



**HONG LEONG ASIA LTD.**

Co. Reg. No. 196300306G  
(Incorporated in the Republic of Singapore)

**APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING**

**DATED 2 APRIL 2014**

**IN RELATION TO THE PROPOSED**

- (1) RENEWAL OF THE SHARE PURCHASE MANDATE; AND**
- (2) RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

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## LETTER TO SHAREHOLDERS

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### HONG LEONG ASIA LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration No. 196300306G)

**Directors:**

Kwek Leng Beng  
Kwek Leng Peck  
Philip Ting Sii Tien @ Yao Sik Tien  
Ernest Colin Lee  
Goh Kian Hwee  
Quek Shi Kui

**Registered Office:**

16 Raffles Quay  
#26-00 Hong Leong Building  
Singapore 048581

2 April 2014

To: The Shareholders of Hong Leong Asia Ltd.

Dear Sir/Madam

- (1) **PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**
- (2) **PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS**

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### 1. INTRODUCTION

We refer to the Notice of the Fifty-Third Annual General Meeting of Hong Leong Asia Ltd. (“**HLA**” or the “**Company**”) (“**53<sup>rd</sup> AGM**”) issued by the Company on 2 April 2014.

Item 9 of the Notice of the 53<sup>rd</sup> AGM is an ordinary resolution (“**Resolution 9**”) to be proposed at the 53<sup>rd</sup> AGM for the renewal of the Company’s Share Purchase Mandate which will empower the Directors to make purchases or otherwise acquire issued ordinary shares in the capital of the Company (the “**Shares**”) from time to time subject to certain restrictions set out in the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Information relating to Resolution 9 is set out in **Annexure I** of this Appendix.

Item 10 of the Notice of the 53<sup>rd</sup> AGM is an ordinary resolution (“**Resolution 10**”) to be proposed at the 53<sup>rd</sup> AGM for the renewal of the Company’s mandate for interested person transactions which will facilitate the Company, its subsidiaries and its associated companies, to enter into transactions with its interested persons (“**IPT Mandate**”), the details of which are set out in **Annexures II** and **III** of this Appendix.

The purpose of this Appendix is to provide Shareholders with the reasons for, and information relating to Resolutions 9 and 10.

## LETTER TO SHAREHOLDERS

### 2. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial shareholders of the Company in the issued Shares and options granted under the Hong Leong Asia Share Option Scheme 2000 (the "Share Options") as at 25 March 2014 (the "Latest Practicable Date"), were as follows:

Directors	← Direct Interest →		← Deemed Interest →		Number of Share Options
	Number of Shares	%	Number of Shares	%	
Kwek Leng Beng	660,000	0.18	–	–	–
Kwek Leng Peck	1,680,000	0.45	–	–	470,000
Philip Ting Sii Tien @ Yao Sik Tien	280,000	0.07	–	–	500,000
Ernest Colin Lee	50,000	0.01	–	–	–
Goh Kian Hwee	–	–	–	–	–
Quek Shi Kui	–	–	–	–	–

Substantial Shareholders	← Direct Interest →		← Deemed Interest →	
	Number of Shares	%	Number of Shares	%
Hong Leong Corporation Holdings Pte Ltd	233,000,000	62.32	6,664,000 <sup>(1)</sup>	1.78
Hong Leong Enterprises Pte. Ltd.	–	–	239,664,000 <sup>(2)</sup>	64.10
Hong Leong Investment Holdings Pte. Ltd.	–	–	239,932,000 <sup>(3)</sup>	64.17
Davos Investment Holdings Private Limited	–	–	239,932,000 <sup>(4)</sup>	64.17
Kwek Holdings Pte Ltd	–	–	239,932,000 <sup>(4)</sup>	64.17

**Notes:**

- (1) Hong Leong Corporation Holdings Pte Ltd ("HLCH") is deemed under Section 7 of the Companies Act, Chapter 50 (the "Act") to have an interest in the Shares held directly by its wholly-owned subsidiary, Starich Investments Pte. Ltd. ("Starich").
- (2) Hong Leong Enterprises Pte. Ltd. is deemed under Section 7 of the Act to have an interest in the Shares held directly by HLCH and Starich, in which it is entitled to exercise or control the exercise of not less than 20% of the voting shares in the latter companies.
- (3) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") is deemed under Section 7 of the Act to have an interest in the Shares held directly by its subsidiaries, HLCH, Starich, Millennium Securities Pte Ltd and Welkin Investments Pte Ltd.
- (4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 7 of the Act to have interests in the Shares referred to in Note 3 above held indirectly by HLIH, in which each of them is entitled to exercise or control the exercise of not less than 20% of the voting shares in HLIH.

Directors of the Company will abstain from voting their shareholdings in the Company, if any, on Resolutions 10 at the 53<sup>rd</sup> AGM. They have also undertaken to ensure that their associates will abstain from voting their respective shareholdings in the Company, if any, on Resolution 10 relating to the proposed renewal of the IPT Mandate at the said AGM.

The relevant companies within the Hong Leong Investment Holdings Pte. Ltd. ("HLIH") group (which includes HLIH, the holding company of the Company and their associates), and being Interested Persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on Resolution 10 at the 53<sup>rd</sup> AGM.

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## LETTER TO SHAREHOLDERS

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### 3. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Company's Share Purchase Mandate and IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Appendix.

Shareholders who are in any doubt as to the action they should take, should consult their stockbrokers or other professional advisers immediately.

Yours faithfully  
For and on behalf of  
The Board of Directors of  
**HONG LEONG ASIA LTD.**

KWEK LENG BENG  
Chairman

## PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

### 1. INTRODUCTION

At the Fifty-Second Annual General Meeting of the Company held on 25 April 2013 (“**52<sup>nd</sup> AGM**”), Shareholders had approved, *inter alia*, the renewal of the Share Purchase Mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares. The rationale for, authority and limitations on, and the financial effects of, the Share Purchase Mandate were set out in the Company’s letter to Shareholders dated 2 April 2013 and Ordinary Resolution 10 set out in the Notice of the 52<sup>nd</sup> AGM.

The Share Purchase Mandate was expressed to take effect from the passing of the Ordinary Resolution 10 at the 52<sup>nd</sup> AGM and will expire on the date of the forthcoming Fifty-Third Annual General Meeting to be held on 25 April 2014 (“**53<sup>rd</sup> AGM**”) or until it is varied or revoked by the Company in general meeting. Accordingly, Shareholders’ approval will be sought at the 53<sup>rd</sup> AGM of the Company for the renewal of the Share Purchase Mandate.

Since the renewal of the Share Purchase Mandate at the 52<sup>nd</sup> AGM, the Company has not purchased or acquired any of its shares under the Share Purchase Mandate.

### 2. DEFINITIONS

In this **Annexure I**, the following definitions shall apply throughout unless otherwise stated:

“ <b>Board</b> ”	:	The Board of Directors of the Company for the time being
“ <b>Company</b> ”	:	Hong Leong Asia Ltd.
“ <b>Companies Act</b> ”	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
“ <b>CDP</b> ”	:	The Central Depository (Pte) Limited
“ <b>Directors</b> ”	:	The Directors of the Company for the time being
“ <b>EPS</b> ”	:	Earnings per Share
“ <b>Group</b> ”	:	The Company and its subsidiaries
“ <b>Latest Practicable Date</b> ”	:	25 March 2014, being the latest practicable date prior to the printing of this Appendix
“ <b>Listing Manual</b> ”	:	The Listing Manual of the SGX-ST, as amended or modified from time to time
“ <b>Market Day</b> ”	:	A day on which the SGX-ST is open for trading in securities

<b>“Market Purchase”</b>	:	An on-market purchase of Shares by the Company effected on the SGX-ST, or on any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose
<b>“Maximum Price”</b>	:	The maximum price to be paid for the Shares as determined by the Directors under paragraph 3.2.4 of this <b>Annexure I</b>
<b>“NAV”</b>	:	Net asset value
<b>“Off-Market Purchase”</b>	:	An off-market purchase of Shares by the Company effected otherwise than on a stock exchange, in accordance with an equal access scheme
<b>“Share Options”</b>	:	Option to subscribe for new Shares granted pursuant to the Hong Leong Asia Share Option Scheme 2000
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Share Purchase Mandate”</b>	:	The mandate to enable the Company to purchase or otherwise acquire its issued Shares
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company
<b>“Shareholders”</b>	:	Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with the Shares
<b>“Substantial Shareholder”</b>	:	In relation to the Company, a person who has an interest in not less than 5% of the issued voting shares of the Company
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers
<b>“\$”</b>	:	Singapore dollars
<b>“%”</b>	:	Percentage or per centum

The terms **“Depositor”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this **Annexure I** to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this **Annexure I** shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be. Any reference to a time of day in this **Annexure I** is made by reference to Singapore time unless otherwise stated.

### **3. RENEWAL OF THE SHARE PURCHASE MANDATE**

#### **3.1 Rationale for the Share Purchase Mandate**

The Share Purchase Mandate will give the Company the flexibility to undertake share purchases or acquisitions at any time, subject to market conditions, during the period that the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. Share purchases will also allow the Directors greater flexibility over the Company's share capital structure with a view to enhancing the EPS and/or NAV per Share.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.2.1 below, it should be noted that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised, and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company and the Group, or affect the listing status of the Company on the SGX-ST.

#### **3.2 Authority and Limits of the Share Purchase Mandate**

The authority and limitations placed on the Share Purchase Mandate are summarised below:

##### **3.2.1 *Maximum Number of Shares***

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares (excluding any Shares which are held as treasury shares) as at the date of the 53<sup>rd</sup> AGM. As at the Latest Practicable Date, no Shares were held as treasury shares.

Purely for illustrative purposes, on the basis of 373,908,559 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued pursuant to the exercise of exercisable Share Options and no Shares are held by the Company as treasury shares on or prior to the 53<sup>rd</sup> AGM, not more than 37,390,855 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Purchase Mandate.

##### **3.2.2 *Duration of Authority***

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 53<sup>rd</sup> AGM, at which the Share Purchase Mandate is approved, up to:

- (a) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (b) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked; or
- (c) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier.



### 3.2.3 ***Manner of Purchases or Acquisitions of Shares***

Purchases or acquisitions of Shares may be made by way of:

- (a) Market Purchases; and/or
- (b) Off-Market Purchases.

Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST or, as the case may be, other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases or acquisitions of Shares by the Company made under an equal access scheme or schemes for the purchase or acquisition of Shares. The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) (if applicable) differences in consideration attributable to the fact that offers may relate to Shares with different amounts remaining unpaid; and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (1) terms and conditions of the offer;
- (2) period and procedures for acceptances; and
- (3) information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

### 3.2.4 ***Maximum Purchase Price***

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. The Maximum Price to be paid for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

- (b) in the case of an Off-Market Purchase, 110% of the Average Closing Price of the Shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

**“Average Closing Price”** means the average of the closing market prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such stock exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period; and

**“Date of the making of the offer”** means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

### 3.3 Source of Funds

Under the Companies Act, the Company may pursuant to the proposed Share Purchase Mandate, purchase or acquire its own Shares out of its capital, as well as from its profits.

The Company intends to use internal and/or external sources of funds to finance its purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the Group’s working capital requirements, current dividend policy and ability to service its debts would be adversely affected.

### 3.4 Status of Purchased or Acquired Shares

Shares which are purchased or acquired by the Company and which are not held as treasury shares will be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares will expire on cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

### 3.5 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

#### 3.5.1 *Maximum Holdings*

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

### 3.5.2 **Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a sub-division or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the sub-division or consolidation is the same as before.

### 3.5.3 **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "usage"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares of the usage, the number of treasury shares before and after the usage, and the percentage of the number of treasury shares of the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage.

## 3.6 **Financial Effects**

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital or profits of the Company, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Company and the Group based on the audited financial accounts of the Group for the financial year ended 31 December 2013 are based on the assumptions set out below:

### 3.6.1 **Purchase or Acquisition out of Capital or Profits**

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

### **3.6.2 *Maximum Price Paid for Shares Acquired or Purchased***

As at the Latest Practicable Date, the issued capital of the Company comprised 373,908,559 Shares. In addition, as at the Latest Practicable Date, there were outstanding and remaining unexercised Share Options to subscribe for up to an aggregate of 1,470,000 Shares. Except in respect of Shares which are issuable on exercise of the outstanding Share Options, no Shares are reserved for issue by the Company as at the Latest Practicable Date.

Based on the total number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 3.2.1 above, the purchase by the Company of 10% of the total number of issued Shares will result in the purchase or acquisition of 37,390,855 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 37,390,855 Shares at the Maximum Price of \$1.49 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 37,390,855 Shares is \$55,712,374. In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 37,390,855 Shares at the Maximum Price of \$1.56 for one Share (being the price equivalent to 10% above the Average Closing Price of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 37,390,855 Shares is \$58,329,734.

### **3.6.3 *Whether the Underlying Shares are cancelled or held in treasury***

The financial effects on the Group arising from purchases or acquisitions of Shares will also depend on whether the Shares purchased or acquired are cancelled or held in treasury.

For illustrative purposes only, on the basis of the assumptions set out above as well as the following:

- (i) the Share Purchase Mandate had been effective on 1 January 2013; and
- (ii) no issuance of Shares from the exercise of Share Options after the Latest Practicable Date,

the financial effects on the audited financial accounts of the Company and the Group arising from purchases or acquisitions of Shares for the financial year ended 31 December 2013 would have been as follows:

***Assuming Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled***

As at 31 December 2013	← Group →		← Company →	
	Before purchase of Shares \$'000	After purchase of Shares \$'000	Before purchase of Shares \$'000	After purchase of Shares \$'000
NAV	841,279	785,567	317,626	261,914
Current Assets	3,793,877	3,793,877	287,496	287,496
Current Liabilities	2,705,956	2,761,668	126,812	182,524
Shareholders' Fund	841,279	785,567	317,626	261,914
Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
Weighted Average Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
<b>Financial Ratios</b>				
Profit after Tax and Minority Interests	45,284	45,284	N.A.	N.A.
NAV per Share (cents)	225.00	233.44	84.95	77.83
Basic EPS (cents)	12.11	13.46	N.A.	N.A.
Current Ratio (times)	1.40	1.37	2.27	1.58

***Assuming Off-Market Purchases made out of profits and/or capital and Shares purchased or acquired being held in treasury or cancelled***

As at 31 December 2013	← Group →		← Company →	
	Before purchase of Shares \$'000	After purchase of Shares \$'000	Before purchase of Shares \$'000	After purchase of Shares \$'000
NAV	841,279	782,949	317,626	259,296
Current Assets	3,793,877	3,793,877	287,496	287,496
Current Liabilities	2,705,956	2,764,286	126,812	185,142
Shareholders' Fund	841,279	782,949	317,626	259,296
Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
Weighted Average Number of Shares	373,908,559	336,517,704	373,908,559	336,517,704
<b>Financial Ratios</b>				
Profit after Tax and Minority Interests	45,284	45,284	N.A.	N.A.
NAV per Share (cents)	225.00	232.66	84.95	77.05
Basic EPS (cents)	12.11	13.46	N.A.	N.A.
Current Ratio (times)	1.40	1.37	2.27	1.55

N.A. – Not applicable

The financial effects set out above, based on the respective aforementioned assumptions and scenarios, are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Group for the financial year 2013, and is not necessarily representative of future financial performance of the Group or the Company.

Although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of issued Shares. In addition, the Company may cancel or hold in treasury all or part of the Shares purchased or acquired.

The Company will take into account both financial and non-financial factors (for example, share market conditions and performance of the Shares) in assessing the relative impact of a share purchase before execution.

### 3.7 Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.

### 3.8 Listing Status of the Shares

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Under the Listing Manual, “**public**” is defined as persons other than the directors, chief executive officer, substantial shareholders, or controlling shareholders of the company or its subsidiaries, as well as the associates of such persons.

Based on information available to the Company as at the Latest Practicable Date, approximately 35.03% of the total number of issued Shares were held by public Shareholders. Assuming the Company had purchased or acquired Shares from the public up to the full 10% limit pursuant to the proposed Share Purchase Mandate on the Latest Practicable Date and none of these Shares had been held as treasury shares, approximately 27.82% of the issued Shares would have been held by public Shareholders as at that date.

The Company will ensure that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

### 3.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

#### 3.9.1 *Obligation to make a Take-over Offer*

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting Shares of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an

acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

### 3.9.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) the following companies:
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv); and
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (c) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### 3.9.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months.

In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Based on the shareholdings of the Directors and Substantial Shareholders, which can be found in the Letter to Shareholders on page 3 of this Appendix, the Directors and Substantial Shareholders would not incur an obligation to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase of Shares by the Company pursuant to the proposed Share Purchase Mandate.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.**

### 3.10 Reporting Requirements

The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include details of the date of the purchase, the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, and the total consideration (including stamp duties and clearing charges) paid or payable for the shares.

### 3.11 No Purchases During Price Sensitive Developments

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of two weeks immediately preceding the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one month before the announcement of the Company's financial statements for the full financial year (as the case may be).

## 4. RECOMMENDATION

The Directors are of the view that the proposed Share Purchase Mandate is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Resolution 9 for the renewal of the Share Purchase Mandate at the forthcoming 53<sup>rd</sup> AGM.



## PROPOSED RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

### 1. BACKGROUND

On 30 May 2003, the Company obtained Shareholders' approval at an Extraordinary General Meeting of the Company (the "**2003 EGM**") for the Company, its subsidiaries and its associated companies not listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or an approved exchange, over which the Company and its subsidiaries (collectively, the "**Group**") or the Group and its interested persons have control (collectively, "**HLA EAR Group**"), to enter into transactions falling within the categories of Interested Person Transactions as defined and set out in the Company's circular to Shareholders dated 5 May 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "**IPT Mandate**"). Given that such Interested Person Transactions may occur at any time, and to allow the HLA EAR Group to undertake such transactions in an expeditious manner, Shareholders' approval will be sought at the coming Fifty-Third Annual General Meeting ("**53<sup>rd</sup> AGM**") for the renewal of the IPT Mandate.

General information on the listing rules relating to interested person transactions, including the meanings of terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual of the SGX-ST, is set out in **Annexure III** of this Appendix.

### 2. RENEWAL OF THE GENERAL MANDATE

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The IPT Mandate approved at the 2003 EGM was expressed, unless revoked or varied by the Company in general meeting, to continue to be in force until the next annual general meeting of the Company. The IPT Mandate which was renewed at the last Annual General Meeting of the Company held on 25 April 2013, is currently in force until the next annual general meeting of the Company, being the 53<sup>rd</sup> AGM, which is to be held on 25 April 2014. Accordingly, it is proposed that the IPT Mandate be renewed at the 53<sup>rd</sup> AGM, to take effect until the next annual general meeting of the Company to be held in year 2015.

The nature of the Interested Person Transactions and the classes of Interested Persons in respect of which the IPT Mandate is sought to be renewed remain unchanged since the renewal of the same at the last annual general meeting of the Company held on 25 April 2013. Particulars of the IPT Mandate, including the rationale for, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of Interested Persons, are set out in **Annexure III** of this Appendix.

### 3. INTERESTED PERSON TRANSACTIONS

No Interested Person Transactions were conducted under the IPT Mandate in 2013.

#### 4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company confirms that:

- (a) the methods and review procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the 2003 EGM; and
- (b) the methods and review procedures referred to in (a) above continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

#### 5. RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Messrs Ernest Colin Lee, Goh Kian Hwee and Quek Shi Kui.

They are of the opinion that the entry into of the Interested Person Transactions (as described in Section 6 of **Annexure III**) between the HLA EAR Group (as described in Section 2.3 of **Annexure III**) and the Interested Persons (as described in Section 5 of **Annexure III**) in the ordinary course of business is to enhance the efficiency of the HLA EAR Group and is in the best interests of the Company. For the reasons set out in Sections 2 and 4 of **Annexure III**, they recommend that Shareholders vote in favour of Resolution 10 at the forthcoming 53<sup>rd</sup> AGM.

## GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS (the “IPT Mandate”)

### 1. GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual (“**Chapter 9**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) applies to transactions between a party that is an entity at risk and a counter party that is an interested person. The objective of Chapter 9 (as stated in Rule 901 of the Listing Manual) is to guard against the risk that interested persons could influence a listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders. The aforementioned terms “entity at risk”, “interested person” and “associated companies” are defined below.

#### 1.2 Main terms used in Chapter 9

- (a) An “**entity at risk**” means:
- (i) the listed company;
  - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
  - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has or have control over the associated company.
- (b) An “**associated company**” of a listed company means a company in which at least 20 per cent. but not more than 50 per cent. of its shares are held by the listed company or the listed group.
- (c) An “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (d) An “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.
- (e) An “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder of the listed company (being an individual) means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder; the trustees of any trust of which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family has or have an aggregate interest (directly or indirectly) of 30 per cent. or more; and, where a controlling shareholder of the listed

company is a corporation, its “associate” means its subsidiary or holding company or fellow subsidiary or a company in which it and/or such other companies taken together have (directly or indirectly) an interest of 30 per cent. or more.

- (f) A “**chief executive officer**” of a listed company means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.
- (g) A “**controlling shareholder**” of a listed company means a person who holds directly or indirectly 15 per cent. or more of the nominal amount of all voting shares in the listed company; or a person who in fact exercises control over the listed company.
- (h) An “**interested person transaction**” means a transaction between an entity at risk and an interested person.

### 1.3 **Materiality thresholds, announcement requirements and shareholders’ approval**

When Chapter 9 applies to a transaction with an interested person (except for any transaction which is below \$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from certain requirements of Chapter 9) and the value of the transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company’s latest audited consolidated net tangible asset<sup>1</sup> (“**NTA**”), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction.

In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:

- (a) 5 per cent. of the listed company’s latest audited consolidated NTA<sup>2</sup>; or
- (b) 5 per cent. of the listed company’s latest audited consolidated NTA, when aggregated with the values of other transactions entered into with the same interested person (such term as construed under Chapter 9) during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

### 1.4 **Shareholders’ general mandate**

Chapter 9 allows a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses, which may be carried out with the listed company’s interested persons.

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<sup>1</sup> Based on the latest audited consolidated accounts of the Company and its subsidiaries for the financial year ended 31 December 2013, the audited consolidated NTA of the Group was \$733,292,000.

<sup>2</sup> In relation to the Company, for the purposes of Chapter 9, in the current financial year and until such time that the audited consolidated accounts of the Company and its subsidiaries for the year ending 31 December 2014 are published by the Company, 5 per cent. of the latest audited consolidated NTA of the Group would be \$36,664,600.

## 2. INTRODUCTION AND RATIONALE FOR THE IPT MANDATE

- 2.1 The Hong Leong Asia Ltd. (“**HLA**”) group (the “**Group**”) is principally engaged in the manufacture of industrial and consumer products ranging from diesel engines, refrigerators, freezers to air-conditioning systems; the manufacture and marketing of plastic packaging related products; the trading and distribution of a variety of construction raw materials such as cement; and the manufacture, trading and distribution of pre-cast concrete elements, ready-mix concrete and quarry products.
- 2.2 Hong Leong Investment Holdings Pte. Ltd. (“**HLIH**”), a controlling shareholder of the Company, is also the holding company of two other publicly listed companies on the SGX-ST, namely, City Developments Limited and Hong Leong Finance Limited. HLIH and its associates (the “**HLIH Group**”) are interested persons of the Company.
- 2.3 Due to the size of the HLIH Group and the diversity of the Group’s activities, it is anticipated that:
- (a) HLA;
  - (b) subsidiaries of HLA that are not listed on the SGX-ST or an approved exchange; and
  - (c) associated companies of HLA that are not listed on the SGX-ST or an approved exchange, provided that the Group or the Group and its interested person(s), has or have control over the associated companies,

(together, the “**HLA EAR Group**”), or any of them, would, in the ordinary course of its businesses, enter into certain transactions with its interested persons. It is likely that such transactions will occur with some degree of frequency and may arise at any time. Thus, the IPT Mandate is intended to facilitate transactions in the normal course of business of the HLA EAR Group falling within the categories of interested person transactions as set out in Section 6 below (the “**Interested Person Transactions**”) that are transacted from time to time with its interested persons as specifically described in Section 5 below (the “**Interested Persons**”) provided that they are carried out at arm’s length and on the Group’s normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

## 3. SCOPE OF THE IPT MANDATE

- 3.1 The IPT Mandate will not cover any Interested Person Transaction which has a value below \$100,000 as the threshold and aggregation requirements of Chapter 9 do not apply to such transactions.
- 3.2 Transactions with interested persons which do not fall within the ambit of the IPT Mandate (including any renewal thereof), will be subject to applicable provisions of Chapter 9 and/or any other applicable provisions of the Listing Manual.

## 4. BENEFITS OF THE IPT MANDATE

The IPT Mandate which was adopted at the Extraordinary General Meeting of the Company held on 30 May 2003 (the “**2003 EGM**”) and subject to renewal on an annual basis would eliminate the need for the Company to convene separate general meetings on each occasion to seek Shareholders’ approval as and when such Interested Person Transactions with the Interested Persons arise, thereby reducing substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group. This would also enable the Group to maximise its business

opportunities especially in commercial transactions that are time-sensitive in nature. At the same time, the Group would be able to channel the significant amount of administrative resources, including time and expenses, saved towards its other corporate objectives.

## **5. CLASSES OF INTERESTED PERSONS**

The IPT Mandate will apply to transactions with the following classes of Interested Persons:

- (a) the HLIH Group; and
- (b) Directors, chief executive officer and controlling shareholders of the Company (other than entities who fall under the HLIH Group described under sub-paragraph (a) above) and their respective associates.

## **6. CATEGORIES OF INTERESTED PERSON TRANSACTIONS**

6.1 The Interested Person Transactions between the HLA EAR Group and Interested Persons which will be covered by the IPT Mandate relate to recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations, and are set out as follows:

### **6.1.1 Industrial- and Consumer-related Transactions**

This category comprises the following types of transactions:

- (a) sale of diesel engines for light-duty, medium-duty and heavy-duty trucks that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;
- (b) sale of air-conditioners, refrigerators, freezers and other home appliances that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;
- (c) sale of heating, ventilation, and air-conditioning systems for use in residential, commercial and industrial applications that are manufactured, assembled and/or distributed by the HLA EAR Group, including the provision of after-sales services;
- (d) sale of industrial products that are manufactured by the HLA EAR Group, which include without limitation, steel drums and pails, plastic bottles, plastic pails, jerry cans, thermo-formed containers, steel and plastic closures, and other plastic packaging materials or products; and
- (e) purchase or supply by Interested Persons of any material or component, whether raw or processed, plant equipment and accessories and/or services which are incidental to or in connection with the manufacture and/or assembly of any of the products described in sub-paragraphs (a) to (d) above.

### **6.1.2 Construction-related Transactions**

This category comprises transactions in relation to the supply and distribution of building materials and construction products ranging from raw materials such as cement, ready-mix concrete, quarry products, and construction materials to pre-cast concrete elements for installation in buildings.

### 6.1.3 Financial and Treasury Transactions

This category comprises transactions in relation to the placement of funds with Interested Persons, the borrowing of funds from Interested Persons, and the entry into foreign exchange, swap and option transactions with Interested Persons, that do not fall under the exceptions to interested person transactions pursuant to Rule 915(6) and Rule 915(7) of Chapter 9<sup>3</sup>; and the subscription by the HLA EAR Group of debt securities issued by any Interested Person and the issue of debt securities by the HLA EAR Group to any Interested Person.

Pursuant to Rule 916(3) of Chapter 9, the provision of a loan by the HLA EAR Group to a joint venture with an Interested Person does not require the seeking of Shareholders' approval provided that such loan is extended by all joint venture partners on the same terms and in proportion to their equity interest in the joint venture; the Interested Person does not have an existing equity interest in the joint venture prior to the participation of the HLA EAR Group in the joint venture; and the Company has announced that its audit committee (the "**Audit Committee**") is of the view that: (i) the provision of the loan is not prejudicial to the interests of the Company and its minority Shareholders; (ii) the risks and rewards of the joint venture are in proportion to the equity of each of the joint venture partners; and (iii) the terms of the joint venture are not prejudicial to the interests of the Company and its minority Shareholders.

### 6.1.4 General Transactions

This category comprises the following types of transactions:

- (a) purchase of goods and services including vehicles, parts and accessories and after-sales services; and
- (b) leasing or rental of properties to or from Interested Persons.

## 7. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

- 7.1 In general, there are procedures established by the Group to ensure that Interested Person Transactions, which are reviewed and approved by the management, are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, are not prejudicial to the interests of the Company and its minority Shareholders and on terms which are generally no more favourable to the Interested Persons than those extended to or received from unrelated third parties.

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<sup>3</sup> Pursuant to Rule 915(6) and Rule 915(7) of Chapter 9, the provision or receipt of financial assistance or services by or from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business does not constitute an interested person transaction which would require compliance with Rules 905, 906 and 907 of Chapter 9. Rule 905 relates to the requirements for immediate announcement of interested person transactions, Rule 906 relates to the requirements for seeking shareholders' approval for interested person transactions, and Rule 907 relates to the requirements for disclosure of the aggregate value of interested person transactions in the listed company's annual report.

### 7.1.1 Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions

All Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) are to be carried out at the published or prevailing rates/prices of the service or product providers (including, where applicable, preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases where the giving of such preferential rates/prices/discounts are commonly practised within the applicable industry and may be similarly extended to unrelated third parties), on the service or product provider's usual commercial terms which may also be similarly extended to unrelated third parties, or otherwise in accordance with other applicable industry norms.

In addition, the HLA EAR Group will monitor the Interested Person Transactions (other than the Financial and Treasury Transactions covered in Section 7.1.2 below) as follows:

- (a) Industrial- and Consumer-related Transactions, Construction-related Transactions and General Transactions (other than the Interested Person Transactions covered under sub-paragraph (b) herein)

Interested Person Transactions under this sub-paragraph (a) shall be entered into, where applicable, (i) in the case of the provision of services or products by an Interested Person, based on tenders (with at least two bids from unrelated third parties to be obtained for comparison purposes) or comparison of rates and terms offered by or generally quoted by at least two unrelated third parties, who are engaged in providing similar services or products; and (ii) in the case of the provision of services or products to an Interested Person, based on comparison of rates and terms offered to at least two unrelated third parties, for transactions of a similar nature, size or complexity and after taking into account the availability of resources, expertise or manpower for the performance of such services or provision of such goods and the existence of any cost and/or time saving factors.

- (b) General Transactions comprising the leasing or rental of properties

Interested Person Transactions under this sub-paragraph (b) shall be entered into after comparison of rates quoted to at least two unrelated third parties (in the case of leases granted to Interested Persons) or comparison of rates quoted by or obtained from at least two unrelated third parties (in the case of leases granted by Interested Persons) and after taking into account the prevailing market rental rates for other properties within its vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

- (c) In the event that such comparison quotations cannot be obtained in respect of the Interested Person Transactions covered under sub-paragraphs (a) and (b) above (for example, where there are no unrelated third party providers or users of such services or products, or where the service or product is a proprietary item or due to the nature, speciality or confidentiality of the service or product to be supplied), such Interested Person Transactions shall be entered into only after the senior management staff of the relevant company in the HLA EAR Group (having no interest, direct or indirect, in the Interested Person Transaction and having the authority in such company to approve the entering into of transactions of such nature and value), has evaluated and weighed the benefits of, and rationale for, transacting with the Interested Person and in their report submitted to the Audit



Committee, confirmed that the price and terms offered to or by the Interested Person are fair and reasonable. In such evaluation and confirmation, the factors which may be taken into account include, but shall not be limited, to the following:

- (i) in relation to the sale of goods or services to the Interested Person, the terms of supply should be in accordance with the HLA EAR Group's usual business practice and consistent with the margins obtained by the HLA EAR Group in its business operations or the margins obtained for the same or substantially the same type of transactions;
- (ii) in relation to the purchase of goods or services from the Interested Person, the terms of supply will be compared to those for the same or substantially the same type of transactions entered into between the Interested Person and unrelated third parties. The review procedures in such cases may include where applicable, reviewing the standard price lists provided by the Interested Person to its customers for such products or services;
- (iii) the efficiencies and flexibilities derived by the HLA EAR Group in transacting with the Interested Person as compared with transacting with unrelated third parties; and
- (iv) prevailing industry norms.

#### 7.1.2 Financial and Treasury Transactions

(a) Placement of Funds

In relation to the placement with any Interested Person by the HLA EAR Group of its funds, the Company will require that quotations be obtained from such Interested Person and at least two principal bankers or financial institutions of the Group ("**Principal Bankers**") for rates offered by such Principal Bankers for deposits of an amount and currency and for a period equivalent to that of the funds to be placed by the HLA EAR Group. The HLA EAR Group will only place its funds with such Interested Person provided that the interest rate quoted is not less than the highest of the rates quoted by such Principal Bankers.

(b) Borrowing of Funds

In relation to the borrowing of funds from any Interested Person by a company within the HLA EAR Group, the Company will require that quotations be obtained from such Interested Person and at least two bankers of the borrowing company within the HLA EAR Group for rates offered by such bankers for loans of an amount and currency and for a period equivalent to that of the funds to be borrowed by such borrowing company within the HLA EAR Group. The HLA EAR Group will only borrow funds from such Interested Person provided that the interest rate quoted is not more than the lowest of the rates quoted by such bankers.

(c) Foreign Exchange, Swaps and Options

In relation to the foreign exchange, swap and option transactions with any Interested Person by the HLA EAR Group, the Company will require that rate quotations be obtained from such Interested Person and at least two Principal Bankers of the Group. The HLA EAR Group will only enter into such foreign

exchange, swap and option transactions with such Interested Person provided that such rates quoted are no less favourable than the rates quoted by such Principal Bankers.

(d) Subscription of Debt Securities

In relation to the subscription by the HLA EAR Group of debt securities issued by Interested Persons, the HLA EAR Group will only enter into the subscription of such debt securities provided that the price(s) at which the HLA EAR Group subscribes for such debt securities will not be higher than the price(s) at which such debt securities are subscribed for by unrelated third parties.

In relation to the issue of debt securities by the HLA EAR Group to Interested Persons, the HLA EAR Group will only issue such debt securities to Interested Persons provided that the price(s) at which the HLA EAR Group issues such debt securities will not be lower than the price(s) at which such debt securities are issued to unrelated third parties.

In addition to the foregoing, the following threshold limits will be applied to ensure further monitoring by the Group of the Financial and Treasury Transactions entered into by the HLA EAR Group:

Placement of Funds and Subscription of Debt Securities

Where the aggregate of the outstanding principal amount of the funds placed with, and debt securities subscribed from, the same Interested Person (as such term is construed under Chapter 9) shall at any time exceed the equivalent of 10 per cent. of the consolidated shareholders' funds of the Group (based on its latest audited accounts), each subsequent placement of funds with, or subscription of debt securities from, the same Interested Person shall require the prior approval of the Audit Committee.

Where the aggregate of the outstanding principal amount of funds placed with, and debt securities subscribed from, the same Interested Person does not at any time exceed the limit set out above, the placement of funds with, and subscription of debt securities from, that Interested Person will not require the prior approval of the Audit Committee but shall be reviewed by the Audit Committee at its quarterly meetings.

- 7.2 A register is maintained by the Group to record all Interested Person Transactions (and the basis including the quotations, if any and where relevant, obtained to support such basis on which they are entered into) which are entered into pursuant to the IPT Mandate.
- 7.3 As part of the internal audit plan, the internal auditors of HLA, report, on a quarterly basis, to the Audit Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit Committee reviews such Interested Person Transactions at its quarterly meetings except where such Interested Person Transactions are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.
- 7.4 The annual internal audit plan incorporates a review of the established review procedures for the monitoring of Interested Person Transactions entered into pursuant to the IPT Mandate.

- 7.5 The Audit Committee reviews the internal audit report on Interested Person Transactions to ascertain that the established review procedures to monitor Interested Person Transactions have been complied with. If during a review by the Audit Committee, the Audit Committee is of the view that the established review procedures are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the HLA EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that future transactions of a similar nature are on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to Shareholders for a fresh mandate based on new review procedures for transactions with Interested Persons.
- 7.6 For the purpose of the review process, if a member of the Audit Committee has an interest in the transaction to be reviewed by the Audit Committee, he will abstain from any decision making by the Audit Committee in respect of that transaction. Accordingly, where two members of the Audit Committee have an interest each in the transaction to be reviewed by the Audit Committee, the review of that transaction will be undertaken by the remaining member(s) of the Audit Committee.

## **8. EXPIRY AND RENEWAL OF THE IPT MANDATE**

- 8.1 The IPT Mandate which was adopted at the 2003 EGM is subject to renewal on an annual basis at the annual general meeting of the Company (unless revoked or varied by the Company in general meeting). The IPT Mandate that was renewed at the last Annual General Meeting of the Company held on 25 April 2013, is currently in force until the next annual general meeting of the Company, being the 53<sup>rd</sup> Annual General Meeting (“**53<sup>rd</sup> AGM**”), which is to be held on 25 April 2014, and if renewed at the 53<sup>rd</sup> AGM, will take effect until the next annual general meeting of the Company to be held in year 2015. Approval from Shareholders will be sought for the annual renewal of the IPT Mandate subject to review by the Audit Committee of its continued application to the Interested Person Transactions.
- 8.2 If the Audit Committee is of the view that the review procedures under the IPT Mandate are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new review procedures for Interested Person Transactions.

## **9. DISCLOSURE**

In accordance with Chapter 9, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate during the financial year (as well as in the Company’s annual reports for subsequent financial years that the IPT Mandate continues to be in force). In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (pursuant to Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

