

KANGER INTERNATIONAL BERHAD

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED REDEEMABLE CONVERTIBLE COMMERCIAL PAPERS AND/OR REDEEMABLE CONVERTIBLE MEDIUM TERM NOTES UNDER A COMMERCIAL PAPERS/MEDIUM TERM NOTES PROGRAMME OF UP TO RM100.0 MILLION

1. Background Information

(a) Issuer

(i) Name : Kanger International Berhad (“**Issuer**”).

(ii) Address : Registered Address
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan (KL)
Malaysia

Business Address
3/F, B1 Building
Nanshanzhiyuan, Xueyuan Avenue
1001, Nanshan District
Shenzhen, China 518055

(iii) Business registration number : 1014793-D.

(iv) Date and place of incorporation : 27 August 2012/ Malaysia.

(v) Date of listing : 23 December 2013.

(vi) Status on residence, i.e. whether it is a resident controlled company or non-resident controlled company : Non-resident controlled company.

(vii) Principal activities : Investment holding.

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- (viii) Board of directors : (a) Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan
 (b) Leng Xingmin
 (c) Syed Hazrain Bin Syed Razlan Jamalullail
 (d) Prof. Datuk Seri Dr. Md. Zabid Bin Haji Abdul Rashid
 (e) Chong Amita
 (f) Dato' Izudin Bin Ishak

- (ix) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders : The substantial shareholders and their shareholdings in the Issuer as at 23 December 2014 are listed below:

Substantial shareholders	Direct		Indirect	
	No. of ordinary shares	%	No. of ordinary shares	%
Leng Xingmin	284,653,091	55.17	-	-
Lim Lai Choy @ Lim Aun Nee	64,767,475	12.55	-	-

- (x) Authorised, issued and paid-up capital : **Authorised Share Capital as at 23 December 2014**
 RM100,000,000 divided into 1,000,000,000 ordinary shares of RM0.10 each;

Issued and Fully Paid-up Share Capital as at 23 December 2014
 RM51,600,000 divided into 516,000,000 ordinary shares of RM0.10 each.

- (xi) Disclosure of the following:

- If the issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and
- None.

- If the issuer has : None.
been subjected to
any action by the
stock exchange for
any breach of the
listing requirements
or rules issued by
the stock exchange,
for the past five
years prior to the
date of application

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2. Principal Terms and Conditions

(a) Names of parties involved in the proposal (where applicable)

- (i) Principal adviser : Kenanga Investment Bank Berhad (Company No.15678-H) (“**Kenanga IB**” or “**PALA**”).
- (ii) Lead arranger : Kenanga IB.
- (iii) Co-arranger : Not applicable.
- (iv) Solicitor : Malaysian Legal Counsel
Teh & Lee Advocates & Solicitors (“**Solicitors**”)

People’s Republic of China (“PRC”) Legal Counsel
Global Law Office

Hong Kong Legal Counsel
Stephenson Harwood
- (v) Financial adviser : Not applicable.
- (vi) Technical adviser : Not applicable.
- (vii) Bond Trustee : TMF Trustees Malaysia Berhad (“**Trustees**”).
- (viii) Guarantor : Not applicable.
- (ix) Valuer : Not applicable.
- (x) Facility Agent : Kenanga IB.
- (xi) Primary subscriber : Not applicable.
(under a bought-deal arrangement) and amount subscribed
- (xii) Underwriter and : Not applicable.
amount underwritten
- (xiii) Central depository : Bank Negara Malaysia (“**BNM**”).
- (xiv) Paying agent : BNM.
- (xv) Reporting accountant : Not applicable.
- (xvi) Calculation agent : Not applicable.

(xvii) Others (please specify) : Subscriber for the RCN (as defined below)

Advance Opportunities Fund (Cayman Islands Company Registration No. CT 168559) ("**Subscriber**"), represented by Advance Capital Partners Pte Ltd, the investment manager ("**ACP**") (Singaporean Company No. 200506044H).

(b) Facility description : Issuance of redeemable convertible commercial papers ("**CP**") and/or redeemable convertible medium term notes ("**MTN**") under a CP/MTN Programme of up to RM100,000,000 ("**Redeemable Convertible CP/MTN Programme**"). The CP and MTN shall be collectively referred to as the redeemable convertible notes ("**RCN**" or "**Notes**"). The RCN is convertible into ordinary shares of RM0.10 each in the capital of the Issuer ("**Conversion Shares**") which are listed on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") subject to the terms stipulated herein.

The Redeemable Convertible CP/MTN Programme comprises four (4) tranches comprising one (1) tranche of a principal amount of RM15,000,000 for Tranche 1, one (1) tranche of a principal amount of RM25,000,000 for Tranche 2, and two (2) tranches of RM30,000,000 each for Tranche 3 and Tranche 4.

Tranche 1 shall comprise sixty (60) equal sub-tranches of RM250,000 each, Tranche 2 shall comprise fifty (50) equal sub-tranches of RM500,000 each, and each of Tranche 3 and Tranche 4 shall comprise sixty (60) equal sub-tranches of RM500,000 each.

Upon the fulfilment of the conditions precedent as set out in item 2(q) below, the Issuer will issue the first sub-tranche under Tranche 1 to the Subscriber.

In respect of each subsequent sub-tranches under Tranche 1, after the full conversion to Conversion Shares in respect of the immediately preceding sub-tranche of Tranche 1, the Issuer will issue the next respective sub-tranches under Tranche 1.

Upon full conversion to Conversion Shares in

respect of Tranche 1, the Issuer has the option to require the Subscriber to subscribe for the first sub-tranche under Tranche 2 upon fulfilment of certain conditions for subsequent issuances.

In respect of each subsequent sub-tranches under Tranche 2, after the conversion to Conversion Shares in respect of the immediately preceding sub-tranche of Tranche 2, the Issuer will issue the next respective sub-tranches under Tranche 2. The same will apply for Tranche 3 and Tranche 4.

While partial conversion is allowed within any tranche and sub-tranche of the RCN, the Issuer can only proceed to issue the subsequent sub-tranches upon full conversion of the preceding sub-tranche.

There should only be one (1) sub-tranche outstanding at any point in time, save for otherwise agreed by the Subscriber. For the avoidance of doubt, the Notes shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves.

(c) Issue/debt programme size : Up to RM100,000,000 in nominal value.

(d) Tenure of issue/debt programme : Redeemable Convertible CP/MTN Programme

Five (5) years from the date of the first issue of the RCN ("**Programme Tenure**").

CP

Less than one (1) year, provided that the CP shall mature at or prior to the expiry of the Programme Tenure.

MTN

Minimum of one (1) year and up to five (5) years, provided that the MTN shall mature at or prior to the expiry of the Programme Tenure.

(e) Availability period of debt programme : The period commencing from the date of completion of documentation and compliance of all conditions precedent in relation to the Redeemable Convertible CP/MTN Programme to

the satisfaction of the PA/LA and ending on such date falling five (5) years after the issuance of the first sub-tranche of Tranche 1 ("**Maturity Date**") provided always that the RCN shall mature prior to the expiry of the Redeemable Convertible CP/MTN Programme.

The first issue under the Redeemable Convertible CP/MTN Programme shall not be later than two (2) years from the date of the Securities Commission Malaysia's ("**SC**") authorisation.

- (f) Interest/coupon rate : CP
Fixed rate at two per centum (2.0%) per annum.
MTN
Fixed rate at two per centum (2.0%) per annum.
- (g) Interest/coupon payment frequency : CP
The coupon payment is payable in arrears on 31 March and 30 September during the period the CP remain outstanding, with the last coupon payment being made on the maturity date or conversion date of such CP (as the case may be).
Upon redemption or conversion, all interest accrued on such CP thereon up to and including the date of redemption or conversion will be payable to the holders of the Notes ("**Noteholders**") on the date of redemption or conversion.
MTN
The coupon payment is payable in arrears on 31 March and 30 September during the period the MTN remain outstanding, with the last coupon payment being made on the maturity date or conversion date of such MTN (as the case may be).
Upon redemption or conversion, all interest accrued on such MTN thereon up to and including the date of redemption or conversion will be payable to the Noteholders on the date of redemption or conversion.
- (h) Interest/coupon payment basis : On basis of actual/365 days.

(i) Security/collateral, where applicable : Nil.

(j) Details on utilisation of proceeds by issuer and originator (in case of ABS). If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable :

Details of Utilisation	Estimated Amount Up to (RM million)
Construction of a commercial building in Jiangxi province, PRC	22.5
Expansion of dealerships in respect of its new series of high-end flooring products under its brand 'KAR ACE'	13.5
Acquisition of land in the PRC and/or Malaysia for its bamboo plantation	30.0
Other capital expenditure and/or working capital including but not limited to the fees and expenses relating to the Proposal and its proposed diversification of principal activities to include property investment and management (as announced on Bursa Securities on 2 January 2015)	34.0

(k) Sinking fund and designated accounts, where applicable : Not applicable.

(l) Rating : Not applicable as the RCN will not be rated. The provisions relating to non-rated issue as stated under Paragraph 4.11(c) of the Guidelines on Private Debt Securities ("**PDS Guidelines**") shall be complied with.

- Credit ratings assigned and whether the rating is final or indicative. In the case of a debt programme where the credit rating is not assigned for the full amount, disclosures set out in paragraph 4.04 of the PDS

Guidelines must be made;

- Name of credit rating agencies : Not applicable.

(m) Mode of issue : CP

The CP will be privately placed to and purchased by the Subscriber. No offering circular or information memorandum will be issued by the Issuer for the proposed placement of the CP.

MTN

The MTN will be privately placed to and purchased by the Subscriber. No offering circular or information memorandum will be issued by the Issuer for the proposed placement of the MTN.

The Notes shall be issued in accordance with:

1. The Participation and Operation Rules for Payment and Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd (“**MyClear Rules**”); and
2. The Operational Procedures For Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd (“**MyClear Procedures**”); or

their replacement thereof (collectively referred to as “**MyClear Rules and Procedures**”) as applicable from time to time.

(n) Selling restriction, including tradability, i.e. whether tradable or non-tradable : Selling Restrictions At Issuance:

The Notes may only be offered, sold, or delivered, directly or indirectly to persons to whom an offer or invitation to subscribe the Notes may be made and to whom the Notes are issued would fall within Schedule 6 or Section 229(1)(b) of Capital Markets and Services Act 2007 (“**CMSA**”), Schedule 7 or Section 230(1)(b) of CMSA, read together with Schedule 8 or Section 257(1), Schedule 9 or Section 257(3) of CMSA, as amended from time to time.

Selling Restrictions Thereafter

The Notes may only be offered, sold, or delivered, directly or indirectly to persons to whom an offer or invitation to subscribe the Notes may be made and to whom the Notes are issued would fall within Schedule 6 or Section 229(1)(b) of CMA 2003 Schedule 7 or Schedule 9 or Section 257(3) of CMA 2003, as amended from time to time.

The Notes are tradable in RM250,000 for Tranche 1 and in RM500,000 for Tranche 2, Tranche 3 and Tranche 4 respectively subject to the selling restrictions above.

- (o) Listing status and types of listing, where applicable : The Notes will not be listed on any exchange.
- (p) Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify) : Not applicable.
- (q) Conditions precedent : To include but not limited to the following (each in form and substance acceptable to the PA/LA):
- (i) Confirmation from the Subscriber that all the conditions precedent to the first subscription of the RCN under the subscription agreement between the Issuer, the Subscriber and ACP dated 2 January 2015 (“**Subscription Agreement**”), as the same may have been, or may from time to time be, amended, varied or supplemented, have been fulfilled;
 - (ii) Receipt of the authorisation of the SC in respect of the Redeemable Convertible CP/MTN Programme having been obtained;
 - (iii) Receipt from the Issuer of the following:
 - (a) certified true copy of (i) the resolutions of the directors of the Issuer; and/or
 - (ii) the resolutions of the shareholders of the Issuer, approving the issue of the RCN and the allotment and issue of the Conversion Shares;

- (b) certified true copy of the Issuer's certificate of incorporation and memorandum and articles of association, latest Form 24, Form 44 and Form 49 and any other statutory forms as may be required by the PA/LA and the Solicitors;
- (c) certified true copy of the Issuer's board of directors' resolution authorising the execution of the Transaction Documents (as defined in item 2(v)(v) below);
- (d) specimen signatures of the Issuer's authorised signatories;
- (iv) All necessary legal documentation pertaining to the Notes shall have been completed in form and substance acceptable to the PA/LA and the Solicitors;
- (v) All relevant notices and acknowledgements (where applicable) and approvals/consents as may be required by the PA/LA and as advised by the Solicitors shall have been made or received, as the case may be, including but not limited to the consent from existing lenders, where required, for the issuance of the RCN;
- (vi) The Transaction Documents shall have been duly approved, authorised, executed, where applicable stamped or endorsed as exempted from stamp duty and presented for registration with the relevant authorities;
- (vii) Evidence of arrangements acceptable to the PA/LA that all fees due and payable under the Redeemable Convertible CP/MTN Programme and in connection with the preparation of the Transaction Documents shall be made by the Issuer for the relevant parties;
- (viii) The PA/LA shall have received a legal opinion from the Solicitors addressed to the PA/LA advising them with respect to the legality, validity and enforceability of

the Transaction Documents;

- (ix) The PA/LA shall have received from the Solicitors, a confirmation addressed to the PA/LA that all conditions precedent have been fulfilled or waived, as the case may be;
 - (x) The approval of the Bursa Securities for the admission to the Official List and the listing of and quotation for the Conversion Shares;
 - (xi) A report of the relevant winding up search of the Issuer;
 - (xii) A report of the relevant company search of the Issuer;
 - (xiii) Such other conditions precedent as may be advised by the Solicitors and mutually agreed by the Issuer and the PA/LA.
- (r) Representations and warranties : Representations and warranties for transactions of this nature including but not limited to the following:
- (i) The Issuer is duly incorporated under the laws of Malaysia and validly existing;
 - (ii) The Issuer has the power and authority to conduct the business in which it is engaged, and has the power and authority to enter into, exercise its rights under and perform its obligations under the Transaction Documents;
 - (iii) All necessary corporate actions have been taken to authorise, and all authorisations of any governmental or other authority have been duly and unconditionally obtained and are in full force and effect which are required to authorise the Issuer to carry on its business as it is being conducted, and sign, deliver, and perform the transactions and obligations contemplated in the Transaction Documents;
 - (iv) If any consent, licence, clearance or approval is required for the above and have been obtained, such consent,

licence, clearance or approval is in full force and effect and is not subject to any conditions which have yet to be satisfied when the RCN are issued;

- (v) No authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever which has not been duly and unconditionally obtained, made or taken is necessary or desirable to ensure the legality, validity, enforceability of the Issuer's liabilities and obligations under the Transaction Documents or the rights of the Noteholders;
- (vi) Neither the signing and delivery of the Transaction Documents nor the performance of any of the transactions contemplated in the Transaction Documents will:
 - (a) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Memorandum and Articles of Association of the Issuer as amended from time to time, or any indenture, trust deed, mortgage or other agreement or instrument to which the Issuer is a party or by which it or its properties are bound except where such breach or default would not have a Material Adverse Effect (as defined below) on the Issuer and its subsidiaries ("**the Group**"); or
 - (b) infringe any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court or regulatory body in, Malaysia or any other jurisdiction to which any of company in the Group is subject; or
 - (c) cause any limitation on the Issuer or the powers of its directors, imposed by or contained in its Memorandum and Articles of

Association, or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgement or otherwise to be exceeded; or

- (d) cause the creation or imposition of any security interest or restriction of any nature on any of its assets (other than the security as contemplated under the Transaction Documents, where applicable).
- (vii) Neither the Issuer nor any of its subsidiary has taken any action, nor have any other steps been taken, or any legal proceedings been started or threatened, by any person against the Issuer or any of its subsidiary, for its winding up or dissolution, or for it to enter into any arrangement or composition for the benefit of creditors, or for the appointment of a liquidator, provisional liquidator, judicial manager, provisional judicial manager, receiver, trustee, administrator or similar officer of any of them, or the whole or any part of its assets, businesses, investments, shareholdings, licences, operations, revenue, margins, profits, cash flows or properties;
- (viii) No event has occurred or circumstance arisen which, had the Notes been issued already, will (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event of default;
- (ix) The Transaction Documents are in full force and effect and create valid and binding obligations which are enforceable on and against the Issuer;
- (x) All information furnished in connection with the Issuer, to the best of its knowledge and belief, do not contain any untrue statement or omit to state any fact the omission of which makes any statement made therein misleading, and the Issuer is not aware of any material facts or circumstances that have not been

disclosed to the PA/LA;

- (xi) Information furnished or to be furnished by the Issuer in connection with the Transaction Documents and application to the regulators, do not contain any statement or information that is false or misleading and there is no material omission in respect thereof, and all expressions of expectation, intention, belief and opinion contained therein were honestly made on reasonable grounds after due care and careful enquiry by the relevant entity;
- (xii) The Issuer has fully disclosed in writing to the PA/LA all facts relating to them which they know or should reasonably know and which are material for disclosure to the PA/LA in the context of the RCN;
- (xiii) The Issuer's financial statements has been prepared on a basis consistently applied in accordance with the generally accepted accounting principles and standards in Malaysia and in full compliance with the requirements of the applicable laws and give a true and fair view of and represent the Issuer's financial condition and operations during the relevant financial year as at such date;
- (xiv) The Issuer is a going concern on the date of the execution of the Transaction Documents; and
- (xv) Such other representations and warranties as may be advised by the Solicitors and mutually agreed by the Issuer and the PA/LA.

For the purpose of the principal terms and conditions of the Notes, "**Material Adverse Effect**" means any material adverse effect on: (i) the business or condition (financial or otherwise) or results of the operations of the Issuer, (ii) the ability of the Issuer to perform any of its obligations under any of the Transaction Documents, (iii) the validity or enforceability of any of the Transaction Documents and/or (iv) the rights or remedies of the Trustee or the Noteholders thereunder.

(s) Events of default and enforcement event, where applicable : Events of default for transactions of this nature shall include, but not limited to the following:

- (i) for so long as there are any outstanding Notes, there is a revocation, cancellation, withholding or modification of a license, authorisation or approval that impairs or prejudices the Issuer's ability to comply with the terms and conditions of the Transaction Documents or the Notes or any other document relating to the issue, offer or invitation in respect of the Notes;
- (ii) where any of the relevant approvals were obtained subject to any conditions which were required to be fulfilled on or before each of the issuance date of each sub-tranche of RCN, such conditions were not fulfilled;
- (iii) there is default by the Issuer in the payment of the principal and/or interest in respect of the Notes or any of them when and as the same ought to be paid and such default is not remedied by the Issuer within seven (7) business days;
- (iv) the Closing Price (as defined below) is below the par value of the shares of the Issuer for more than five (5) consecutive business days.

"Closing Price" means the closing price of the Issuer's shares on the ACE Market of Bursa Securities for one share on a business day.

In the event that there has been no trading in the Issuer's share on that day, Closing Price shall mean the closing price of the Issuer's share on the preceding business day on which there was trading in the Issuer's shares.

In the event that trading in the Issuer's shares is suspended, the Closing Price shall mean the last reported trade price of the Issuer's shares on the business day immediately prior to such suspension.

- (v) there is default by the Issuer in the performance or observance of any

covenant, condition, provision or obligation (including the performance of its obligations to allot and issue shares arising from the conversion of the Notes as and when the Noteholders exercises its Conversion Rights (as defined in item 2(v)(iii) below) in accordance with the Conditions) contained in the Transaction Documents or any other document relating to the Notes and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and such default continues for the period of seven (7) business days next following the service by any Noteholder on the Issuer of notice requiring the same to be remedied;

- (vi) any other notes, debentures, bonds or other instruments of indebtedness or any other loan indebtedness having an aggregate outstanding amount of at least RM50 million or the equivalent in any other currency or currencies (hereinafter collectively called "**Indebtedness**") of the Issuer or any of the subsidiaries become or becomes prematurely repayable following a default in respect of the terms thereof which shall not have been remedied, or steps are taken to enforce any security therefor, or the Issuer or any of the subsidiaries defaults in the repayment of any such Indebtedness at the maturity thereof or at the expiration of any applicable grace period therefore or any guarantee of or indemnity in respect of any Indebtedness of others having an aggregate outstanding amount of at least RM50 million given by the Issuer or any of the subsidiaries shall not be honoured when due and called upon;
- (vii) a resolution is passed or an order of a court of competent jurisdiction is made that the Issuer be wound up or dissolved otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation the terms of which is approved by the shareholders, as the case may be, and upon which the continuing corporation effectively assumes the entire

obligations of the Issuer, as the case may be, under the Notes;

- (viii) a resolution is passed or an order of a court of competent jurisdiction is made that any subsidiary be wound up or dissolved otherwise than (a) for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation (other than as described in (b) below) the terms of which have previously been approved in writing by the Noteholders holding 51% or more of the outstanding principal amount of the Notes, (b) for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction with or into the Issuer or another subsidiary of the Issuer, or (c) by way of a voluntary winding up or dissolution where there are surplus assets in such subsidiary and such surplus assets attributable to the Issuer and/or any subsidiary are distributed to the Issuer and/or such subsidiary;
- (ix) the Issuer enters into a scheme of arrangement under Section 176 of the Companies Act, 1965 (as amended) with their creditors or such a scheme has been instituted by or against the Issuer (save and except pursuant to an internal reorganisation or to a corporate exercise which terms have been approved by the Trustee);
- (x) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Group;
- (xi) (a) the Issuer or any subsidiary without any lawful cause stops payment (within the meaning of any applicable bankruptcy law) or is unable to pay its debts as and when they fall due or (b) the Issuer or any subsidiary (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or reorganisation as is referred to in item 2(s)(iii) above) ceases or through an official action of the board of directors of the Issuer or any subsidiary, as the case

may be, threatens to cease to carry on its business, and such action has a material adverse effect on the Group;

- (xii) proceedings shall have been initiated against the Issuer or any subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of seven (7) business days;
- (xiii) the Issuer or any subsidiary shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or a decree of commencement of composition or reorganisation or other similar procedures or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors, and such action has a material adverse effect on the Group;
- (xiv) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Issuer or any subsidiary, which is material in its effect upon the operations of either the Issuer or such subsidiary, as the case may be, and is not discharged within seven (7) business days thereof;
- (xv) the delisting of the Issuer's shares on the ACE Market of the Bursa Securities or a suspension of trading other than pursuant to a very substantial acquisition or reverse takeover under the ACE Market Listing Requirements, of such shares on the Bursa Securities for a period of five (5) consecutive business days or more;
- (xvi) the ratio of Borrowings to Net Worth exceeds 2.0 times at any time.

Borrowings means, without duplication, at any time, as stated in the audited financial statements ("**Accounts**") (i) all obligations of such Issuer or any of its subsidiaries for borrowed money, (ii) all obligations of such person evidenced by the Notes, or other similar instruments, (iii) all

obligations of such person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such person as lessee which are capitalised in accordance with the accounting principles under which the Accounts are prepared, (v) all obligations of such person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vi) all non-contingent obligations of such person to reimburse any bank or other person in respect of amounts paid under a letter of credit or similar instrument and (vii) all borrowings of others guaranteed by the Issuer or a subsidiary;

Net Worth means, at any time, as stated in the Accounts, the aggregate of the amounts shown in the Accounts as paid up or credited as paid up on the issued share capital of the Issuer and standing to the credit of retained earnings and other capital and revenue reserves and includes minority interests therein; less any amount which is attributable to any debit balance in its statement of profit and loss as shown in the relevant Accounts to the extent not already charged against retained earnings;

- (xvii) the Net Worth is less than RM30 million at any time and from time to time;
- (xviii) for so long as there are any Notes outstanding, if the Issuer engages in any transaction with any hedge fund operating or originating from any part of the world; or
- (xix) any credit facilities granted to the Issuer or any of its subsidiaries are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on the Group.

Upon the occurrence of any event of default, by notice in writing given to the Issuer by the holder, the RCN will be declared immediately due and payable whereupon it shall become immediately due and payable at 115% of its principal amount together with accrued interest without further formality.

For the purpose of the principal terms and

conditions of the RCN, any indebtedness which is in a currency other than Malaysian Ringgit shall be translated into Malaysian Ringgit at the spot rate for the sale of Malaysian Ringgit against the purchase of the relevant currency in the Malaysian foreign exchange market quoted by Malayan Banking Berhad in the main banking hall at Menara Maybank, Kuala Lumpur on any day when it requests such a quotation for such purposes.

(t) Covenants

: **(i) Positive Covenants**

Usual and customary for an issue of such nature, which shall include but not be limited to the following, whereby:

- (a) The Issuer shall obtain and maintain in full force and effect all relevant authorisations, consents, rights, licenses, approvals and permits (governmental and otherwise) and will promptly obtain any further authorisations, consents, rights, licenses, approvals and permits (governmental and otherwise) which is or may become necessary to enable it to (i) to own its assets, to carry on its business or (ii) for the Issuer to enter into or perform its obligations under the Transaction Documents or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer or the priority or rights of the Notes under the Transaction Documents, and the Issuer shall comply with the same;
- (b) The Issuer shall exercise or cause to be exercised reasonable diligence in carrying on and operating its business and affairs in a proper and efficient manner, in accordance with sound financial and commercial standards and in accordance with its Memorandum and Articles of Association;
- (c) The Issuer shall perform all its obligations and comply at all times with the provisions under the Transaction Documents;
- (d) The Issuer shall redeem or settle in full all outstanding Notes in accordance with the terms and conditions of the Transaction

Documents;

- (e) The Issuer shall at all times maintain a paying agent in Malaysia and the Issuer shall cause and procure such paying agent to notify the Trustee (through the Facility Agent) in the event the paying agent does not receive payment from the Issuer on the due dates as required under the Transaction Documents;
- (f) The Issuer shall at all times keep and maintain proper financial books and accounts in accordance with the relevant laws and regulations and to provide the Trustee and any person appointed by it (e.g. auditors) access to such books and accounts to the extent permitted by law and upon written notice from the Trustee requesting the same provided always that the Trustee undertakes to keep such information to which it has access on a confidential basis;
- (g) The Issuer shall deliver to the Trustee as soon as they become available (and in any event within one hundred eighty (180) days of the end of each financial year) its audited financial statements, and within ninety (90) days of the expiration of each half year period its unaudited financial statements for that period and any other accounts, report, notice, statement or circular issued to shareholders which the Trustee shall at its discretion circulate the accounts, report, notice, statement or circular to the registered Noteholders who fall within Schedules 6 and 7 of the CMSA;
- (h) The Issuer shall deliver to the Trustee at least semi-annually a certificate that the Issuer has complied with its obligations under the Transaction Documents and the terms and conditions of the Redeemable CP/MTN Programme and that there did not exist or had not existed, from the date the Notes were first issued or date of the previous certificate as the case may be, any Event of Default or enforcement event, where applicable and if such is not the case, to specify the same;

- (i) The Issuer shall maintain at all times throughout the tenor of the MTN Programme, the Trustees' Reimbursement Account for Debenture holders' Actions (the "**Account**") with a sum of RM30,000 to be set up from the moneys received by the Issuer when the MTNs are issued. The Account shall be operated by the Trustee and the money in the Account shall only be used strictly by the Trustee in carrying out their duties in relation to the occurrence of Event of Default or enforcement events which are provided under the Transaction Documents;
- (j) The Issuer shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Transaction Documents;
- (k) The Issuer shall use its best endeavours to maintain or procure the maintenance of listing of all the issued and outstanding shares (including the Conversion Shares) on the ACE Market of the Bursa Securities or, if it is unable to do so having used such best endeavours, use its best endeavours promptly to obtain and maintain a listing of such shares on such other stock exchange to be agreed between the Issuer, the Subscriber and ACP or such other stock exchange to be agreed between the Issuer, the Subscriber and ACP or such other stock exchange as the Subscriber or ACP may reasonably request;
- (l) The Issuer shall use the proceeds from the issue of the Notes to finance the general working capital requirements, the investments and the general corporate purposes of the Issuer and/or its subsidiaries, provided that the proceeds from the Notes shall not be used to pay dividends to shareholders or for the purposes of or in relation to any repayment or reduction of any debt owed to a Related Party (as defined in the International Financial Reporting Standard).

(ii) Negative Covenants

Usual and customary for an issue of such nature, which shall include but not be limited to the following, whereby the Issuer shall not:

(a) Save and except for transactions lawfully entered into by the Issuer in the ordinary course of its business with its or its related corporations' directors, substantial shareholders or persons connected with any of them ("**Interested Persons**") and recurrent related-party transactions ("**RRPT**") with Interested Persons approved by the shareholders of the Issuer, enter into a transaction, whether directly or indirectly with any of the Interested Persons unless:

(aa) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested persons; and

(bb) with respect to transactions involving an aggregate payment or value equal to or greater than the percentage ratios prescribed under the listing requirements of Bursa Securities, the Issuer shall obtain a certification from an independent adviser that the transaction is carried out on fair and reasonable terms;

PROVIDED THAT the Issuer certifies to the Trustee that the transaction complies with paragraph (aa) above, that the Issuer has received the certification referred to in paragraph (bb) (where applicable) and that the transaction has been approved by the majority of the Board of Directors or shareholders in a general meeting as the case may require;

(cc) with respect to transactions constituting an RRPT which are provided for and permitted under the listing requirements of Bursa Securities,

PROVIDED THAT the Issuer certifies to the Trustee that the transaction complies with

paragraph (c) above, that the Issuer has obtained or renewed, where applicable, the shareholders' mandate in accordance with the listing requirements and that the Issuer furnishes at least one certificate to the Trustee in respect of the RRPT contemplated under one shareholder's mandate;

- (b) Neither the Issuer nor any of its subsidiaries shall, for as long as any of the Notes remains outstanding, without prior written consent of the Noteholders create or allow the creation of any mortgage, charge, pledge or any other security interest upon the whole or any part of its property or assets, present or future, in order to secure, for the benefit of holder of any existing or future RCN issue (or to secure for the benefit of holder thereof any guarantee or indemnity or other like obligation in respect thereof) according to the RCN at the same time, either the same security as is created or is outstanding in respect of such Note Issue (or such guarantee or indemnity or other like obligation in respect thereof) or such other security or guarantee as is not materially less beneficial to the Noteholders;
- (c) The Issuer shall not use the proceeds from the issuance of the Notes for any other purpose other than for the purposes set out in the Transaction Documents unless it has obtained the approval of the Noteholders by way of a special resolution or the written consent of the Trustee (which approval may be given, where in its opinion, it is not materially prejudicial to the interests of Noteholders to give such approval);

(iii) Reporting Covenants

- (a) The Issuer shall notify the Noteholders promptly of any event or development making untrue, or any material change affecting, any of its representations, warranties, undertakings, agreements or indemnities at any time prior to payment being made on each of the issue dates and will take such steps as may be reasonably

requested by the Noteholders to remedy the same within seven (7) business days from the said notice provided that the Noteholders shall use such information from the Issuer to the extent that such usage is permissible under the ACE Market Listing Requirements and the applicable laws and regulations;

(b) The Issuer shall immediately inform the Trustee in the event that the Issuer becomes aware of the following:

(i) any Event of Default or that such other right or remedy under the terms, provisions and covenants of the Transaction Documents have become immediately enforceable;

(ii) any circumstance that has occurred that would materially prejudice the Issuer;

(iii) any substantial change in the nature of the business of the Issuer;

(iv) any change in withholding tax position or taxing jurisdiction of the Issuer;

(v) any change in the utilisation of proceeds of the Notes;

(vi) any other matter that may materially prejudice the interests of the Noteholders;

(iv) Other Covenants

Such other covenants as may be advised by the Solicitors and mutually agreed by the Issuer and the PA/LA and incorporated in the Transaction Documents.

(u) Provisions on buy-back and early redemption of PDS : Buy-back

The Issuer and/or any of its subsidiaries may at any time and from time to time, purchase RCN in the open market at any price or by private treaty. The RCN which are redeemed or converted will forthwith be cancelled by the Issuer and may not

be reissued or resold.

Early Redemption

Early redemption by the Issuer is not allowed other than the provision as set out in item 2(v)(i).

(v) Other principal terms and conditions for the proposal:

- (i) Redemption : (a) The RCN which are not redeemed or purchased, converted or cancelled by the Issuer will be redeemed by the Issuer at 100% of their principal amount on the date falling five (5) years from the first issuance of the RCN under the Redeemable Convertible CP/MTN Programme.
- (b) If, on presentation of any RCN for conversion, the Conversion Price (as elected by the Noteholder) (as defined in item 2(v)(iv) below) is less than or equal to 65% of the average of the daily traded volume weighted average prices (“**VWAP**”) per share for the forty-five (45) consecutive business days prior to the relevant issue date in respect of each first sub-tranche of the RCN, the Issuer may redeem such RCN (and only such RCN) presented by the Noteholder to the Issuer for conversion in cash at an amount calculated as follow:

$$R = N \times \{P + [8\% \times P \times (D/365)] + I\}$$

where:-

“R” = the Conversion Redemption Amount.

“D” = The number of days elapsed since the relevant issue date in respect of each sub-tranche of the Notes.

“N” = the number of RCN presented for conversion.

“P” = the face value of the RCN presented for conversion.

“I” = the remaining unpaid interest accrued on the RCN presented for conversion.

- (ii) Conversion Period : Any time after the issue date of each RCN and up to the day falling one (1) week prior to the Maturity Date.
- (iii) Conversion Rights : The Noteholders shall have the right to convert each RCN into fully paid ordinary shares at any time during the Conversion Period.

The RCN issue is structured into four (4) tranches with sub-tranches in each tranche. The denomination of the RCN is RM50,000. Conversion right may be exercised over any or all the RCN comprised in each sub-tranche which has been drawn-down at the election of the Subscriber. Therefore, partial conversion of the RCN is allowed within any tranche and sub-tranche of the RCN.

- (iv) Conversion Price : The conversion price shall, at the option of the Noteholder, be either of the following:
 - (i) 135% of the average of the daily traded VWAP per share for forty-five (45) business days on which shares were traded on the ACE Market of the Bursa Securities immediately prior to the date of the Subscription Agreement in respect of Tranche 1; and forty-five (45) business days immediately prior to the issue date of the first sub-tranche in respect of Tranche 2, Tranche 3 and Tranche 4 (the “**Fixed Conversion Price**”); or
 - (ii) For Tranche 1: 85% of the average Closing Price on any three (3) consecutive business days per share as selected by the Noteholder during the forty-five (45) business days immediately preceding the relevant conversion date of each RCN on which shares were traded on the ACE Market of the Bursa Securities.

For Subsequent Tranches: 90% of the average Closing Price per share on any three (3) consecutive business days per share as selected by the Noteholder during the forty-five (45) business days immediately preceding the relevant conversion date of each RCN on which shares were traded on the ACE Market of the Bursa Securities.

(the “**Floating Conversion Price**”).

and subject to the par value as minimum Conversion Price.

(The Fixed Conversion Price and the Floating Conversion Price are collectively referred to as the “**Conversion Price**”)

The Conversion Price merely serves as computation for the number of Conversion Shares to be issued. No funds will be raised upon conversion of the Notes into the Issuer’s shares.

- (v) Documentation : Completion of all documentation for the RCN which include inter-alia the following documents:
- (a) Facility Agreement;
 - (b) Subscription Agreement;
 - (c) Trust Deed;
 - (d) Securities Lodgement Form; and
 - (e) such other relevant documentation which may be advised by the Solicitors.

(the above documents are hereinafter collectively referred to as the “**Transaction Documents**”)

- (vi) Form Denomination and : The denomination of the RCN shall be in multiples of RM50,000 at the time of issuances or such other denomination as agreed between the Issuer and the Subscriber at the time of issuance.

- (vii) Taxes
- All payments of principal and interest by the Issuer in respect of the RCN will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Malaysia, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the amounts of principal and interest which would have been receivable in respect of the RCN in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any RCN:-

- (a) to any Noteholder (or to a third party on behalf of the Noteholder) (i) who is for Malaysia tax purposes treated as a resident of Malaysia or a Malaysian corporation or (ii) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Malaysia otherwise than by reason only of the holding of any RCN or the receipt of principal or interest in respect of any RCN; or
- (b) if the global certificate of the RCN in respect of such RCN is surrendered more than thirty (30) days after the due date for payment except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment as at the expiry of such 30-day period; or
- (c) payment is prohibited under Malaysian law at the material time.

(viii) Status of the Conversion Shares

The new Issuer's shares to be issued arising from the conversion of the Notes will, upon allotment and issuance, rank *pari passu* in all aspects with the then existing Issuer's shares (including, without limitation, the right to receive any available distributions upon the liquidation and winding-up of the Issuer), save and except that the Conversion Shares will not be entitled to any dividends, rights, allotment and/or other forms of distribution that may be declared, made or paid where the entitlement date prior to the date of allotment and issuance of the Conversion Shares.

(ix) Noteholder's rights to participate in any distribution and/or offer of further securities in the Issuer

The Issuer or any subsidiary may offer and sell any securities convertible into securities of the same class as the issued shares of the Issuer or securities substantially similar to the Notes ("**the Securities**") provided that, in respect of any proposed private placement of such Securities, the Issuer shall, and the Issuer shall procure that the relevant subsidiary shall, offer and, if subscribed, sell such Securities to the holder prior to offering such Securities to any other person (except for rights issues or any issues in respect of which the Issuer is restricted from so doing by law or any other applicable regulations). For the avoidance of doubt, the Securities shall exclude any shares, warrants relating to the shares, or

convertible preference shares issued to shareholders of the Issuer without preference among the shareholders.

- (x) Rights of the RCN holder in the event of Winding Up, Liquidation and Event of Default Upon the occurrence of an event of default which includes winding up and liquidation then, by notice in writing given to the Issuer by the holder, the RCN will be declared immediately due and payable whereupon it shall become immediately due and payable at 115% of its principal amount together with accrued interest without further formality.

- (xi) Governing Law : The laws of Malaysia.

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