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HLG Capital Berhad (213006-U)

A Member of the Hong Leong Group

CIRCULAR TO SHAREHOLDERS

in relation to

PROPOSED SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The resolutions in respect of the above proposal will be tabled at the Annual General Meeting ("AGM") of HLG Capital Berhad ("HLG Capital") to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 28 October 2009 at 11.00 a.m. or at any adjournment thereof. The Notice of AGM and the Form of Proxy are set out in HLG Capital's Annual Report for the financial year ended 30 June 2009, which is despatched together with this Circular.

This Circular is dated 6 October 2009

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:-

“AGM”	:	Annual General Meeting
“Board” or “Directors”	:	Board of Directors of HLG Capital
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“EGM”	:	Extraordinary General Meeting
“ESOS”	:	Executive Share Option Scheme of HLG Capital
“Group Management And/Or Support Services”	:	Includes corporate advisory, secretarial and legal services, treasury and risk management services, internal audit, accounting and tax services, share registration, nominees, custodian and ESOS administration services, fund management, human resources management, payroll administration and training services, investment services, productivity and quality improvement services, planning and compliance services, information technology related services and any other services as may be agreed between the parties from time to time
“HLB”	:	Hong Leong Bank Berhad, a 64.27% subsidiary of HLFG
“HLB Group”	:	HLB and its subsidiaries
“HLCM”	:	Hong Leong Company (Malaysia) Berhad, the holding company of HLFG with 77.31% equity interest
“HLFG”	:	Hong Leong Financial Group Berhad, the holding company of HLG Capital with 75.00% equity interest
“HLFG Group”	:	HLFG and its unlisted subsidiaries (i.e. excluding HLB and HLG Capital and their respective subsidiaries)
“HLG Capital” or “Company”	:	HLG Capital Berhad
“HLG Capital Group”	:	HLG Capital and its subsidiaries
“HLG Securities”	:	HLG Securities Sdn Bhd, a wholly-owned subsidiary of HLG Capital
“HLI”	:	Hong Leong Industries Berhad, a 69.82% subsidiary of HLCM
“HLI Group”	:	HLI and its unlisted subsidiaries
“HLIB”	:	Hong Leong Investment Bank Berhad (formerly known as HLG Credit Berhad), a wholly-owned subsidiary of HLG Capital Berhad
“LPD”	:	8 September 2009, 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
“Proposed 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 HLG Capital Group as set out in Section 2.3 herein
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“RRPT”	:	Related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations
“Shares”	:	Ordinary shares of RM1.00 each in HLG Capital

CONTENTS

LETTER TO SHAREHOLDERS RELATING TO THE PROPOSED SHAREHOLDERS' MANDATE

	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE	
2.1 Provisions under the Main Market Listing Requirements	2
2.2 Classes of related parties	3
2.3 Nature of RRPT contemplated	3
2.4 Methods or procedures on which transaction prices are determined/review procedures for RRPT	9
2.5 Validity period of the Proposed Shareholders' Mandate	10
2.6 Disclosure	10
3. RATIONALE FOR AND BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE	10
4. CONDITION OF THE PROPOSED SHAREHOLDERS' MANDATE	11
5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	11
6. DIRECTORS' RECOMMENDATION	12
7. RESOLUTIONS ON THE PROPOSED SHAREHOLDERS' MANDATE AND AGM	12
8. FURTHER INFORMATION	12

APPENDICES

APPENDIX I	- DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS	13
APPENDIX II	- PERSONS CONNECTED WITH HLCM AS AT 8 SEPTEMBER 2009.....	15
APPENDIX III	- ACTIVITIES OF THE HLG CAPITAL GROUP AS AT 8 SEPTEMBER 2009	18
APPENDIX IV	- FURTHER INFORMATION	19

NOTICE OF AGM - ENCLOSED IN HLG CAPITAL'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

FORM OF PROXY - ENCLOSED IN HLG CAPITAL'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009



Registered Office:
Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

6 October 2009

DIRECTORS:

YBhg Tan Sri Quek Leng Chan (Chairman/Non-Independent)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (Non-Executive Director/Independent)
Encik Omar bin Zolkifli (Non-Executive Director/ Independent)
YBhg Dato' Mohamed Nazim bin Abdul Razak (Non-Executive Director/Independent)
Mr Choong Yee How (Non-Executive Director/Non-Independent)
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan (Non-Executive Director/Independent)
Mr Quek Kon Sean (Non-Executive Director/Non-Independent)

To: The Shareholders of HLG Capital Berhad

Dear Sir/Madam

PROPOSED SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At the Company's EGM held on 30 October 2008, the Company had obtained a mandate from its shareholders for the HLG Capital Group to enter into RRPT of the HLG Capital Group, with certain classes of related parties as disclosed therein. The said mandate shall, in accordance with the Main Market Listing Requirements, expire at the conclusion of the forthcoming AGM of the Company scheduled to be held on Wednesday, 28 October 2009 at 11.00 a.m. ("said AGM"), unless it is renewed at the said AGM.

In connection thereto, on 25 September 2009, the Company announced that your Directors propose to seek shareholders approval for the Proposed Shareholders' Mandate at the said AGM.

The purpose of this Circular is to provide you with details of the Proposed Shareholders' Mandate and to seek your approval for the proposed ordinary resolutions pertaining to the Proposed 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 HLG Capital's Annual Report for the financial year ended 30 June 2009, which is despatched together with this Circular.

2. DETAILS OF THE PROPOSED 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 RRPT of a listed issuer or its subsidiaries subject to 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 this Circular.

As HLIB is a company falling under paragraph 9.20(2)(c) of the Main Market Listing Requirements i.e. a Participating Organisation (means a company which carries on the business of dealing in securities and for the time being recognised as a Participating Organisation of Bursa Securities in accordance with the provisions of Rule 302 of Bursa Securities), Practice Note No. 12 issued by Bursa Securities allows HLG Capital to procure a Proposed Shareholders' Mandate for the acquisition or disposal of securities which is a recurrent transaction, involving the interest of a related party.

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

The Proposed Shareholders' Mandate, if renewed at the said AGM, will take immediate effect and will continue to be in force until the conclusion of the year 2010 AGM of the Company or until the expiration of the period within which the year 2010 AGM is required by law to be held (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965), unless revoked or varied by the Company in a general meeting, whichever is earlier.

2.2 Classes of related parties

Shareholders' approval is sought for the Proposed Shareholders' Mandate involving RRPT which are carried out by companies within the HLG Capital Group with any of the following classes of related parties:-

- (i) HLCM (a major shareholder of HLG Capital through HLFM) and persons connected with HLCM ("Hong Leong Group") including those as listed in Appendix II of this Circular;
- (ii) Tower Real Estate Investment Trust ("Tower REIT"). The trustee and manager of Tower REIT are AmTrustee Berhad and GLM REIT Management Sdn Bhd ("GLM REIT Management") respectively. GLM REIT Management is a wholly-owned subsidiary of GuocoLand (Malaysia) Berhad ("GLM"). YBhg Tan Sri Quek Leng Chan is a Director and major shareholder of HLG Capital and GLM. As at 8 September 2009, certain persons connected with YBhg Tan Sri Quek Leng Chan have a total of 49.97% in the units of Tower REIT; and
- (iii) Hong Leong Investment Holdings Pte. Ltd. ("HLIH") (a major shareholder of HLG Capital through HLCM) and persons connected with HLIH ("HLIH Group") including but not limited to City Developments Limited and Millennium & Copthorne Hotels plc and their subsidiaries and associated corporations. YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye and Mr Kwek Leng Kee are directors and deemed major shareholders of HLIH.

The details of shareholdings of HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye and Mr Kwek Leng Kee in HLG Capital are set out in Section 5 of the Circular.

2.3 Nature of RRPT contemplated

HLG Capital is principally an investment holding company. The activities of HLG Capital's subsidiaries as set out in Appendix III of this Circular include stock and securities broking, agent and nominee for clients, futures and options broking, investment banking, corporate advisory services, asset management, sales of unit trust and management of unit trust funds and provision of online stock trading facilities and investment in offshore securities.

The Hong Leong Group is involved in a diverse range of industries including, inter-alia, manufacturing 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, manufacturing and sale of ceramic tiles, provision of research and development services for motorcycles and ceramic tiles, manufacturing and sale of newsprint and related paper products, manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes, manufacture and sale of concrete products, fibre cement products and concrete roofing tiles, design, manufacture and supply of furniture and interior design fit-out works, banking and finance including Islamic Banking business and information technology related services, insurance, takaful business, marketing and property investment and development, project and property management, hotel operations, provision of management and training services and provision of security services. In view of the diversity of the Hong Leong Group's business, it is envisaged that in the normal course of business of the HLG Capital Group, transactions in respect of Goods and/or services by companies in the HLG Capital Group with 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/from the public, where applicable, and which will not be, in the Company's opinion, detrimental to the minority shareholders.

One of the recommendations under the Financial Sector Master Plan was that financial institutions create one-stop financial centers offering customers a broad range of financial products and services. In line with this, the HLFG Group (including HLG Capital and subsidiaries) has embarked on cross-selling of selected financial products and services as part of the cross-selling initiatives of the HLFG Group and the following cross-selling services are carried out:-

- (i) selected financial products and services of the HLG Capital Group such as unit trust and share trading services are sold to customers of the HLB Group and the HLFG Group; and
- (ii) selected financial products and services of the HLB Group and the HLFG Group such as credit cards, home/car loans, structured products and insurance are sold to customers of the HLG Capital Group.

Every successful sale completed by the product owner under the cross-selling programme entitles the company, which had rendered the cross-selling service by referring or introducing its customers to the product owner, to receive a payment from the product owner. The cross-selling services are mutually beneficial to the HLG Capital Group, HLB Group and HLFG Group in that it enlarges the customer base and delivery channels for their respective products and services.

The acquisition and disposal of securities in which related parties have major interest by HLIB, a Participating Organisation of Bursa Securities, are in the ordinary course of business of HLIB.

Details of RRPT carried out/contemplated shall include, but not limited to those described below:-

(A) RRPT 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 8 October 2008 (“Estimated Value”) (RM’million)	Actual value transacted (from date of EGM on 30 October 2008 up to the LPD) (“Actual Value”) (RM’million)	*Estimated aggregate value during the validity period of the Proposed Shareholders’ Mandate (“Current Estimated Value”) (RM’million)
a) Provision of cross-selling services such as insurance products, credit card, home/shop loan, personal loan, hire purchase, car loans, share margin financing, wealth management services, treasury related products and services, Islamic Banking products and takaful insurance	HLG Capital Group	HLFG Group and HLB Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean, HLFPG and HLCM	5.000	Nil	10.000
b) Provision of stock broking services, underwriting and placement services; shares and securities services; investment banking and corporate advisory services; investment and fund management services and unit trust services	HLG Capital Group	Hong Leong Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean, HLFPG and HLCM	60.000	1.027	60.000
c) Receipt of cross-selling services such as unit trust and share trading services	HLFG Group and HLB Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean, HLFPG and HLCM	50.000	4.990	50.000
d) Receipt of support services such as internal audit and information technology services	HLB Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean, HLFPG and HLCM	5.000	0.213	5.000

(A) RRPT with the Hong Leong Group are as follows:- (cont'd)

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 8 October 2008 ("Estimated Value") (RM' million)	Actual value transacted (from date of EGM on 30 October 2008 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM' million)
e) Purchase of goods such as building materials, motorcycles, furniture and other products	Hong Leong Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, K wek Leng Kee, Quek Kon Sean, HLF&G and HLCM	2,000	0.004	2,000
f) Receipt of hotel related services, sale, maintenance and marketing services in relation to the after sale services, security services, stock broking services, underwriting and placement of shares and securities, fund management services and insurance	Hong Leong Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, K wek Leng Kee, Quek Kon Sean, HLF&G and HLCM	4,000	Nil	4,000
g) Leasing/rental of properties such as business premises from the Hong Leong Group**	Hong Leong Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, K wek Leng Kee, Quek Kon Sean, HLF&G and HLCM	5,000	Nil	5,000
h) Receipt of Group Management And/Or Support Services	Hong Leong Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, K wek Leng Kee, Quek Kon Sean, HLF&G and HLCM	6,000	1,341	6,000
i) Payment for usage of the Hong Leong Group's logos and trade marks	Hong Leong Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, K wek Leng Kee, Quek Kon Sean, HLF&G and HLCM	1,000	0.016	1,000

(B) RRPT with Tower REIT are as follows:-

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 8 October 2008 ("Estimated Value") (RM' million)	Actual value transacted (from date of EGM on 30 October 2008 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM' million)
Leasing/rental of properties from Tower REIT**	Tower REIT	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee and Quek Kon Sean	5,000	2,608	8,000

(C) RRPT for the acquisition and disposal of securities in which related parties have major interest are as follows:-

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 8 October 2008 ("Estimated Value") (RM' million)	Actual value transacted (from date of EGM on 30 October 2008 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM' million)
a) Acquisition of securities in which related parties have major interest through the open market, direct business transactions, subscriptions, placements and/or underwriting	Hong Leong Group and/or third parties	HLG Securities/HLIB	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean, HILFG and HLCM	20,000	Nil	20,000
b) Disposal of securities in which related parties have major interest through the open market, direct business transactions and/or placements	HLG Securities/HLIB	Hong Leong Group and/or third parties	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean, HILFG and HLCM	20,000	Nil	20,000

(D) RRPT with the HLIH Group are as follows:-

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 8 October 2008 ("Estimated Value") (RM' million)	Actual value transacted (from date of EGM on 30 October 2008 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM' million)
Receipt of hotel-related services	HLIH Group	HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee and Quek Kon Sean	0.500	Nil	1.000

Notes:

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

** The rental of office space is for a tenure of up to 3 years and payment of rental will be on a monthly basis.

None of the Actual Value of the RRPT as disclosed above has exceeded the Estimated Value by 10% or more.

2.4 Method or procedures on which transaction prices are determined/review procedures for RRPT

To ensure that the RRPT are conducted on commercial terms consistent with the HLG Capital Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to/from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders, the following principles will apply:-

- (i) The purchase of goods and provision or receipt of services shall be determined based on prevailing rates/prices of the goods or services (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 leasing/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 are based on commercial terms.
- (iv) The payment and receipt of payment for cross-selling services are based on commercial terms.
- (v) The payment for usage of the Hong Leong Group's logos and trademarks shall be based on commercial terms.
- (vi) The acquisition or disposal of securities shall be based on prevailing market prices.

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 produces/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 ("BARMC"), in its review of the RRPT 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 RRPT, the following review procedures have been implemented:-

- (i) a register is maintained to record all RRPT which are entered into pursuant to the Proposed Shareholders' Mandate; and
- (ii) the BARMC will undertake a quarterly review of RRPT 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/from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders and in the best interest of the HLG Capital Group. There is no internal threshold approval for the RRPT within the HLG Capital Group.

The BARMC of the Company has seen and reviewed the above procedures and is satisfied that the said procedures are sufficient to ensure that the RRPT will be carried out on commercial terms consistent with HLG Capital's usual business practices and policies and on terms not more favourable to the related parties than those generally available to/from the public, where applicable, and are not detrimental to the minority shareholders. Any member of the BARMC who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

2.5 Validity period of the Proposed Shareholders' Mandate

The Proposed 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 said AGM of the Company, at which time it will lapse, unless a resolution is passed at the next AGM to renew the authority; or
- (ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

The Proposed Shareholders' Mandate is subject to satisfactory review by the BARMC of the Company of its continued application to RRPT.

2.6 Disclosure

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of the RRPT made during the financial year, types of transactions made, names of the related parties involved and their relationship with the HLG Capital Group pursuant to the Proposed 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 SHAREHOLDERS' MANDATE

The rationale for and the benefit of the Proposed Shareholders' Mandate to the HLG Capital Group are as follows:-

- (i) The Proposed Shareholders' Mandate will facilitate transactions with related parties in the ordinary course of business of the HLG Capital Group which are undertaken on commercial terms, on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders.
- (ii) The Proposed Shareholders' Mandate will enhance the HLG Capital 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 prior shareholders' approval as releasing details of the transaction prematurely may adversely affect and prejudice the HLG Capital Group's interests and place the HLG Capital Group at a disadvantage as compared to its competitors who may not require shareholders' approval to be obtained.
- (iv) The Proposed 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 Shareholders' Mandate will enable the HLG Capital Group to reduce operating cost and to improve efficiency, thereby improving business and administrative efficacy for the HLG Capital Group.

4. **CONDITION OF THE PROPOSED SHAREHOLDERS' MANDATE**

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of HLG Capital at the said AGM.

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

HLCM is a major shareholder of HLG Capital through HLFG. YBhg Tan Sri Quek Leng Chan, a Director of HLG Capital, is a Director and shareholder of HLCM. Mr Quek Kon Sean, a Director of HLG Capital, is a son of YBhg Tan Sri Quek Leng Chan. Mr Kwek Leng Beng is a director of HLCM and a major shareholder of the Company and HLCM. Mr Quek Leng Chye is a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye are brothers.

Mr Quek Kon Sean does not have any direct or indirect shareholdings in HLG Capital. The shareholdings of HLCM, HLIH, HLFG, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye and Mr Kwek Leng Kee in HLG Capital as at 8 September 2009 are as follows:-

	No. of shares held in HLG Capital			
	Direct	%	Indirect	%
HLCM	-	-	92,590,545	75.00*
HLIH	-	-	92,590,545	75.00**
HLFG	92,590,545	75.00	-	-
Tan Sri Quek Leng Chan	-	-	92,590,545	75.00**
Kwek Leng Beng	-	-	92,590,545	75.00**
Quek Leng Chye	-	-	92,590,545	75.00**
Kwek Leng Kee	-	-	92,590,545	75.00**

Notes:-

* Held through HLFG

** Held through HLCM

YBhg Tan Sri Quek Leng Chan and Mr Quek Kon Sean had abstained and will continue to abstain from deliberation and voting on the proposed ordinary resolutions pertaining to the Proposed Shareholders' Mandate at HLG Capital Board level.

HLCM, HLIH, HLFM, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Quek Kon Sean shall abstain from voting, in respect of their direct and/or indirect interests, on the proposed ordinary resolutions pertaining to the Proposed Shareholders' Mandate at the said AGM. HLCM, HLIH, HLFM, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Quek Kon Sean will ensure that the persons connected with them will also abstain from voting on their direct and/or indirect shareholdings on the proposed ordinary resolutions pertaining to the Proposed Shareholders' Mandate at the said AGM.

Save as disclosed above, none of the other Directors and major shareholders or persons connected with the Directors or major shareholders as defined in the Main Market Listing Requirements, has any interest, direct or indirect, in the relevant resolutions pertaining to the Proposed Shareholders' Mandate.

6. DIRECTORS' RECOMMENDATION

Your Board (except for YBhg Tan Sri Quek Leng Chan and Mr Quek Kon Sean who had abstained from expressing any opinion in relation to the proposed ordinary resolutions in view of their interests), having taken into consideration all aspects of the Proposed Shareholders' Mandate, is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the HLG Capital Group and accordingly, your Board (except for YBhg Tan Sri Quek Leng Chan, and Mr Quek Kon Sean) recommends that you vote in favour of the proposed ordinary resolutions relating to the Proposed Shareholders' Mandate to be tabled at the said AGM.

7. RESOLUTIONS ON THE PROPOSED SHAREHOLDERS' MANDATE AND AGM

The proposed ordinary resolutions on the Proposed Shareholders' Mandate will be tabled at the AGM of HLG Capital to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 28 October 2009 at 11.00 a.m. or any adjournment thereof. The said resolutions are set out in HLG Capital's Annual Report for the financial year ended 30 June 2009.

The Notice of the said AGM and the Form of Proxy are enclosed in HLG Capital's Annual Report for the financial year ended 30 June 2009, which is despatched together with this Circular.

If you are unable to attend the said AGM in person, please complete the enclosed Form of Proxy and forward it to the Registered Office of HLG Capital at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, so as to arrive not less than forty-eight (48) hours before the time for convening the said AGM or at any adjournment thereof.

The completion and return 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

TAN SRI DATO' SERI KHALID AHMAD
BIN SULAIMAN
Director

DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

“related party” or “parties”	means a director, major shareholder or person connected with such director or major shareholder.
“director”	<p>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:-</p> <ul style="list-style-type: none"> (i) a director of the listed issuer, its subsidiary or holding company; or (ii) a chief executive of the listed issuer, its subsidiary or holding company; and (iii) in relation to a special purpose acquisition company (“SPAC”), a member of the SPAC’s management team.
“major shareholder”	<p>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 major shareholder of the listed issuer (means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-</p> <ul style="list-style-type: none"> (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation) <p>or any other corporation which is its subsidiary or holding company.</p> <p>(For the purpose of this definition, “interest in shares” has the meaning given in Section 6A of the Companies Act 1965).</p>
“person connected”	<p>in relation to a director, major shareholder or in relation to a SPAC, a member of the management team, means such person who falls under any one of the following categories:-</p> <ul style="list-style-type: none"> (a) a family member of the director, major shareholder or management team member; (b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder, management team member, or a family member of the director, major shareholder or management team member, is the sole beneficiary;

- (c) a partner of the director, major shareholder, management team member, or a partner of a person connected with that director, major shareholder or management team member;
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
- (e) a person in accordance with whose directions, instructions or wishes the director, major shareholder, or management team member is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
- (g) a body corporate or its directors whose directions, instructions or wishes the director, major shareholder or management team member is accustomed or under an obligation, whether formal or informal, to act;
- (h) a body corporate in which the director, major shareholder or management team member, or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation.

PERSONS CONNECTED WITH HLCM AS AT 8 SEPTEMBER 2009

Company	Interest of HLCM as at 08.09.2009 (%)	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 and investment holding
2. Hong Leong Fund Management Sdn Bhd and its subsidiaries	70.00	Provision of fund management, nominees and custodian services
3. Hong Leong Share Registration Services Sdn Bhd	100.00	Provision of share registration services
4. Guardian Security Consultants Sdn Bhd	20.00	Provision of security services
5. GuoLine Group Management Co. Limited and its subsidiaries	100.00	Investment holding and provision of management services
6. GuoLine Intellectual Assets Limited	100.00	Intellectual properties holding company
7. Hong Leong Financial Group Berhad and its unlisted subsidiaries and associated corporations	77.31	Investment holding and provision of services to its subsidiaries to enhance group value, commercial and Islamic Banking businesses, investment banking, takaful businesses, life and general insurance businesses, stock and securities broking, provision of nominee and custodian services, asset management, sales of unit trust and futures broking business
8. Hong Leong Bank Berhad and its subsidiaries and associated corporations	64.42	Commercial banking business and provision of related services which include Islamic Banking business, finance company business, leasing and hire purchase activities, real property investment, property investment holding, agent and nominee for clients and investment in offshore securities
9. GuocoLand (Malaysia) Berhad and its subsidiaries and associated corporations	64.99	Investment holding, property development, property investment, hotel operations, trading in securities, provision of management services and property-related services and operation of oil palm estates

Company	Interest of HLCM as at 08.09.2009 (%)	Nature of business
10. Hong Leong Industries Berhad and its unlisted subsidiaries and associated corporations	69.82	Investment holding, manufacturing 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, manufacturing and sale of ceramic tiles, provision of research and development services for motorcycles and ceramic tiles and manufacturing and sale of newsprint and related paper products
11. Malaysian Pacific Industries Berhad and its subsidiaries and associated corporations	64.17	Investment holding, manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes
12. Southern Steel Berhad and its subsidiaries and associated corporations	41.46	Manufacturing and trading of billets, steel bars and wire rods, investment holding, manufacture and sale of steel products, steel wire products, steel pipes, wire mesh, wire ropes, galvanized wires and strands and pre-stressed concrete strands and wires
13. Hume Industries (Malaysia) Berhad and its unlisted subsidiaries and associated corporations	65.54	Investment holding, manufacture and sale of concrete products, fibre cement products and concrete roofing tiles
14. Narra Industries Berhad and its subsidiaries and associated corporations	61.59	Investment holding, design, manufacture and supply of furniture and interior design fit-out works
15. Guoco Group Limited and its unlisted subsidiaries and associated corporations	71.48	Investment holding, investment management, principal investment, property investment as well as financial services including stock and commodity broking and investment advisory
16. GuocoLand Limited and its unlisted subsidiaries and associated corporations	67.95	Investment holding, property development and investment, property management and property related services

Company	Interest of HLCM as at 08.09.2009 (%)	Nature of business
17. Prime Orion Philippines, Inc. and its subsidiaries and associated corporations	19.06	Investment holding, property development and other property-related services, manufacturing and distribution of ceramic floor and wall tiles; information technology consultancy services and non-life insurance services
18. 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, processing and trading of detergent products
19. Cyber Bay Corporation and its subsidiary	22.88	Property development
20. GuocoLeisure Limited (“GL”) and its subsidiaries and associated corporations	56.22	GL's primary role is as an active investor with strategic shareholdings and active investment management aimed at extracting and maximising shareholders' value

ACTIVITIES OF THE HLG CAPITAL GROUP AS AT 8 SEPTEMBER 2009

Name of company	% held	Principal Activities
Subsidiary companies		
HLG Securities Sdn Bhd	100.00	Investment holding
HLG Asset Management Sdn Bhd	100.00	Fund Management
HLG Capital Markets Sdn Bhd and its subsidiary:	100.00	Investment holding
HLG Principal Investments (L) Limited	100.00	Holding of or dealing in offshore investments
HLG Futures Sdn Bhd	100.00	Futures and options broking
HLG Unit Trust Bhd	100.00	Sales of unit trust and management of unit trust funds
Hong Leong Investment Bank Berhad (formerly known as HLG Credit Berhad) and its subsidiaries:	100.00	Investment banking and stock broking
RC Holdings Sdn Bhd (formerly known as SBB Securities Sdn Bhd)	100.00	Dormant
RC Research Sdn Bhd (formerly known as SBB Sec Research Sdn Bhd)	100.00	Dormant
RC Nominees (Asing) Sdn Bhd	100.00	Dormant
RC Nominees (Tempatan) Sdn Bhd	100.00	Dormant
HLG Nominee (Tempatan) Sdn Bhd	100.00	Agent and nominee for Malaysian clients
HLG Nominee (Asing) Sdn Bhd	100.00	Agent and nominee for foreign clients

FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular had been seen and approved by the Directors of HLG Capital 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

Save as disclosed below, the HLG Capital Group is not engaged in any material litigation, claims and arbitration, either as plaintiff or defendant, and the Directors of HLG Capital do not have any knowledge of any proceeding, pending or threatened, against the HLG Capital Group or of any other facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business or title to or possession of any of the properties of the HLG Capital Group.

HLG Capital and its wholly-owned subsidiary, HLG Securities had been named as defendants in a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BS Holdings"). BS Holdings alleged that HLG Securities had breached the terms of the Sale and Purchase Agreement dated 31 October 2000 ("SPA") between HLG Securities and BS Holdings for HLG Securities' proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd for a purchase consideration of RM88,000,000. The Company is of the view that the suit is baseless as the motion for the proposed acquisition was not approved by shareholders at the EGM of HLG Capital held on 24 October 2001 and accordingly, the SPA was terminated. The case is fixed for case management on 14 October 2009, pending the disposal of the appeals filed by the other defendants to the suit. The court has fixed the week starting 16 November 2009 for the hearing of the appeal.

3. MATERIAL CONTRACTS

Save as disclosed below, 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 HLG Capital Group during the two (2) years immediately preceding the date of this Circular:-

- (i) Share Sale Agreement dated 19 October 2007 entered into between the Company, HLG Credit Sdn Bhd (now known as HLIB), a wholly-owned subsidiary of the Company, SBB Capital Markets Sdn Bhd ("SBBCM") and CIMB Bank Berhad ("CIMB") in relation to the acquisition by HLIB of the entire equity interest in SBB Securities Sdn Bhd (now known as RC Holdings Sdn Bhd) ("RCH") comprising 90,000,000 ordinary shares of RM1.00 each from SBBCM for a cash consideration to be satisfied in cash based on the net tangible assets of RCH and its subsidiaries plus a premium of RM20,000,000; and
- (ii) Agreement in relation to the sale of assets and liabilities dated 13 June 2008 entered into between the Company, HLIB, Southern Investment Bank Berhad (now known as SIBB Berhad) ("SIBB") and CIMB in relation to the acquisition by HLIB of identified assets and liabilities of SIBB for a purchase consideration to be satisfied in cash based on the net book value of the identified SIBB assets and liabilities plus a premium of RM65,000,000.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of HLG Capital at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 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) Memorandum and Articles of Association of HLG Capital.
- (ii) Annual Reports of HLG Capital for the two (2) financial years ended 30 June 2008 and 2009.
- (iii) The writ of summons dated 21 March 2002 referred to in paragraph 2 above.
- (iv) Material contracts referred to in paragraph 3 above.

