

PART B – THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

1. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Board proposes to seek a renewal of the authorisation from the shareholders for the Company to purchase its Shares up to ten per cent (10%) of its issued and paid-up share capital at any point in time. As at 5 January 2004, the total issued and paid-up share capital of LPI is RM120,159,000 comprising 120,159,000 Shares. As an illustration, the maximum number of Shares which may be purchased by the Company will be ten per cent (10%) of the issued and paid-up share capital of LPI or 12,015,900 Shares based on its issued and paid-up share capital as at 5 January 2004.

The authority from the shareholders, if renewed shall be effective upon the passing of the Ordinary Resolution up to the conclusion of the next AGM of LPI, unless either revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting. The Proposed Renewal of Share Buy-Back Authority will be effected through LPI's appointed stockbroker.

The maximum amount of funds to be allocated for the Proposed Renewal of Share Buy-Back Authority will be subjected to the retained profits and share premium account of the Company. As at 31 December 2003, the audited retained profits and share premium account of the Company are RM73,157,000 and RM52,552,000 respectively. The Proposed Renewal of Share Buy-Back Authority if implemented, will be funded by internally generated funds of the LPI Group.

The Proposed Renewal of Share Buy-Back Authority is subject to the compliance with Section 67A of the Act (as may be amended, modified or re-enacted from time to time) and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities ("Prevailing Law") at the time of the purchase. The Proposed Renewal of Share Buy-Back Authority will be in accordance with the Prevailing Law at the time of the purchase including compliance with the twenty five per cent (25%) shareholding spread as required by the Listing Requirements and should not result in the issued and paid-up share capital of LPI to fall below the prescribed minimum of RM60 million for a company listed on the Main Board of MSEB. The public shareholding spread of the Company as at 5 January 2004 is approximately 39.69%. Assuming that the Proposed Renewal of Share Buy-Back Authority was carried out in full, and the Shares so purchased were cancelled, the proforma shareholding spread of the Company is expected to be approximately 32.99%.

Section 67A of the Act provides for shares purchased pursuant to a share buy-back by a company to be cancelled upon purchase, held as treasury shares or a combination of both. LPI Shares that are purchased pursuant to the Proposed Renewal of Share Buy-Back Authority and held as Treasury Shares may either be distributed as share dividends, resold on MSEB in accordance with the rules of MSEB or subsequently cancelled. LPI intends to retain the Purchased LPI Shares as Treasury Shares, or cancel the Purchased LPI Shares or a combination of both. The Purchased LPI Shares may at the discretion of the Board be held as Treasury Shares and resold on MSEB if the opportunity arises for the Company to realise gains from such resale on the market, or distributed to shareholders of LPI for future dividend payout.

The Board may resolve to cancel all the Shares so purchased, retain all the Shares as Treasury Shares for future sale, or retain part thereof as Treasury Shares and cancel the balance.

In the event LPI wishes to purchase the Company's own Shares, LPI is required to make a declaration of solvency to MSEB and release an announcement on the day the purchase is made providing details on the description of the Purchased Shares, the number of Purchased Shares, the price of each Share or where relevant, the highest or lowest price paid, the total consideration paid and where all or any of the Shares are proposed to be cancelled, the adjusted share capital.

While the Shares are held as Treasury Shares, the rights attached on them as to voting, dividends and participation in other distribution and otherwise are suspended and the Treasury Shares shall not be taken into account in calculating the number or percentage of Shares or of a class of Shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

LPI may only purchase its own Shares at a price, which is not more than fifteen per cent (15%) above the weighted average market price for LPI Shares for the past five (5) market days immediately preceding the date of purchases. The Company may only resell Treasury Shares on MSEB at a price which is: -

- (a) not less than the weighted average market price for the Shares for the five (5) market days immediately prior to the resale; or
- (b) not less than five per cent (5%) below the weighted average market price for the Shares for the five (5) market days immediately prior to the resale provided that:
 - (i) the resale takes place no earlier than thirty (30) days from the date of purchase; and
 - (ii) the resale price is not less than the cost of purchase of the Shares being resold.

The Proposed Renewal of Share Buy-Back Authority will allow LPI to exercise the power to purchase its own Shares at any time within the effective period as stated above. The actual number of LPI Shares to be purchased, the total amount of funds involved for each purchase and the timing of the purchase would depend on market conditions and the amount of retained profits and share premium of LPI.

2. RATIONALE FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Proposed Renewal of Share Buy-Back Authority will enable the LPI Group to utilise its surplus financial resources to purchase the Shares of the Company. The Proposed Renewal of Share Buy-Back Authority is expected to stabilise the supply and demand as well as the prices of the LPI Shares. Should the LPI Shares be cancelled, either immediately or subsequently after being held as Treasury Shares, the Proposed Renewal of Share Buy-Back Authority is expected to improve the EPS of the LPI Group and benefit the shareholders of the Company.

The Purchased Shares which are held as Treasury Shares may be realised with potential gain without affecting the total issued and paid-up share capital of the Company. In the event the Treasury Shares are distributed as share dividends, it will serve as a reward to the shareholders of the Company.

The Proposed Renewal of Share Buy-Back Authority is not expected to have any potential material disadvantage to the Company and its shareholders as it will be exercised only after in depth consideration of the financial resources of the LPI Group and of the resultant impact on its shareholders. The Directors in exercising any decision on the Proposed Renewal of Share Buy-Back Authority will be mindful of the interest of the Company and its shareholders.

3. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

On the assumption that the Proposed Renewal of Share Buy-Back Authority is carried out in full, the effects of the Proposed Renewal of Share Buy-Back Authority on the share capital, NTA, working capital, earnings and shareholdings of Directors and substantial shareholders of LPI are set out below:

3.1 Share Capital

Assuming the Proposed Renewal of Share Buy-Back Authority is carried out in full by LPI and the Purchased Shares are cancelled, the proforma effect on the issued and paid-up share capital of the Company are summarised below: -

| | No. of Shares |
|--|----------------------|
| As at 5 January 2004 | 120,159,000 |
| Shares to be cancelled | 12,015,900 |
| Upon completion of the purchase and cancellation | <u>108,143,100</u> |

However, there will be no effect on the issued and paid-up share capital of LPI if the Purchased Shares are retained as Treasury Shares.

3.2 NTA and Working Capital

The Proposed Renewal of Share Buy-Back Authority may increase or decrease the NTA per Share of the LPI Group depending on the purchase price in comparison to the NTA per Share of the LPI Group at the time that the purchase is made. Assuming the LPI Shares purchased are cancelled, the Proposed Renewal of Share Buy-Back Authority will reduce the consolidated NTA per Share if the purchase price exceeds the audited consolidated NTA per Share at the time of the purchase and conversely would increase the consolidated NTA per Share if the purchase price is less than the audited consolidated NTA per Share at the time of purchase.

If the purchased LPI Shares are kept as Treasury Shares, the NTA per LPI Share would decrease unless the cost per share of the Treasury Shares purchased is below the NTA per share at the relevant point in time. This is due to the requirement for Treasury Shares to be carried at cost and be offset against equity, resulting in a decrease in the NTA of the Company.

The Proposed Renewal of Share Buy-Back Authority is likely to reduce the working capital of the LPI Group, the quantum of which will depend on the actual purchase price and number of Shares that would be purchased pursuant to the Proposed Renewal of Share Buy-Back Authority.

3.3 Earnings

Assuming that the Purchased LPI Shares under the Proposed Renewal of Share Buy-Back Authority are cancelled, the Proposed Renewal of Share Buy-Back Authority may increase the EPS of the LPI Group. Similarly, on the assumption that the Purchased Shares are treated as Treasury Shares, the extent of the effect of earnings of the LPI Group will depend on the actual selling price and the number of Treasury Shares resold and the effective gain or interest savings arising.

3.4 Shareholdings of Directors and Substantial Shareholders

The effects of the Proposed Renewal of Share Buy-Back Authority on the shareholdings of the Directors and the existing substantial shareholders of LPI based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders as at 5 January 2004 assuming the Proposed Renewal of Share Buy-Back Authority is carried out in full by LPI and the Purchased LPI Shares are cancelled, are as follows: -

Directors

| Directors | As at 5 January 2004 No. of Shares | | | | After the Proposed Renewal of Share Buy-Back Authority No. of Shares | | | |
|--|---------------------------------------|------|---------------------|-------|--|------|---------------------|-------|
| | Direct '000 | % | Indirect '000 | % | Direct '000 | % | Indirect '000 | % |
| Tan Sri Dato' Sri Dr. Teh Hong Piow | 152 | 0.13 | 59,123 [*] | 49.20 | 152 | 0.14 | 59,123 [*] | 54.67 |
| Dato' Yeoh Chin Kee | - | - | 92 [~] | 0.08 | - | - | 92 [~] | 0.08 |
| Tee Choon Yeow | 115 | 0.10 | 25 [#] | 0.02 | 115 | 0.11 | 25 [#] | 0.02 |
| Tan Kok Guan | 53 | 0.04 | 4 [^] | 0.003 | 53 | 0.05 | 4 [^] | 0.004 |
| Lee Chin Guan | 143 | 0.12 | - | - | 143 | 0.13 | - | - |
| Geh Cheng Hooi | - | - | - | - | - | - | - | - |

Notes:

* Deemed interested by virtue of his shareholding in CTHSB, SHSB, KCSB, KPSB, PBCL and PBSB.

~ Deemed interested by virtue of the shareholding of his spouse, Datin Lau Kim Gueh in LPI.

Deemed interested by virtue of the shareholding of his spouse, Lee Meng Yin in LPI.

^ Deemed interested by virtue of the shareholding of his spouse, Koay Gaik Meng in LPI.

Substantial Shareholders

| Substantial Shareholders | As at 5 January 2004 No. of Shares | | | | After the Proposed Renewal of Share Buy-Back Authority No. of Shares | | | |
|--|---------------------------------------|-------|-----------------------|-------|--|-------|-----------------------|-------|
| | Direct '000 | % | Indirect '000 | % | Direct '000 | % | Indirect '000 | % |
| Tan Sri Dato' Sri Dr. Teh Hong Piow | 152 | 0.13 | 59,123 ⁽¹⁾ | 49.20 | 152 | 0.14 | 59,123 ⁽¹⁾ | 54.67 |
| CTHSB | 422 | 0.35 | 58,701 ⁽²⁾ | 48.85 | 422 | 0.39 | 58,701 ⁽²⁾ | 54.28 |
| KCSB | 18,748 | 15.60 | - | - | 18,748 | 17.34 | - | - |
| SHSB | 22,446 | 18.68 | - | - | 22,446 | 20.76 | - | - |
| KPSB | 10,920 | 9.09 | - | - | 10,920 | 10.10 | - | - |
| Tunku Osman Ahmad | 1,070 | 0.89 | 18,748 ⁽³⁾ | 15.60 | 1,070 | 0.99 | 18,748 ⁽³⁾ | 17.34 |
| PBCL | 4,896 | 4.07 | 20,439 ⁽⁴⁾ | 17.01 | 4,896 | 4.53 | 20,439 ⁽⁴⁾ | 18.90 |
| KCS | - | - | 10,920 ⁽⁵⁾ | 9.09 | - | - | 10,920 ⁽⁵⁾ | 10.10 |
| MSB | - | - | 10,920 ⁽⁵⁾ | 9.09 | - | - | 10,920 ⁽⁵⁾ | 10.10 |
| NIPPONKOA | 11,814 | 9.83 | - | - | 11,814 | 10.92 | - | - |

Notes:

- (1) *Deemed interested by virtue of his shareholding in CTHSB, SHSB, KCSB, KPSB, PBCL and PBSB.*
- (2) *Deemed interested by virtue of its shareholding in SHSB, KCSB, PBCL, PBSB and KCS.*
- (3) *Deemed interested by virtue of his shareholding in KCSB.*
- (4) *Deemed interested by virtue of its shareholding in PBSB and KCSB.*
- (5) *Deemed interested by virtue of its shareholding in KPSB.*
- (6) *PBSB is a shareholder of LPI with equity interest of approximately 1.41% in LPI as at 5 January 2004.*

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The Proposed Renewal of Share Buy-Back Authority, if exercised, is expected to potentially benefit the LPI Group and its shareholders as follows:

- (a) The EPS of the LPI Group would be enhanced (all things being equal). This is expected to have a positive impact on the market price of LPI Shares which will benefit shareholders of LPI.
- (b) If the Shares are bought back as Treasury Shares, it will provide the Directors an option to sell the Purchased Shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Purchased Shares can be distributed as share dividend to shareholders.

The Proposed Renewal of Share Buy-Back Authority, if implemented will reduce the financial resources of the LPI Group and may result in the LPI Group foregoing better investment opportunities that may emerge in the future or, at the least, deprive the Company and the LPI Group of interest income that can be derived from the funds utilised for the Proposed Renewal of Share Buy-Back Authority. It may also result in a lower amount of cash reserves available for dividends to be declared to shareholders as funds are utilised to purchase Shares. On the other hand, the financial resources of the LPI Group may increase if the Purchased Shares held as Treasury Shares are resold at prices higher than their purchase price.

5. IMPLICATIONS RELATING TO THE CODE

The total direct and indirect interests of Tan Sri Dato' Sri Dr. Teh Hong Piow in LPI as at 5 January 2004 amounted to approximately 0.13% and 49.20% respectively of the issued and paid-up share capital of LPI. In the event that the Proposed Renewal of Share Buy-Back Authority of up to ten per cent (10%) of the issued and paid up share capital of LPI is carried out in full and the Purchased LPI Shares are cancelled, the total direct and indirect interests of Tan Sri Dato' Sri Dr. Teh Hong Piow will increase to approximately 0.14% and 54.67% respectively of the issued and paid-up share capital of LPI, assuming the total number of LPI Shares held directly and indirectly by Tan Sri Dato' Sri Dr. Teh Hong Piow as at 5 January 2004 remains unchanged.

If Tan Sri Dato' Sri Dr. Teh Hong Piow's equity interest in LPI increase by more than 2% in any six (6) months period as a result of the Purchased LPI Shares, Tan Sri Dato' Sri Dr. Teh Hong Piow will be obliged to undertake a mandatory offer for LPI Shares not held by him in accordance with Part II of the Code. However, a waiver may be granted by the Securities Commission under Practice Note 2.9.10 of the Code.

6. PURCHASES OR RESALE OF SHARES MADE IN THE PREVIOUS TWELVE (12) MONTHS

LPI has not made any purchases/resale of LPI Shares in the previous twelve (12) months preceding the date of this Circular.

7. HISTORICAL SHARE PRICES OF LPI

The monthly high and low prices of LPI Shares as traded on MSEB for the last twelve (12) months ended 31 December 2003 are as follows: -

| 2003 | High RM | Low RM |
|-------------|--------------------|-------------------|
| January | 3.88 | 3.78 |
| February | 4.00 | 3.80 |
| March | 3.98 | 3.56 |
| April | 3.90 | 3.70 |
| May | 3.86 | 3.80 |
| June | 4.02 | 3.74 |
| July | 4.20 | 3.90 |
| August | 4.48 | 4.10 |
| September | 4.34 | 3.96 |
| October | 4.20 | 3.98 |
| November | 4.14 | 3.90 |
| December | 4.16 | 3.94 |

The last transacted price of LPI Shares on 23 December 2003 being the latest practicable date prior to the announcement of the Proposed Renewal of Share Buy-Back Authority. 4.10

The last transacted market price of LPI Shares on 27 January 2004 (being the last practicable date prior to the printing of this Circular). 4.24

(Source: Bloomberg)

8. APPROVAL REQUIRED

The Proposed Renewal of Share Buy-Back Authority is subject to the approval of the shareholders of LPI at the forthcoming AGM.

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II. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) Proposed Renewal of Shareholders' Mandate

Tan Sri Dato' Sri Dr. Teh Hong Piow is the Chairman and a substantial shareholder of LPI and the PBB Group. Dato' Yeoh Chin Kee is a Director and shareholder of LPI and PBB and Mr. Lee Chin Guan is a shareholder of LPI and a Director of LPI and PBB.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee and Mr. Lee Chin Guan are therefore deemed interested in the Proposed Renewal of Shareholders' Mandate and therefore, have and will continue to abstain from all Board deliberations on the Proposed Renewal of Shareholders' Mandate. They will also abstain from voting in respect of their direct and/or indirect interests in LPI (details of which are set out in Part A, Section 1.1 of the Circular) on the Ordinary Resolution pertaining to the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM. They will also further undertake to ensure that persons connected to them will abstain from voting on the Ordinary Resolution pertaining to the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM.

Save as disclosed above, none of the other Directors or substantial shareholders or persons connected to the Directors or substantial shareholders has any interest, direct or indirect, in the Proposed Renewal of Shareholders' Mandate.

(b) Proposed Renewal of Share Buy-Back Authority

None of the directors or substantial shareholders or persons connected to the Directors and substantial shareholders has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Authority.

III. DIRECTORS' RECOMMENDATION

Your Directors (other than Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee and Mr. Lee Chin Guan who are deemed interested in the Proposed Renewal of Shareholders' Mandate), having considered all aspects of the Proposed Renewal of Shareholders' Mandate are of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of the Company. Your Directors (other than Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee and Mr. Lee Chin Guan) therefore recommend that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Shareholders' Mandate to be tabled at the Company's forthcoming AGM.

Your Directors, having considered all aspects of the Proposed Renewal of Share Buy-Back Authority are of the opinion that the Proposed Renewal of Share Buy-Back Authority is in the best interest of the Company. Your Directors therefore recommend that you vote in favour of the Ordinary Resolution for the Proposed Renewal of Share Buy-Back Authority to be tabled at the Company's forthcoming AGM.

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IV. AGM

The Notice convening the AGM to vote on the Ordinary Resolutions is set out in the Annual Report 2003. The AGM will be held on Tuesday, 24 February 2004 at 11.00 a.m. at Junior Ballroom, Level 2, Hotel Nikko Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur for the purpose of considering and if thought fit, passing the Ordinary Resolutions as set out in the Notice of AGM.

If you are unable to attend and vote in person at the AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the enclosed Form of Proxy in the Annual Report 2003, in accordance with the instructions contained therein as soon as possible and in any event so as to arrive at the Company's Registered Office at 6th Floor, Bangunan Public Bank, 6 Jalan Sultan Sulaiman, 50000 Kuala Lumpur not less than 48 hours before the time set for the AGM or at any adjournment thereof.

The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

V. FURTHER INFORMATION

Shareholders are advised to refer to the Appendix for further information.

Yours faithfully,
for and on behalf of the Board of Directors of
LPI CAPITAL BHD

Geh Cheng Hooi
Independent Director