

**PART A - THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

## 1. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE

In accordance with paragraph 10.09, Part E of Chapter 10 of the Listing Requirements, all listed issuers are required to obtain Shareholders' Mandate on the Recurrent Transactions.

The Recurrent Transactions are in respect of transactions made from time to time between the Company and its subsidiary companies with a director or major shareholder or persons connected with such director or major shareholder and such transactions are necessary for the day to day operations of the Company and/or its subsidiary companies and on terms not more favourable to the Related Parties than those generally available to the public.

The subsidiaries of LPI, as at 5 January 2004, are as follows: -

Corporation	Effective equity interest %	Principal activities
Lonpac Insurance	100	Underwriting of general insurance
LPHSB	100	Investment holding
PULF	100	Financing of leases

### 1.1 Related Parties to the Recurrent Transactions

The Recurrent Transactions for which the renewal of the Shareholders' Mandate is sought, are in respect of transactions entered into by the LPI Group with the PBB Group in which the interested related parties are Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee and Mr. Lee Chin Guan. Tan Sri Dato' Sri Dr. Teh Hong Piow is the Chairman and a substantial shareholder of LPI and the PBB Group. Dato' Yeoh Chin Kee is a Director and shareholder of LPI and PBB. Mr. Lee Chin Guan is a shareholder of LPI and a Director of LPI and PBB. They are, as such deemed interested in the Recurrent Transactions. The Recurrent Transactions are in respect of premium income derived by Lonpac Insurance from the assets of the PBB Group insured, which do not qualify as exempted transactions as defined under paragraph 4.1 of Practice Note No. 14/2002 of the Listing Requirements.

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Details of direct and indirect interests of Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee, Mr. Lee Chin Guan and several substantial shareholders of the Company, in LPI and PBB as at 5 January 2004 are as follows: -

Name	Shareholding in LPI as at 5 January 2004				Shareholding in PBB as at 5 January 2004			
	Direct '000	%	Indirect '000	%	Direct '000	%	Indirect '000	%
<b><u>Directors</u></b>								
Tan Sri Dato' Sri Dr. Teh Hong Piow	152	0.13	59,123 <sup>(1)</sup>	49.20	1,563	0.02	1,542,017 <sup>(2)</sup>	24.04
Dato' Yeoh Chin Kee	-	-	92 <sup>(2)</sup>	0.08	-	-	38 <sup>(2)</sup>	*
Lee Chin Guan	143	0.12	-	-	-	-	-	-
<b><u>Substantial Shareholders</u></b>								
CTHSB	422	0.35	58,701 <sup>(3)</sup>	48.85	158,959	2.48	274,103 <sup>(4)</sup>	4.27
KCSB	18,748	15.60	-	-	168,964	2.63	-	-
SHSB	22,446	18.68	-	-	125,196	1.95	65,865 <sup>(9)</sup>	1.03
KPSB	10,920	9.09	-	-	11,633	0.18	-	-
Tunku Osman Ahmad	1,070	0.89	18,748 <sup>(4)</sup>	15.60	8,405	0.13	-	-
PBCL	4,896	4.07	20,439 <sup>(5)</sup>	17.01	-	-	168,964 <sup>(6)</sup>	2.63
KCS	-	-	10,920 <sup>(6)</sup>	9.09	83,042	1.29	-	-
MSB	-	-	10,920 <sup>(6)</sup>	9.09	13,539	0.21	163,866 <sup>(11)</sup>	2.56
NIPPONKOA	11,814	9.83	-	-	-	-	-	-

\* Less than 0.01%

**Notes:**

- (1) Deemed interested by virtue of his shareholding in CTHSB, SHSB, KCSB, KPSB, PBCL and PBSB.
- (2) Deemed interested by virtue of the shareholding of his spouse, Datin Lau Kim Gueh in LPI.
- (3) Deemed interested by virtue of its shareholding in SHSB, KCSB, PBCL, PBSB, and KCS.
- (4) Deemed interested by virtue of his shareholding in KCSB.
- (5) Deemed interested by virtue of its shareholding in PBSB and KCSB.
- (6) Deemed interested by virtue of its shareholding in KPSB.
- (7) Deemed to have interest in PBB shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965. These other corporations are CTHSB, Fairbanks Holdings (Pte) Ltd, KCSB, KCS, Kepunyaan Moden Sdn Bhd, KPSB, Kepunyaan Perindustrian Sdn Bhd, LPHSB, LPI, Lonpac Insurance, Luhur Management Sdn Bhd, Magnificent Equities Sdn Bhd, MSB, Securities Holdings Sdn Bhd, Sekuriti Pejal Sdn Berhad, SHSB, SSSB, Syarikat Kepunyaan Khas Sdn Bhd, Tong Meng Industries Ltd, Tong Meng Company (Malaya) Sdn Bhd and TMI Securities Pte Ltd.
- (8) Deemed to have interest in PBB shares held by Securities Holdings Sdn Bhd, SHSB and KCS by virtue of Section 6A(4) of the Companies Act, 1965.
- (9) Deemed to have interest in PBB shares held by Securities Holdings Sdn Bhd by virtue of Section 6A(4) of the Companies Act, 1965.
- (10) Deemed to have interest in PBB shares held by KCSB by virtue of Section 6A(4) of the Companies Act, 1965.
- (11) Deemed to have interest in PBB shares held by KPSB and SSSB by virtue of Section 6A(4) of the Companies Act, 1965.
- (12) PBSB is a shareholder of LPI with equity interest of approximately 1.41% in LPI as at 5 January 2004. PBSB does not have any shareholdings in PBB as at 5 January 2004.

## 1.2 Nature of the Recurrent Transactions

The LPI Group derives its income mainly from the general insurance business. As part of its normal course of business, the LPI Group via its subsidiary Lonpac Insurance also undertakes general insurance business with the PBB Group. The Recurrent Transactions involve premium income, which do not qualify as exempted transactions as defined under paragraph 4.1 of Practice Note 14/2002 of the Listing Requirements. The said premium income is derived from insurance products such as Group All Benefits Personal Accident, Group Traveller's Inconvenience, Burglary, Group Health and Safe Deposit Box. Details of the said transactions for which the mandate of the shareholders is sought, are set out below: -

Company in the LPI Group involved in the Recurrent Transactions	Related Party	Estimated premium income* from 1 January 2004 to 31 December 2004 RM
Lonpac Insurance	PBB	2,577,000
Lonpac Insurance	PFB	757,000
Lonpac Insurance	PBIF	8,000
Lonpac Insurance	PLF	8,000
Lonpac Insurance	PHSB	27,000
Lonpac Insurance	PBSSB	82,000
Lonpac Insurance	PMBB	50,000
Lonpac Insurance	PMB	406,000
Lonpac Insurance	PPSB	1,000

Notes: -

\* Comprises premium income that does not qualify as exempted transactions as defined under paragraph 4.1 of Practice Note 14/2002 of the Listing Requirements which was issued by MSEB on 28 November 2002.

The PBB Group may in future, as and when required, insure its new additional assets with the LPI Group. The abovementioned premium income generated from assets of the PBB Group insured with Lonpac Insurance is conducted on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public.

The transaction prices for the Recurrent Transactions referred to above are and will be based on the prevailing market rates, which are subject to market fluctuations. As such, the estimated aggregate value of the same for the period from the forthcoming AGM to the conclusion of the next AGM is not fixed, as the aggregate value would likewise be subject to fluctuations in the said market rates.

None of the transactions mentioned in this section falls under paragraph 4.2 of Practice Note 12/2001 of the Listing Requirements.

## 1.3 Review Procedures for the Recurrent Transactions

The Company has established the following review procedures to be carried out to ensure that the Recurrent Transactions are conducted at arm's length basis, on normal commercial terms not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders:

- (i) A policy shall be set up in relation to Recurrent Transactions, which are of revenue or trading nature. The scope and definition of arm's length and normal commercial terms should be clearly stated and the procedures and guidelines properly laid out.

- (ii) The Board and the Audit Committee shall approve the policy on the Recurrent Transactions.
- (iii) The Audit Committee shall circulate a list of Related Parties and the general nature of the Recurrent Transactions (which are updated from time to time) together with the policy on Recurrent Transactions to all the Executive Directors with expressed notification that all Recurrent Transactions shall be negotiated at arm's length and on normal commercial terms not more favourable to the Related Parties than those generally available to the public.
- (iv) The Audit Committee shall ascertain that all guidelines and procedures set up to monitor Recurrent Transactions have been complied with and shall approve all proposed Recurrent Transactions.
- (v) All Recurrent Transactions shall be tabled at the Audit Committee Meeting (not less than three meetings are to be held in a financial year) for approval. The Audit Committee shall have the right of access to the Related Parties involved for information and is entitled to the services of independent advisers, if required, in the discharge of their duties.
- (vi) The Recurrent Transactions prices, terms and conditions are based on prevailing market forces under the same commercial terms for transactions that are contracted/offered with/to third parties or on established and authorised list prices, terms and conditions to be offered to third parties or consistent with normal trade practices.
- (vii) All members of the Board and Audit Committee who are directly or indirectly, interested in any transaction shall declare their interest in the transaction and abstain from deliberations and voting in respect of the Recurrent Transactions.

#### **1.4 Other Disclosure on the Recurrent Transactions**

Disclosure will also be made in the Company's Annual Report 2003 of a breakdown of the aggregate value of the Recurrent Transactions made during the financial year, amongst others, based on the following information:

- (i) the type of the Recurrent Transactions made; and
- (ii) the names of the Related Parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

#### **1.5 Validity period of the Proposed Renewal of Shareholders' Mandate**

If approved at the forthcoming AGM, the Proposed Renewal of Shareholders' Mandate will take effect from the date of the passing of the Ordinary Resolution relating thereto at the AGM and will continue in force until:

- (i) the conclusion of the next AGM of the Company following the general meeting in which the authorisation is obtained, at which it shall lapse unless by Ordinary Resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Act); or

- (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

#### **1.6 Statement by Audit Committee**

The Audit Committee of the Company has reviewed the terms of the Proposed Renewal of Shareholders' Mandate and is satisfied that the review procedures for the Recurrent Transactions, as well as the annual reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that Recurrent Transactions will be made at arm's length and in accordance with the LPI Group's normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and hence, will not be prejudicial to the shareholders or disadvantageous to the LPI Group.

### **2. RATIONALE FOR THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The obtaining of shareholders' approval in respect of the Proposed Renewal of Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when Recurrent Transactions is equal to or exceed 5% percentage ratio (as prescribed in paragraph 10.04 of the Listing Requirements), thereby reducing substantially administrative time and expenses in convening such meeting without compromising the corporate objectives and adversely affecting the business opportunities available to the LPI Group.

The Proposed Renewal of Shareholders' Mandate will allow the LPI Group to facilitate the Recurrent Transactions in their normal course of business, to enter into Recurrent Transactions of a revenue and trading nature with the Related Parties, provided such transactions are carried out at arm's length and on the LPI Group's normal commercial terms and are not prejudicial to shareholders and are based on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders.

The Recurrent Transactions entered into with the Related Parties set out herein namely the PBB Group are intended to meet business needs at the best possible commercial terms by tapping into the business platform of the PBB Group which will be of benefit to the LPI Group.

### **3. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The Proposed Renewal of Shareholders' Mandate will not have any effect on the issued and paid-up share capital, the shareholdings of the substantial shareholders, consolidated net tangible assets and consolidated earnings of the LPI Group.

### **4. APPROVAL REQUIRED**

The Proposed Renewal of Shareholders' Mandate is subject to approval being obtained from the shareholders of the Company at the forthcoming AGM.