

HUME INDUSTRIES BERHAD (“HIB” OR THE “COMPANY”)

PROPOSED RIGHTS ISSUE OF REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

1. INTRODUCTION

On behalf of the board of directors of HIB (“**Board**”), Hong Leong Investment Bank Berhad (“**HLIB**”) wishes to announce that HIB is proposing to undertake a renounceable rights issue of up to RM172,473,768 nominal value of 5-year 5% redeemable convertible unsecured loan stocks with a nominal value of RM1.00 each (“**RCULS**”) at 100% of its nominal value on the basis of 36 RCULS for every 100 existing ordinary shares held in HIB (“**Shares**”) on an entitlement date to be determined later (“**Proposed Rights Issue of RCULS**”).

2. DETAILS OF THE PROPOSED RIGHTS ISSUE OF RCULS

2.1 Overview

The Proposed Rights Issue of RCULS entails the issuance of up to RM172,473,768 nominal value of RCULS at 100% of its nominal value on the basis of 36 RCULS for every 100 Shares held by the shareholders of the Company whose names appear in the record of depositors of the Company as at the close of business on an entitlement date to be determined by the Board and announced later by the Company (“**Entitlement Date**”) (“**Entitled Shareholders**”).

The maximum RM172,473,768 nominal value of RCULS that may be issued under the Proposed Rights Issue of RCULS was arrived at after taking into consideration the following:

- (i) the total number of issued Shares as at 5 November 2018, being the latest practicable date before the date of this announcement (“**LPD**”), of 479,093,800 Shares; and
- (ii) assuming no new Shares are issued under the executive share scheme of the Company (“**ESS**”).

Nonetheless, the actual nominal value of RCULS to be issued will depend on the actual subscription by the Entitled Shareholders and their renounees and transferees (if applicable) under the Proposed Rights Issue of RCULS.

The Proposed Rights Issue of RCULS is renounceable in full or in part. As such, the Entitled Shareholders can subscribe for their respective entitlements to the RCULS in full or in part.

The RCULS will be provisionally allocated to the Entitled Shareholders. Any fractional entitlements under the Proposed Rights Issue of RCULS will be disregarded and will be dealt with in such manner as the Board in its absolute discretion deems fit or expedient and in the best interest of the Company.

Any RCULS which are not subscribed or validly subscribed will be made available for subscription by other Entitled Shareholders and their renounees and transferees (if applicable) under the application for excess RCULS. The Board intends to allocate the excess RCULS in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.

The indicative salient terms of the RCULS are set out in **Appendix I** of this announcement.

2.2 Basis of and justification for determining the issue price and the conversion price of the RCULS

The RCULS will be issued at 100% of its nominal value of RM1.00 each.

The conversion price of the RCULS ("**Conversion Price**") will be determined at a later date by the Board, and announced by the Company, after taking into consideration, among others, the following:

- (i) the prevailing market conditions on the price-fixing date; and
- (ii) the 5-day volume-weighted average market price ("**VWAMP**") of Shares immediately before the price-fixing date or the theoretical ex-rights price of the Shares calculated based on such 5-day VWAMP, if applicable.

Throughout the tenure of the RCULS, the Conversion Price may be subject to adjustments under certain circumstances in accordance with the provisions of the trust deed constituting the RCULS to be entered into by the Company ("**Trust Deed**").

For information purposes, the 5-day VWAMP of the Shares up to and including the LPD is RM0.81.

2.3 Ranking of the RCULS and the new Shares to be issued upon the conversion of the RCULS

The RCULS constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and, subject to the provisions contained in the Trust Deed, rank equally without discrimination, preference or priority among themselves and rank at least equally with all present and future direct, unconditional, unsecured and unsubordinated debts and obligations of the Company from time to time (except for those which are preferred by law).

The new Shares to be issued upon the conversion of the RCULS will, upon allotment and issue, rank equally in all respects with the existing Shares, except that they will not be entitled to any dividends, rights, allotments and any other distributions that may be declared, made or paid before the date of allotment of such new Shares.

2.4 Listing of and quotation for the RCULS and the new Shares to be issued upon the conversion of the RCULS

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the admission of the RCULS to the Official List of Bursa Securities as well as for the listing of and quotation for the RCULS and the new Shares to be issued upon the conversion of the RCULS, on the Main Market of Bursa Securities.

2.5 Minimum subscription level and undertakings

The Proposed Rights Issue of RCULS will be implemented on a minimum subscription basis to raise minimum gross proceeds of about RM123.5 million ("**Minimum Subscription Level**"). The Minimum Subscription Level was determined after taking into consideration, among others, the funding requirements of HIB and its subsidiaries (collectively, the "**Group**") as set out in section 3 of this announcement as well as the existing gearing position of the Group.

In view of the Minimum Subscription Level, the Company intends to seek an undertaking from the major shareholder of the Company, namely Hong Leong Manufacturing Group Sdn Bhd (“**HLMG**”), to subscribe in full for its direct entitlement under the Proposed Rights Issue of RCULS (“**Entitlement Undertaking**”). Details of the Entitlement Undertaking are as follows:

Shareholder	Direct shareholding as at the LPD		Entitlement under the Proposed Rights Issue of RCULS		Entitlement Undertaking
	No. of Shares		No. of RCULS		
	('000)	(%)	(RM '000)	(%)	(RM '000)
HLMG	343,147	71.6	123,533	71.6	123,533

As the Entitlement Undertaking is sufficient to meet the Minimum Subscription Level, the remaining portion of RM48,940,794 nominal value of RCULS will not be underwritten.

3. USE OF PROCEEDS

The Proposed Rights Issue of RCULS is expected to raise gross proceeds of about RM123.5 million under the Minimum Subscription Level and up to about RM172.5 million assuming if all the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue of RCULS (“**Full Subscription Level**”).

The Company intends to utilise the proceeds arising from the Proposed Rights Issue of RCULS in the following manner:

Details of use of proceeds	Minimum Subscription Level	Full Subscription Level	Estimated timeframe for use of proceeds
	(RM '000)	(RM '000)	
Repay bank borrowings	122,257	122,257	Within 12 months
Fund general working capital	326	49,267	Within 12 months
Defray expenses in relation to the Proposed Rights Issue of RCULS	950	950	Within 3 months
Total proceeds	123,533	172,474	

Further details of the use of proceeds are as follows:

(i) Repay bank borrowings

As at the LPD, the total borrowings of the Group, which comprised term loans, revolving credit and bankers acceptances, stood at RM765.0 million. The Company intends to use about RM122.3 million of the gross proceeds arising from the Proposed Rights Issue of RCULS to repay part of the Group’s term loans.

As the proceeds will be used to repay the term loans as and when they fall due, there will not be any savings in interest payments arising from the repayment of bank borrowings.

(ii) Fund general working capital

The Company intends to use about RM0.3 million under the Minimum Subscription Level and about RM49.3 million under the Full Subscription Level to fund the general working capital purposes of the Group, including purchases of raw materials and repayment of trade creditors. The exact amount of proceeds to be used for each component of working capital cannot be determined at this juncture as it would depend on the operating and financing requirements of the Group at the time of use.

(iii) Defray expenses in relation to the Proposed Rights Issue of RCULS

The Company intends to use about RM1.0 million to defray expenses relating to the Proposed Rights Issue of RCULS. These expenses include, among others, professional fees, fees payable to the relevant authorities, expenses to convene the extraordinary general meeting (“**EGM**”) as well as other ancillary expenses incurred in relation to the Proposed Rights Issue of RCULS. If the actual expenses are lower or higher than estimated, any shortfall or surplus will be adjusted against the portion earmarked for the Group’s general working capital purposes.

The actual gross proceeds to be raised from the Proposed Rights Issue of RCULS will depend on the actual nominal value of RCULS issued under the Proposed Rights Issue of RCULS.

Pending the use of the proceeds from the Proposed Rights Issue of RCULS in the manner set out above, the proceeds will be placed in interest-bearing deposit accounts or investments in money markets as the Board deems fit and in the best interest of the Company.

No proceeds will be raised from the conversion of RCULS into new Shares as the conversion will be wholly satisfied through the surrender of RCULS with an aggregate nominal value equivalent to the Conversion Price for cancellation by the Company.

4. RATIONALE FOR THE PROPOSED RIGHTS ISSUE OF RCULS

The Proposed Rights Issue of RCULS will enable the Company to raise funds to repay bank borrowings and fund the Group’s general working capital as described in section 3 of this announcement, which is expected to contribute positively to the future performance of the HIB Group.

After due consideration of the various funding options available to the Company, the Board is of the opinion that the Proposed Rights Issue of RCULS is the most appropriate avenue of fund raising for the following reasons:

- (i) the Proposed Rights Issue of RCULS will enable the Group to secure funding of up to RM172,473,768 at a reasonable fixed funding cost for a period of 5 years, thereby reducing the Group’s exposure to interest rate fluctuations, which will in turn enable the Group to manage its cashflows more efficiently;
- (ii) the issuance of RCULS minimises the impact of immediate dilution to the shareholdings of the Company’s existing shareholders as opposed to an issuance of new Shares as the RCULS are expected to be converted over a period of time; and
- (iii) the Proposed Rights Issue of RCULS will provide the Entitled Shareholders with an opportunity to further increase their equity participation in the Company through the conversion of the RCULS at the Conversion Price. In the meantime, holders of the RCULS are also expected to benefit from the periodic coupon payments to be made to them.

5. EFFECTS OF THE PROPOSED RIGHTS ISSUE OF RCULS

Strictly for illustration purposes only, for the purpose of illustrating the effects of the Proposed Rights Issue of RCULS in this section 5 of this announcement, the Conversion Price is assumed to be RM1.00.

5.1 Issued share capital

For illustration purposes, the pro forma effect of the Proposed Rights Issue of RCULS on the issued share capital of the Company is as follows:

	Minimum Subscription Level		Full Subscription Level	
	No. of Shares	Share capital	No. of Shares	Share capital
	('000)	(RM '000)	('000)	(RM '000)
No. of issued Shares as at the LPD	479,094	479,094	479,094	479,094
New Shares to be issued upon conversion of RCULS ⁽¹⁾	123,533	123,533	172,474	172,474
Enlarged no. of issued Shares	602,627	602,627	651,568	651,568

Note:

- (1) No new Shares will be issued if the RCULS are fully redeemed by the Company upon the maturity of the RCULS.

5.2 Substantial shareholders' shareholdings

The Proposed Rights Issue of RCULS is not expected to have any immediate effect on the shareholdings of the Company's substantial shareholders until such time the RCULS are converted into new Shares.

For illustration purposes, the pro forma effects of the Proposed Rights Issue of RCULS on the shareholdings of the Company's substantial shareholders as at the LPD are as follows:

Minimum Subscription Level

Substantial shareholder	As at the LPD				(I) After the Proposed Rights Issue of RCULS				(II)(A) After (I) and assuming full redemption of the RCULS				(II)(B) After (I) and assuming full conversion of the RCULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares	
	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)
HLMG	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	466,680	77.4	(1)1,470	0.2
Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)470,242	78.0
HL Holdings Sdn Bhd	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)470,242	78.0
YBhg Tan Sri Quek Leng Chan	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)473,765	78.6
Hong Realty (Private) Limited	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)472,428	78.4
Hong Leong Investment Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)472,428	78.4
Kwek Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)472,428	78.4
Kwek Leng Beng	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)472,428	78.4

Substantial shareholder	As at the LPD				(I) After the Proposed Rights Issue of RCULS				(II)(A) After (I) and assuming full redemption of the RCULS				(II)(B) After (I) and assuming full conversion of the RCULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)	No. of Shares	(%)
	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)
Davos Investment Holdings Private Limited	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)472,428	78.4
Kwek Leng Kee	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)472,428	78.4

Notes:

- (1) Held through subsidiary(ies).
- (2) Held through HLCM.
- (3) Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interest
- (4) Held through HLCM and a company in which the substantial shareholder has interest.

As set out above, assuming only HLMG subscribes for its direct entitlement under the Entitlement Undertaking, upon full conversion of the RCULS held by HLMG into new Shares, the public shareholding spread of the Company may decrease below the minimum of 25.0% required to be in compliance with paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities (“**Listing Requirements**”). Nonetheless, the Proposed Rights Issue of RCULS is not expected to have any immediate effect on the public shareholding spread of the Company until such time the RCULS are converted into new Shares. The Company will continue to monitor its public shareholding spread to ensure compliance with the minimum public shareholding spread, if required.

Full Subscription Level

Assuming all the Entitled Shareholders subscribe for their respective entitlements based on the Full Subscription Level and assuming full conversion of the RCULS into new Shares, the Proposed Rights Issue of RCULS will not have any effect on the substantial shareholders' shareholding percentages in HIB as the RCULS will be allotted on a pro-rated basis to all the Entitled Shareholders. As such, the number of Shares held by each shareholder will increase proportionately upon full conversion of the RCULS into new Shares.

Substantial shareholder	As at the LPD				(I) After the Proposed Rights Issue of RCULS				(II)(A) After (I) and assuming full redemption of the RCULS				(II)(B) After (I) and assuming full conversion of the RCULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares		No. of Shares	
	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)
HLMG	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	466,680	71.6	(1)1,999	0.3
HLCM	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)471,524	72.4
HL Holdings Sdn Bhd	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)471,524	72.4
YBhg Tan Sri Quek Leng Chan	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)476,315	73.1
Hong Realty (Private) Limited	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)474,497	72.8
Hong Leong Investment Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)474,497	72.8
Kwek Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)474,497	72.8
Kwek Leng Beng	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)474,497	72.8
Davos Investment Holdings Private Limited	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)474,497	72.8
Kwek Leng Kee	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)474,497	72.8

Notes:

- (1) Held through subsidiary(ies).
- (2) Held through HLCCM.
- (3) Held through HLCCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interest
- (4) Held through HLCCM and a company in which the substantial shareholder has interest.

5.3 Net assets and gearing

For illustration purposes, the pro forma effects of the Proposed Rights Issue of RCULS on the net assets (“NA”), NA per Share and gearing of the HIB Group, based on its latest audited consolidated statement of financial position as at 30 June 2018, are set out below:

Minimum Subscription Level

	Audited as at 30 June 2018	(I) After the Proposed Rights Issue of RCULS	(II)(A) After (I) and assuming full redemption of the RCULS	(II)(B) After (I) and assuming full conversion of the RCULS
	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Share capital	479,094	479,094	479,094	602,627
Translation reserve	21	21	21	21
RCULS – Equity component	-	⁽¹⁾ 102,249	-	-
Accumulated losses	(89,215)	⁽²⁾ (89,423)	⁽⁴⁾ (121,048)	⁽⁴⁾ (121,048)
NA attributable to owners of the Company	389,900	491,941	358,067	481,600
No. of Shares in issue ('000)	479,094	479,094	479,094	602,627
NA per Share (RM)	0.81	1.03	0.75	0.80
Total borrowings (RM '000)	739,922	⁽³⁾ 644,694	⁽⁵⁾ 741,198	617,665
Gearing ratio (times)	1.90	1.31	2.07	1.28

Notes:

- (1) The estimated equity component of the RCULS arising from the Proposed Rights Issue of RCULS is determined by deducting the following from the gross proceeds to be raised under the Proposed Rights Issue of RCULS:
 - (i) the fair value of the liability component of the RCULS of about RM27.0 million, which is estimated by discounting the coupon payments of over the tenure of 5 years at a discount rate of 5.0%, being the cost of debt of the Company; and
 - (ii) the estimated expenses attributable to the equity component of the RCULS of about RM0.7 million.

The equity component of the RCULS also includes the resulting deferred tax asset arising from the initial recognition of the liability component of the RCULS of about RM6.5 million, which is recognised based on the Malaysian statutory tax rate of 24.0%.
- (2) After deducting the estimated expenses attributable to the liability component of the RCULS of about RM0.2 million.
- (3) Assuming the part of the proceeds arising from the Proposed Rights Issue of RCULS are used to repay bank borrowings in the manner set out in section 3 of this announcement.
- (4) After deducting the interest expense over the tenure of the RCULS of about RM3.9 million, the reduction of deferred tax assets of about RM6.5 million, which is expensed, and the recognition of the difference between the nominal value of RCULS and the equity component of the RCULS amounting to RM21.3 million as an expense.
- (5) Assuming the redemption of the RCULS is funded via additional borrowings.

Full Subscription Level

	Audited as at 30 June 2018	(I) After the Proposed Rights Issue of RCULS	(II)(A) After (I) and assuming full redemption of the RCULS	(II)(B) After (I) and assuming full conversion of the RCULS
	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Share capital	479,094	479,094	479,094	651,568
Translation reserve	21	21	21	21
RCULS – Equity component	-	⁽¹⁾ 143,051	-	-
Accumulated losses	(89,215)	⁽²⁾ (89,423)	⁽⁴⁾ (133,284)	⁽⁴⁾ (133,284)
NA attributable to owners of the Company	389,900	532,743	345,831	518,305
No. of Shares in issue ('000)	479,094	479,094	479,094	651,568
NA per Share (RM)	0.81	1.11	0.72	0.80
Total borrowings (RM '000)	739,922	⁽³⁾ 655,403	⁽⁵⁾ 790,139	617,655
Gearing ratio (times)	1.90	1.23	2.28	1.19

Notes:

- (1) The estimated equity component of the RCULS arising from the Proposed Rights Issue of RCULS is determined by deducting the following from the gross proceeds to be raised under the Proposed Rights Issue of RCULS:
- (i) the fair value of the liability component of the RCULS of about RM37.7 million, which is estimated by discounting the coupon payments of over the tenure of 5 years at a discount rate of 5.0%, being the cost of debt of the Company; and
 - (ii) the estimated expenses attributable to the equity component of the RCULS of about RM0.7 million.
- The equity component of the RCULS also includes the resulting deferred tax asset arising from the initial recognition of the liability component of the RCULS of about RM9.1 million, which is recognised based on the Malaysian statutory tax rate of 24.0%.
- (2) After deducting the estimated expenses attributable to the liability component of the RCULS of about RM0.2 million.
- (3) Assuming the part of the proceeds arising from the Proposed Rights Issue of RCULS are used to repay bank borrowings in the manner set out in section 3 of this announcement.
- (4) After deducting the interest expense over the tenure of the RCULS of about RM5.4 million, the reduction of deferred tax assets of about RM9.1 million, which is expensed, and the recognition of the difference between the nominal value of RCULS and the equity component of the RCULS amounting to RM29.4 million as an expense.
- (5) Assuming the redemption of the RCULS is funded via additional borrowings.

5.4 Earnings/Losses and earnings/losses per Share

Save for the expenses to be incurred in relation to the Proposed Rights Issue of RCULS, the Proposed Rights Issue of RCULS is not expected to have any material effect on the earnings/losses of the Group for the financial year ending 30 June 2019 as the Proposed Rights Issue of RCULS is only expected to be completed by the second quarter of 2019 whereas the proceeds arising from the Proposed Rights Issue of RCULS are expected to be used up to 12 months from the completion date.

Part of the proceeds to be raised from the Proposed Rights Issue of RCULS will be used to repay the Group's bank borrowings, which will enable the Group to secure funding at a reasonable fixed funding cost for a period of 5 years, thereby reducing the HIB Group's exposure to interest rate fluctuations, which will in turn enable the Group to manage its cashflows more efficiently. Additionally, part of the proceeds from the Proposed Rights Issue of RCULS is intended to be used to fund the Group's general working capital, which may contribute positively to the future earnings of the Group when utilised.

The Proposed Rights Issue of RCULS may result in dilution of the consolidated earnings/losses per Share arising from the increase in the number of Shares in issue as and when the RCULS are converted into new Shares. However, the extent of this dilution cannot be determined at this juncture as it will depend on the amount of RCULS converted and the benefits arising from the use of proceeds in the manner set out in section 3 of this announcement.

5.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

6. APPROVALS REQUIRED

The Proposed Rights Issue of RCULS is conditional upon approvals being obtained from the following:

- (i) the Securities Commission Malaysia ("**SC**") for the issuance of the RCULS;
- (ii) Bursa Securities for the following:
 - (a) the admission of the RCULS to the Official List of Bursa Securities; and
 - (b) the listing of and quotation for the RCULS to be issued under the Proposed Rights Issue of RCULS and the new Shares to be issued upon the conversion of RCULS on the Main Market of Bursa Securities;
- (iii) the shareholders of HIB at an EGM to be convened; and
- (iv) any other relevant authorities and/or parties, if required.

The Proposed Rights Issue of RCULS is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM

None of the directors and major shareholders of HIB and persons connected with them, have any interest, whether direct or indirect, in the Proposed Rights Issue of RCULS, save for their respective entitlements as shareholders of HIB under the Proposed Rights Issue of RCULS, to which all the existing shareholders of HIB are also entitled.

8. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Rights Issue of RCULS (including but not limited to the rationale for and the effects of the Proposed Rights Issue of RCULS and the intended use of proceeds), is of the opinion that the Proposed Rights Issue of RCULS are in the best interest of the HIB Group.

9. ADVISERS

HLIB has been appointed by HIB as the Principal Adviser for the Proposed Rights Issue of RCULS.

10. EXPECTED TIME FRAME FOR APPLICATION TO THE RELEVANT AUTHORITIES AND COMPLETION

Barring any unforeseen circumstances, the applications to the relevant authorities in relation to the Proposed Rights Issue of RCULS are expected to be made within a period of 2 months from the date of this announcement.

Barring any unforeseen circumstances and subject to the relevant approvals being obtained, the Proposed Rights Issue of RCULS is expected to be completed in the second quarter of 2019.

This announcement is dated 12 November 2018.

INDICATIVE SALIENT TERMS OF THE RCULS

Issuer	:	HIB.
Issue size/ Basis of allotment	:	Up to RM172,473,768 in nominal value of RCULS on the basis of 36 RCULS for every 100 existing Shares held on the Entitlement Date.
Issue price of the RCULS	:	Each RCULS shall be issued at 100.0% of its nominal value of RM1.00.
Form and denomination	:	The RCULS will be issued in registrable form and in denominations and multiples of RM1.00 each.
Issue Date	:	The issue date (" Issue Date ") for the RCULS shall be a market day to be mutually agreed between HIB and the Principal Adviser.
Tenure	:	5 years from the Issue Date (" Maturity Date ").
Interest/Coupon rate	:	Fixed rate of 5.0% per annum calculated on the nominal value of the RCULS then outstanding.
Interest/Coupon payment frequency	:	The coupon payment shall be payable semi-annually in arrears starting 6 months from the Issue Date.
Conversion Rights	:	<p>The holders of RCULS ("RCULS Holders") shall have the right to convert all or any part of the RCULS held by them into fully paid new Shares at the Conversion Price upon meeting the required Conditions for Conversion (as defined below) at any time during the Conversion Period (as defined below).</p> <p>If any RCULS Holder exercises his/her right to convert all or any part of the RCULS held by him/her into fully paid new Shares, no coupon shall be payable on such RCULS as from the Issue Date or the coupon payment date immediately before the conversion date, whichever is the later.</p> <p>All the outstanding RCULS which have not been earlier converted or redeemed on the Maturity Date, shall be automatically converted into new Shares at the Conversion Price on the Maturity Date ("Automatic Conversion"). In the event of an Automatic Conversion, the RCULS Holders shall be deemed to have submitted a valid conversion notice on the Maturity Date for the purpose of converting such outstanding RCULS into fully paid new Shares.</p> <p>Any fractional new Shares arising from the Automatic Conversion shall be disregarded and be dealt with by the Board as it may deem fit or expedient and in the best interest of HIB.</p> <p>Subject to HIB giving irrevocable notice to the RCULS Holders of at least 30 days (or such other period as may be agreed) prior to the Maturity Date, HIB shall have the option to redeem the outstanding RCULS (if not earlier converted) in cash at 100.0% of its nominal value, in whole or in part, on the Maturity Date. During such notice period but not later than the 8th market day before the Maturity Date, the RCULS Holders shall be entitled to exercise their Conversion Rights, subject to compliance with the Conditions for Conversion.</p>
Conversion Period	:	On any market day after the Issue Date and up to the Maturity Date of the RCULS.

INDICATIVE SALIENT TERMS OF THE RCULS (Cont'd)

Conversion Price : The Conversion Price will be determined at a later date by the Board, and announced by the Company, in the manner set out in section 2.2 of this announcement.

The Conversion Price may be subject to adjustments as described below.

Conditions for Conversion : The following conditions must be complied with before any conversion of the RCULS can be made:

- (i) an irrevocable written conversion notice informing the intention to convert the RCULS into fully paid new Shares shall be served to HIB;
- (ii) upon receipt of the written conversion notice by HIB, HIB shall procure the share registrar to act in accordance with the Listing Requirements; and
- (iii) such other conditions as may be advised by the legal counsel and to be agreed with HIB.

Conversion mode : The conversion of the RCULS will not require any cash payment by the RCULS Holders. The Conversion Price will be satisfied by surrendering the equivalent nominal value of RCULS for cancellation by HIB. All such RCULS so converted will be cancelled and cannot be re-issued. Any fractional new Shares arising from the conversion of the RCULS will be disregarded.

Status and ranking of RCULS : The RCULS shall constitute direct, unconditional, unsubordinated and unsecured obligations of HIB ranking equally without discrimination, preference or priority among themselves and ranking equally with all present and future unsecured obligations of HIB from time to time (subject to those preferred by law).

Redemption on Maturity Date : Subject to HIB giving irrevocable notice to the RCULS Holders of at least 30 days before the Maturity Date, HIB shall have the option to redeem the outstanding RCULS (if not earlier converted) in cash at 100.0% of its nominal value, in whole or in part, on the Maturity Date.

During such notice period, but not later than the 8th market day before the Maturity Date, the RCULS Holders will be entitled to exercise their Conversion Rights, subject to compliance with the Conditions for Conversion.

Upon the exercise by HIB of its option to redeem the RCULS on the Maturity Date, HIB shall also pay the RCULS Holders (no later than the Maturity Date) all unpaid coupon accruing from the immediately preceding coupon payment date until but excluding the Maturity Date.

For the avoidance of doubt, the RCULS Holders shall not have the right to require HIB to redeem the RCULS on the Maturity Date.

The RCULS which have been redeemed will be cancelled and cannot be re-sold.

INDICATIVE SALIENT TERMS OF THE RCULS (Cont'd)

- Adjustment in the Conversion Price in the event of alteration to share capital : HIB shall make the necessary adjustments to the Conversion Price of the RCULS then outstanding in the event of any alteration in the share capital of HIB on or before the Maturity Date, whether by way of rights issue, bonus issue, capitalisation issue, consolidation or subdivision of Shares or reduction of capital howsoever being effected, in accordance with the provisions of the Trust Deed.
- RCULS Holders' rights to participate in any distribution or offer of further securities in HIB : The RCULS Holders are not entitled to participate in any dividends, rights, allotments, and any other distributions and offer of securities in HIB until and unless such RCULS Holders have validly converted their RCULS into new Shares by exercising their Conversion Rights during the Conversion Period, and such new Shares are allotted before the entitlement date of such dividend, right, allotment, distribution or offer of securities.
- Amendments to the RCULS Holders' rights : Save as otherwise provided in the Trust Deed, an extraordinary resolution of the RCULS Holders is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the RCULS Holders against HIB.
- Rights in the event of winding up/liquidation : If a resolution is passed for a voluntary winding-up of HIB while any of the RCULS remain capable of being converted, then:
- (i) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the RCULS Holders, or some person designated by them for such purpose, shall be a party, the terms of such scheme of arrangement if approved by an extraordinary resolution shall be binding on all the RCULS Holders; and
 - (ii) in any other case every RCULS Holders shall be entitled to upon and, subject to the Trust Deed, at any time within 6 weeks ("**Specified Period**") after the passing of such resolution for a members' voluntary winding-up of HIB, deliver to the share registrar a duly completed conversion notice in relation to the RCULS to elect to be treated as if he had, on the last day of the month immediately before the commencement of such winding-up, exercised the Conversion Rights to the extent specified in the conversion notice and be entitled to receive out of the assets of HIB which will be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of HIB shall give effect to such election accordingly. Upon such election taking effect, all RCULS converted under such election shall cease to carry any coupon as from the last day of the month immediately before the month in which the RCULS are converted or deemed converted under this provision.

All Conversion Rights which have not been exercised at the expiry date of the Specified Period shall lapse and cease to be valid for any purpose.

INDICATIVE SALIENT TERMS OF THE RCULS (Cont'd)

- Listing status and types of listing, where applicable : An application will be made to Bursa Securities for the admission of the RCULS to the Official List of Bursa Securities as well as the listing of and quotation for the RCULS and the new Shares to be issued upon conversion of the RCULS on the Main Market of Bursa Securities.
- The admission, listing of and quotation for the RCULS on the Main Market of Bursa Securities is subject to compliance with the public spread requirements of the Listing Requirements, where there must be at least 100 RCULS Holders holding not less than 1 board lot each.
- Tradability, including selling restriction : For the purpose of trading on the Main Market of Bursa Securities, the RCULS will be tradable upon listing in board lots of 100 units of RCULS, or such other denomination as may be determined by Bursa Securities. No selling restriction is imposed on the RCULS.
- Trust Deed : The RCULS shall be constituted by the Trust Deed, which shall be administered by the trustee to be appointed to act on behalf of the RCULS Holders. The Trust Deed shall be in compliance with the Trust Deeds Guidelines issued by the SC.
- Rating : The RCULS are exempted from rating requirements pursuant to paragraph 5.02(b) of the Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors issued by the SC based on the following:
- (i) the RCULS Holders are given the right to convert the RCULS into new Shares at any time during the Conversion Period; and
 - (ii) the underlying Shares will be listed and quoted on the Main Market of Bursa Securities.
- Governing laws : The RCULS and the transaction documents (i.e. the Trust Deed in respect of the RCULS and such other legal documents and agreements (if any) necessary in relation thereto in form and substance acceptable to the Principal Adviser, the trustee and HIB) shall be governed by the laws of Malaysia and be subject to the non-exclusive jurisdiction of the courts of Malaysia.