

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 professional adviser immediately.

In line with the provisions of Practice Note 18 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), Bursa Securities has not perused Part A in respect of the proposed renewal of Shareholder Mandate for recurrent related party transaction of a revenue of trading nature and Part B of this Circular as this transaction falls under the category of Exempt Circular as outlined in the aforesaid practice note.

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 liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



QUALITY CONCRETE HOLDINGS BERHAD

(378282-D)

(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE**

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

The Notice of Annual General Meeting together with the Form of Proxy is enclosed in the Annual Report. The Annual General Meeting will be held at Room 209, 2nd Floor, Wisma Bukit Mata Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak, on Tuesday, 28 July 2020 at 10.30 a.m.

The Form of Proxy should be lodged at the Registered Office of the Company at Room 209, 2nd Floor, Wisma Bukit Mata Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak, not less than 48 hours before the time appointed for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting at the meeting if you are able to do so.

Last day and time for lodging the Form of Proxy : Friday, 24 July 2020 at 10.30 a.m.

Date and time of the Annual General Meeting : Tuesday, 28 July 2020 at 10.30 a.m.

Venue of the Annual General Meeting : Room 209, 2nd Floor, Wisma Bukit Mata Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak.

This Circular is dated 30 June 2020

CONTENTS

DEFINITIONS	1
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OF TRADING MATURE	
1. INTRODUCTION	2
2. DETAILS OF THE SHAREHOLDERS' MANDATE.....	3
2.1 Provisions under the Listing Requirements.....	3
2.2 Classes of related parties.....	3
2.3 Nature of recurrent related party transactions contemplated.....	4
2.4 Outstanding overdue related party receivables.....	9
2.5 Method or procedures on which transaction prices are determined/review procedures for recurrent related party transactions.....	9
2.6 Threshold of Authority.....	10
2.7 Statement by the Audit Committee.....	10
2.8 Validity period of the Proposed Shareholders' Mandate.....	10
2.9 Disclosure.....	11
3. RATIONALE FOR AND BENEFITS OF THE PROPOSED SHAREHOLDERS' MANDATE.....	11
4. CONDITION OF THE PROPOSALS	12
5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS.....	12
6. FINANCIAL EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE.....	13
7. DIRECTORS' RECOMMENDATION.....	13
8. ANNUAL GENERAL MEETING.....	13
9. FURTHER INFORMATION.....	14
APPENDICES	
APPENDIX I - DEFINITIONS PURSUANT TO THE LISTING REQUIREMENTS.....	15
APPENDIX II - FURTHER INFORMATION.....	17

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

DEFINITIONS

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

“AGM”	: Annual General Meeting
“Board”	: Board of Directors of QC
“EGM”	: Extraordinary General Meeting
“QC” or “the Company”	: Quality Concrete Holdings Berhad
“QC Group”	: Quality Concrete Holdings Berhad & its subsidiaries
“HDPE”	: High Density Polyethylene
“RC piles”	: Reinforced Concrete piles
“Bursa Malaysia”	: Bursa Malaysia Securities Berhad
“Listing Requirements”	: Listing Requirements of Bursa Malaysia
“LPD”	: 15 June 2020, being the latest practicable date prior to the printing of this Circular
“Proposed Shareholders’ Mandate”	: Proposed renewal of shareholders mandate in relation to recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations
“Recurrent Related Party Transactions” or “RRPT”	: Transactions of a revenue or trading nature which are necessary for the day-to-day operations and are entered into by QC Group in the ordinary course of business which involves the interest, direct or indirect, of a Related Party
“RM” and “sen”	: Ringgit Malaysia and sen respectively
“Shares”	: Issued and paid-up ordinary shares of RM1.00 each
“SB”	: Sdn. Bhd.



QUALITY CONCRETE HOLDINGS BERHAD
(378282-D)

Registered Office:

Room 209, 2nd Floor
Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching

Date: 30 June 2020

BOARD OF DIRECTORS:

Tiang Ching Kok (Group Executive Chairman)
Paul Chiam Tau Keen (Executive Director)
Felix Wong Khung Chui (Independent Non-Executive Director)
Ha Tiuen Kiong (Independent Non-Executive Director)
Pang Kim Soo (Independent Non-Executive Director)
Lynda Chong Hui Lyn (Independent Non-Executive Director)

To : The Shareholders of Quality Concrete Holdings Berhad

Dear Sir/Madam,

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

1. INTRODUCTION

On 12 July 2019, the Company obtained shareholders' approval for a general mandate in relation to recurrent related party transactions of a revenue or trading nature which are necessary for the QC Group's day-to-day operations. The approval shall, in accordance with Bursa Malaysia's Listing Requirements, lapse at the conclusion of the forthcoming AGM which has been scheduled to be held on 28 July 2020 unless the approval is renewed.

On 25 June 2020, the Company made an announcement to Bursa Malaysia that the Board of Directors' of the Company proposed to seek shareholders' approval on the Proposed Shareholders' Mandate on Recurrent Related Party Transactions.

Disclosure will be made in the audited financial statements and annual reports of the Group on the aggregate value of the RRPT conducted during the financial year pursuant to the mandate on RRPT.

The purpose of this Circular is to provide you with details of the Proposed Shareholders' Mandate and to seek your approval for the ordinary resolution relating to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM to be held.

2. DETAILS OF THE SHAREHOLDERS' MANDATE

2.1 Provisions under the Listing Requirements

Under paragraph Paragraph 10.09(2) of the Listing Requirements provides that with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, the listed issuer may seek a shareholders' mandate in respect of such transactions subject to the following:-

- i) 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;
- ii) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:-
 - the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1 million; or
 - any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%, whichever is lower.
- iii) Issuance of a Circular to shareholders by the Company containing information as specified in the Listing Requirements;
- iv) in the general meeting to obtain shareholders' 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 approving 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
- v) the Company immediately announces to Bursa Malaysia when the actual value of a Recurrent Related Party Transaction entered into by the Company, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the Circular by 10% or more including any information as may be prescribed by Bursa Malaysia in its announcement.

2.2 Classes of related parties

Shareholders' approval is sought for the proposed renewal of Shareholders' Mandate involving recurrent transactions of a revenue or trading nature which are necessary for the QC Group's day-to-day operations and which are carried out by companies within the QC Group with any of the following classes of related parties:-

	Related Parties	Nature of Business	Names of Interested Directors, Interested Major Shareholders of QC and its Subsidiaries and Interested Persons Connected
(i)	Lee Ling Timber SB	Timber logging & manufacturing of timber products	(a) Tiang Ching Kok (b) Datin Ha Ai Ing (c) Tiang Chiin Ling (d) Tiang Chiin Yew (e) David Goh Hong Chiang

	Related Parties	Nature of Business	Names of Interested Directors, Interested Major Shareholders of QC and its Subsidiaries and Interested Persons Connected
(ii)	Lee Ling Construction & Development SB	Property development	(a) Tiang Ching Kok (b) Datin Ha Ai Ing (c) Tiang Chiin Ling (d) Tiang Chiin Yew (e) David Goh Hong Chiang
(iii)	Limba Jaya Timber SB	Establishment, maintenance of planted forest	(a) Tiang Ching Kok (b) Datin Ha Ai Ing (c) Tiang Chiin Ling (d) Tiang Chiin Yew (e) David Goh Hong Chiang
(iv)	BMK Development SB	Property investment	(a) Tiang Ching Kok (b) Datin Ha Ai Ing (c) Tiang Chiin Ling (d) Tiang Chiin Yew (e) David Goh Hong Chiang
(v)	Pahaytc SB	Construction	(a) Yong Teck Foo

2.3 Nature of recurrent related party transactions contemplated

QC is principally an investment holding company whilst the principal activities engaged by its subsidiary companies are that of manufacturing and sales of HDPE pipes, timber products, polypropylene bags, ready-mixed concrete, steel bars, RC piles, cement, property development and construction. The subsidiaries of QC undertaking the above activities are set out as follows:-

ACTIVITIES OF QC'S SUBSIDIARIES AS AT 15 June 2020

Name of company	Effective % held	Principal Activities
Quality Concrete SB	100	Manufacture and sale of ready-mixed concrete piles; sale of concrete products and trading of goods
Polyflow Pipes SB	100	Manufacture and sale of HDPE pipes
Kutex SB	100	Investment in properties
Hong Wei Holdings SB	100	Property development and construction
Lee Ling Timber Products SB	100	Sawmilling and manufacture of other downstream timber products
Agrowell SB	100	Quarry operations and sale of stone aggregates
Seri Bumijaya SB	100	Trading in cement

Polyflow (B) SB	55	Manufacture and sale of HDPE pipes
Enrich Fortress SB	100	Investment in properties
Casa Usaha SB	100	Investment in properties
QC Construction & Engineering SB	100	Construction
Quality Concrete (Mukah) SB	70	Dormant
EXL Pipe (Borneo) SB	60	Manufacture and sale of PVC pipes
QC Works & Road Maintenance SB	70	Road maintenance
QCCE & Asas Ulung JV SB	70	Road maintenance

The types of recurrent related party transactions covered by Proposed Shareholders' Mandate relate principally to sale of ready-mixed concrete, HDPE pipes, cement, steel bars, RC piles, purchase of machineries, office space rental, purchase and sale of timber logs and sawn timber and construction of housing & commercial projects, which are in the ordinary course of the QC Group's business as stated above.

Accordingly, the Board considers it beneficial to enter into transactions in respect of the supply and purchase of raw materials, finished products, machineries and services. The transactions are carried out at arm's length, normal commercial terms, on terms not more favorable to the related party than those generally available to the public and which will not be detrimental to the minority shareholders.

(a) Existing Recurrent Related Party Transactions

Existing Recurrent Related Party Transactions for which approval is now being sought for the Proposed Renewal of Shareholder's Mandate at the forthcoming AGM are as follows:-

Transaction	Vendor/ Provider	Purchaser/ Recipient	Estimated value as disclosed in the preceding year's Circular to Shareholder dated 31 May 2019 (RM'000)	Actual value of RRPT from date of existing mandate to the latest practicable date before printing of this Circular (RM'000)	Estimated value from 30 June 2020 to the date of the next AGM (RM'000)	Related Parties (***)
Rental of office * ¹ & service charge	BMK Development SB	Quality Concrete Holdings Bhd	552	107	552	Tiang Ching Kok/ Datin Ha Ai Ing/ Tiang Chiin Ling/ Tiang Chiin Yew/David Goh Hong Chiang
Sale of ready-mixed concrete & RC piles	Quality Concrete SB	Lee Ling Construction & Development SB	5,000	3	600	Tiang Ching Kok/ Datin Ha Ai Ing/ Tiang Chiin Ling/ Tiang Chiin Yew/David Goh Hong Chiang
Purchase of sawn timber for export	Lee Ling Timber SB	Lee Ling Timber Products SB	15,000	8,941	15,000	Tiang Ching Kok/ Datin Ha Ai Ing/ Tiang Chiin Ling/ Tiang Chiin Yew/David Goh Hong Chiang
Sale of sawn timber	Lee Ling Timber Products SB	Lee Ling Construction & Development SB	3,000	15	100	Tiang Ching Kok/ Datin Ha Ai Ing/ Tiang Chiin Ling/ Tiang Chiin Yew/David Goh Hong Chiang

Transaction	Vendor/ Provider	Purchaser/ Recipient	Estimated value as disclosed in the preceding year's Circular to Shareholder dated 31 May 2019 (RM'000)	Actual value of RRPT from date of existing mandate to the latest practicable date before printing of this Circular (RM'000)	Estimated value from 30 June 2020 to the date of the next AGM (RM'000)	Related Parties (***)
Sale of aggregates	Agrowell SB	Lee Ling Construction & Development SB	1,000	Nil	1,000	Tiang Ching Kok/ Datin Ha Ai Ing/ Tiang Chiin Ling/ Tiang Chiin Yew/David Goh Hong Chiang
Transportation	Lee Ling Timber SB	Agrowell SB	2,000	Nil	2,000	Tiang Ching Kok/ Datin Ha Ai Ing/ Tiang Chiin Ling/ Tiang Chiin Yew/David Goh Hong Chiang
Total			26,552	9,066	26,	

The estimated value is for the validity period of the mandate. Due to the nature of the transactions, the actual value of the transactions may vary from the estimated value.

*¹ *Rented office located at Room 207-209, 2nd Floor, Wisma Bukit Mata Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching with an area of 1,810 square feet at approximately RM15,344 per month. The rental is for the duration of 3 years and is renewable thereafter. The rental is paid on monthly installment basis.*

*** (1) *Tiang Ching Kok is deemed interested in Lee Ling Construction & Development SB through his shareholdings. Tiang Ching Kok also deemed interested in Lee Ling Construction & Development SB, Lee Ling Timber SB through his shareholdings and his mother's (Datin Ha Ai Ing), sister's (Tiang Chiin Ling) and brother's (Tiang Chiin Yew) shareholdings and directorship in these companies. Tiang Ching Kok also deemed interested in BMK Development SB through his ultimate shareholdings, his mother's (Datin Ha Ai Ing) and brother's (Tiang Chiin Yew) ultimate shareholdings and directorship in this company. Tiang Ching Kok also deemed interested in Limba Jaya Timber SB through his shareholdings and directorship and his sister's (Tiang Chiin Ling) and brother's (Tiang Chiin Yew) shareholdings and directorship.*

(2) *Datin Ha Ai Ing is deemed interested in Lee Ling Construction & Development SB and Lee Ling Timber SB through her major shareholdings and directorship. Datin Ha*

Ai Ing also deemed interested in Lee Ling Construction & Development SB and Lee Ling Timber SB through her children's (Tiang Chiin Ling, Tiang Ching Kok and Tiang Chiin Yew) shareholdings and directorship in these companies. Datin Ha Ai Ing also deemed interested in BMK Development SB through her and her children's (Tiang Ching Kok and Tiang Chiin Yew) ultimate shareholdings and directorship in this company. Datin Ha Ai Ing is also deemed interested in Limba Jaya Timber SB through her children's (Tiang Chiin Ling, Tiang Ching Kok and Tiang Chiin Yew) shareholdings and directorship.

- (3) *Tiang Chiin Ling is deemed interested in Lee Ling Construction & Development SB through her shareholdings. Tiang Chiin Ling also deemed interested in Lee Ling Construction & Development SB, Lee Ling Timber SB through her mother's (Datin Ha Ai Ing), and brothers' (Tiang Ching Kok and Tiang Chiin Yew) shareholdings and directorship in these companies. Tiang Chiin Ling also deemed interested in BMK Development SB through her parent's (Datin Ha Ai Ing) and brothers' (Tiang Ching Kok and Tiang Chiin Yew) ultimate shareholdings and directorship in this company. Tiang Chiin Ling also deemed interested in Limba Jaya Timber SB through her shareholdings and directorship and her brothers' (Tiang Ching Kok and Tiang Chiin Yew) shareholdings and directorship.*
- (4) *Tiang Chiin Yew is deemed interested in Lee Ling Construction & Development SB and Lee Ling Timber SB through his shareholdings and directorship. Tiang Chiin Yew also deemed interested in Lee Ling Construction & Development SB, Lee Ling Timber SB through his mother's (Datin Ha Ai Ing), sister's (Tiang Chiin Ling) and brother's (Tiang Ching Kok) shareholdings and directorship in these companies. Tiang Chiin Yew also deemed interested in BMK Development SB through his and his parent's (Datin Ha Ai Ing) and brother's (Tiang Ching Kok) ultimate shareholdings and directorship in this company. . Tiang Ching Yew also deemed interested in Limba Jaya Timber SB through his shareholdings and directorship and his sister's (Tiang Chiin Ling) and brother's (Tiang Ching Kok) shareholdings and directorship.*
- (5) *David Goh Hong Chiang is deemed interested in Lee Ling Construction & Development SB through his wife's (Tiang Chiin Ling) shareholdings. David Goh Hong Chiang also deemed interested in Lee Ling Construction & Development SB, Lee Ling Timber SB through his mother in-law's (Datin Ha Ai Ing), and brothers in-law's (Tiang Ching Kok and Tiang Chiin Yew) shareholdings and directorship in these companies. David Goh Hong Chiang also deemed interested in BMK Development SB through his parent in-law's (Datin Ha Ai Ing) and brothers in law's (Tiang Ching Kok and Tiang Chiin Yew) ultimate shareholdings and directorship in this company. David Goh is also deemed interested in Limba Jaya SB through his wife's (Tiang Chiin Ling) and brothers in-law's (Tiang Ching Kok and Tiang Chiin Yew) shareholdings and directorship.*
- (6) *Lee Ling Timber Products SB purchase sawn timber even though it manufacture them itself due to insufficient own production for trading purpose.*

The estimated value of the transactions for the period from date of the forthcoming AGM to next AGM is based on estimated values transacted and rounded to nearest thousand. The value of these transactions may be subject to changes.

(b) Deviation between value of the RRPT transacted pursuant to the existing Shareholders' Mandate and the estimated value of the RRPT as disclosed in the preceding year's circular to Shareholders.

The actual value of each RRPT transacted pursuant to the existing Shareholders' Mandate obtained on 12 July 2019 up to 15 June 2020 (being the latest practicable date prior to printing of this circular) does not exceed the estimated value of the respective RRPT as disclosed in the preceding year's Circular to Shareholders' dated 31 May 2019, by ten percent (10%) or more.

2.4 Outstanding RRPT Receivables

The breakdown of the total outstanding receivables in respect of the RRPT which exceeded the credit term as at 31 January 2020 are as follows:

Exceeded Credit Term	Amount of Outstanding RRPT Receivables (RM'000)
A period of 1 year or less	1,363
A period of more than 1 to 3 years	-
A period of more than 3 to 5 years	-
A period of more than 5 years	-

There were no interest and late payment charges imposed on the overdue trade receivables as they were trade in nature. The Management is constantly following up with those receivables on the outstanding amounts. The Board of Directors is of the opinion that there will be no recoverability issue as those related parties are the Group's long trading partners with good credit standing.

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

To ensure that the recurrent related party transactions which are in the ordinary course of business are conducted at arm's length and based on normal commercial terms consistent with the QC Group's usual business practices and policies, on terms not more favorable to the related party than those generally available to the public and are not detrimental to the minority shareholders, the following principles will apply:-

- The purchase of goods and the 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 their usual commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations;
- To monitor the recurrent related party transactions, the following review procedures have been implemented:-
 - i) A register will be maintained to record recurrent related party transactions which are entered into pursuant to the Proposed Shareholders' Mandate; and
 - ii) The Audit Committee will undertake quarterly review of recurrent related party transactions to ensure that such transactions are undertaken at arm's length, normal commercial terms, on terms not more favorable to the related party than those generally available to the public, are not detrimental to the minority shareholders and are in the best interest of the QC Group. In their review and approval of such transactions, the Audit Committee may, as they deem fit, request for additional information pertaining to the transactions from independent sources or advisers. The Audit Committee also has the discretion to revise and impose additional procedures.

- 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 Mandated Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms and is not detrimental to QC Group.

- An annual review of the RRPT processes and procedures will be carried out by the Audit Committee to ensure that the processes and procedures are sufficient to ensure that the RRPTs are made on an arm's length basis or on terms not more favorable to the Related Parties than those generally available to the public and not to the detriment of QC Group.

2.6 Threshold of Authority

The Company's thresholds for the approval of RRPT are as follows:

Limit of Authority (RM)	Approving Authority
Up to 500,000	Managing Director/Executive Director
Above 500,000	Board of Directors

2.7 Statement by the Audit Committee

The Members of the Audit Committee are as follows:

Name	Designation	Directorship
Felix Wong Khung Chui	Chairman	Independent Non Executive Director
Ha Tiuen Kiong	Member	Independent Non Executive Director
Pang Kim Soo	Member	Independent Non Executive Director
Lynda Chong Hui Lyn	Member	Independent Non Executive Director

The Audit Committee reviews the procedures as outlined above on a quarterly basis and is of the opinion that the Group has in place adequate procedures and processes to monitor, track and identify RRPT in a timely and orderly manner, and the frequency of review of these procedures and processes.

Audit Committee's Review

The Audit Committee of the Company has seen and reviewed the terms of the Proposed Shareholders' Mandate and is satisfied that the review procedures for the recurrent related party transactions are sufficient to ensure that such transactions will be carried out at arm's length and based on normal commercial terms consistent with the QC Group's usual business practices and policies, on terms not more favorable to the related party than those generally available to the public and are not detrimental to the minority shareholders.

2.8 Validity period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate shall continue to be in force until:-

- i) the conclusion of the next AGM of the Company following the general meeting at which such Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

- ii) the expiration of the period within which the next Annual General Meeting of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- iii) revoked or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.

The Proposed Shareholders’ Mandate at each subsequent AGM is subject to satisfactory review by the Audit Committee of the Company of its continued application to related party transactions.

2.9 Disclosure

Disclosure will be made in the Company’s Annual Report of the breakdown of the aggregate value of transactions conducted, types of transactions made, names of the related parties involved and their relationship with the Company pursuant to the Proposed Shareholders’ Mandate during the financial year, and in the Annual Reports for subsequent financial years that the Proposed Shareholders’ Mandate continues to be in force.

3. RATIONALE FOR AND BENEFITS OF THE PROPOSED SHAREHOLDERS’ MANDATE

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

- i) The Proposed Shareholders’ Mandate will facilitate transactions with related parties which are in the ordinary course of business of the QC Group, undertaken at arm’s length, normal commercial terms, on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;
- ii) The obtaining of the Shareholders’ Mandate and where appropriate, the Renewal thereof on an annual basis would eliminate the need to announce and convene separate general meetings from time to time to seek shareholders’ approval as and when potential recurrent Related Party Transactions of a revenue or trading nature arises. This will reduce substantially administrative time and cost in convening such meetings without compromising the Group’s corporate objectives and business opportunities.
- iii) The Proposed Shareholders’ Mandate is beneficial to QC Group. These related parties transactions gives additional business volume to the existing business of QC Group without the need for valuable sales time and effort, thus enabling existing sales staff to devote their efforts to securing and servicing external sales. In addition, the additional business volume brings down the unit cost of production due to the sharing of fixed overheads, enabling the Group to undertake sales and offer lower prices in order to remain competitive.

The purchase of sawn timber from related parties at market price for trading purpose assist QC Group to meet the extra demand from its existing customers and is expected to enhance the Group’s profit at the same time.

The Group’s corporate office requires prime location and the rental of premise from related parties has been secured at competitive market rate. All related party transactions are transacted at normal commercial terms, and have contributed to the turnover and profit of QC Group.

4. CONDITION OF THE SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate is subject to the approval of the shareholders of QC at the forthcoming AGM to be convened.

5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The Directors and Major Shareholders of QC who are deemed interested in the Proposed Shareholders' Mandate, as at 30 June 2020, are as follows:-

	No. of shares held in QC			
	Direct	%	Indirect	%
Directors of QC				
Tiang Ching Kok ^{#1}	3,282,500	5.66	14,726,500	25.41 ^{*1}
Directors of QC's subsidiaries				
Datin Ha Ai Ing	7,001,000	12.08	11,008,000	18.99 ^{*2}
Tiang Chiin Ling	525,000	0.91	17,484,000	30.16 ^{*3}
Tiang Chiin Yew	5,282,500	9.11	12,726,500	21.96 ^{*4}
David Goh Hong Chiang ^{#2}	-	-	18,009,000	31.07 ^{*5}
Yong Teck Foo ^{#3}	-	-	-	-

^{#1} *Tiang Ching Kok, the Managing Director and shareholder of QC, is a shareholder of Lee Ling Construction & Development SB, Lee Ling Timber SB, BMK Development SB and Limba Jaya Timber SB. Tiang Ching Kok is deemed interested in Lee Ling Construction & Development SB, BMK Development SB and Lee Ling Timber SB through his parent's (Datin Ha Ai Ing) major shareholding and directorship*

^{#2} *David Goh Hong Chiang, a director to Seri Bumijaya SB and is deemed interested in Lee Ling Construction & Development SB and Limba Jaya Timber SB through his wife's (Tiang Chiin Ling) shareholdings. He is also deemed interested in Lee Ling Construction & Development SB, Lee Ling Timber SB and Limba Jaya Timber SB through his parent in-law's (Datin Ha Ai Ing), and brothers in-law's (Tiang Ching Kok and Tiang Chiin Yew) shareholdings and directorship in these companies. He is deemed interested in BMK Development SB through his parent in-law's (Datin Ha Ai Ing) and brothers in law's (Tiang Ching Kok and Tiang Chiin Yew) ultimate shareholdings and directorship in this company.*

^{#3} *Yong Teck Foo, a shareholder and director to Polyflow (B) SB and is deemed interested in Pahaytc SB through his major shareholdings and directorship*

^{*1} *Deemed interested through his mother's (Datin Ha Ai Ing), sister's (Tiang Chiin Ling) and brother's (Tiang Chiin Yew) shareholdings.*

^{*2} *Deemed interested through her children's (Tiang Ching Kok, Tiang Chiin Yew and Tiang Chiin Ling) shareholdings.*

^{*3} *Deemed interested through her mother's (Datin Ha Ai Ing), and brothers' (Tiang Ching Kok and Tiang Chiin Yew) shareholdings.*

*⁴ *Deemed interested through his mother's (Datin Ha Ai Ing), and sibling's (Tiang Ching Kok and Tiang Chiin Ling) shareholdings.*

*⁵ *Deemed interested through his wife's (Tiang Chiin Ling) direct and indirect shareholdings.*

^ Lee Ling Timber SB, Lee Ling Construction & Development SB, BMK Development SB, Limba Jaya Timber SB, Pahaytc SB have no direct and/or indirect shareholdings in QC.

The Director, Tiang Ching Kok (interested Director) have abstained and will continue to abstain from all Board deliberations and voting at the Board meeting and will abstain from voting on the Proposed Shareholders' Mandate in respect of their direct and/or indirect shareholdings in QC at forthcoming AGM to be convened. The above interested Directors and major shareholders have undertaken that they shall ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution, deliberating or approving the Proposed Shareholders' Mandate at the forthcoming AGM.

The interested Datin Ha Ai Ing (being interested as a results of being Directors of QC subsidiaries, Hong Wei Holdings SB and Lee Ling Timber Products SB), Tiang Chiin Ling (being interested as a results of being Directors of QC subsidiaries, Quality Concrete SB, Polyflow Pipes SB, Kutex SB and Agrowell SB), Tiang Chiin Yew (being interested as a results of being Director of QC subsidiary, Lee Ling Timber Products SB), David Goh Hong Chiang (being interested as a results of being Director of QC subsidiary, Seri Bumijaya SB) and Yong Teck Foo (being interested as a results of being Director of QC subsidiary, Pahaytc SB) and person connected with them, will abstain from voting in respect of their direct and/or indirect shareholdings in QC in the Proposed Shareholders' Mandate interest in the resolution at the forthcoming AGM.

Save as disclosed above, none of the other Directors, major shareholders or persons connected with the Directors or Major Shareholders as defined in Listing Requirements, has any interest, direct or indirect, in the Proposed Shareholders' Mandate.

6. FINANCIAL EFFECTS OF THE PROPOSALS

The Proposals will not have any effect on the share capital, substantial shareholdings and dividend rate of QC.

Those related parties transactions relating to the Sale of QC Group's products is expected to contribute positively to the profitability of QC Group.

7. DIRECTORS' RECOMMENDATION

Your Board, (other than Tiang Ching Kok who have abstained from Board deliberation, voting on the relevant resolution and any recommendation in view of their interests in the Proposed Shareholders' Mandate) 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 Company. Accordingly, your Board (other than Tiang Ching Kok who have abstained from Board deliberation, voting on the relevant resolution and any recommendation in view of their interests in the Proposed Shareholders' Mandate) recommend that you vote in favour of the ordinary resolution for the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM to be convened.

8. ANNUAL GENERAL MEETING

An AGM, notice of which is enclosed in the annual report, will be held at Room 209, 2nd Floor, Wisma Bukit Mata Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching on Tuesday, 28 July 2020 at 10.30 a.m. to seek your approval for the Proposed Shareholders' Mandate.

If you are unable to attend the AGM in person, please complete the Form of Proxy as enclosed in the annual report and forward it to the Registered Office of QC at Room 209, 2nd Floor, Wisma Bukit Mata Kuching so as to arrive not less than forty-eight (48) hours before the time for convening the AGM.

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

9. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendices for further information.

Yours faithfully
For and on behalf of the Board of Directors

Felix Wong Khung Chui
Independent Non-Executive Director

DEFINITIONS PURSUANT TO THE 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 month of the date on which the terms of the transaction were agreed upon-
- a) a director of the listed issuer, its subsidiary or holding company; or
 - b) a chief executive officer of the listed issuer, its subsidiary or holding company; and
 - c) in relation to a SPAC, a member of the SPAC’s management team.
- “Major Shareholder” means a person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-
- a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or
 - b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company;
- and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer as defined under paragraph 1.01 or any other company which is its subsidiary or holding company.
- “Person Connected” in relation to a director or a major shareholder, means such person who falls under anyone of the following categories :-
- a) a member of the director’s or major shareholder’s family,
 - b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder or a member of the director’s or major shareholder or major shareholder’s family is the sole beneficiary;
 - c) a partner of the director, major shareholder or a partner of a person connected with that director or major shareholder;
 - 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 or major shareholder;
 - e) a person in accordance with whose directions, instructions or wishes the director or major shareholder 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 or major shareholder;

- g) a body corporate or its directors whose directions, instructions or wishes the director or major shareholder is accustomed or under an obligation, whether formal or informal, to act;
- h) a body corporate in which the director, major shareholder and/or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting share in the body corporate; or
- i) a body corporate which is a related corporation.

“Percentage Ratios”

means the figures, expressed as a percentage, resulting from each of the following calculations :-

- i) the value of the assets which are the subject matter of the transaction, compared with net assets of the listed issuer;
- ii) net profits (after deducting all charges and taxation and excluding extraordinary items) attributable to the assets which are the subject matter of the transaction, compared with the net profits of the listed issuer;
- iii) the aggregate value of the consideration given or received in relation to the transaction (including any liability to be assumed, where applicable), compared with the net assets of the listed issuer);
- iv) the equity share capital issued by the listed issuer as consideration for an acquisition, compared with the equity share capital previously in issue;
- v) the aggregate value of the consideration given or received in relation to the transaction (including any liability to be assumed, where applicable), compared with the market value of all the ordinary shares of the listed issuer;
- vi) the total assets which are the subject matter of the transaction compared with the total assets of the listed issuer;
- vii) in respect of joint ventures, business transaction or arrangements, the total project cost attributable to the listed issuer compared with the total assets of the listed issuer or in the case where a joint venture company is incorporated as a result of the joint venture, the total equity participation of the listed issuer in the joint venture company (based on the eventual issued capital of the joint venture company) compared with the net assets of the listed issuer. The value of the transaction should include shareholders’ loans and guarantees to be given by the listed issuer; or
- viii) the aggregate cost of investment of the subject matter of the transaction divided by the net assets of the listed issuer, in the case of a disposal and where the acquisition of the subject matter took place within the last 5 years.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. MATERIAL CONTRACTS

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

3. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Registered Office of the Company at Room 209, 2nd Floor, Wisma Bukit Mata Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching during office hours from the date of this Circular up to and including the date of the AGM :-

- (a) Audited accounts of QC Group for the past two (2) financial years ended 31 January 2019 to 2020;
- (b) Unaudited 4th quarterly results ended 31 January 2020;
- (c) Writs of Litigations referred to in item 2 above; and
- (d) Memorandum and Articles of Association of QC.