

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



Hong Leong Financial Group Berhad (8024-W)

A Member of the Hong Leong Group

CIRCULAR TO SHAREHOLDERS

in relation to the

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 Hong Leong Financial Group Berhad ("HLFG") to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 28 October 2009 at 2.30 p.m. or at any adjournment thereof. The Notice of AGM and the Form of Proxy are set out in HLFG'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 HLFG
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Corporate Office Support Services”	:	The planning and support services provided by the HLFG Group including secretarial, legal, accounting, finance, tax, corporate planning, internal audit, human resources management, treasury and risk management, fund management, information technology related services, payroll administration, training services, productivity and quality improvement services and any other services as may be agreed between the parties from time to time
“ESOS”	:	Executive Share Option Scheme of HLFG
“EGM”	:	Extraordinary General Meeting of HLFG
“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; 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
“HLA”	:	Hong Leong Assurance Berhad, a wholly-owned subsidiary of HLFG
“HLA Group”	:	HLA and its subsidiaries
“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” or “Company”	:	Hong Leong Financial Group Berhad
“HLFG Group”	:	HLFG and its unlisted subsidiaries (i.e. excluding HLB and HLG Capital and their respective subsidiaries)
“HLG Capital”	:	HLG Capital Berhad, a 75.00% subsidiary of HLFG
“HLG Capital Group”	:	HLG Capital and its subsidiaries

DEFINITIONS (Cont'd)

“HLI”	:	Hong Leong Industries Berhad, a 69.82% subsidiary of HLCM
“HLI Group”	:	HLI and its unlisted subsidiaries
“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 HLFG 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 HLFG

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	1
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 HLF G GROUP AS AT 8 SEPTEMBER 2009	18
APPENDIX IV	- FURTHER INFORMATION	19
NOTICE OF AGM	- ENCLOSED IN HLF G'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009	
FORM OF PROXY	- ENCLOSED IN HLF G'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)
Mr Choong Yee How (President & Chief Executive Officer/Non-Independent)
Mr Quek Kon Sean (Executive Director/Non-Independent)
YBhg Dato' Haji Kamarulzaman bin Mohammed (Non-Executive Director/Independent)
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman (Non-Executive Director/Independent)
Dr Poh Soon Sim (Non-Executive Director/Non-Independent)
YBhg General (Rtd) Tan Sri (Dr) Mohamed Hashim Mohd Ali (Non-Executive Director/Independent)
Ms Yvonne Chia (Non-Executive Director/Non-Independent)

To: The Shareholders of Hong Leong Financial Group 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 HLFG Group to enter into RRPT of the HLFG 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 2.30 p.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 HLFG'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 shall not apply with regard to transactions as detailed in Section 2.3 of this Circular.

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

The Proposed Shareholders' Mandate will take effect from the date of the passing of the proposed ordinary resolutions relating thereto at the said AGM 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 the earlier.

As HLF's subsidiaries, HLA and Hong Leong Tokio Marine Takaful Berhad are companies falling under paragraph 9.20(2)(b) of the Main Market Listing Requirements i.e. a company whose activities are regulated by any written law relating to banking, finance companies or insurance and is subject to supervision by Bank Negara Malaysia, Practice Note No. 12 issued by Bursa Securities allows HLF to procure a shareholders' mandate for the acquisition or disposal of securities which is a recurrent transaction, involving the interests of related parties.

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 HLFG Group with any of the following classes of related parties:-

- HLCM (a major shareholder of HLFG) and persons connected with HLCM ("Hong Leong Group") including those as listed in Appendix II of this Circular;
- 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 HLFG 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
- Hong Leong Investment Holdings Pte. Ltd. ("HLIH") (a major shareholder of HLFG 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 HLFG are set out in Section 5 of this Circular.

2.3 Nature of recurrent related party transactions contemplated

HLFG is principally an investment holding company and provision of services to its subsidiaries to enhance group value. The principal activities of HLFG's unlisted subsidiaries are life and general insurance business including statutory insurance and takaful business.

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, securities broking, fund management, unit trust fund services, futures broking, share registration, provision of nominees and custodian services, investment banking and corporate advisory services, 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 HLFG Group, transactions in respect of goods and/or services by companies in the HLFG 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.

The Corporate Office Support Services represent the services provided by the HLFG Group in the planning, management and support of companies within the HLB Group and the HLG Capital Group. These shared services are provided in order to reduce operating cost and improve efficiency.

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, HLFG and its subsidiaries (including HLB and HLG Capital and their respective subsidiaries) have 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 HLB Group and HLG Capital Group such as credit cards, home/car loans and unit trusts are sold to customers of the HLFG Group; and
- (ii) selected financial products and services of the HLFG Group such as insurance and IT related services are sold to customers of the HLB Group and 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 HLFG and its subsidiaries (including HLB and HLG Capital and their respective subsidiaries) 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 the HLA Group, a licensed composite insurance company and its subsidiary, are in the ordinary course of business of the HLA Group.

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 insurance services including insurance for motor vehicle, fire and cash in transit	HLFG Group	Hong Leong Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	40.00	14.50	40.00
b) Leasing/rental of properties to the Hong Leong Group**	HLFG Group	Hong Leong Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	25.00	16.60	30.00
c) Provision of Corporate Office Support Services	HLFG Group	HLB Group, HLG Capital Group and Hong Leong Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	10.00	5.42	15.00
d) Provision of cross selling services such as 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, takaful insurance, unit trust products, opening share trading account, stock broking services and assets management and unit trust services	HLFG Group	HLB Group and HLG Capital Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	2.00	Nil	2.00

(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) Receipt of support services such as internal audit and information technology services	HLB Group	HLLFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	5.00	2.93	5.00
f) Receipt of cross-selling services such as insurance products	HLB Group and HLG Capital Group	HLLFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	23.00	6.33	23.00
g) Purchase of goods such as building materials, furniture, motorcycles and other products	Hong Leong Group	HLLFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	3.00	Nil	10.00
h) Receipt of services including hotel related services, sale, maintenance and marketing services, property management services, security services, stock broking services, underwriting and placement services, shares and securities advisory services, investment banking and corporate advisory services and fund management services	Hong Leong Group	HLLFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	26.00	1.15	26.00
i) Leasing/rental of properties from the Hong Leong Group**	Hong Leong Group	HLLFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	5.00	0.02	5.00

(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)
j) Receipt of Group Management And/Or Support Services	Hong Leong Group, HLB Group and HLG Capital Group	HILFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	25.00	10.82	25.00
k) Payment for usage of the Hong Leong Group's logos and trade marks	Hong Leong Group	HILFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	0.50	0.02	0.50

(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	HILFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee and Quek Kon Sean	6.00	4.85	6.00

(C) RRPT by 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 and/or placements	Hong Leong Group and/or third parties	HLA Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	200.00	28.42	200.00
b) Disposal of securities in which related parties have major interest through the open market, direct business transactions and/or placements	HLA Group	Hong Leong Group and/or third parties	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee, Quek Kon Sean and HLCM	70.00	Nil	70.00

(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	HLFG Group	Tan Sri Quek Leng Chan, Kwek Leng Beng, Quek Leng Chye, Kwek Leng Kee and Quek Kon Sean	0.50	Nil	0.50

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 3 years and receipt/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 Methods 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 HLF Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to 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, provision or receipt of services and provision of property management 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 provision of Corporate Office Support Services are based on commercial terms.
- (iv) The receipt of Group Management And/Or Support Services are based on commercial terms.
- (v) The payment and receipt of payment for cross selling services are based on commercial terms.
- (vi) The payment for usage of the Hong Leong Group's logos and trade marks is based on commercial terms.
- (vii) 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 the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders and in the best interest of the HLF Group. There is no internal threshold approval for the RRPT within the HLF Group.

The BARMC of the Company has 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 the HLFG Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to 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 of the Company 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 HLFG 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 PROPOSED SHAREHOLDERS' MANDATE

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

- (i) The Proposed Shareholders' Mandate will facilitate transactions with related parties in the ordinary course of business of the HLFG Group, 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 Shareholders' Mandate will enhance the HLFG 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 HLFG Group's interests and place the HLFG Group at a disadvantage as compared with 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 Corporate Office Support Services and Group Management And/Or Support Services, the Proposed Shareholders' Mandate will enable the HLFG Group to reduce operating cost and to improve efficiency, thereby improving business and administrative efficacy for the HLFG Group.

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

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

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

HLCM is a major shareholder of HLFG. YBhg Tan Sri Quek Leng Chan is a Director and major shareholder of HLFG and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of HLFG and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of HLFG and HLCM. YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye are brothers. Mr Quek Kon Sean, a Director of HLFG, is a son of YBhg Tan Sri Quek Leng Chan.

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

	No. of shares held in HLFG			
	Direct	%	Indirect	%
HLCM	546,773,354	51.94	267,083,546	25.37*
HLIH	-	-	818,380,300	77.74**
Tan Sri Quek Leng Chan	4,989,600	0.47	824,437,300	78.31***
Kwek Leng Beng	1,241,321	0.12	818,380,300	77.74**
Quek Leng Chye	1,925,100	0.18	818,380,300	77.74**
Kwek Leng Kee	-	-	818,380,300	77.74**

Notes:-

* *Held through subsidiary companies*

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

*** *Held through HLCM and companies in which Tan Sri Quek Leng Chan has interest*

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 in which they have interest in pertaining to the Proposed Shareholders' Mandate at HLFG Board level.

HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, Mr Quek Leng Chye, Mr Kwek Leng Beng, 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, 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 of HLFG or persons connected with the Directors or major shareholders of HLFG, 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 HLFG 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. RESOLUTION ON THE PROPOSED SHAREHOLDERS' MANDATE AND AGM

The proposed ordinary resolutions on the Proposed Shareholders' Mandate will be tabled at the AGM of HLFG to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 28 October 2009 at 2.30 p.m. or any adjournment thereof. The said resolutions are set out in HLFG'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 HLFG'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 HLFG 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” 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:-

- (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” 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 amount of those shares, is:-

- (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)

or any other corporation which is its subsidiary or holding company.

(For the purpose of this definition, “interest in shares” has the meaning given in Section 6A of the Companies Act 1965).

“person connected” 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:-

- (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 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
8. HLG Capital Berhad and its subsidiaries and associated corporations	75.00	Investment holding, stock and securities broking, provision of nominees and custodian services, asset management, sales of unit trust and management of unit trust funds, futures broking, corporate advisory services and provision of online stock trading facilities, investment in offshore securities and investment banking and corporate advisory services
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 HLFG GROUP AS AT 8 SEPTEMBER 2009

Name of company	% held	Principal Activities
Subsidiary companies		
HLA Holdings Sdn Bhd and its subsidiary:	100.00	Investment holding
Hong Leong Insurance (Asia) Limited (formerly known as Dao Heng Insurance Co., Limited)	100.00	General insurance business
Hong Leong Tokio Marine Takaful Berhad	65.00	Takaful business
Hong Leong Assurance Berhad and its subsidiary:	100.00	Life and general insurance business
Allstate Health Benefits Sdn Bhd	100.00	Investment holding
Hong Leong Equities Sdn Bhd	100.00	Investment in stocks, shares and other securities
HLFG Assets Sdn Bhd and its subsidiaries:	100.00	Investment holding
Natcap Portfolio Sdn Bhd	100.00	In member's voluntary liquidation
AutoWeb Sdn Bhd	100.00	In member's voluntary liquidation
Wing Trade Investments Limited	100.00	Investment holding

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

This Circular had been seen and approved by the Directors of HLFG 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

HLFG was served with a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd (“BS Holdings”) in relation to the termination of the sale and purchase agreement dated 31 October 2000 (“SPA”) between HLG Securities Sdn Bhd (“HLG Securities”) and BS Holdings for the proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd by HLG Securities for a total purchase consideration of RM88 million comprising RM31 million cash and the balance RM57 million to be satisfied through the issue of new HLG Capital shares to BS Holdings (“Proposed Borneo Acquisition”). HLFG’s 75% subsidiary, HLG Capital and HLG Capital’s wholly-owned subsidiary, HLG Securities, had also been named as defendants in the said suit. In conjunction with the Proposed Borneo Acquisition, BS Holdings issued a letter to HLFG undertaking to give HLFG a first right of refusal to purchase any or all of the new HLG Capital shares that BS Holdings may, from time to time, wish to sell (“Undertaking”).

In view of the Undertaking, HLFG was deemed interested in the Proposed Borneo Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad (“Rules”), HLFG had to abstain from voting at the extraordinary general meeting (“EGM”) of HLG Capital convened to consider the Proposed Borneo Acquisition. BS Holdings alleged that HLFG ought not to have abstained from voting at the said EGM and in so doing, HLFG caused the SPA to be terminated. The Company is of the view that the suit is baseless and had appointed lawyers to defend the suit. The suit 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.

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

3. MATERIAL CONTRACT

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 HLFG Group during the two (2) years immediately preceding the date of this Circular:-

- Sale and Purchase Agreement dated 29 April 2008 between HLA and PJ City Development Sdn Bhd (“PJ City”) in relation to the acquisition by HLA of one (1) block of six (6)-storey commercial office building located at Petaling Jaya, State of Selangor from PJ City for a cash consideration of RM75,698,000.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of HLFNG 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 HLFNG.
- (ii) Annual Reports of HLFNG for the two (2) financial years ended 30 June 2008 and 2009.
- (iii) The writ of summons referred to in paragraph 2 above.
- (iv) The material contract referred to in paragraph 3 above.

THIS PAGE IS INTENTIONALLY LEFT BLANK

