
Income/(expense)		
Related companies		
Sales of services	36,023,025	1,402,538
Interest income (Note 12)	1,669,579	-
Interest expenses (Note 12)	(37,513)	-
Management fees (Note 12)	(217,245)	(295)

Related companies in these financial statements refer to Hap Seng Consolidated Berhad group of companies.

Balances with related companies are disclosed in Note 5 and Note 9 respectively.

1. INTRODUCTION

HSCB had on 26 September 2016 announced that its wholly-owned subsidiaries, namely HSPD and Jesselton Hill had on even date entered into the following agreements:

(i) Sale and purchase agreement between HSPD and Supergreen pursuant to which HSPD disposed all that parcel of a vacant leasehold land held under PL106149633 measuring an area of approximately 24.88 acres situated at Jalan Sin Onn, District of Tawau, State of Sabah to Supergreen for a cash consideration of RM54,188,640.00 ("**HSPD Purchase Consideration**") ("**HSPD SPA**"); and

(ii) Sale and purchase agreement between Jesselton Hill and Primary Goldennet pursuant to which Jesselton Hill disposed all that parcel of a vacant leasehold land held under CL 015483806 measuring an area approximately 53.72 acres situated at Mile 13, Tuaran Road, District of Kota Kinabalu, State of Sabah to Primary Goldennet at for a cash consideration of RM60,841,123.20 ("**Jesselton Hill Purchase Consideration**") ("**Jesselton Hill SPA**").

Supergreen and Primary Goldennet are the wholly-owned subsidiaries of Akal Megah which in turn are wholly-owned subsidiaries of LSH.

The HSPD Disposal and Jesselton Hill Disposal were deemed related party transactions pursuant to Paragraph 10.08, Chapter 10 of the Listing Requirements.

2. DETAILS OF THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL

As announced on 26 September 2016, the terms of the HSPD Disposal and Jesselton Hill Disposal were agreed upon on even date with the execution of HSPD SPA and Jesselton Hill SPA.

2.1 Details of the HSPD Land and Jesselton Hill Land

2.1.1 HSPD Land

Title number	:	PL106149633
Registered proprietor	:	HSPD
Beneficial owner	:	HSPD
Locality	:	Situated at Jalan Sin Onn, District of Tawau, State of Sabah
Leashold tenure	:	Leasehold interest of 99 years expiring on 15 August 2050, thus leaving an unexpired term of about 33 years from the date of this Circular
Type of land	:	Vacant leasehold land
Land size	:	24.88 acres
Brief description	:	The HSPD Land is shaped regular on plan encompassing a certified land area of 24 acres 3 roods 21 perches (24.88 acres or 10.06 hectares), more or less. The HSPD Land lies at higher level than the main access road namely Jalan Sin Onn. At the time of site inspection, it was observed that the HSPD Land is overgrown with wild trees, shrubs and ground vegetation. There are no buildings constructed on the land.

Land use/ proposed use	:	Residential medium density use
Net book value	:	RM5,476,838.56
Market value	:	RM54,188,640.00
Date of valuation	:	23 September 2016
Independent registered property valuer	:	VPC Alliance (Sabah) Sdn Bhd
Encumbrances	:	None
Disposal consideration	:	RM54,188,640.00

2.1.2 Jesselton Hill Land

Title number	:	CL 015483806
Registered proprietor	:	Jesselton Hill
Beneficial owner	:	Jesselton Hill
Locality	:	Situated at Off Km 20 Jalan Tuaran (to the immediate north-west and north of Bandar Sierra), Menggatal North, 88450 Kota Kinabalu, State of Sabah
Leasehold tenure	:	Leasehold interest of 999 years expiring on 1 January 2905, thus leaving an unexpired term of about 888 years from the date of this Circular
Type of land	:	Vacant land zoned for residential use
Land size	:	53.72 acres
Brief description	:	The Jesselton Hill Land is a parcel of land with a titled land area of 21.74 hectares (53.72 acres), more or less. The Jesselton Hill Land is quite regular in shape except for a protruding southern strip. It is technically second layer lot lying about 350m to the east of Jalan Tuaran with its southern and eastern boundaries bordered by an unformed road reserve which (when implemented) will provide the legal road access and links to the Jesselton Hill Land directly to Jalan Tuaran. Presently, the Jesselton Hill Land is accessible by earth tracks with the access to the southern boundary from Jalan Binaung Baru, some 700m south of the subject property. The western boundary measures some 1051m, while the northern boundary has a liner length of about 493m. The Jesselton Hill Land is vacant and undeveloped at the time of inspection, and is generally covered with wild vegetation.
Land use/ proposed use	:	High density residential use

Net book value	:	RM5,360,594.42
Market value	:	RM60,841,000.00
Date of valuation	:	26 September 2016
Independent registered property valuer	:	Henry Butcher Malaysia (Sabah) Sdn Bhd
Encumbrances	:	None
Disposal consideration	:	RM60,841,123.20

3. TOTAL DISPOSAL CONSIDERATION

The HSPD Purchase Consideration was RM54,188,640.00 and the Jesselton Hill Purchase Consideration was RM60,841,123.20. Accordingly, the total disposal consideration of the HSPD Disposal and Jesselton Hill Disposal was RM115,029,763.20.

3.1 Basis of arriving at and justification for the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration

The HSPD Purchase Consideration was based on the selling price of RM50 per sq. ft. The HSPD Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration VPC Alliance (Sabah) Sdn Bhd's (an independent firm of registered professional valuers) valuation of the HSPD Land at RM54,188,640.00, using the comparison method as set out in their valuation certificate dated 23 September 2016.

The Jesselton Hill Purchase Consideration was based on the selling price of RM26 per sq. ft. The Jesselton Hill Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration Henry Butcher Malaysia (Sabah) Sdn Bhd's (an independent firm of registered professional valuers) valuation of the Jesselton Hill Land at RM60,841,000.00, using the comparison method as set out in their valuation certificate dated 26 September 2016.

The HSPD Disposal and Jesselton Hill Disposal gave rise to a significant gain to the HSCB Group.

3.2 The manner in which the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration were satisfied

The HSPD Purchase Consideration and Jesselton Hill Purchase Consideration were paid in cash by Supergreen and Primary Goldennet respectively within one (1) month from the date of the HSPD SPA and Jesselton Hill SPA.

4. FINANCIAL INFORMATION OF THE HSPD LAND AND JESSELTON HILL LAND

4.1 Net profits attributable to the HSPD Land and Jesselton Hill Land

Not applicable as there were no business activities carried out on the HSPD Land and Jesselton Hill Land.

4.2 NA or net book value of the HSPD Land and Jesselton Hill Land

Based on HSPD's audited financial statements for the FYE 31 December 2015, the HSPD Land was valued at RM5,476,838.56, including land costs and deferred expenditures.

Based on Jesselton Hill's audited financial statements for the FYE 31 December 2015, the Jesselton Hill Land was valued at RM5,360,594.42, including land costs and deferred expenditures.

5. EFFECTS OF THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL

5.1 EPS

Based on the audited consolidated financial statements of the HSCB Group for the FYE 31 December 2015 and assuming that the HSPD Disposal and Jesselton Hill Disposal had been effected at the beginning of the financial year, the EPS of the HSCB Group would have increased by approximately 3.68 sen.

5.2 NA per HSCB Share

Based on the audited consolidated financial statements of the HSCB Group for the FYE 31 December 2015 and assuming that the HSPD Disposal and Jesselton Hill Disposal had been effected at the end of the financial year, the NA per share of the HSCB Group would have increased by approximately 3 sen.

5.3 Gearing

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2015 and assuming that the HSPD Disposal and Jesselton Hill Disposal had been effected at the end of the financial year, the net gearing[(1)] of HSCB Group would have decreased from 0.87 to 0.82.

Note:

(1) Net gearing ratio is computed after deducting money market deposits and cash and bank balances.

5.4 Share capital and substantial shareholders' shareholdings of HSCB

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

6. DETAILS OF THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL

6.1 Gains from the HSPD Disposal and Jesselton Hill Disposal

The HSPD Disposal and Jesselton Hill Disposal gave rise to a net gain of approximately RM79.19 million to the HSCB Group for the FYE 31 December 2016.

6.2 Utilisation of the proceeds from the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration

The HSPD Purchase Consideration and Jesselton Hill Purchase Consideration were utilised to reduce the Group's borrowings and used as working capital of the Group.

6.3 Information on Supergreen, Primary Goldennet and Akal Megah

(i) Information on Supergreen

Supergreen is a private limited company incorporated in Malaysia on 30 June 2014 under the Companies Act, 1965 and registered under the Act. Its registered office is at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Supergreen has an issued share capital of RM2.00 divided into two (2) ordinary shares. Supergreen is principally involved in property development. The directors of Supergreen are Datuk Yong Foo San, Datuk Gan Khian Seng, Madam Sim Siew Ming and Mr. Chong Chee Wooi.

(ii) Information on Primary Goldennet

Primary Goldennet is a private limited company incorporated in Malaysia on 20 July 2012 under the Companies Act, 1965 and registered under the Act. Its registered office is at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Primary Goldennet has an issued share capital of RM117,502.00 divided into two (2) ordinary shares and 117,500 RPS. Primary Goldennet is principally involved in property development. The directors of Primary Goldennet are Datuk Yong Foo San, Datuk Gan Khian Seng, Madam Sim Siew Meng and Mr. Chong Chee Wooi.

(iii) Information on Akal Megah

Akal Megah is a private limited company incorporated in Malaysia on 25 June 1997 under the Companies Act, 1965 and registered under the Act. Its registered office is at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Akal Megah has an issued share capital of RM1,903,500.00 divided into 1,500,000 ordinary shares and 403,500 RPS. Akal Megah is principally involved in investment holding and property investment. The directors of Akal Megah are Datuk Yong Foo San, Datuk Gan Khian Seng, Datuk Simon Shim Kong Yip and Mr. Chong Chee Wooi.

6.4 Liabilities assumed by Supergreen and Primary Goldennet

There were no liabilities (including contingent liabilities and guarantees) assumed by Supergreen and Primary Goldennet arising from the HSPD Disposal and Jesselton Hill Disposal, respectively.

6.5 Date and original cost of investment

The date and original cost of investment of HSPD and Jesselton Hill in the HSPD Land and Jesselton Hill Land are as follows:

(i) HSPD Land

Title	Date of investment	Original cost of investment RM
PL 106149633	28 May 2004	3,234,400

(ii) Jesselton Hill Land

Title	Date of investment	Original cost of investment RM
CL 015483806	13 August 2009	4,312,476.19

7. APPROVALS REQUIRED FOR THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL

Both the HSPD Disposal and Jesselton Hill Disposal were not subject to the approval of the shareholders of HSCB and/or the relevant authorities.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

As at the date of the announcement for the HSPD Disposal and Jesselton Hill Disposal on 26 September 2016, Tan Sri Lau is a 37.68% deemed major shareholder of LSH and a 56.00% major shareholder and director of Gek Poh, the holding company of HSCB. Gek Poh holds 12.42% in LSH and its aggregate shareholdings in HSCB is 57.92%, comprising 54.63% direct shareholding and 3.29% indirect shareholding via its wholly-owned subsidiary, HSIS. In addition, LSHI, a wholly-owned subsidiary of LSH, is a 15.84% major shareholder of HSCB.

Datuk Edward Lee Ming Foo is the managing director of both HSCB and Gek Poh. Mr. Lee Wee Yong is the executive director of HSCB and a director of Gek Poh. As at the date of the announcement for the HSPD Disposal and Jesselton Hill Disposal on 26 September 2016, Gek Poh holds 12.42% equity interest in LSH and hence, is a major shareholder of LSH. Supergreen and Primary Goldennet are the wholly-owned subsidiaries of Akal Megah, which in turn are the wholly-owned subsidiaries of LSH. Premised on the above, Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong are deemed interested in the HSPD Disposal and Jesselton Hill Disposal. As such, they have abstained from all board deliberations and voting in respect of the HSPD Disposal and Jesselton Hill Disposal due to their common directorships in both HSCB and Gek Poh.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH. Mr. Ch'ng Kok Phan is a non-independent non-executive director of HSCB and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan's common directorships in HSCB and LSH, they are interested in the HSPD Disposal and Jesselton Hill Disposal. As such, Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan have abstained from all board deliberations and voting in respect of the HSPD Disposal and Jesselton Hill Disposal due to their common directorships in both HSCB and LSH.

9. RATIONALE FOR THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL

The HSPD Disposal and Jesselton Hill Disposal are to enable HSPD and Jesselton Hill to realise an attractive capital gain and the proceeds are used to reduce bank borrowings and contribute to the working capital of the HSCB Group.

10. SALIENT TERMS OF THE HSPD SPA AND JESSELTON HILL SPA

(i) HSPD and Jesselton Hill shall sell and Supergreen and Primary Goldennet shall purchase the HSPD Land and Jesselton Hill Land on an "as-is-where-is" basis free from all Encumbrances at the said HSPD Purchase Consideration and Jesselton Hill Purchase Consideration subject to all conditions of title whether express or implied and restrictions in interest contained in the issued documents of title, if any, on such terms and conditions of the HSPD SPA and Jesselton Hill SPA;

(ii) The HSPD SPA and Jesselton Hill SPA shall be deemed completed upon full payment of the said HSPD Purchase Consideration and Jesselton Hill Purchase Consideration to HSPD and Jesselton Hill;

(iii) In the event that the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration were not paid within the completion period, Supergreen and Primary Goldennet shall have one (1) month extension to settle the same, subject to Supergreen and Primary Goldennet paying HSPD and Jesselton Hill late payment interest on the outstanding sum at the rate of eight per cent (8%) per annum up to the date of full settlement;

(iv) Upon execution of the HSPD SPA and Jesselton Hill SPA, HSPD and Jesselton Hill shall deliver to Supergreen and Primary Goldennet, inter alia certified true copies of the resolution of its board of directors, approving the disposal of the HSPD Land and Jesselton Hill Land on the terms and conditions of the HSPD SPA and Jesselton Hill SPA;

(v) Upon execution of the HSPD SPA and Jesselton Hill SPA, Supergreen and Primary Goldennet shall deliver to HSPD and Jesselton Hill inter alia, certified true copy of the resolution of its board of directors approving of the purchase of the HSPD Land and Jesselton Hill Land on terms and conditions of the HSPD SPA and Jesselton Hill SPA;

(vi) Upon execution of the HSPD SPA and Jesselton Hill SPA, HSPD and Jesselton Hill shall execute a power of attorney in favour of Supergreen and Primary Goldennet or their nominees respectively on such terms so as to enable Supergreen and Primary Goldennet to deal with the HSPD Land and Jesselton Hill Land as if Supergreen and Primary Goldennet were the registered proprietors thereof, which said power of attorney shall be delivered to Supergreen and Primary Goldennet to be held in their custody with irrevocable instructions to cause the said power of attorney to be stamped and noted upon full payment of the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration to HSPD and Jesselton Hill;

(vii) Upon payment of the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration, HSPD and Jesselton Hill shall forthwith deliver valid registrable memorandum of transfer to Supergreen and Primary Goldennet together with the original issue documents of title to the HSPD Land and Jesselton Hill Land and all other relevant documents necessary for adjudication as to the stamp duties chargeable thereon and thereafter for Supergreen and Primary Goldennet to effect the registration of the memorandum of transfer at the appropriate land office; and

(viii) Vacant possession of the HSPD Land and Jesselton Hill Land shall be deemed delivered to Supergreen and Primary Goldennet upon payment of the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration to HSPD and Jesselton Hill.

11. DIRECTORS' STATEMENT

The Board having considered all aspects of the HSPD Disposal and Jesselton Hill Disposal (including but not limited to the rationale and financial effects), was of the view that the HSPD Disposal and Jesselton Hill Disposal were in the best interest of the Company.

12. ESTIMATED TIME FRAME TO COMPLETE THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL

Barring unforeseen circumstances, the HSPD Disposal and Jesselton Hill Disposal were expected to be completed within one (1) month from the date of the HSPD SPA and Jesselton Hill SPA. The HSPD Disposal and Jesselton Hill Disposal were completed on 30 September 2016.

13. THE HIGHEST PERCENTAGE RATIO APPLICABLE TO THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL PURSUANT TO PARAGRAPH 10.02(G) OF THE LISTING REQUIREMENTS

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratios applicable to the HSPD Disposal and Jesselton Hill Disposal were 1.28% and 1.43% respectively.

Hence, applying the rule of aggregation pursuant to Paragraph 10.12(2)(c) of the Listing Requirements, for the transactions, the highest percentage ratio applicable to the HSPD Disposal and Jesselton Hill Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements was 2.71%.

14. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of HSCB (save for Datuk Simon Shim Kong Yip who has abstained from deliberating and voting on the resolution in relation to the HSPD Disposal and Jesselton Hill Disposal on 26 September 2016 due to his common directorships in both HSCB and LSH), after having considered all aspects of the HSPD Disposal and Jesselton Hill Disposal (including but not limited to the rationale and the financial effects of the HSPD Disposal and Jesselton Hill Disposal), was of the opinion that the HSPD Disposal and Jesselton Hill Disposal were:

(i) in the best interest of the Company and the HSCB Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the minority shareholders.

15. OTHER TRANSACTIONS WITH THE SAME RELATED PARTY

The total amounts of related party transactions with the same related party, Tan Sri Lau, for the preceding 12 months from the date of the announcement for the HSPD Disposal and Jesselton Hill Disposal on 26 September 2016 are as follows:

Type of transactions[1]	Transacting parties	Date of the transactions	Value
			RM
Acquisition of 2,000,000 ordinary shares representing 100% of the issued share capital of Lei Shing Hong Wood Products Limited	Lei Shing Hong Trading Limited, a wholly-owned subsidiary of LSH	18 January 2016	14,166,124.34[2]
Proposed disposal by Hap Seng Star Sdn Bhd ("**HSS**") of 51% of the issued share capital of Hap Seng Commercial Vehicle Sdn Bhd ("**HSCV**") to Lei Shing Hong Commercial Vehicles Limited ("**LSHCV**"); and	LSHCV, a wholly-owned subsidiary of LSH	1 March 2016	382,500,000.00
Proposed disposal by HSS of the balance of 49% or part thereof of the issued share capital of HSCV pursuant to the exercise of put option granted by LSHCV to HSS			367,500,000.00
(collectively referred to as the "**HSCV Proposal**")			

Type of transactions[1]	Transacting parties	Date of the transactions	Value
			RM
Proposed acquisition of the entire issued share capital of Malaysian Mosaics Sdn Bhd ("**MMSB**") ("**MMSB Acquisition**")	Gek Poh, a major shareholder of HSCB	1 March 2016	380,000,000.00

Notes:

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

(2) The transaction value was USD3,215,401 and was translated based on the exchange rate of USD1:RM4.40571.

HSCB had at the EGM held on 19 May 2016 obtained its shareholders' approval for the HSCV Proposal and MMSB Acquisition respectively.

16. RISK FACTORS IN RELATION TO THE HSPD DISPOSAL AND JESSELTON HILL DISPOSAL

16.1 Settlement risk

The HSPD Disposal and Jesselton Hill Disposal were subject to full settlement of the net proceeds of the HSPD Purchase Consideration and Jesselton Hill Purchase Consideration by Supergreen and Primary Goldennet. However, there was no assurance that Supergreen and Primary Goldennet would be able to settle the balance sum on the completion date of HSPD Disposal and Jesselton Hill Disposal.

However, this risk is no longer applicable as the HSPD Disposal and Jesselton Hill Disposal were completed on 30 September 2016.

17. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save as disclosed under Section 7 of Part A of this Circular, there are no other corporate exercises which have been announced but not yet completed as at the LPD.

1. INTRODUCTION

HSCB had on 13 January 2017 announced that its wholly-owned subsidiary, namely HSPD, had on even date entered into the sale and purchase agreement with Goldcoin pursuant to which HSPD disposed Lots 1 Lot 4 which form part of all that parcel of land held under CL 105420666 measuring an area approximately 52.57 acres, situated at Mile 10, Apas Road, District of Tawau, State of Sabah to Goldcoin for a cash consideration of RM91.00 million ("**Goldcoin Purchase Consideration**") ("**Goldcoin SPA**").

Goldcoin is the wholly-owned subsidiary of Akal Megah, which in turn is the wholly-owned subsidiary by LSH.

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

2. DETAILS OF THE GOLDCOIN DISPOSAL

As announced on 13 January 2017, the terms of the Goldcoin Disposal were agreed upon on even date with the execution of the Goldcoin SPA.

2.1 Details of the Goldcoin Land

Title number	:	CL105420666
Registered proprietor	:	HSPD
Beneficial owner	:	HSPD
Locality	:	Situated at Mile 10, Apas Road, District of Tawau, State of Sabah
Leashold tenure	:	Leasehold interest of 99 years expiring on 10 April 2060, thus leaving an unexpired term of about 43 years from the date of this Circular
Type of land	:	Vacant leasehold land
Land size	:	Lot 1 of the Goldcoin Land is approximately 27.23 acres and Lot 4 of the Goldcoin Land is approximately 25.34 acres
Brief description	:	The land held under CL 105420666 is shaped irregular on plan containing an original certified land area of 86.61 hectares (214.0 acres), more or less. However, the land area had been reduced to 188.45 acres nett after an area of 25.00 acres & 0.55 acre had been acquired by the State Government of Sabah for "Project Tapak SK and SMK Bandaran Sri Indah, Tawau" and the construction of "Jalanraya Tawau-Sandakan, KM7-KM28 (new Tawau airport)". The physical terrain of Lots 1 and 4 of the Goldcoin Land are generally elevated on a higher ground. The northern portion of Lot 4 of the Goldcoin Land slopes gently along its north-eastern boundary towards east direction whilst Lot 1 of the Goldcoin Land is undulating and gently descend its boundary towards the southern boundary. During the time of the site inspection, Lot 1 of Goldcoin Land is currently planted with oil palm trees whilst Lot 4 of Goldcoin Land is partially planted with oil palm trees on the north-eastern portion. There are no buildings constructed on both Lots 1 of 4 of the Goldcoin Land

Land use/ proposed use	:	Commercial use
Net book value	:	RM9,380,222.00
Market value	:	Lot 1 of the Goldcoin Land is RM47.00 million and Lot 4 of the Goldcoin Land is RM44.00 million
Date of valuation	:	23 March 2016
Independent registered property valuer	:	VPC Alliance (Sabah) Sdn Bhd
Encumbrances	:	None
Disposal consideration	:	Lot 1 of the Goldcoin Land is RM47.00 million and Lot 4 of the Goldcoin Land is RM44.00 million.

3. TOTAL GOLDCOIN PURCHASE CONSIDERATION

The Goldcoin Purchase Consideration of Lot 1 of the Goldcoin Land was RM47.00 million and the Goldcoin Purchase Consideration of Lot 4 of the Goldcoin Land was RM44.00 million. Accordingly, the total Goldcoin Purchase Consideration of the Goldcoin Disposal was RM91.00 million.

3.1 Basis of arriving at and justification for the Goldcoin Purchase Consideration

The Goldcoin Purchase Consideration was based on the selling price of RM40.00 per sq. ft.

The Goldcoin Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration VPC Alliance (Sabah) Sdn Bhd's (an independent firm of registered professional valuers) valuation of Lot 1 at RM47.00 million and Lot 4 at RM44.00 million using the comparison method as set out in their valuation report dated 10 June 2016. The Goldcoin Disposal gave rise to a significant gain to the HSCB group.

3.2 The manner in which the Goldcoin Purchase Consideration was satisfied

The Goldcoin Purchase Consideration was paid in cash by Goldcoin to HSPD within one (1) month from the date of the Goldcoin SPA.

4. FINANCIAL INFORMATION OF THE GOLDCOIN LAND

4.1 Net profits attributable to the Goldcoin Land

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

4.2 NA or net book value of the Goldcoin Land

Based on HSPD's audited financial statements for the FYE 31 December 2015, the Goldcoin Land was valued at RM9,380,222.00, including land costs and deferred expenditures.

5. EFFECTS OF THE GOLDCOIN DISPOSAL

5.1 EPS

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2015 and assuming that the Goldcoin Disposal had been effected at the beginning of the financial year, the EPS of HSCB Group would have increased by approximately 2.87 sen.

5.2 NA per share

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2015 and assuming that the Goldcoin Disposal had been effected at the end of the financial year, the NA per share of HSCB Group would have increased by approximately 3 sen.

5.3 Gearing

Based on the audited consolidated financial statements of HSCB Group for the FYE 31 December 2015 and assuming that the Goldcoin Disposal had been effected at the end of the financial year, the net gearing[(1)] of HSCB Group would have decreased from 0.87 to 0.83.

Note:

(1) Net gearing ratio is computed after deducting money market deposits and cash and bank balances.

5.4 Share capital and substantial shareholders' shareholdings of HSCB

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

6. DETAILS OF THE GOLDCOIN DISPOSAL

6.1 Gains from the Goldcoin Disposal

The Goldcoin Disposal gave rise to a net gain of approximately RM61.65 million to the HSCB Group for the FYE 31 December 2017.

6.2 Utilisation of the proceeds from the Goldcoin Disposal

The Goldcoin Purchase Consideration was utilised to reduce the Group's borrowings and used as working capital of the Group.

6.3 Information on Goldcoin and Akal Megah

(i) Information on Goldcoin

Goldcoin is a private limited company incorporated in Malaysia on 2 January 2014 under the Companies Act 1965 and registered under the Act. Its registered office is at 18th Floor, Menara Hap Seng, No. 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur. Goldcoin has an issued share capital RM2.00 divided into two (2) ordinary shares. Goldcoin is principally involved in property development. The directors of Goldcoin are Datuk Yong Foo San, Datuk Gan Khian Seng, Madam Sim Siew Meng and Mr. Chong Chee Wooi.

(ii) Information on Akal Megah

The information of Akal Megah is disclosed in Section 6.3(iii) of the Appendix IV(A) of this Circular.

6.4 Liabilities assumed by Goldcoin

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

6.5 Date and original cost of investment of Lot 1 and Lot 4 of the Goldcoin Land

The date and original cost of investment of HSPD in the Goldcoin Land are as follows:

(i) Lot 1 of the Goldcoin Land

Title	Date of investment	Original cost of investment
		RM
CL105420666	31 January 2004	3,473,619.40

(ii) Lot 4 of the Goldcoin Land

Title	Date of investment	Original cost of investment
		RM
CL105420666	31 January 2004	3,232,101.09

7. APPROVALS REQUIRED FOR THE GOLDCOIN DISPOSAL

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

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

As at the date of the announcement of the Goldcoin Disposal on 13 January 2017, Tan Sri Lau is a 37.68% major shareholder of LSH. He is also a director and a 56.00% major shareholder of Gek Poh. Gek Poh holds 12.42% shares in LSH and Gek Poh is also the holding company of HSCB with an aggregate shareholding of 61.43%, comprising 54.63% direct shareholding and 6.80% indirect shareholding via HSIS. LSHI, a wholly-owned subsidiary of LSH, is a 12.08% major shareholder of HSCB. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH and LSHI are deemed interested in the Goldcoin Disposal.

Datuk Edward Lee Ming Foo is the managing director of both HSCB and Gek Poh. Mr. Lee Wee Yong is an executive director of HSCB and a director of Gek Poh. As at the date of the announcement of the Goldcoin Disposal on 13 January 2017, Gek Poh holds 12.42% equity interest in LSH and hence, is a major shareholder of LSH. Goldcoin is a wholly-owned subsidiary of Akal Megah, which in turn is the wholly-owned subsidiary of LSH. Premised on the above, Datuk Edward Lee Ming Foo and Mr. Lee Wee Yong are deemed interested in the Goldcoin Disposal. As such, they have abstained from all board deliberations and voting in respect of the Goldcoin Disposal due to their common directorships in both HSCB and Gek Poh.

Datuk Simon Shim Kong Yip is a non-independent non-executive director of HSCB and a non-executive director of LSH. Mr. Ch'ng Kok Phan is a non-independent non-executive director of HSCB and an executive director of LSH. Premised on Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan's common directorships in HSCB and LSH, they are interested in the Goldcoin Disposal. As such, Datuk Simon Shim Kong Yip and Mr. Ch'ng Kok Phan have abstained from all board deliberations and voting in respect of the Goldcoin Disposal due to their common directorships in both HSCB and LSH.

9. RATIONALE FOR THE GOLDCOIN DISPOSAL

The Goldcoin Disposal is to enable HSPD to realise an attractive capital gain and the proceeds are used to reduce bank borrowings and contribute to the working capital of HSCB Group.

10. SALIENT TERMS OF THE GOLDCOIN SPA

(i) HSPD shall sell and Goldcoin shall purchase the Goldcoin Land on an "as-is- where-is" basis free from all Encumbrances at the said Goldcoin Purchase Consideration subject to all conditions of title whether express or implied and restrictions in interest contained in the issued documents of title, if any, on such terms and conditions of the Goldcoin SPA;

(ii) The Goldcoin SPA shall be deemed completed upon full payment of the said Goldcoin Purchase Consideration to HSPD;

(iii) In the event Goldcoin was unable to pay the said Goldcoin Purchase Consideration within the completion period, HSPD shall grant to Goldcoin a further grace period of one (1) month to pay the same subject to Goldcoin paying to HSPD, late payment interest at the rate of eight per cent (8%) per annum on the Goldcoin Purchase Consideration up to the date of full settlement;

(iv) Upon execution of the Goldcoin SPA, HSPD shall deliver to Goldcoin, inter alia certified true copies of the resolution of its board of directors, approving the disposal of the Goldcoin Land on the terms and conditions of the Goldcoin SPA;

(v) Upon execution of the Goldcoin SPA, Goldcoin shall deliver to HSPD inter alia, certified true copy of the resolution of its board of directors approving the purchase of the Goldcoin Land on terms and conditions of the Goldcoin SPA;

(vi) Upon execution of the Goldcoin SPA, pending registration of the memorandum of transfer of the Goldcoin Land in favour of Goldcoin, HSPD shall execute a power of attorney in favour of Goldcoin or it nominees on such terms so as to enable Goldcoin to deal with the Goldcoin Land as if Goldcoin is the registered proprietor thereof, which power of attorney shall be delivered to Goldcoin upon full payment of the Goldcoin Purchase Consideration to HSPD;

(vii) Upon issuance of the separate documents of title of the Goldcoin Land, HSPD shall forthwith deliver a valid registrable unstamped memorandum of transfer to Goldcoin together with the original issue documents of title to the Goldcoin Land and all other relevant documents necessary for adjudication as to the stamp duties chargeable thereon and thereafter for Goldcoin to effect the registration of the memorandum of transfer at the appropriate land office; and

(viii) Vacant possession of the Goldcoin Land shall be deemed delivered to Goldcoin upon payment in full of the said Goldcoin Purchase Consideration to HSPD.

11. DIRECTORS' STATEMENT

The Board of having considered all aspects of the Goldcoin Disposal (including but not limited to the rationale and financial effects), was of the view that the Goldcoin Disposal was in the best interest of the Company.

12. ESTIMATED TIME FRAME TO COMPLETE THE GOLDCOIN DISPOSAL

Barring unforeseen circumstances, the Goldcoin Disposal was expected to be completed within one (1) month from the date of the Goldcoin SPA. The Goldcoin Disposal was completed on 23 January 2017.

13. THE HIGHEST PERCENTAGE RATIO APPLICABLE TO THE GOLDCOIN DISPOSAL PURSUANT TO PARAGRAPH 10.02(G) OF THE LISTING REQUIREMENTS

Pursuant to Paragraph 10.02(g) of the Listing Requirements, the highest percentage ratios applicable to the Lots 1 and 4 of the Goldcoin Land were 1.11% and 1.04% respectively.

Hence, applying the rule of aggregation pursuant to Paragraph 10.12(2)(c) of the Listing Requirements, for the transactions, the highest percentage ratio applicable to the Goldcoin Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements was 2.15%.

14. STATEMENT BY AUDIT COMMITTEE

The Audit Committee of HSCB (save for Datuk Simon Shim Kong Yip who had abstained from deliberating and voting on the resolution in relation to the Goldcoin Disposal on 13 January 2017 due to his common directorships in both HSCB and LSH), after having considered all aspects of the Goldcoin Disposal (including but not limited to the rationale and the financial effects of the Goldcoin Disposal), was of the opinion that the Goldcoin Disposal was:

(i) in the best interest of the Company and the HSCB Group;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the minority shareholders.

15. OTHER TRANSACTIONS WITH THE SAME RELATED PARTY

The total amount of related party transactions with the same related party, Tan Sri Lau, for the preceding 12 months from the date of the announcement for the Goldcoin Proposal on 13 January 2017 are set out in Section 15 of Appendix IV(A) of this Circular. In addition to Section 15 Appendix IV(A) of this Circular, the other related party transactions are the HSPD Disposal and Jesselton Hill Disposal, details of which are set out in Appendix IV(A) of this Circular.

16. RISK FACTORS IN RELATION TO THE GOLDCOIN DISPOSAL

Settlement risk

The Goldcoin Disposal was subject to full settlement of the net proceeds of Goldcoin Disposal by Goldcoin. However, there was no assurance that Goldcoin would be able to settle the balance sum on the completion date of Goldcoin Disposal.

However, this risk is no longer applicable as the Goldcoin Disposal was been completed on 23 January 2017.

17. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save as disclosed under Section 7 of Part A of this Circular, there are no other corporate exercises which have been announced but not yet completed as at the LPD.

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

2. Consents

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

3. Declarations of conflict of interest

3.1 CIMB

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

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

CIMB Bank Berhad has in the ordinary course of its banking business, extended credit facilities to the Group. As at the LPD, the outstanding amount is RM6.20 million.

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

(i) CIMB Group is a licensed commercial bank and the extension of credit facilities to the Company arose in the ordinary course of business of the CIMB Group; and

(ii) the total credit facilities granted by CIMB Group are not material when compared to the audited net assets of the CIMB Group as at 31 December 2016.

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.

3.3 Independent Registered Property Valuer

PA International Property Consultants (KL) Sdn Bhd confirms that there is no conflict of interest situation which exists or is likely to exist in its role as the Independent Registered Property Valuer to the Company for the Proposed Disposal.

4. Material commitments

Save as disclosed below, as at 31 December 2016, 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	63,141
Authorised but not contracted for	111,126
	174,267

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 memorandum and articles of association of HSCB and HSL;

(ii) the audited financial statements for the FYE 31 December 2015 and the FYE 31 December 2016 for HSCB and HSL respectively;

(iii) the HSL SSA;

(iv) the material contract referred to in Section 9 of Appendix 1 of this Circular;

(v) Valuation Report of the Proposed Disposal, together with the Valuation Certificate referred to in Appendix II of this Circular; and

(vi) Letters of consent and no conflict of interest referred to in Sections 2 and 3 of Appendix V of this Circular.

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Hap Seng Consolidated Berhad ("**HSCB**" or the "**Company**") will be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 11 a.m. ("**EGM**") or immediately following the conclusion of 41st annual general meeting of the Company, which will be held at the same 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 250,000,000 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF HAP SENG LOGISTICS SDN BHD ("HSL"), A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, FOR A CASH CONSIDERATION OF RM750.00 MILLION

"**THAT**, subject always the approvals and consent of all relevant regulatory authorities or parties being obtained (if required), approval be and is hereby given to the Company to dispose 250,000,000 ordinary shares representing 100% of the issued share capital of HSL to LSH Logistics Limited ("**LSHL**") or its nominee, for a cash consideration of Ringgit Malaysia ("**RM**") 750 million, details of which are set out in the Circular to Shareholders dated 17 May 2017 ("**Circular**"), in accordance with the terms and conditions of the Shares Sale Agreement dated 7 March 2017 entered into between the Company and LSHL ("**Proposed Disposal**").

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

BY ORDER OF THE BOARD

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

Kuala Lumpur
Dated: 17 May 2017

Notes:

1. *A depositor shall not be regarded as a member entitled to attend the EGM to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 24 May 2017 (which is not less than 3 market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") upon the Company's request in accordance with the rules of Bursa Depository.*
2. *Subject to note 3 below, a member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies (but not more than two (2)) to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification of the proxy or proxies.*
3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

HAP SENG CONSOLIDATED BERHAD (26877-W)

(Incorporated in Malaysia)

PROXY FORM

No. of Shares	CDS Account No.

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

of ....
(FULL ADDRESS)

Tel No. ....being a member/members of **Hap Seng Consolidated Berhad** (the "**Company**"), do hereby

appoint .... NRIC No. / Company No. ....
(FULL NAME OF PROXY IN BLOCK LETTERS)

of .... Tel. No. ....
(FULL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the extraordinary general meeting of the Company to be held at the Kinabalu Room, Ground Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur on Wednesday, 31 May 2017 at 11 a.m. ("**EGM**") or immediately following the conclusion of the 41st annual general meeting of the Company, which will be held at the same 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 250,000,000 ORDINARY SHARES REPRESENTING 100% OF THE ISSUED SHARE CAPITAL OF HAP SENG LOGISTICS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, FOR A CASH CONSIDERATION OF RM750.00 MILLION		

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 ________________, 2017

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

Notes:

1. *A depositor shall not be regarded as a member entitled to attend the EGM, to speak and vote thereat unless his/her name appears in the register of members and/or record of depositors as at 24 May 2017 (which is not less than three (3) market days before the date of this meeting) issued by Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") upon the Company's request in accordance with the rules of Bursa Depository.*

2. *Subject to note 3 below, a member entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies (but not more than two (2)) to attend and vote in his/her stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy. The proxy or proxies need not be a member of the Company and there shall be no restriction as to the qualification o the proxy or proxies.*

3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit on the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney, duly authorised in writing, or if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised, and such duly executed instrument appointing a proxy must be deposited at the registered office of the Company at 21st Floor, Menara Hap Seng, Jalan P. Ramlee, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

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