

**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 Bursa Securities LR, LPI, a listed issuer is 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 subsidiaries 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 subsidiaries and on terms not more favourable to the Related Parties than those generally available to the public.

The subsidiaries of LPI, as at 31 December 2005 are as follows:

Corporation	Effective equity interest (%)	Principal activities
Lonpac Insurance	100.0	Underwriting of general insurance
LPHSB	100.0	Investment holding
PULF	100.0	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 Lee Chin Guan. Tan Sri Dato' Sri Dr. Teh Hong Piow is the Chairman and a major shareholder of LPI and PBB. Dato' Yeoh Chin Kee and Lee Chin Guan are the Directors and shareholders 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 set out in paragraph 10.08(9) of the LR which was issued on 21 November 2005.

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Details of the direct and indirect interests of Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee, Lee Chin Guan and several major shareholders of the Company, who are deemed to have an interest in the Recurrent Transactions, in LPI and PBB based on the Register of Directors' Shareholdings and the Register of Substantial Shareholdings as at 31 December 2005 are as follows:

Name	Shareholding in LPI as at 31 December 2005				Shareholding in PBB as at 31 December 2005			
	Direct	%	Indirect	%	Direct	%	Indirect	%
<b><u>Directors</u></b>								
Tan Sri Dato' Sri Dr. Teh Hong Piow	1,952,000	1.41	59,123,000 <sup>(1)</sup>	42.82	21,524,250	0.65	786,468,596 <sup>(5)</sup>	23.88
Dato' Yeoh Chin Kee	550,000	0.40	300,000 <sup>(2)</sup>	0.22	1,110,000	0.03	400,000 <sup>(2)</sup>	0.01
Lee Chin Guan	993,000	0.72	-	-	1,250,000	0.04	-	-
<b><u>Major Shareholders</u></b>								
CTHSB	422,000	0.31	58,701,000 <sup>(3)</sup>	42.51	79,479,687	2.41	165,711,639 <sup>(6)</sup>	5.03
KCSB	18,748,000	13.58	-	-	84,482,031	2.57	-	-
SHSB	22,446,000	16.26	-	-	62,598,046	1.90	32,932,656 <sup>(7)</sup>	1.00
KPSB	10,920,000	7.91	-	-	5,816,484	0.18	-	-
KCS	-	-	10,920,000 <sup>(4)</sup>	7.91	70,180,937	2.13	-	-
MSB	-	-	10,920,000 <sup>(4)</sup>	7.91	6,769,296	0.21	81,933,046 <sup>(8)</sup>	2.49

**Notes:**

- (1) Deemed interest by virtue of his shareholding in CTHSB, SHSB, KCSB, KPSB, PBCL and PBSB under Section 122A of the Act. PBCL and PBSB are shareholders of LPI with equity interests of approximately 3.55% (4,896,000 shares) and 1.22% (1,691,000 shares) respectively in LPI as at 31 December 2005.
- (2) Deemed interest by virtue of the shareholding of his spouse, Datin Lau Kim Gueh under Section 122A of the Act.
- (3) Deemed interest by virtue of its shareholding in SHSB, KCSB, PBCL, PBSB and KCS under Section 122A of the Act.
- (4) Deemed interest by virtue of its shareholding in KPSB under Section 122A of the Act.
- (5) Deemed to have interest in PBB shares held by other corporations by virtue of Section 6A(4) of the Act. 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 Bhd, SHSB, SSSB, Syarikat Kepunyaan Khas Sdn Bhd, Tong Meng Industries Limited, Tong Meng Company (Malaya) Sdn Bhd and TMI Securities Pte Ltd.
- (6) Deemed to have interest in PBB shares held by Securities Holdings Sdn Bhd, SHSB and KCS by virtue of Section 6A(4) of the Act.
- (7) Deemed to have interest in PBB shares held by Securities Holdings Sdn Bhd by virtue of Section 6A(4) of the Act.
- (8) Deemed to have interest in PBB shares held by KPSB and SSSB by virtue of Section 6A(4) of the Act.

## 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 set out in paragraph 10.08(9) of the LR. 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 at the forthcoming AGM of LPI are set out below:

Company in the LPI Group involved in the Recurrent Transactions	Related Party	Estimated premium income from 1 January 2006 to 31 December 2006* RM
Lonpac Insurance	PBB	3,193,000
Lonpac Insurance	PBIF <sup>#</sup>	5,000
Lonpac Insurance	PHSB <sup>#</sup>	29,000
Lonpac Insurance	PBSSB <sup>#</sup>	39,000
Lonpac Insurance	PMBB <sup>#</sup>	70,000
Lonpac Insurance	PMB <sup>#</sup>	1,251,000
Lonpac Insurance	PPSB <sup>#</sup>	4,000

Notes:

\* Comprises premium income that does not qualify as exempted transactions set out in paragraph 10.08(9) of the LR which was issued on 21 November 2005.

<sup>#</sup> Subsidiaries of PBB.

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 the 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 actual 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 Bursa Securities LR.

### **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 the 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 out to monitor the 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 2005 of a breakdown of the aggregate value of the Recurrent Transactions made during the financial year ended 31 December 2005, amongst others, based on the following information:

- (i) the type and value 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 said AGM and will continue to be 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 next AGM, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM 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 an Ordinary Resolution passed by the shareholders of the Company in a general meeting,

whichever is earliest.

### **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 the 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 AND BENEFIT OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

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 are equal to or exceed 5% percentage ratio (as prescribed in paragraph 10.08 of the Bursa Securities LR), 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 and to enter into Recurrent Transactions with the Related Parties, provided such transactions are carried out at arm's length, based on terms which are not more favourable to the Related Parties than those generally available to the public and which are not prejudicial to the interest of the minority shareholders of LPI.

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 and the shareholdings of the substantial shareholders of LPI.

The Proposed Renewal of Shareholders' Mandate will not have any material effect on the consolidated NTA 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.

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