

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PART A**

**PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT  
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**PART B**

**STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF THE AUTHORITY FOR THE  
PURCHASE OF OWN SHARES BY THE COMPANY**

The resolutions in respect of the above proposals will be tabled at the forthcoming Annual General Meeting (“AGM”) of Malaysian Pacific Industries Berhad (“MPI”) to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 24 October 2018 at 2.30 p.m. or at any adjournment thereof. The Notice of AGM and the Form of Proxy are set out in the 2018 Annual Report of MPI, which is despatched together with this Circular.

This Circular is dated 25 September 2018

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**PART A**

**PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT  
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout Part A of this Circular:

“Act”	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“Board” or “Directors”	:	Board of Directors of MPI
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Group Management And/Or Support Services”	:	Include services such as corporate finance, corporate advisory, secretarial, legal, treasury and risk management, internal audit, accounting and tax, share registration, nominees, custodian and executive share scheme administration, human resources management, payroll administration, credit control, information technology related services, training, investment, business development, support on corporate social responsibility initiatives, corporate affairs and public relations, strategic business planning and any other services as may be agreed between the parties from time to time
“HIB”	:	Hume Industries Berhad, a 71.62% subsidiary of HLMG
“HLCM”	:	Hong Leong Company (Malaysia) Berhad, the ultimate holding company of MPI with 54.16% equity interest
“HLI”	:	Hong Leong Industries Berhad, a 74.57% subsidiary of HLMG
“HLMG”	:	Hong Leong Manufacturing Group Sdn Bhd, the holding company of MPI with 52.48% equity interest
“HLMGMC”	:	HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of HLMG
“LPD”	:	27 August 2018, being the latest practicable date prior to the printing of this Circular
“Main Market Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
“MPI” or “Company”	:	Malaysian Pacific Industries Berhad
“MPI Group”	:	MPI and its subsidiaries
“Proposed Renewal of and New Shareholders’ Mandate”	:	Shareholders’ approval for a general mandate in relation to recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the MPI Group

## **DEFINITIONS (Cont'd)**

- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “Services” : Include investment and fund management services, security guard services, technical and management services, research and development services, information technology related services and any other services as may be agreed between the parties from time to time
- “Shares” : Issued ordinary shares in MPI
- “SSB” : Southern Steel Berhad, a subsidiary of HLMG with 67.37% equity interest

Registered Office:  
Level 31, Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
25 September 2018

## **DIRECTORS:**

YBhg Datuk Kwek Leng San (Chairman; Non-Executive/Non-Independent)  
Mr Manuel Zarauza Brandulas (Group Managing Director/Non-Independent)  
Ms Lim Tau Kien (Non-Executive Director/Independent)  
Ir. Dennis Ong Lee Khian (Non-Executive Director/Independent)  
YBhg Dato' Mohamad Kamarudin bin Hassan (Non-Executive Director/Independent)  
Dr Tunku Alina binti Raja Muhd Alias (Non-Executive Director/Independent)

To: The Shareholders of Malaysian Pacific Industries Berhad

Dear Sir/Madam

## **PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

### **1. INTRODUCTION**

At the Company's AGM held on 25 October 2017, the Company obtained mandate from its shareholders for the MPI Group to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations with related parties. The said mandate shall, in accordance with the Main Market Listing Requirements, expire at the conclusion of the forthcoming AGM of the Company to be held on Wednesday, 24 October 2018 at 2.30 p.m. ("Said AGM"), unless it is renewed at the Said AGM.

In connection thereto, on 21 September 2018, the Company announced that your Directors propose to seek shareholders' approval for the Proposed Renewal of and New Shareholders' Mandate at the Said AGM.

The purpose of Part A of this Circular is to provide you with the details of the Proposed Renewal of and New Shareholders' Mandate and to seek your approval for the proposed ordinary resolution pertaining to the Proposed Renewal of and New Shareholders' Mandate to be tabled at the Said AGM.

The Notice of the Said AGM together with the Form of Proxy are set out in the 2018 Annual Report of MPI, which is despatched together with this Circular.

### **2. DETAILS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

#### **2.1 Provisions under the Main Market Listing Requirements**

Paragraph 10.09(2) of the Main Market Listing Requirements provides that a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of a listed issuer or its subsidiaries ("RRPT") subject to, inter-alia, the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Main Market Listing Requirements;
- (c) the listed issuer's circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain the shareholder mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer exceeds the estimated value of the RRPT disclosed in the circular to shareholders by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

Where a listed issuer has procured a shareholder mandate pursuant to the above, the provisions of paragraph 10.08 of the Main Market Listing Requirements will not apply with regard to transactions as detailed in Section 2.3 of Part A of this Circular.

The Company proposes to seek the Proposed Renewal of and New Shareholders' Mandate from its shareholders for the MPI Group to enter into transactions with related parties which are of a revenue or trading nature and necessary for the day-to-day operations on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders.

The Proposed Renewal of and New Shareholders' Mandate, if approved at the Said AGM, will take immediate effect upon the conclusion of the Said AGM and will continue to be in force until the conclusion of the next AGM of the Company or until the expiration of the period within which the next AGM is required by law to be held (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act), unless revoked or varied by the Company in a general meeting, whichever is the earlier.

## **2.2 Classes of related parties**

Shareholders' approval is sought for the Proposed Renewal of and New Shareholders' Mandate involving recurrent related party transactions which are carried out by companies within the MPI Group with HLCM (a major shareholder of MPI through HLMG) and persons connected with HLCM ("Hong Leong Group") as listed in Appendix II of this Circular.

The details of shareholdings of HLCM and HLMG in MPI are set out in Section 5 of Part A of this Circular.



### **2.3 Nature of recurrent related party transactions contemplated**

MPI is principally an investment holding company whilst the principal activities engaged in by its subsidiaries are that of investment holding, manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes to customers worldwide. Details of subsidiaries of MPI undertaking these activities are set out in Appendix III of this Circular.

The Hong Leong Group is also involved in a diverse range of industries including, inter-alia, manufacturing, procuring and assembling of motorcycles, scooters, motorcycle engines and related parts and products; distribution of motorcycles and motorcycle components; provision of maintenance and repair services for motorcycles; distribution, trading and provision of services in marine related products; manufacturing and sale of ceramic tiles; provision of research and development services for motorcycles and ceramic tiles; distribution of building materials; manufacturing, sale and distribution of fibre cement and concrete roofing products; manufacturing and sale of cement and cement related products; manufacturing, marketing and sale of concrete and concrete related products; manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete strands, bars and wires, steel pipes, steel wires and other related products; provision of logistics related services; commercial banking business and provision of related services which include Islamic banking business, property investment and management, investment holding and nominee services; insurance and takaful businesses; investment banking, stockbroking business, futures broking and related financial services; nominee and custodian services; unit trust management, fund management and sale of unit trusts; property investment and development; project and property management; hotel operations; and provision of management, training and security guard services. In view of the diversity of the Hong Leong Group's businesses, it is envisaged that in the normal course of business of the MPI Group, transactions in respect of goods and/or services between companies in the MPI Group and the Hong Leong Group will occur with some degree of frequency from time to time and may arise at any time.

The Group Management And/Or Support Services are part of the shared services of companies within the Hong Leong Group. These shared services are provided in-house in order to align with the Hong Leong Group's corporate objective and management disciplines and to reduce operating cost and improve efficiency such as through economies of scale, better utilisation and allocation of resources, standardisation of processes and operating procedures and information technology. Accordingly, the Board considers it beneficial to enter into transactions in respect of the Group Management And/Or Support Services. The Group Management And/Or Support Services are carried out on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and which will not be detrimental to the minority shareholders of MPI.

Details of recurrent related party transactions carried out/contemplated shall include, but not limited to, those described below:

Recurrent related party transactions with the Hong Leong Group are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 3 October 2017 ("Estimated Value") (RM'million)	Actual value transacted (from date of AGM on 25 October 2017 up to the LPD) ("Actual Value") (RM'million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders' Mandate ("Current Estimated Value") (RM'million)
(a) Rental of properties from HLMGMC, such as the following office space at:  (i) Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur measuring in area of approximately 1,000 square feet  (ii) Menara Hong Leong, No. 6, Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur	HLMGMC**	MPI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	0.60	0.04	Not Applicable**
(b) Receipt of Services	Hong Leong Group	MPI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	0.50	Nil	0.50
(c) Purchase of goods such as building materials and other products	Hong Leong Group	MPI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	5.00	Nil	5.00

Recurrent related party transactions with the Hong Leong Group are as follows: (cont'd)

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in Circular to Shareholders dated 3 October 2017 ("Estimated Value") (RM'million)	Actual value transacted (from date of AGM on 25 October 2017 up to the LPD) ("Actual Value") (RM'million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders' Mandate ("Current Estimated Value") (RM'million)
(d) Receipt of Group Management And/Or Support Services	Hong Leong Group	MPI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	25.00	10.40	25.00
(e) Payment for usage of the Hong Leong Group logo and trade mark	Hong Leong Group	MPI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee and HLCM	0.20	0.02	0.20
(f) Rental of properties from the Hong Leong Group, such as the following: (i) Office space at 50 <sup>th</sup> Floor, The Center, 99 Queen's Road Central, Hong Kong*** (ii) Meeting rooms and related facilities	Hong Leong Group	MPI Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	Not Applicable	Not Applicable	0.30#

Notes:

\* The Current Estimated Value of the transactions is based on the Actual Value transacted and/or management's estimate of the value to be transacted during the validity period of the Proposed Renewal of and New Shareholders' Mandate. The Current Estimated Value of these transactions may be subject to changes.

\*\* Tenancy agreement entered into for the rental of the said office space was for a tenure of 3 years with an option to renew. The rental payment was on a monthly basis and was shared between HLMGMC, HLL, MPI, HIB and SSB. HLMGMC has ceased billing MPI Group for the rental of office spaces.

\*\*\* Tenancy agreement entered or to be entered into for the rental of the said office space is for a tenure of up to 3 years. The rental payment is on a monthly basis.

# The transaction under item 2.3(f) is a new transaction.

None of the Actual Value of the recurrent related party transactions as disclosed above has exceeded the Estimated Value by 10% or more.

## **2.4 Amount due and owing by related parties**

As at the financial year ended 30 June 2018, there is no amount due and owing to the MPI Group by its related parties arising from the recurrent related party transactions as set out in Section 2.3 of Part A of this Circular, which exceeded the credit term.

## **2.5 Methods or procedures on which transaction prices are determined/review procedures for recurrent related party transactions**

To ensure that the recurrent related party transactions, which are in the ordinary course of business, are conducted on commercial terms consistent with the MPI Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders, the following principles will apply:

- (i) the purchase of goods and other products and the receipt of Services shall be determined based on prevailing rates/prices of the same (including where applicable, preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases) according to commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations;
- (ii) the rental of properties shall be at the prevailing market rates for the same or substantially similar properties and shall be on commercial terms;
- (iii) the receipt of Group Management And/Or Support Services is based on commercial terms; and
- (iv) the payment for usage of the Hong Leong Group logo and trade mark is based on commercial terms.

At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the Board Audit & Risk Management Committee of the Company, in its review of the recurrent related party transactions may, as it deems fit and whenever available, request for additional information pertaining to the transactions from independent sources or advisers.

To monitor, track and identify the recurrent related party transactions, the following review procedures have been implemented:

- (i) A register is maintained to record all recurrent related party transactions which are entered into pursuant to the Proposed Renewal of and New Shareholders' Mandate.
- (ii) The Board Audit & Risk Management Committee will undertake quarterly review of recurrent related party transactions to ensure that such transactions are undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders and are in the best interest of the MPI Group.

There are no specific thresholds for approval of recurrent related party transactions within the MPI Group. However, all recurrent related party transactions are subject to the approval of the Heads of the relevant operating companies or such persons to whom they may delegate such power subject always to any MPI Group's policies that may be issued from time to time.

The Board Audit & Risk Management Committee will review the existing procedures and processes, on an annual basis and as and when required, to ensure that the recurrent related party transactions are at all times carried out on commercial terms consistent with the MPI Group's usual business practices and policies.

The Board Audit & Risk Management Committee of the Company has reviewed the above procedures and is satisfied that the said procedures are adequate to monitor, track and identify recurrent related party transactions in a timely and orderly manner and are sufficient to ensure that the recurrent related party transactions will be carried out on commercial terms consistent with the MPI Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders. Any member of the Board Audit & Risk Management Committee who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

## **2.6 Validity period of the Proposed Renewal of and New Shareholders' Mandate**

The Proposed Renewal of and New Shareholders' Mandate, if approved at the Said AGM, shall take immediate effect and shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
  - (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - (iii) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

The Proposed Renewal of and New Shareholders' Mandate is subject to the satisfactory review by the Board Audit & Risk Management Committee of the Company of its continued application to recurrent related party transactions.

## **2.7 Disclosure**

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of the recurrent related party transactions made during the financial year, types of transactions made, names of the related parties involved and their relationship with the MPI Group pursuant to the Proposed Renewal of and New Shareholders' Mandate in accordance with paragraph 10.09(2) and Practice Note No. 12 of the Main Market Listing Requirements.

## **3. RATIONALE FOR AND BENEFITS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

The rationale for and the benefits of the Proposed Renewal of and New Shareholders' Mandate to the MPI Group are as follows:

- (i) The Proposed Renewal of and New Shareholders' Mandate will facilitate transactions with related parties which are in the ordinary course of business of the MPI Group and undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders.

- (ii) The Proposed Renewal of and New Shareholders' Mandate will enhance the MPI Group's ability to pursue business opportunities which are time-sensitive in nature and will eliminate the need for the Company to convene separate general meetings to seek shareholders' approval for each transaction.
- (iii) For certain transactions, where it is vital that confidentiality be maintained, it would not be viable to obtain shareholders' prior approval, as releasing details of the transactions prematurely may adversely affect and prejudice the MPI Group's interests and place the MPI Group at a disadvantage as compared with its competitors who may not require shareholders' approval to be obtained.
- (iv) The Proposed Renewal of and New Shareholders' Mandate will substantially reduce the expenses associated with convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channeled towards attaining other corporate objectives.
- (v) In respect of the Group Management And/Or Support Services, the Proposed Renewal of and New Shareholders' Mandate will enable the MPI Group to reduce operating cost and to improve efficiency, thereby improving business and administrative efficacy for the MPI Group.

#### 4. **CONDITION OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

The Proposed Renewal of and New Shareholders' Mandate is subject to the approval of the shareholders of MPI at the Said AGM.

#### 5. **DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

HLMG, a wholly-owned subsidiary of HLCM, is a major shareholder of MPI. YBhg Tan Sri Quek Leng Chan is a major shareholder of MPI, and a Director and major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of MPI, HLMG and HLCM, and a shareholder of MPI and HLCM. Mr Kwek Leng Beng is a major shareholder of MPI, and a Director and major shareholder of HLCM. Mr Kwek Leng Kee is a major shareholder of MPI and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers.

The shareholdings of HLMG, HLCM, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng and Mr Kwek Leng Kee in MPI as at LPD are as follows:

	<b>No. of Shares</b>			
	<b>Direct</b>	<b>%#</b>	<b>Indirect</b>	<b>%#</b>
HLMG	104,386,088	52.48	2,438,469	1.23*
HLCM	-	-	107,719,757	54.16*
Tan Sri Quek Leng Chan	-	-	108,715,257	54.66@
Datuk Kwek Leng San	1,260,000	0.63	-	-
Kwek Leng Beng	-	-	108,477,007	54.54@
Kwek Leng Kee	-	-	108,477,007	54.54@

Notes:

\* Held through subsidiary(ies)

@ Held through HLCM and a company in which the major shareholder has interest

# Based on the issued ordinary share capital (excluding treasury shares) of MPI

YBhg Datuk Kwek Leng San had abstained and will continue to abstain from deliberating and voting on the proposed ordinary resolution pertaining to the Proposed Renewal of and New Shareholders' Mandate in which he is interested at the Board level.

HLMG, HLCM, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng and Mr Kwek Leng Kee will abstain from voting and will ensure that persons connected with them will also abstain from voting, in respect of their direct and/or indirect interests, on the proposed ordinary resolution pertaining to the Proposed Renewal of and New Shareholders' Mandate at the Said AGM.

Save as disclosed above, none of the other Directors and major shareholders of MPI and persons connected with them, has any interest, direct or indirect, in the resolution pertaining to the Proposed Renewal of and New Shareholders' Mandate.

## **6. DIRECTORS' RECOMMENDATION**

Your Directors (except for YBhg Datuk Kwek Leng San who had abstained from expressing any opinion in relation to the proposed ordinary resolution in view of his interest), having taken into consideration all aspects of the Proposed Renewal of and New Shareholders' Mandate, are of the opinion that the Proposed Renewal of and New Shareholders' Mandate is in the best interest of the MPI Group and accordingly, your Directors (except for YBhg Datuk Kwek Leng San) recommend that you vote in favour of the proposed ordinary resolution pertaining to the Proposed Renewal of and New Shareholders' Mandate to be tabled at the Said AGM.

## **7. RESOLUTION ON THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE AND AGM**

The proposed ordinary resolution on the Proposed Renewal of and New Shareholders' Mandate will be tabled at the Said AGM to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 24 October 2018 at 2.30 p.m. or at any adjournment thereof. The said resolution is set out in the 2018 Annual Report of MPI.

The Notice of the Said AGM and the Form of Proxy are enclosed in the 2018 Annual Report of MPI, which is despatched together with this Circular.

If you are unable to attend the Said AGM in person and wish to appoint other person(s) to be your proxy, please complete the Form of Proxy and deposit it at the Registered Office of MPI at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, so as to arrive not less than forty-eight (48) hours before the time appointed for holding of the Said AGM or at any adjournment thereof.

The completion and deposit of the Form of Proxy will not preclude you from attending and voting at the Said AGM in person should you wish to do so. The Form of Proxy should be completed strictly in accordance with the instructions contained therein.

## **8. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix IV of this Circular for further information.

Yours faithfully  
For and on behalf of the Board

LIM TAU KIEN  
Independent Non-Executive Director

**PART B**

**PROPOSED RENEWAL OF THE AUTHORITY FOR THE PURCHASE OF OWN SHARES BY  
THE COMPANY**



## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout Part B of this Circular:

“Act”	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“Board” or “Directors”	:	Board of Directors of MPI
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Code”	:	Malaysian Code on Take-Overs and Mergers 2016, as amended from time to time and any re-enactment thereof
“LPD”	:	27 August 2018, being the latest practicable date prior to the printing of Statement/Circular
“MPI” or “Company”	:	Malaysian Pacific Industries Berhad
“MPI Group”	:	MPI and its subsidiaries
“Main Market Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
“NA”	:	Net assets
“Proposed Share Buyback”	:	Proposal to enable MPI to purchase and/or hold up to ten per cent (10%) of its own Shares
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Shares”	:	Issued ordinary shares in MPI

## **SHARE BUYBACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF THE AUTHORITY FOR THE PURCHASE OF OWN SHARES BY THE COMPANY (“STATEMENT”)**

### **1. INTRODUCTION**

At the Company’s AGM held on 25 October 2017, your Directors obtained shareholders’ authorisation for the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares of MPI for the time being (“Authorisation”).

In accordance with Chapter 12 of the Main Market Listing Requirements, the Authorisation will lapse at the conclusion of the forthcoming AGM of the Company scheduled to be held on Wednesday, 24 October 2018 at 2.30 p.m. (“Said AGM”), unless the Authorisation is renewed.

In connection thereto, on 21 September 2018, the Company announced that your Directors propose to seek shareholders’ approval for renewal of the authority to undertake the Proposed Share Buyback at the Said AGM.

The purpose of this Statement is to provide you with the details of the Proposed Share Buyback and to seek your approval for the proposed ordinary resolution pertaining to the Proposed Share Buyback to be tabled at the Said AGM.

The Notice of the Said AGM together with the Form of Proxy are set out in the 2018 Annual Report of MPI, which is despatched together with this Statement.

**SHAREHOLDERS OF MPI ARE ADVISED TO READ THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE PROPOSED RESOLUTION PERTAINING TO THE PROPOSED SHARE BUYBACK**

### **2. DETAILS OF THE PROPOSED SHARE BUYBACK**

Your Directors propose to seek the renewal of the Authorisation. As at LPD, the Company had purchased 10,988,000 Shares which are held as treasury shares. The total number of issued shares of the Company as at LPD stood at 209,884,419 Shares. The maximum number of Shares which may be purchased and/or held as treasury shares by the Company is 10,000,441 Shares (excluding the 10,988,000 treasury shares held).

The funding of the Proposed Share Buyback will be from internally generated funds. The maximum amount of funds to be allocated for the Proposed Share Buyback will be made wholly out of retained profits. As at 30 June 2018, the audited retained profits of the Company was RM479,424,000.00.

The Proposed Share Buyback will be effective immediately upon the passing of the proposed ordinary resolution relating to the Proposed Share Buyback at the Said AGM up to the conclusion of the next AGM of MPI, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM after the date on which the authority conferred by the resolution is required by law to be held, whichever occurs first.

In accordance with the Main Market Listing Requirements, MPI may only purchase the Shares on Bursa Securities at a price which is not more than fifteen per cent (15%) above the weighted average market price for the Shares for the five (5) market days immediately before the purchase(s) and the Company may only resell treasury shares on Bursa Securities, or transfer treasury shares pursuant to section 127(7) of the Act, at:

- (a) a price which is not less than the weighted average market price for the Shares for the five (5) market days immediately before the resale or transfer; or
- (b) a discounted price of not more than 5% to the weighted average market price for the Shares for the five (5) market days immediately before the resale or transfer provided that:
  - (i) the resale or transfer takes place not earlier than thirty (30) days from the date of purchase; and
  - (ii) the resale or transfer price is not less than the cost of purchase of the Shares being resold or transferred.

The Proposed Share Buyback will allow your Directors to exercise the power of the Company to purchase its own Shares at any time within the abovementioned time period. The actual number of Shares to be purchased, the total amount of funds involved for each purchase and the timing of the purchase will depend on the prevailing market conditions and sentiments of the stock market as well as the financial resources available to the Company.

The Directors may deal with the Shares so purchased in the following manner:

- (i) cancel the Shares so purchased; or
- (ii) retain the Shares so purchased as treasury shares; or
- (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- (iv) distribute all or any of the treasury shares as dividends to shareholders; or
- (v) resell all or any of the treasury shares in accordance with the relevant rules of Bursa Securities; or
- (vi) transfer all or any of the treasury shares for the purposes of or under an employees' share scheme; or
- (vii) transfer all or any of the treasury shares as purchase consideration; or
- (viii) cancel all or any of the treasury shares.

Upon each purchase of Shares, an immediate announcement will be made to Bursa Securities in respect of the intention of the Directors whether to cancel the Shares so purchased, retain them as treasury shares or a combination of both. An immediate announcement will also be made to Bursa Securities of any resale, transfer or cancellation of treasury shares.

In considering how the Shares so purchased will be dealt with, the Directors will take into consideration, inter alia, factors such as prevailing market price of the Shares, the intrinsic value of the Shares and effects on the earnings and NA of the MPI Group.

Your Board will ensure that the Proposed Share Buyback and/or the resale of treasury shares will be conducted in accordance with guidelines and rules/laws prevailing at the time of the purchase and/or resale and will not engage in speculative trading activities.

### 3. RATIONALE/POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUYBACK

The Proposed Share Buyback will enable MPI to utilise its financial resources to purchase its own Shares which may enhance the return on equity through the resultant reduction of share capital base.

The Shares to be purchased by the Company pursuant to the Proposed Share Buyback may be retained as treasury shares which can be resold in the market or transferred subsequently. In this respect, the Proposed Share Buyback may provide an opportunity for the Company to purchase its own Shares when the market prices of the Shares are below the intrinsic value in order to realise potential capital gains in the event that the market prices of the Shares appreciate in future. Therefore, the Proposed Share Buyback may enhance the value of shareholder wealth. In the event that the treasury shares are distributed as dividends by MPI, the distribution may then serve as a reward to the shareholders of the Company.

The Proposed Share Buyback will, however, reduce the financial resources of MPI and may result in MPI foregoing any investment opportunities which may emerge in the future or any interest income that may be derived from depositing such funds with interest bearing instruments.

However, the financial resources of MPI will increase upon the resale of the Shares purchased which are held as treasury shares.

The Board will consider the interest of the Company and its shareholders when undertaking the purchase of the Company's own Shares.

### 4. EFFECTS OF THE PROPOSED SHARE BUYBACK

The effects of the Proposed Share Buyback on the share capital, earnings, NA and working capital of MPI are as set out below:

#### 4.1 Share Capital

On the assumption that the Proposed Share Buyback is carried out in full and the Shares so purchased are fully cancelled, the effects of the Proposed Share Buyback on the issued share capital of the Company are as follows:

	<b>No. of Shares</b>
Existing issued share capital as at LPD (before adjusting for treasury shares)	209,884,419
No. of Shares reduced (Assuming the Shares so purchased, including the treasury shares currently held, are fully cancelled)	20,988,441
Upon completion of the Proposed Share Buyback	<u>188,895,978</u>
No. of Shares held in treasury as at LPD	10,988,000

Pursuant to the Act, if the shares so purchased are retained as treasury shares, the right to attend or vote at meetings and receive dividends or other distributions, whether cash or otherwise, of the Company's assets shall not be conferred to the holder of such treasury shares. In addition, the treasury shares shall not be taken into account in calculating the number or percentage of Shares or of a class of shares in the Company for any purposes including, without limiting the generality of this provision, the provisions of any laws or requirements of the Constitution of the Company or the listing requirements of a stock exchange on substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

#### 4.2 Earnings

The effect of the Proposed Share Buyback on the earnings of the MPI Group will depend on the actual number of Shares purchased and the purchase price(s).

#### 4.3 NA and Working Capital

The Proposed Share Buyback may increase or decrease the NA per Share depending on the purchase price(s) of the Shares to be purchased. The NA per Share of the MPI Group is likely to increase if the purchase price is less than the NA per Share and decrease if the purchase price exceeds the NA per Share at the time when the Shares are purchased.

The Proposed Share Buyback will reduce the working capital of the MPI Group, the quantum of which will depend on the purchase price(s) and the number of Shares that will be purchased pursuant to the Proposed Share Buyback.

### 5. DIRECTORS' SHAREHOLDINGS

The shareholdings of the Directors according to the Register of Directors' Shareholdings as at LPD, before and after the Proposed Share Buyback, are as follows:

	← Before Proposed Share Buyback →				← After Proposed Share Buyback →			
	No. of Shares held		No. of Shares held		No. of Shares held		No. of Shares held	
	Direct	%	Indirect	% <sup>^</sup>	Direct	% <sup>@</sup>	Indirect	% <sup>@</sup>
Datuk Kwek Leng San	1,260,000	0.63	-	-	1,260,000	0.67	-	-
Manuel Zarauza Brandulas	-	-	22,500	0.01	-	-	22,500	0.01
Lim Tau Kien	-	-	-	-	-	-	-	-
Ir. Dennis Ong Lee Khian	-	-	-	-	-	-	-	-
Dato' Mohamad Kamarudin bin Hassan	-	-	-	-	-	-	-	-
Dr Tunku Alina Binti Raja Muhd Alias	-	-	-	-	-	-	-	-

Note:

<sup>^</sup> Based on the total number of issued shares (excluding treasury shares) of MPI

<sup>@</sup> Assuming the Proposed Share Buyback is implemented in full and all the Shares so purchased are either kept as treasury shares or fully cancelled

## 6. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The substantial shareholders and their respective shareholdings according to the Register of Substantial Shareholders as at LPD, before and after the Proposed Share Buyback, are as follows:

	← Before Proposed Share Buyback →				← After Proposed Share Buyback →			
	No. of Shares held		No. of Shares held		No. of Shares held		No. of Shares held	
	Direct	%	Indirect	%	Direct	%@	Indirect	%@
Hong Leong Manufacturing Group Sdn Bhd	104,386,088	52.48	2,438,469	1.23#	104,386,088	55.26	2,438,469	1.29#
Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	107,719,757	54.16#	-	-	107,719,757	57.03#
Tan Sri Quek Leng Chan	-	-	108,715,257	54.66®	-	-	108,715,257	57.55®
HL Holdings Sdn Bhd	-	-	107,719,757	54.16^	-	-	107,719,757	57.03^
Hong Realty (Private) Limited	-	-	108,477,007	54.54®	-	-	108,477,007	57.43®
Hong Leong Investment Holdings Pte. Ltd.	-	-	108,477,007	54.54®	-	-	108,477,007	57.43®
Kwek Holdings Pte Ltd	-	-	108,477,007	54.54®	-	-	108,477,007	57.43®
Kwek Leng Beng	-	-	108,477,007	54.54®	-	-	108,477,007	57.43®
Kwek Leng Kee	-	-	108,477,007	54.54®	-	-	108,477,007	57.43®
Davos Investment Holdings Private Limited	-	-	108,477,007	54.54®	-	-	108,477,007	57.43®
Employees Provident Fund Board	11,803,700	5.93	-	-	11,803,700	6.25	-	-

Notes:

# Held through subsidiary(ies)

^ Held through HLCM

® Held through HLCM and a company in which the substantial shareholder has interest

@ Assuming the Proposed Share Buyback is implemented in full and all the Shares so purchased are either kept as treasury shares or fully cancelled

## 7. PUBLIC SHAREHOLDING SPREAD

The Proposed Share Buyback is subject to compliance by the Company with the twenty-five per cent (25%) public shareholding spread as required by Bursa Securities.

As at LPD, the public shareholding spread of the Company was 44.18%. The public shareholding spread is expected to be reduced to 41.24% assuming the Proposed Share Buyback is implemented in full with the purchase of Shares from public shareholders and all the Shares so purchased, are either held as treasury shares or cancelled.

## 8. PURCHASES OF SHARES OR RESALE OR TRANSFER OF TREASURY SHARES MADE IN THE PRECEDING TWELVE (12) MONTHS

The Company had not made any purchase of its own Shares or resale or transfer of its treasury shares in the previous twelve (12) months preceding the date of printing of this Statement. There is no cancellation of the Shares purchased or treasury shares made in the preceding twelve (12) months preceding the date of printing of this Statement.

## 9. IMPLICATION OF THE CODE

Based on the Register of Substantial Shareholders of MPI as at LPD, it is unlikely that the provisions on mandatory takeovers under the Code will be triggered by any shareholder of MPI solely by reason of the Proposed Share Buyback being carried out in full.

## 10. HISTORICAL SHARE PRICES OF MPI

The monthly highest and lowest market prices of the Shares traded on Bursa Securities for the past twelve (12) months from September 2017 to August 2018 are as follows:

	<b>High</b> RM	<b>Low</b> RM
<b>2017</b>		
September	14.08	12.88
October	14.52	13.34
November	14.50	12.92
December	13.00	11.02
<b>2018</b>		
January	12.88	10.30
February	10.62	8.62
March	9.64	8.42
April	8.99	7.60
May	10.12	7.57
June	10.66	9.81
July	11.88	9.60
August	12.50	10.74

The last transacted price of the Shares as at LPD was RM11.98.

*(Source: Bloomberg)*

## 11. CONDITION OF THE PROPOSED SHARE BUYBACK

The Proposed Share Buyback is subject to the approval of the shareholders of MPI at the Said AGM.

## **12. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Save for the proportionate increase in the percentage of shareholdings and/or the voting rights of the shareholders in the Company as a result of the Proposed Share Buyback, none of the Directors and substantial shareholders or persons connected with them has any interest, direct or indirect, in the resolution pertaining to the Proposed Share Buyback and/or any resale of treasury shares.

## **13. DIRECTORS' RECOMMENDATION**

Your Directors, having taken into consideration all aspects of the Proposed Share Buyback, are of the opinion that the Proposed Share Buyback is in the best interest of the Company and accordingly, your Directors recommend that you vote in favour of the proposed ordinary resolution pertaining to the Proposed Share Buyback to be tabled at the Said AGM.



## DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

- “related party(ies)”
- (a) in relation to a corporation, means a director, major shareholder or person connected with such director or major shareholder;
  - (b) in relation to a business trust, means the trustee-manager, a director or major shareholder of the trustee-manager, a major unit holder of the business trust or person connected with any of the aforesaid persons;
  - (c) in relation to a closed-end fund, means the Managers, a director or major shareholder of the Managers or the closed-end fund, or person connected with any of the aforesaid persons; or
  - (d) in relation to a real estate investment trust (“REIT”), means the management company, the trustee, a director or major shareholder of the management company, major unit holder of the REIT, or person connected with any of the aforesaid persons.

For the purpose of this definition, “director”, “major shareholder” and “major unit holder” have the meanings given in paragraph 10.02 of the Main Market Listing Requirements and “Managers” has the meaning given in paragraph 1.01 of the Main Market Listing Requirements.

- “director”
- has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:
- (a) a director of the listed issuer, its subsidiary or holding company;
  - (b) a chief executive of the listed issuer, its subsidiary or holding company;
  - (c) in relation to a special purpose acquisition company (“SPAC”), a member of the SPAC’s management team;
  - (d) in relation to a business trust, a director or chief executive of the trustee-manager, its subsidiary or holding company;
  - (e) in relation to a closed-end fund, in addition to a director or chief executive of the closed-end fund, a director or chief executive of the Managers, its subsidiary or holding company; and
  - (f) in relation to a REIT, a director or chief executive of the management company.

“major shareholder” includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:

- (a) 10% or more of the total number of voting shares in the corporation; or
- (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation

(For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act).

“person connected” in relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:

- (a) a family member of the said Person;
- (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
- (c) a partner of the said Person;
- (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
- (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
- (g) a body corporate which is a related corporation of the said Person.

## PERSONS CONNECTED WITH HLCM AS AT 5 SEPTEMBER 2018

Company	Interest of HLCM as at 5 September 2018 (%)	Nature of business
1. HL Management Co Sdn Bhd and its subsidiaries and/or its related corporations	100.00	Provision of management and training services; investment holding; and provision of nominees and custodian services
2. Hong Leong Share Registration Services Sdn Bhd	100.00	Provision of share registration services
3. GuoLine Group Management Co Limited and its subsidiary	100.00	Investment holding and provision of management services
4. GuoLine Intellectual Assets Limited	100.00	Intellectual properties holding company
5. Hong Leong Manufacturing Group Sdn Bhd and its unlisted subsidiaries and associated corporations	100.00	Investment holding; provision of management services; property investment; and provision of logistics related services
6. Hong Leong Financial Group Berhad and its unlisted subsidiaries and associated corporations	77.31	Investment holding; provision of services to its subsidiaries to enhance group value; life and general insurance businesses; and takaful businesses
7. Hong Leong Bank Berhad and its subsidiaries and associated corporations	64.52	Commercial banking business and provision of related services which include Islamic banking business, property investment and management, investment holding and nominee services
8. Hong Leong Capital Berhad and its subsidiaries and associated corporations	81.33	Investment holding; investment banking, stockbroking business, futures broking and related financial services; nominee and custodian services; and unit trust management, fund management and sale of unit trusts
9. GuocoLand (Malaysia) Berhad and its subsidiaries and associated corporations	65.04	Investment holding; property development; property investment; hotel operations; trading in securities; provision of management and property-related services; and operation of oil palm estates

Company	Interest of HLCM as at 5 September 2018 (%)	Nature of business
10. Hong Leong Industries Berhad and its subsidiaries and associated corporations	75.17	Investment holding; manufacturing, procuring and assembling of motorcycles, scooters, motorcycle engines and related parts and products; distribution of motorcycles and motorcycle components; provision of maintenance and repair services for motorcycles; distribution, trading and provision of services in marine related products; manufacturing and sale of ceramic tiles; provision of research and development services for motorcycles and ceramic tiles; distribution of building materials; and manufacturing, sale and distribution of fibre cement and concrete roofing products
11. Hume Industries Berhad and its subsidiaries and associated corporations	72.37	Investment holding; manufacturing and sale of cement and cement related products; and manufacturing, marketing and sale of concrete and concrete related products
12. Southern Steel Berhad and its subsidiaries and associated corporations	67.37	Investment holding; and manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete strands, bars and wires, steel pipes, steel wires and other related products
13. Guoco Group Limited and its non-Malaysian subsidiaries and associated corporations	71.88	Investment holding; investment management; principal investment; property development and investment; and hospitality and leisure business as well as banking and insurance
14. Lam Soon (Hong Kong) Limited and its subsidiaries and associated corporations	57.53	Investment holding; importing, processing and trading of flour products; manufacturing, processing and trading of edible oils; and processing and trading of detergent products
15. Guardian Security Consultants Sdn Bhd	20.00	Provision of security guard services
16. BIB Insurance Brokers Sdn Bhd and its subsidiaries	30.00	Investment holding; insurance brokers and consultants; commission agents; and rent-a-captive insurance business

## ACTIVITIES OF THE MPI GROUP AS AT LPD

Name of Company	Effective % Held	Principal Activities
<b>Subsidiaries</b>		
Carsem (M) Sdn Bhd	70.00	Manufacturing and testing of semiconductor devices and electronic components
Carter Resources Sdn Bhd and its subsidiary:	70.00	Investment holding
Carsem Inc.	70.00	Semiconductor devices' and electronic components' marketing agent
Dynacraft Industries Sdn Bhd	100.00	Manufacturing and sale of leadframes
Carsem Holdings Limited and its subsidiary:	100.00	Investment holding
Carsem Holdings (HK) Limited and its subsidiary:	100.00	Sale and marketing of semiconductor devices and electronic components
Carsem Semiconductor (Suzhou) Co., Ltd	100.00	Manufacturing and testing of semiconductor devices and electronic components

**FURTHER INFORMATION**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular had been seen and approved by the Directors of MPI who collectively and individually accept full responsibility for the accuracy of the information given and confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement herein misleading.

**2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION**

As at the LPD, MPI Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors of MPI are not aware of any proceeding pending or threatened against the MPI Group or any facts likely to give rise to any proceeding which might materially and adversely affect the business and financial position of the MPI Group.

**3. MATERIAL CONTRACTS**

There are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by the MPI Group within the two (2) years immediately preceding the date of this Circular.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of MPI at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular to the date of the Said AGM:

- (i) Constitution of MPI; and
- (ii) audited consolidated financial statements of MPI for the past two (2) financial years ended 30 June 2017 and 2018.