

SINO HUA-AN INTERNATIONAL BERHAD (“SHIB” OR THE “COMPANY”)

PROPOSED ISSUANCE OF REDEEMABLE CONVERTIBLE MEDIUM TERM NOTES WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO RM150 MILLION (“PROPOSED NOTES ISSUE”)

1. INTRODUCTION

On behalf of the Board of Directors of SHIB (“**Board**”), Kenanga Investment Bank Berhad (“**Kenanga IB**”) wishes to announce that the Company proposes to undertake the proposed issuance of redeemable convertible medium term notes (“**Notes**”) with an aggregate principal amount of up to RM150 million under a redeemable convertible notes programme, which will mature on the date falling 36 months from the closing date of the first sub-tranche of the Tranche 1 Notes (as defined herein) (“**Proposed Notes Issue**”).

Details of the Proposed Notes Issue are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED NOTES ISSUE

2.1 Background

SHIB had, on 14 June 2019, entered into a conditional subscription agreement (“**Subscription Agreement**”) with Advance Opportunities Fund (“**Subscriber**”) for the Proposed Notes Issue, which will be issued in three (3) tranches, subject to the terms and conditions as set out in the Subscription Agreement. On the date of the Subscription Agreement and for as long as SHIB’s obligations remain outstanding under the Subscription Agreement, the Subscriber will, at any time and from time to time, by delivering a written notice to the Company, appoint any authorised agent (“**AOF’s Agent**”) to act for and on behalf of the Subscriber in respect of all its rights, obligations and entitlements set out under the Subscription Agreement with effect from the date set out in the authorisation notice. Accordingly, the Subscriber had, on the same day, appointed Advance Capital Partners Pte Ltd (“**ACP**”) as AOF’s Agent.

The Notes are transferable and/or tradable in accordance with the terms and conditions of the Subscription Agreement. The Notes may only be offered, sold, or delivered, directly or indirectly, to persons to whom an offer or invitation to subscribe for the Notes and to whom the Notes are issued, which would fall within Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act, 2007 (“**CMSA**”), as amended from time to time, and in accordance with other selling restrictions as may be applicable outside Malaysia.

The Notes are convertible at the option of the holders of the Notes (“**Noteholder(s)**”) into new ordinary shares in SHIB (“**Conversion Shares**”) at the conversion terms and redeemable at the election of SHIB and/or on the Maturity Date (as defined below) in cash, subject to the terms and conditions as set out in the Subscription Agreement.

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2.2 Salient terms of the Notes

The salient terms of the Notes are as follows:

Issue instrument	:	1.0% redeemable convertible commercial papers and/or redeemable convertible medium term notes.
Issue size	:	<p>Up to RM150 million principal amount in aggregate, divided into three (3) tranches, namely:</p> <p>(i) Tranche 1 of RM50 million comprising 10 equal sub-tranches of RM5 million each ("Tranche 1 Notes");</p> <p>(ii) Tranche 2 of RM50 million comprising 10 equal sub-tranches of RM5 million each ("Tranche 2 Notes");</p> <p>(iii) Tranche 3 of RM50 million comprising 5 equal sub-tranches of RM10 million each ("Tranche 3 Notes") and</p> <p>The issuance of Tranche 2 Notes and Tranche 3 Notes shall be at the option of the Company, in accordance with the terms and conditions of the Subscription Agreement.</p>
Tenure	:	36 months (3 years) from the closing date of the first sub-tranche of Tranche 1 Notes (" Maturity Date ").
Interest rate	:	<p>The Notes shall bear interest from the respective dates on which they are issued and registered in accordance with the terms and conditions as set out in the Subscription Agreement at the rate of 1% per annum, payable semi-annually in arrears on 30 June and 31 December in each year in respect of the period from (and including) the closing date of the first sub-tranche of Tranche 1 Notes and the last payment of interest being made on the Maturity Date. For example, the first semi-annual payment of interest shall be made on (a) 30 June 2019 if the closing date of the first sub-tranche of Tranche 1 Notes takes place before 30 June 2019 or (b) 31 December 2019 if the closing date of the first sub-tranche of Tranche 1 Notes takes place after 30 June 2019.</p> <p>If the closing price per Share of the Company falls below the Minimum Conversion Price (as defined below) for more than ten (10) consecutive Business Days (such ten (10) consecutive Business Days period, the "Initial 10 Business Days Period"), the interest rate of all outstanding Notes as set out above shall be adjusted upward to 8% per annum (the "Relevant Interest") retrospectively from the first Business Day of the Initial 10 Business Days Period ("Triggering Date").</p> <p>If, after the Initial 10 Business Days Period, the closing price per Share of the Company trades 10% above the Minimum Conversion Price for more than ten (10) consecutive Business Days (such ten (10) consecutive Business Days period, the "Subsequent 10 Business Days Period"), the Relevant Interest shall be readjusted downward to 1% per annum from the next Business Day immediately following the expiry of the Subsequent 10 Business Days Period, provided that all accrued and outstanding Relevant Interest and Default Relevant Interest (as defined below) (if any) shall have been paid by the Company to the Noteholder(s) within three (3) Business Days from the expiry of the Subsequent 10 Business Days Period.</p>

Interest rate (cont'd)		<p>Subject to the above, the Relevant Interest shall be due and payable by the Company to the Noteholder(s) on the last Business Day of every month ("Relevant Interest Payment Date").</p> <p>In the event the Company fails to pay the Relevant Interest by the Relevant Interest Payment Date, an additional default interest at the rate of 3.0% per month ("Default Relevant Interest") shall be compounded on all overdue amount (including the Relevant Interest), commencing from the next day immediately following the Relevant Interest Payment Date up to (and including) the date of actual payment (both before and after judgment) of the Relevant Interest and the Default Relevant Interest.</p>
Method of issue	:	The Notes will be privately placed to and subscribed by the Subscriber. No offering circular, information memorandum or prospectus will be issued by the Company for the proposed placement of the Notes.
Issue price	:	In relation to each sub-tranche of the Notes, the amount equivalent to 100% of the principal amount of the Notes for such sub-tranche.
Issue and subscription of the first sub-tranche of Tranche 1 Notes	:	<p>The Subscriber in principle has agreed to subscribe up to RM150 million of the Notes, upon the Subscription Agreement being executed. However, the subscription of the first sub-tranche of Tranche 1 Notes is dependent on the fulfilment of the closing conditions as set out in the Subscription Agreement. Once fulfilled, the Subscriber is obliged to subscribe for the first sub-tranche of Tranche 1 Notes.</p> <p>In respect of the first sub-tranche of Tranche 1 Notes, the date falling five (5) market days immediately after the fulfilment of the last of the conditions precedent or such other date as the Company and the Subscriber may agree in writing, such date being the closing date for the first sub-tranche of Tranche 1 Notes.</p> <p>Subject to the concurrent subscription of sub-tranches, thereafter, the subscription of the subsequent sub-tranches of Tranche 1 Notes is dependent on the Subscriber exercising its right to convert the immediately preceding sub-tranche of Tranche 1 Notes. Once the Subscriber exercises its conversion right in respect of the immediately preceding sub-tranche of Tranche 1 Notes, the Subscriber is obliged to subscribe for the next sub-tranche of Tranche 1 Notes, on or before the fifth (5th) business day after the conversion date of the immediately preceding sub-tranche of Tranche 1 Notes ("Tranche 1 Conversion Date") or such other date as the Parties may agree in writing, such date being the closing date for such subsequent sub-tranche of Tranche 1 Notes. Having said that, the Subscriber is entitled (at its option) to subscribe for each such subsequent sub-tranche of Tranche 1 Notes notwithstanding the immediately preceding sub-tranche of Tranche 1 Notes has yet to be converted.</p>
Issue and subscription of Tranche 2 Notes and Tranche 3 Notes	:	<p>In respect of Tranche 2 Notes and Tranche 3 Notes, the Company has the option to require the Subscriber to subscribe for such Notes from the Company ("Option") at the issue price of the Notes during the period commencing from and including the Conversion Date of the last of the Notes comprised in the last sub-tranche of the preceding tranche of Notes to and including the tenth (10th) business day thereafter or such other periods as the Parties may agree in writing ("Option Period").</p> <p>To exercise the Option, the Company shall notify the Subscriber in writing in the form provided in the Subscription Agreement ("Exercise Notice") at any time during the Option Period in respect of the Option.</p>

Issue and subscription of Tranche 2 Notes and Tranche 3 Notes (cont'd)	<p>Upon receipt of the Exercise Notice from the Company in respect of Tranche 2 Notes or Tranche 3 Notes, as the case may be, and subject to the fulfilment of the conditions to each of the respective closings of Tranche 2 Notes to Tranche 3 Notes, the Subscriber shall be obliged to subscribe, and the Company shall be obliged to issue, at the issue price of the Notes:</p> <p>(a) the first sub-tranche of Tranche 2 Notes or Tranche 3 Notes., as the case may be, on or before the fifth (5th) business day following the date of the Exercise Notice or such other date as the Parties may agree in writing, such date being the closing date for the first sub-tranche of Tranche 2 Notes or Tranche 3 Notes, as the case may be; and</p> <p>(b) subject to the concurrent subscription of sub-tranches, thereafter, in respect of each subsequent sub-tranche of Tranche 2 Notes or Tranche 3 Notes, as the case may be, on or before the fifth (5th) business day after the conversion date of the immediately preceding sub-tranche of Tranche 2 Notes ("Tranche 2 Conversion Date") or such other date as the Parties may agree in writing or on or before the fifth (5th) business day after the conversion date of the immediately preceding sub-tranche of Tranche 3 Notes ("Tranche 3 Conversion Date") or such other date as the Parties may agree in writing, as the case may be, such date being the closing date for such subsequent sub-tranche of Tranche 2 Notes or Tranche 3 Notes, as the case may be.</p>
Concurrent subscription of sub-tranches	<p>: Notwithstanding any provisions in the Subscription Agreement, in respect of each subsequent sub-tranche of Tranche 1 Notes, Tranche 2 Notes and Tranche 3 Notes (other than the respective first sub-tranches):</p> <p>(a) the Subscriber shall be entitled (at its election) to subscribe for each such subsequent sub-tranche notwithstanding the last Note comprised in the immediately preceding sub-tranche has yet to be converted by issuing to the Company a written request; and</p> <p>(b) the Company shall be obliged to issue each such sub-tranche on or before the fifth (5th) Business Day on receipt of such written request issued by the Subscriber or such other date as the Parties may agree in writing, such date being the closing date of such subsequent sub-tranche.</p>
Conversion terms	<p>: Each Noteholder has the right to convert any Notes ("Conversion Right") into duly authorised, validly issued, fully-paid and unencumbered Shares, at the option of the holder thereof.</p> <p>The Notes will be issued in multiples of RM50,000, and the Noteholder is required to convert the Notes in multiples of RM50,000 should they wish to convert a particular sub-tranche of the Notes.</p>
Conversion period	<p>: Any time from and including the respective dates on which the Notes are issued and registered in accordance with the Subscription Agreement up to the close of business (at the place where the Note is deposited for conversion, namely, Malaysia) on the day falling seven (7) days prior to the Maturity Date ("Conversion Period").</p>
Conversion price	<p>: The price at which each Conversion Share shall be issued upon conversion of the Notes ("Conversion Price") shall be:</p>

	<p>(i) in respect of Tranche 1 Notes, 85% of the average closing price per Share on any three (3) consecutive market days as selected by the Noteholder(s) during the thirty (30) market days immediately preceding the relevant conversion date on which SHIB Shares were traded on the Main Market of Bursa Securities;</p> <p>(ii) in respect of Tranche 2 Notes, 88% of the average closing price per Share on any three (3) consecutive market days as selected by the Noteholder(s) during the thirty (30) market days immediately preceding the relevant conversion date on which SHIB Shares were traded on Bursa Securities;</p> <p>(iii) in respect of Tranche 3 Notes, 90% of the average closing price per Share on any three (3) consecutive market days as selected by the Noteholder(s) during the thirty (30) market days immediately preceding the relevant conversion date on which SHIB Shares were traded on Bursa Securities; and</p> <p>provided always that the Conversion Price is not less than RM0.18, being the minimum Conversion Price for the Notes ("Minimum Conversion Price" or "MCP"). If the Conversion Price for each Conversion Share calculated in accordance with the conditions (i) to (iii) above is less than the Minimum Conversion Price, the Conversion Price for each Conversion Share shall be equal to the Minimum Conversion Price.</p> <p>Notwithstanding any other provisions to the contrary, in the event that the three (3) business days as selected by the relevant Noteholder were not consecutive business days, the three (3) business days selected shall be deemed consecutive in nature for the purposes of calculating the Conversion Price, provided that:</p> <p>(a) those consecutive business days that ought to have been selected (to constitute consecutive) were not selected as that they were business days where no trades were done on the Shares on the Main Market of Bursa Securities; and</p> <p>(b) the first (1st) business day immediately thereafter where there were trading in the Shares were selected as a business day in their stead.</p> <p>If, during any period in which the Conversion Price is being determined, the Company shall, amongst other, (i) make a stock split, (ii) consolidate its outstanding Shares into a smaller number of shares, or (iii) re-classify any of its Shares into other securities of the Company, such that the closing price per Share before and after such event does not represent the same economic and financial participation that a holder of a Share would have had without the occurrence of such an event, then the closing price of the Shares for the business days preceding such event shall, for the purposes of such determination be adjusted to reflect the impact of such an event in such a manner as an independent reputable bank (such as but not limited to Bloomberg L.P.) or a reputable firm of investment advisers licensed by the Securities Commission Malaysia ("Securities Commission") would.</p> <p>Such bank or firm may be agreed between the Company and the Noteholders or, if not so agreed, the Company and the Noteholders shall agree to a bank or firm as nominated by the Malaysia Institute of Accountants which it deems is fair and reasonable to make such changes to the closing price.</p>
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Conversion date	<p>:</p> <p>The date on which the emailed completed notice of conversion in the short form as provided in the Subscription Agreement ("Short Form Conversion Notice") is received by the Company in accordance with the provision of the Subscription Agreement is herein referred to as the "Conversion Date" applicable to such Notes, provided however that the Company may from time to time, pursuant to the Subscription Agreement, give written notice to all Noteholders specifying a period being not more than three (3) business days commencing on the expiry of the notice during which the Notes will not be convertible, provided always that the aggregate of the days on which the Notes are not convertible shall not exceed twelve (12) business days in any calendar year. Where such Short Form Conversion Notice or the original completed and signed conversion notice in the long form as provided in the Subscription Agreement is received during a period in which the Notes are not convertible, the "Conversion Date" shall be (other than for the purpose of the determination of the Conversion Price) the business day following the expiry of such period.</p>
Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes	<p>:</p> <p>Notwithstanding any other provisions in the Subscription Agreement, the Subscriber shall not be obliged to subscribe and pay for the first sub-tranche of Tranche 1 Notes unless the following conditions precedent shall have been satisfied on or before the date falling six (6) calendar months from the date of the Subscription Agreement or such other date as they may agree in writing or otherwise waived by the Subscriber , if capable of being waived:</p> <ul style="list-style-type: none"> (a) on the date of the Subscription Agreement, delivery to the Subscriber of a list of the Company's substantial shareholders as at the date of the Subscription Agreement, in such form and substance reasonably satisfactory to the Subscriber; (b) on or before the closing date of the first sub-tranche of Tranche 1 Notes, the approval of the Company's shareholders at a general meeting for the invitation for subscription, or the issue, of the Notes and the allotment and issue of the Conversion Shares in accordance with the terms of the Subscription Agreement and, where such approvals are obtained subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before the closing date of the first sub-tranche of Tranche 1 Notes, they are fulfilled. In addition, such approvals shall not be amended, withdrawn, revoked, rescinded or cancelled; (c) (i) on or before the closing date of the first sub-tranche of Tranche 1 Notes, all necessary approvals and/or consents of Bursa Securities or any other relevant regulatory authorities for the issue of the Notes, the allotment and issue of the Conversion Shares upon conversion of the Notes, the listing of the Conversion Shares on the Main Market of Bursa Securities and such other relevant approvals in relation thereto and in connection therewith (collectively referred to as "Approvals"), and such Approvals shall not be amended, withdrawn, revoked, rescinded or cancelled and, where such Approvals are obtained subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before the closing date of the first sub-tranche of Tranche 1 Notes, they are fulfilled;

<p>Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes (cont'd)</p>	<ul style="list-style-type: none"> (ii) on or before the closing date of the first sub-tranche of Tranche 1 Notes, submit and lodge with the Securities Commission all information and documents as may be specified by the Securities Commission and in compliance with the CMSA and such other applicable laws and regulations including but not limited to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework ("LOLA Guidelines") issued by the Securities Commission for the issuance of the Notes ("Lodgement"), and such Lodgement shall not be amended, withdrawn, revoked, rescinded or cancelled and, where such Lodgement is subject to any conditions and/or amendments, such conditions and/or amendments being acceptable to the Subscriber, and to the extent that any such conditions are required to be fulfilled on or before the closing date of the first sub-tranche of Tranche 1 Notes, they are fulfilled; (d) <ul style="list-style-type: none"> (i) all the representations, warranties, undertakings and covenants of the Company (including the warranties) shall be accurate and correct in all respects at, and as if made on, the closing date of the first sub-tranche of Tranche 1 Notes; (ii) the Company shall have performed all of its undertakings or obligations under the Subscription Agreement to be performed on or before the closing date of the first sub-tranche of Tranche 1 Notes; and (iii) delivery to the Subscriber of a certificate to such effect, dated as at that closing date; (e) all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents), for the transactions contemplated under the Subscription Agreement (in particular but without limitation the issue by the Company and the subscription by the Subscriber of the Notes, including any shareholders or directors' approval and other regulatory and/or corporate approvals and consents required by the Subscriber) having been obtained in form and substance satisfactory to the Subscriber (in its reasonable opinion of the Subscriber) and remaining valid and subsisting as at the closing date of the first sub-tranche of Tranche 1 Notes; and (f) delivery to the Subscriber of the following documents on the closing date of the first sub-tranche of Tranche 1 Notes: <ul style="list-style-type: none"> (i) the documents listed in Schedule 1 of the Subscription Agreement; (ii) a legal opinion issued by the legal advisers to the Company in relation to Malaysian law; (iii) a legal opinion to be issued by the legal advisers to the Company as to People's Republic of China ("PRC") laws in respect of the status of the PRC incorporated subsidiary(ies);
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<p>Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes (cont'd)</p>	<p>(iv) certified true copies of (a) the resolutions of the directors of the Company; and (b) the resolutions of the shareholders of the Company, approving the issuance of the Notes and the allotment and issuance of the Conversion Shares in accordance with the terms of the Subscription Agreement;</p> <p>(v) certified true copies of the Approvals; and</p> <p>(vi) such other documents, opinions and certificates as the Subscriber may reasonably require in relation to the Notes issuance.</p> <p>If any of the above conditions precedent are not satisfied or waived by the Subscriber, the Subscription Agreement shall <i>ipso facto</i> cease, and the Parties shall be released and discharged from their respective obligations under the Subscription Agreement, except for (a) the liability of the Company for the payment of costs and expenses in relation to the Notes and/or Conversion Shares, (b) indemnity by the Company and (c) any antecedent breaches.</p>
<p>Rights of Noteholders to participate in securities of the Company</p>	<p>: The Company or any of its subsidiary (if applicable) may offer and sell any securities convertible into securities of the same class as the issued shares or securities substantially similar to the Notes ("Equity-linked Securities") provided that, in respect of any proposed private placement of such Equity-linked Securities:</p> <p>(a) the Company shall, and the Company shall procure that the relevant subsidiary (if applicable) shall, offer and sell such Equity-linked Securities to the Noteholders prior to offering such Equity-linked Securities to any other person ("Right of First Refusal"); and</p> <p>(b) the Equity-linked Securities shall not be convertible into issued shares at a price which is below the Minimum Conversion Price, unless prior written consent of the Noteholders have been obtained.</p> <p>For the avoidance of doubt, the term "Equity-linked Securities" shall exclude (i) any Shares, rights issues, warrants relating to the Shares, or convertible preference shares issued to shareholders of the Company without preference among the shareholders (but so that the exclusion of shareholders who are overseas or on other grounds approved by Bursa Securities shall be deemed not to be a preference of the other shareholders) or (ii) any new securities convertible into securities of the same class as the issued shares or securities substantially similar to the Notes in respect of which the Company or any subsidiary (if applicable) is restricted from doing all of the (a) and (b) provided above by law, the Main Market Listing Requirement or any other applicable regulations.</p> <p>The Right of First Refusal is only exercisable by the Noteholders from and including the date of receipt by such Noteholders of a notice ("First Right of Refusal Notice") in writing from the Company setting out the details of such offer to and including the date falling fourteen (14) business days thereafter ("Exercise Period"). To indicate that it wishes to exercise the Right of First Refusal, a Noteholder ("Exercising Noteholder") shall notify the Company in writing at any time during the Exercise Period that it wishes to exercise the Right of First Refusal. If during the Exercise Period, the Company receives notices from the Noteholders indicating they wish to exercise the Right of First Refusal ("Valid Exercise"), the Company or the relevant subsidiary (if applicable) shall issue to each Exercising Noteholder, and each Exercising</p>

<p>Rights of Noteholders to participate in securities of the Company (cont'd)</p>	<p>Noteholder shall subscribe, such Equity-linked Securities in the proportion of each Exercising Noteholder's holding of the Notes relative to the nominal value of all the outstanding Notes held by all the Exercising Noteholders (unless otherwise agreed between the Noteholders). For the avoidance of doubt, on a Valid Exercise, the Company or the relevant subsidiary (if applicable), as the case may be, shall issue, and the Exercising Noteholders shall subscribe for, the entire issue of the relevant Equity-linked Securities.</p> <p>If there is no Valid Exercise during the Exercise Period, the Right of First Refusal shall be deemed not to have been exercised by the Noteholders, but the Noteholders shall have the right to participate in any such private placement of the Equity-Linked Securities ("Right of Participation"), from and including the date of expiry of the Exercise Period to and including the date of expiry of the private placement offer ("Participation Period"), in accordance with the following provisions:</p> <ul style="list-style-type: none"> (a) the Company shall as soon as practicable after the expiry of the Exercise Period issue, or procure the relevant subsidiary (if applicable) to issue, a notice ("Right of Participation Notice") to each Noteholder and (where applicable) each other prospective investor; (b) each Noteholder that wishes to exercise the Right of Participation ("Participating Noteholder") shall complete and return to the Company or the subsidiary (if applicable), as the case may be, by no later than the date of expiry of the private placement offer, a counterpart of the Right of Participation Notice, indicating therein the nominal value of the Equity-linked Securities ("Participation Amount") for which it intends to subscribe; and (c) if the aggregate of the participation indicated by the Participating Noteholders referred to in sub-paragraph (b) above is: <ul style="list-style-type: none"> (i) less than 20% of the aggregate nominal value offered under such private placement, the Company or the relevant subsidiary (if applicable) is not required to issue the Equity-linked Securities to any Participating Noteholders; (ii) not less than 20% but not more than 50% of the aggregate nominal value offered under such private placement, each Participating Noteholder shall subscribe for, and the Company or the relevant subsidiary (if applicable) shall issue to the relevant Participating Noteholder, the Equity-linked Securities in an amount equal to the Participation Amount in respect of such Participating Noteholder; and (iii) more than 50% of the aggregate nominal value offered under such private placement, the Participating Noteholders shall subscribe for, and the Company or the relevant subsidiary (if applicable) shall issue to the relevant Participating Noteholders, an aggregate of at least 50% of the aggregate amount offered under such private placement, and the part of such amount subscribed for by each Participating Noteholder shall be in the proportion that its holding of the Notes bears to the nominal value of all the outstanding Notes held by all the Participating Noteholders (unless otherwise agreed between the Participating Noteholders).
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Rights of Noteholders to participate in securities of the Company (cont'd)	<p>For the period from and including the date on which the Company or the relevant subsidiary (if applicable) issues the First Right of Refusal Notice to and including the last date of the Participation Period, the Company shall close the record at any time and advertise the notice in national newspaper in English language and of daily and general circulation in Malaysia PROVIDED THAT such closure of the record shall not affect any Noteholder's Conversion Right unless such Noteholder is an Exercising Noteholder or a Participating Noteholder, in which event such Noteholder's Conversion Right shall be suspended during such period.</p>
Events of default	<p>For so long as there are any Notes outstanding, if any of the following events (each, an "Event of Default") occurs:</p> <ul style="list-style-type: none"> (a) for so long as there are any Notes outstanding, any of the approvals, consents and/or waivers required to be obtained by the Company under the Subscription Agreement are not obtained or are amended, withdrawn, revoked, rescinded or cancelled (b) where any of the approvals required to be obtained by the Company under the Subscription Agreement were obtained subject to any conditions which were required to be fulfilled, such conditions were not fulfilled; (c) there is a default in any payment by the Company in relation to the terms of payment of interest and/or nominal value due in respect of the Notes as detailed in the Subscription Agreement; (d) there is default by the Company 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 exercise its Conversion Rights in accordance with the conditions of the Subscription Agreement) contained in the Notes and on its part to be performed or observed (other than the covenant to pay the nominal value and interest in respect of any of the Notes) and such default continues for the period of seven (7) business days following the service by any Noteholder on the Company of notice requiring the same to be remedied; (e) any other notes, debentures, bonds or other instruments of indebtedness or any other loan indebtedness having an aggregate outstanding amount of over RM50 million or the equivalent in any other currency or currencies (hereinafter collectively called "Indebtedness") of the Company 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 Company 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 therefor or any guarantee of or indemnity in respect of any Indebtedness of others having an aggregate outstanding amount of over RM50 million given by the Company or any of the subsidiaries shall not be honoured when due and called upon; (f) resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved (otherwise than for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation that is approved by the Shareholders, as the case may be, and upon which the continuing corporation effectively assumes the entire obligations of the Company, as the case may be, under the Notes);

Events of default (cont'd)	<p>(g) a resolution is passed or an order of a court of competent jurisdiction is made that any subsidiary of the Company be wound up or dissolved otherwise than (i) for the purposes of or pursuant to a consolidation, amalgamation, merger, reconstruction or reorganisation (other than as described in (ii) below) the terms of which have previously been approved in writing by the majority Noteholders, (ii) for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction with or into the Company or another subsidiary of the Company, or (iii) by way of a voluntary winding up or dissolution where there are surplus assets in such subsidiary and such surplus assets attributable to the Company and/or any subsidiary are distributed to the Company and/or such subsidiary;</p> <p>(h) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the SHIB and its subsidiaries ("Group" or "SHIB Group") ;</p> <p>(i) (i) the Company or any subsidiary without any lawful cause stops payment (within the meaning of any applicable bankruptcy or insolvency law) or is unable to pay its debts as and when they fall due or (ii) the Company or any subsidiary (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or reorganisation as is referred to in paragraphs (f) or (g) above) ceases or through an official action of the board of directors of the Company 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;</p> <p>(j) proceedings shall have been initiated against the Company 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) days;</p> <p>(k) the Company or any subsidiary shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or insolvency, 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;</p> <p>(l) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Company or any subsidiary, which is material in its effect upon the operations of either the Company or such subsidiary, as the case may be, and is not discharged within seven (7) days thereof;</p> <p>(m) the delisting of the Shares on the Main Market of Bursa Securities or a suspension of trading of such Shares on the Main Market of Bursa Securities for a period of five (5) consecutive Business Days or more save for trading halts made at the request of the Company for pending corporate announcements;</p> <p>(n) the ratio of borrowings of the Company or any of its subsidiaries to the Net Worth⁽¹⁾ exceeds 2.5 times;</p> <p>(o) the Net Worth is less than RM50 million;</p>
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<p>Events of default (cont'd)</p>	<p>(p) for so long as there are any Notes outstanding the Company engages in any transaction with any hedge fund operating or originating from any part of the world; or</p> <p>(q) any credit facilities granted to the Company 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,</p> <p>then any Note may, by notice in writing ("Relevant Notice") given to the Company at the designated office by the Noteholder thereof, be declared immediately due and payable whereupon it shall become immediately due and payable at 118% of its nominal value, together with an accrued interest at the rate of 1% per annum on such Notes, without further formality ("Default Redemption Amount"). Interests shall accrue on the Default Redemption Amount on a daily basis at the rate of 3% per month ("Default Interest") commencing from the business day immediately following the date of the Relevant Notice up to and including the date on which the Noteholder receives full payment of the Default Redemption Amount, together with accrued Default Interest.</p> <p><i>Note:</i></p> <p>(1) <i>Net Worth means, at any time, as stated in the most recent audited consolidated financial statements of the Company and its subsidiaries and thereafter the most recent unaudited interim financial statements of the Company and its subsidiaries as announced to Bursa Securities ("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 Company 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 Accounts to the extent not already charged against retained earnings.</i></p>
<p>Redemption option</p>	<p>: The Notes which are not redeemed or purchased, converted or cancelled by the Company will be redeemed by the Company, subject to there being no Event of Default, at 100% of their nominal value on the Maturity Date. The Company shall at least one month prior to the Maturity Date, despatch to all Noteholders, a notice of the Maturity Date.</p> <p>Subject to there being no Event of Default, the Company may at any time and from time to time, purchase the Notes at 115% of its nominal value, or such other amount as may be agreed between the Company, provided that all outstanding costs, fees and interest payable under the Subscription Agreement or the terms and conditions of the Notes shall be fully paid and settled by the Company together with the payment of the Non-Default Redemption Amount and the relevant Noteholder.</p> <p>The Company may redeem the Notes presented for conversion in cash at the Conversion Redemption Amount (as defined below) if the Conversion Price is less than or equal to 65% of the average of the daily traded volume weighted average price ("VWAP") per Share for the forty-five (45) consecutive business days period prior to the relevant closing date in respect of each first sub-tranche of the respective tranches of the Notes, at an amount calculated in accordance with the formula as set out below ("Conversion Redemption Amount"):</p> $R = N \times \{P + [8\% \times P \times (D/365)] + I\}$

Redemption option (cont'd)	where: “R” : the Conversion Redemption Amount. “D” : the number of days elapsed since the relevant closing date in respect of each sub-tranche of the Notes. “N” : the number of the Notes presented for conversion. “P” : the face value of the Notes presented for conversion. “I” : the remaining unpaid interest accrued on the Notes presented for conversion.
Form and Denomination	: The Notes are issued in multiples of RM50,000.
Transferability	: The Notes will be tradable and/or transferable in accordance with the terms and conditions of the Notes.
Rating	: The Notes will not be rated.
Listing	: The Notes will not be listed on Bursa Securities. An application will be made to Bursa Securities for the listing of and quotation for the Conversion Shares on the Main Market of Bursa Securities. Upon obtaining the approval from Bursa Securities, the Conversion Shares, as and when issued, will be listed on the Main Market of Bursa Securities.
Governing law	: The Notes and the trust deed to be entered into between the Company and the trustee of the Notes will be governed by the laws of Malaysia.

Further details and terms of the Notes in relation to the Proposed Notes Issue are set out in the Subscription Agreement that will be available for inspection as disclosed in Section 12.

For the avoidance of doubt, the Notes are neither guaranteed nor secured. In the event of defaults, all outstanding Notes will be immediately due and payable by the Company at 118% of the nominal value together with an accrued interest at the rate of 1% per annum on the Notes. Further, interest shall accrue on the Default Redemption Amount on a daily basis at the rate of 3% per month up to and including the date that the Noteholders receive full payment of the Default Redemption Amount.

The Proposed Notes Issue is expected to raise up to RM50 million through the issuance of Tranche 1 Notes. Further amounts of up to RM100 million may be raised through the issuance of Tranche 2 Notes and Tranche 3 Notes, at the discretion of the Company, subject to the terms and conditions as set out in the Subscription Agreement.

For the avoidance of doubt, no funds will be raised upon conversion of the Notes into new SHIB Shares. The Notes will be constituted by a trust deed to be executed by the Company and the trustee of the Notes at a later date.

2.3 Basis of determining the Conversion Price and the Minimum Conversion Price

The basis for determining the Conversion Price is a commercial decision agreed upon between the Company and the Subscriber. In addition, the discount rates to be applied to the relevant closing prices of SHIB Shares in determining the Conversion Price (i.e. from 10% to 15%) as set out in the Subscription Agreement (“**Conversion Price Discount**”) are negotiated and accepted by the Company and the Subscriber from a commercial perspective after taking into consideration their respective commercial and financial requirements.

Minimum Conversion Price

For the avoidance of doubt, the Conversion Price for the Notes has yet to be determined. However, the Company and the Subscriber have agreed to set RM0.18 as the Minimum Conversion Price after taking into consideration, amongst others, their commercial and financial requirements, the prevailing market price and trading history of SHIB Shares.

In determining the MCP, SHIB has also considered the total amount of funds required to be channelled for the projects as described in Section 2.8. These funds are estimated to be RM150 million in aggregate and would be required over a period of 1 to 3 years. In this regard, the Board considers that the MCP is set at a reasonable level such that it is not detrimental to the interests of the Group and shareholders and at the same time facilitates the continued operation of the Notes programme over the tenure of the Notes.

For information purpose, the Minimum Conversion Price is at a discount to the following closing market prices of SHIB Shares:

	Closing market price of SHIB Shares	Discount of the Minimum Conversion Price to the closing market price of SHIB Shares	
	RM	RM	%
Closing price of SHIB Shares as at 11 June 2019 *	0.195	0.015	8.33

* Being the highest price of SHIB Shares for the past 1 month up to the LPD.

For illustration purposes, assuming the relevant conversion dates to be at 14 June 2019, being the latest practicable date prior this announcement ("LPD"), the Conversion Price and Conversion Shares to be issued upon the full conversion of the Notes shall be at MCP as follows:

Tranche	Conversion Price Discount	Principal Amount RM million	⁽¹⁾ Conversion Price RM	Conversion Shares
Tranche 1 Notes	15%	50	0.18 ⁽²⁾	277,777,777
Tranche 2 Notes	12%	50	0.18 ⁽²⁾	277,777,777
Tranche 3 Notes	10%	50	0.18 ⁽²⁾	277,777,777
		Total		833,333,331

Note:

- (1) The average closing price of SHIB Shares for the three (3) consecutive market days from 3 June 2019 to 7 June 2019 is RM0.17, being the lowest average closing price for the three (3) consecutive market days during the thirty (30) market days up to and including the LPD. As the average closing price is lower than the MCP, the MCP is used as the Conversion Price in the above illustration.

In the event the entire Notes are converted at the Minimum Conversion Price, a maximum number of 833,333,333 Conversion Shares will be issued upon the full conversion of the Notes. Similarly, a maximum number of 277,777,777 Conversion Shares will be issued upon the conversion of Tranche 1 Notes based on the Minimum Conversion Price.

The Proposed Notes Issue will result in the existing shareholders' shareholdings in SHIB to be proportionately diluted as a result of the increase in the total number of issued SHIB Shares arising from the conversion of the Notes.

For illustration purposes, the impact of the Proposed Notes Issue to the issued share capital of SHIB, net assets and gearing of SHIB and the substantial shareholders' shareholdings shall be computed based on the Minimum Conversion Price are set out in Section 5 of this announcement.

2.4 Ranking of the Conversion Shares

The Conversion Shares shall, upon allotment and issuance, rank *pari passu* in all aspects with the existing SHIB Shares, save that the Conversion Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date is prior to the date of allotment and issuance of the Conversion Shares.

2.5 Background information on the Subscriber and ACP

The Subscriber is proprietary fund established in the Cayman Islands in 2006 and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, of which, Mr. Tan Choon Wee ("**Mr. Tan**") is the principal and sole director.

The Subscriber manages its own funds and investment portfolios and invests in a variety of financial instruments including but not limited to investing in quoted securities through a private unlisted debt-to-equities convertible instrument named as redeemable convertible notes in Malaysia. The Subscriber has entered into subscription agreements with other listed companies in Malaysia as set out below:

- (i) Priceworth International Berhad for the issuance of notes of up to RM50 million;
- (ii) Censof Holdings Berhad for the issuance of notes of up to RM100 million;
- (iii) IDimension Consolidated Berhad for the issuance of convertible preference shares of up to RM20 million;
- (iv) Kanger International Berhad for the issuance of notes of up to RM100 million;
- (v) DBE Gurney Resources Berhad for the issuance of notes up to RM50 million;
- (vi) XingHe Holdings Berhad for the proposed issuance of notes up to RM120 million; and
- (vii) Eduspec Holdings Berhad for the proposed issuance of convertible preference shares of up to RM60 million.

Mr. Tan, who is the principal and sole director of the Subscriber, has two (2) decades of investment experience in the capital markets and held significant roles in major banking and stockbroking firms since 1991. He was an Associate Director of Institutional Sales in UOB Kay Hian Pte. Ltd. from January 1996 to April 2004 prior to joining RHB Securities Sdn. Bhd. as Head of Institutional Sales and Securities Dealing from May 2004 to March 2005. He has vast experience in marketing financial products such as convertible debts, private placements and initial public offerings and executing program trading for large institutions.

ACP is wholly-owned by Mr. Tan and has a registered office at 10 Anson Road, #16-16, International Plaza, Singapore 079903. ACP has been appointed by the Subscriber, to act for and on behalf of the Subscriber, in respect of all its rights, obligations and entitlements set out under the Subscription Agreement, with effect from the date set out in the authorisation notice, issued by the Subscriber to the Company, on or around the date of the Subscription Agreement. ACP shall be entitled to (or the Subscriber shall be entitled to procure ACP to), do and execute all such matters, acts and things (including but not limited to delivery or receipt of any notices, execution of such documents or undertaking of such matters, as required under the terms of the Subscription Agreement).

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2.6 Representations and warranties of the Subscriber

- (i) The Subscriber represents and warrants to the Company that it has full power, authority and capacity to enter into and perform the Subscription Agreement in accordance with its terms;
- (ii) The Subscriber represents that it is subscribing for the Notes for investment purposes only and has no intention of influencing the management or exercising control over the Company; and
- (iii) The Subscriber agrees that (a) there will be no conversion of the Notes by the Subscriber to transfer a controlling interest in the Company such that the Subscriber becomes a controlling shareholder of the Company within the ambit of the Main Market Listing Requirements without the prior approval of the shareholders of the Company in a general meeting, and (b) collectively, or together with their Affiliate* not to hold more than 10% interest in the total number of issued share capital of the Company, at any time and from time to time without the prior approval of the Company.

Note:

* "Affiliate" means with respect to any person, any other person that, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with that person. For the purposes of this definition, the term "control" (including the terms "controlled by" and "under common control with") as applied to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management of that person whether through ownership of shares, voting securities or otherwise.

2.7 Underwriting arrangement

The Proposed Notes Issue will not be underwritten as the Subscriber have been identified and the Subscription Agreement has been entered into on 14 June 2019.

2.8 Utilisation of proceeds

The Proposed Notes Issue is expected to raise gross proceeds of up to RM150 million which shall be utilised in the following manner:

Purpose	Notes	RM' million	Estimated timeframe for utilisation*
Business expansion and working capital for TouchPoint International Sdn Bhd ("TPI")	(a)	27.0	Within three (3) years
Business expansion and working capital for Wavetree PLT ("Wavetree")	(b)	25.0	Within three (3) years
Business expansion and working capital for Bistromalones (PJ) Sdn Bhd ("Bistromalones") within Malaysia	(c)	40.0	Within three (3) years
Business expansion and working capital for Bistromalones in China	(d)	22.0	Within three (3) years
Working Capital for SHIB's core business	(e)	26.2	Within three (3) years
Estimated expenses in relation to the Proposed Notes Issue :	(f)		
(a) Professional fees, regulatory fees, printing and advertising costs		1.6	Within one (1) month
(b) Upon issuance, redemption and/or implementation of the Proposed Notes Issue which includes, inter-alia, the administrative fees and the annual fee		8.2	Within three (3) years
Total		150.0	

Note:

- * As the Notes will be issued in tranches and sub-tranches as set out in Section 2.2, the proceeds to be raised will be utilised from the date of issuance of the respective sub-tranches and within the timeframe stated above

The details of the proposed utilisation of proceeds are as follows:

(a) **Business Expansion and Working Capital for TouchPoint International Sdn Bhd ("TPI")**

SHIB had, on 3 April 2019, announced the proposed subscription of new ordinary shares and acquisition of ordinary shares in TPI representing in aggregate of 51% of the enlarged issued share capital of TPI ("**Proposed TPI Acquisition**").

TPI is principally involved in the research, development and provision of professional services relating to enterprise mobile applications, smart city platform and ecosystem enablement which include, amongst others, conducting businesses in payment, loyalty, e-wallet, analytics and others services.

TPI has developed the Mobile Community Plan, a proven community building smart city platform that enables local authorities to engage with the community intelligently via a mobile app. Mobile Community Plan is currently deployed as the official community mobile app in the city of Putrajaya. Further information on TPI is set out in Section 3.4.1 below.

SHIB intends to utilise up to RM27 million of the proceeds to finance the business expansion and working capital for TPI, details of which are set out below:

	Projects (Purposes)	Allocation (RM'million)	Timeframe (months)
(i)	Development of Smart Hospital Solution Breakdown: - Hardware research and development (" R&D ") and manufacturing: RM3.0 million - Software Platform: RM1.5 million - Sales & Marketing: RM1.5 million	6.0	36
(ii)	Smart City Projects Breakdown: - Platform Development & Infrastructure: RM4.5 million - Business Development, Sales & Marketing: RM3.0 million - User and Merchant Acquisition: RM4.5 million	12.0	36
(iii)	Sales Force Automation Solution Breakdown: - Software-as-a-Service (" SaaS ") Platform Development: RM2.0 million - Sales & Marketing: RM1.0 million	3.0	12
(iv)	e-Wallet License Application and related marketing activities Breakdown: - License & Regulatory Costs: RM2.0 million - Marketing: RM2.0 million	4.0	12
(v)	General Working Capital	2.0	24
	TOTAL	27.0	

Notes:

- (i) *TPI is developing a full scale smart hospital solution incorporating Internet of Things (“IoT”) hardware and software platform to address the industrial 4.0 market needs amongst private and public healthcare providers in Malaysia and overseas. The project involves the development and manufacturing of customized hardware equipment to provide patient vital sign sensor and tracking, equipment location and utilisation tracking, environmental monitoring, integrated building management and mobile computing devices of staff. This consists of RM1.0 million on the electronic design, system design, mechanical design and prototyping of hardware, RM0.3 million on the development of embedded operating system and firmware, and a further RM1.5 million on the hardware mass production cost which includes component sourcing, production set up and production run. RM0.2 million will be utilized for the final product testing and certification as required by the authorities. The software platform includes data management and reporting, artificial intelligence (“A.I.”) and big data analytic and integration with hospital information system. Of the RM1.5 million, RM0.5 million will be utilized to acquire IP and licenses of software components necessary for the implementation of A.I., facial recognition and predictive analytic. A further RM1.0 million will be utilized for the software development resources, project implementation and project management resources for the back-end integration with customer’s hospital information system. This enables the digitalisation and integration of value chains, product and service offerings and business models as well as improves communication with patients. RM1.5 million raised from the Proposed Notes Issue will be utilized for the marketing, branding and advertising of the smart hospital solution. This includes general sales and marketing activities such as advertising, promotion, roadshows and exhibition. Additionally, the capital will also be utilized to develop and support a regional partner and reseller work as well as the marketing budget for selected pilot projects. The immediate target customer base of the smart hospital solutions would be large healthcare groups in Malaysia such as KPJ Group and IHH, whilst the medium term focus includes to expand to regional markets in South East Asia.*
- (ii) *A smart city refers to a city that incorporates information and communication technologies (“ICT”) to enhance the quality and performance of urban services such as energy, transportation and utilities in order to reduce resource consumption, wastage and overall costs. TPI had received a Letter of Intent from Putrajaya Corporation in 2015 to develop and deploy a Smart City Mobile Platform for the city of Putrajaya. TPI and Putrajaya Corporation are finalising definitive agreement which forms part of the Smart Putrajaya 10-year blueprint. The expected timeline to sign the agreement is by the fourth quarter of 2019. The project includes the official Putrajaya Mobile App, as well as various features developed to provide digital services to the residents and visitors of Putrajaya. The project will be further developed to include a mobile e-commerce platform with hyperlocal and personalized promotions to drive online-to-offline transactions for Putrajaya merchants. RM2.5 million will be utilized for the software development resources, including in the areas of decision logic and predictive analytic. This consists of RM2.0 million will be utilized in the acquisition of cloud infrastructure for the commercial roll out of the mobile e-commerce platform, designed to scale to support a nationwide growth trajectory. TPI will be carrying out activities to develop and grow the said e-commerce business which include, amongst others, merchant acquisition, promotional and marketing initiatives, road shows, etc. The immediate target customer base for this platform is the municipal councils, state governments as well as various government ministries in Malaysia. In addition, the platform will also be offered to venue owners and communities that provide substantial captive user base.*

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- (iii) *One of TPI's core products is a mobile-app and cloud based sales force automation platform, designed to provide end-to-end mobile sales force management for enterprise customers such as telcos, banks, fast-moving consumer goods and utility companies. The key features of the platform are to provide near real-time visibility into the on-site visitation performed by sales personnel, service teams, contractors, etc. The platform also includes a comprehensive work-flow management component to support customized visitation checklist and intelligence data capturing. As of now, the sales force automation platform has been fully developed and commercially roll-out to enterprise customers in utility service industry, telecommunication providers. TPI intends to utilise RM1.5 million to further develop the platform into a SaaS solution in order to target small and medium enterprise ("SME") sectors by offering a subscription – based model with self service capability. This includes the development of native mobile applications for tablets and mobile devices. A further RM0.5 million is to be utilised on developing integration layer with several leading CRM solutions currently in the market, in order to tap into existing installed userbase. Additionally, RM1.0 million of the proceeds will also be utilized for the purpose of marketing and advertising, partner and channel development, and other activities to support the commercialization of this digital solution such as social marketing and roadshow campaigns.*
- (iv) *As part of the initiative to include financial technology revenue models into existing product offering, TPI intends to apply for an e-money license with the authorities, and/or to identify suitable acquisition targets with the said license, depending on the expected market consolidation of current e-money providers and the impending Real-Time Retail Payments Platform (RPP) which is part of BNM's Interoperable Credit Transfer Framework (ICTF), which is expected to come into effect in 2020/2021. The e-money license will enable TPI to incorporate e-wallet feature in the Smart City Mobile Platform and to further support the cashless mobile e-commerce applications such as loyalty and rewards, parking payment, electronic bus ticketing, facility booking. Additionally, the e-money license will also allow TPI to build and operate own payment gateway for online transactions, thereby reducing or eliminating service charges paid to third party payment gateway providers. The RM2.0 million to be utilized for marketing purpose includes branding and ATL marketing campaigns, focused on creating product and brand awareness, while spurring user downloads. This proceed will also include efforts in merchant acquisition in the form of promotional campaigns and roadshows.*
- (v) *TPI will utilize the RM2.0 million from the proceeds for general working capital including, amongst others, repayment to trade creditors and other operating expenses such as utilities, administrative overheads and office expenses.*

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(b) **Business Expansion and Working Capital for Wavetree PLT (“Wavetree”)**

SHIB had, on 3 April 2019, announced the proposed acquisition of business and assets including of intellectual property right owned by Wavetree (“**Proposed Wavetree Acquisition**”).

Wavetree is primarily involved in the digital industry and specifically designs, manufactures, engineers and implements IoT to provide for cost savings in manpower and logistics, and enable automation and predictive analytics through the research, development and solution implementation of IoT technologies for industrial, agricultural, commercial and healthcare applications.

Wavetree has developed an integrated IoT platform, SensorHub, that forms the baseline technology for its Industrial IoT and Agriculture IoT solutions. SensorHub is used to capture real-time data that is used to monitor and automate heating, ventilating and cooling (“**HVAC**”) and various intelligent building management subsystems, resulting in substantial tangible return on investment in the forms of energy savings for the company. SensorHub is an end-to-end platform that has been commercially deployed in 25 locations of one of Malaysia’s largest hypermarket chain, providing automatic wireless environmental sensing. Further information on Wavetree is set out in Section 3.4.2 below.

SHIB intends to utilise up to RM25 million for several business plans of Wavetree as follows:

	Project (Purposes)	Allocation (RM'million)	Timeframe (months)
(i)	Working Capital for IoT for Palm Oil Plantation Platform Breakdown: <ul style="list-style-type: none">- Hardware R&D, Production: RM5.0 million- Software Platform R&D: RM4.0 million- Sales & Marketing: RM3.0 million over 3 years	12.0	36
(ii)	Industrial IoT Platform Breakdown: <ul style="list-style-type: none">- Hardware R&D, Production: RM4.5 million- Software Platform: RM3.5 million- Sales & Marketing, Business Development: RM2.0 million	10.0	18
(iii)	General Working Capital	3.0	24
	TOTAL	25.0	

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Notes:

- (i) *Wavetree's current IoT for Palm Oil Plantation platform has been deployed in several plantations in Malaysia, Indonesia and South America, providing automatic data capturing, equipment tracking, weather stations and wireless sensors. The working capital raised from the Proposed Notes Issue will be utilized to further research, develop and manufacture different types of sensor hardware and to address the needs of oil palm plantation operators more efficiently. This consists of RM2.0 million utilized on research, electronic and mechanical design, as well as the prototyping of various sensors supporting multiple IoT communication protocol such as LPWAN and nanosatellite networks. A further RM0.5 million will be utilized for the testing, qualification and certification of such sensor devices in order to comply to local regulatory requirements. RM2.5 million will be utilized for the mass production of these IoT sensor devices, including component sourcing, production set up, production run and associated packaging costs. The company will utilize RM2.5 million on the research of novel technologies in A.I. and predictive analytic, including image analysis and deep neural networks, to be applied to Agriculture IoT use cases. RM1.0 million is expected to be utilized on acquiring subject matter expertise in agronomy and agriscience, as well as collaborative R&D projects with strategic partners. A further RM1.0 million will be utilized on IP acquisition and/or licensing of advanced visualization platforms that forms a critical part of the overall Agriculture IoT solution. The proceeds will also be utilised to support sales and marketing activities, including branding and advertising initiatives as well as business development activities, including advocacy activities amongst industry associations, government agencies and value-added partners to achieve greater market awareness and increase adoption. At a suitable time, the company intends to establish regional sales and support offices in potential locales in Indonesia in order to give its customers better service as well as streamline the logistics and project its implementation processes. . The immediate target customer base for the platform includes medium to large oil palm plantation companies in Malaysia and Indonesia, nominally with total planted areas of 10,000ha and above. The revenue model for the platform includes one time engineering consultancy services, hardware sales and project implementation services, as well as a recurring revenue component stemming from the subscription to Sensorhub which provides back haul connectivity and cloud platform data access.*
- (ii) *Wavetree intends to utilize the proceeds to finance the development of hardware and software for a subscription based Industrial IoT Solution platform, based on the enhancement and expansion of the current Industrial IoT solution already deployed in 25 stores nationwide for an international hypermarket chain. This consists the utilisation of RM2.5 million on the design and development, prototyping and field testing of various sensors, spanning applications such as power consumption monitoring, environmental monitoring, mechanical sensors in manufacturing, etc. A further RM2.0 million will be used for the mass production of the resultant IoT sensor devices, including testing and certification. The Sensorhub platform will be further enhanced with A.I. capabilities with the utilisation of RM2.0 million on the research and software development, including building in-house data science and subject matter expertise in industrial applications of IoT. The company also expects to utilize RM1.5 million on the acquisition and provisioning of cloud computing infrastructure to support the commercial roll out of the Industrial IoT Solution platform. Additionally, RM2.0 million from the proceeds will also be used to develop product branding, sales and marketing of said platform, including advertising, trade shows and exhibitions. The company intends to also develop a network of selected reseller, system integrator partners, both locally and regionally in order to address a wider geographical market. The initial market focus will consist of large retail chains and warehousing and logistic players, where their large facilities can benefit from using Industrial IoT technologies to help streamline operations and reduce costs. The Industrial IoT platform is offered as a subscription service that will generate recurring revenue, based on the scope and scale of each customer's implementation. There will also be a one-time engineering and system implementation services contributing to the revenue stream.*
- (iii) *RM3.0 million from the proceeds will also be utilised as the general working capital which including amongst others, repayment to trade creditors and other operating expenses such as utilities, administrative overheads, and office expenses.*

(c) **Business Expansion and Working Capital for Bistromalones (PJ) Sdn Bhd (“Bistromalones”) within Malaysia**

SHIB had, on 3 April 2019, announced the proposed acquisition of the entire equity interest in Bistromalones (“**Proposed Bistromalones Acquisition**”). Bistromalones is principally engaged in operating a restaurant business and investment holding.

Bistromalones has been one of the leading operators in the F&B casual dining space for over the past 20 years. The 2 core brands comprise TGIF (for the Malaysia region) and TTP. Further information on Bistromalones is set out in Section 3.4.3 below.

Bistromalones intends to utilise up to RM40 million for the business expansion of TGI Fridays (“**TGIF**”) and Teh Tarik Place (“**TTP**”) in Malaysia as follows:

	Project (Purposes)	Allocation (RM'million)	Timeframe (months)
(i)	Expand the number of TGIF restaurants/outlets in West and East Malaysia by a further 10 new outlets and re-imaging of the existing 8 outlets ⁽¹⁾ Breakdown: <ul style="list-style-type: none"> - Capital Expenditure for new outlets: RM 20.0 million - Re-imaging of the existing 8 outlets: RM5.0 million 	25.0	36
(ii)	Opening of approximately 15 TTP proprietary restaurants/outlets in Malaysia ⁽²⁾ Breakdown: <ul style="list-style-type: none"> - Capital expenditure for new outlets: RM10.0 million 	10.0	36
(iii)	Setting up of a manufacturing base for the production and distribution of TTP products and retailing them in the commercial market ⁽³⁾ Breakdown: <ul style="list-style-type: none"> - Set up for new production facility: RM3.8 million - Set up of distribution centre (including vehicles):RM0.7 million - Marketing and retailing costs: RM0.5 million 	5.0	36
	TOTAL:	40.0	

Notes:

- (i) *Bistromalones currently owns and operates 8 TGIF outlets in Malaysia which include 5 outlets in Klang Valley, 2 in Penang and 1 in Johor. The SHIB Group plans to open a further 10 new outlets across Malaysia and the estimated capital expenditure includes the franchise fee and rental deposits required for each outlet. The cost of opening the new outlet is estimated at RM2.0 million per outlet resulting in a total funding cost of RM20 million. The targeted number of new TGIF outlets in each location to be opened in the next 3 years are tabled as follows:*

Location	No. of outlets
Klang Valley	4
Penang	1
Johor	3
Sabah	2
Total number of outlets	10

In addition to the opening of new outlets, re-imaging of the existing 8 outlets is in the pipeline to maintain a fresh appeal consistent with the brand image. The progressive re-imaging of the 8 outlets is estimated to require an investment of RM5.0 million.

- (ii) *There are currently 20 TTP outlets in Malaysia of which 2 TTP outlets are owned by the Bistromalones group of companies (“**Bistromalones Group**”) with the remaining 18 TTP outlets are operated and owned by franchisees. The SHIB Group intends to expand a further 15 new TTP outlets within the next 3 years. TTP outlets are currently located within Klang Valley but yet to have a presence in the central city area. Thus, the Group plans to venture into the central KL city area which would potentially have a huge demand as well as expand to the other urban cities in Malaysia. The estimated capital expenditure including rental deposits, renovation, kitchen equipment and furniture required for each outlet is estimated at RM0.67 million resulting in a total funding cost of about RM10 million.*

The targeted numbers of new TTP outlets in each location to be opened in the next 3 years are tabled as follows:

Location	No. of outlets
Klang Valley	5
Melaka	2
Johor	3
Penang	3
Perak	2
Total number of outlets	15

- (iii) *With the expansion of the number of TTP outlets both owns and franchised, the SHIB Group plans to utilise RM3.8 million to set up a new production facility at Klang Valley which can accommodate contract production and the production of proprietary retail TTP products. The investment required for the new production facility will include the acquisition of a semi-industrial factory and equipment. A distribution centre is also targeted to be set up in the northern part of Malaysia to cater for the increased number of outlets in the said region which would create more cost and timing efficiency. The cost of setting up a distribution centre is estimated at RM0.7 million. With the strong brand recognition of TTP, the SHIB Group is ready to foray into the ready-to-cook retail segment via the development of retail products such as the sambal paste, instant teh tarik and frozen roti canai dough. These products will be distributed in local retail market and via international retail distribution channels. Thus, certain funding costs of RM0.5 million will be required for the marketing and retailing of this new revenue stream which includes, amongst others, brand development, brand awareness in the retail market and marketing of the brand via digital media.*

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(d) **Business Expansion and Working Capital for Bistromalones in China**

SHIB intends to utilise up to RM8 million for opening of TGIF restaurant branches and up to RM14 million for opening of TTP restaurant branches in China (with Headquarters in Malaysia) as follows:

	Project (Purposes)	Allocation (RM'million)	Timeframe (months)
(i)	Expansion of TGIF restaurants into China ⁽¹⁾ Breakdown: - Capital Expenditure for new outlets: RM8.0 million	8.0	36
(ii)	Expand the number of TTP restaurants/outlets in China by a further 10 new outlets ⁽²⁾ Breakdown: - Capital Expenditure for new outlets: RM12.0 million - Marketing cost: RM2.0 million	14.0	36
	TOTAL:	22.0	

Notes:

- (i) Currently, there are only 3 TGIF outlets in Beijing owned by Chaswood Restaurant Management (Beijing) Co. Ltd. (a wholly-owned subsidiary of Chaswood Resources Sdn Bhd). New trade areas have been identified for which the locations are strategic for the opening of new TGIF outlet. SHIB is targeting to open another 3 new outlets in Beijing in the next 3 years. The process of setting up new outlets would also include obtaining the approval from the franchisor and local authorities such as fire department and local licensing authority. The estimated capital expenditure including franchise fee and rental deposits required for each outlet is estimated at RM2.67 million, resulting in a total funding cost of about RM8 million for 3 TGIF outlets.
- (ii) Currently there is no TTP outlet in China yet. However, part of the TTP regional expansion plans is to expand the brand into China through the opening of its own outlets initially and eventually licensing into the rest of the country. The management plans to introduce the TTP brand into China beginning with Beijing and Shanghai. The Group believes that the food offering and concept of TTP is palatable to the Chinese market and is scalable given its smaller size and lower investment cost per outlet. The estimated capital expenditure (including rental deposits) required for each TTP outlet is estimated at RM1.2 million, resulting in a total expected cost of RM12 million for 10 TTP outlets for the next 3 years. The Group also expects funding costs of about RM2.0 million for the branding and marketing of the brand in this market for the new outlet openings and the retailing of TTP products. The targeted number of new TGIF outlets in each city to be opened in the next 3 years are as follows:

Location	No. of outlets
Beijing	5
Shanghai	5
Total number of outlets	10

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(e) **Working Capital**

Approximately RM26.2 million of the proceeds will be utilised for the working capital for the Company's core business (manufacturing and sales of metallurgical coke and its by-products) operations. The working capital is expected to be utilised in the following manner which shall include, but are not limited to, payments to trade suppliers and other third party trade creditors and general expenses such as utilities charges, staff related expenses and other operating expenses including, amongst others, marketing.

Purposes	Allocation (RM'million)	Timeframe (months)
Trade suppliers and other third party trade creditors	10.0	36
General operating expenses:		36
• Utilities	6.0	
• Staff related expenses	3.0	
• Administrative expenses	3.0	
Other miscellaneous expenses e.g. marketing	4.2	36
Total	26.2	

(f) **Estimated expenses in relation to the Proposed Notes Issue**

The estimated expenses in relation to the Proposals are inclusive of professional fees, regulatory fees, administrative fees, printing and advertising costs as follows:

	RM' million	RM' million
Upon setting-up the Notes programme:		
(a) Professional fees ⁽¹⁾	1.2	
(b) Regulatory fees	0.1	
(c) Printing and advertising costs	0.3	1.6
Upon issuance, redemption and/or implementation of the Proposed Notes Issue which includes, inter-alia, the administrative fees and the annual fee:		
(a) Administrative fees ⁽²⁾	7.5	
(b) Professional fees ⁽¹⁾	0.6	
(c) Regulatory fees	0.1	8.2
Total		9.8

Notes:

- (1) *The professional fees include the fees payable to, among others, the principal advisers and the solicitors for the Proposed Notes Issue as well as the lead arranger and the facility agent in relation to the Proposed Notes Issue.*
- (2) *The administrative fees are calculated based on 5% of the aggregate amount of the Notes amounting to RM150 million. The administrative fee will only be payable upon the subscription of the Notes for each sub-tranche.*

In the event the actual amount varies from the above estimated amount during the point of utilisation or the drawdown, the excess or deficit, as the case may be, will be adjusted from/to the amount earmarked for working capital. Pending utilisation of the proceeds from the Proposed Notes Issue, the proceeds will be placed in deposits with reputable financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used as working capital of the Group.

As set out in Section 2.1, the Proposed Notes Issue comprises three (3) tranches, of which Tranche 2 Notes and Tranche 3 Notes can be issued at the Company's option during the Option Period, subject to the terms and conditions of the Subscription Agreement. Thus, the Company will exercise the said option if such funds are required for the purposes set out above.

Tranche 1 Notes will be issued upon the conditions precedent of the Subscription Agreement being met. Thus, in the event the Company chooses not to issue the subsequent tranches and only raises gross proceeds of RM50.0 million via the issuance of Tranche 1 Notes.

Notwithstanding the proposed utilisation of the Notes above, the Company may determine and vary the utilisation of the Notes based on the requirements of the Group at the point of issuance as reflected in the table in Section 2.8, subject to making the relevant announcements and in compliance with the Main Market Listing Requirement including obtaining shareholders' approval, if required.

In the event the Company only issues Tranche 1 Notes, the remaining utilisation purposes will be funded via internally generated funds, equity funding and/or bank borrowing.

For the avoidance of doubt, no proceeds will be raised from the conversion of the Notes.

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3. RATIONALE FOR THE PROPOSED NOTES ISSUE

3.1 Financial information of the Group

The revenue and profit or loss before taxation of the Group for financial year end ("FY") 2016 to FY2018 is set out as below:

	Audited		
	FY2016 RM'000	FY2017 RM'000	FY2018 RM'000
Revenue	40,575	891,691	996,388
Profit/(loss) before tax	(227,459)	80,807	23,213

(i) Financial commentary for FY2016

For the FY2016, the Group registered a consolidated revenue of RM40.6 million. This represents a decrease of approximately 85% from RM270.8 million recorded in FY2015. Such a large decline in revenue was primarily attributed to the temporary cessation of production and leasing out of some of its coke ovens, commencing 1 February 2016 over a period of one year. The rationale for entering into such a leasing arrangement at that material point of time was a strategically deliberate move undertaken by the management as explained in detailed in the foregoing paragraphs. In respect thereof, the Group therefore was only able to earn transactional revenue for one month period throughout the financial year in question.

In addition to the deliberate scaling down of production capacity and thus the ensuing relatively lower sales volume, the decline in consolidated revenue of the Group was also caused by a 15% fall in the average price of coke from Renminbi ("RMB") 795/tonne to RMB679/tonne recorded by the Group during the relevant month in the financial year under review. Concurrently, the dip in the net prices of the by-products experienced in this financial year further depressed the Group's revenue. With the exception of the price of ammonium sulfate and coal gas which saw an increase of 6% and 0.2% respectively, the other by-products namely tar oil and crude benzene suffered a decline of 15% and 5% respectively in their average prices during the relevant month in this financial year compared to those registered in FY2015.

In tandem with the decrease in the average prices of metallurgical coke mentioned above, the average prices of coking coal, being the primary raw material for the production of metallurgical coke, had also declined during the relevant month in the FY2016. With a decrease of about 17% in the average price of coking coal, the cost of sales recorded by the Group dropped accordingly to RM45.4 million in this financial year under review, representing a decrease of 85% from RM306.7 million recorded in FY2015.

Based on the foregoing, the Group turned in a gross loss of RM4.8 million for FY2016.

During FY2016, the Group earned approximately RM15.2 million in other income compared to only approximately RM1.7 million acquired in FY2015. Such an extensive increase in other income was primarily due to the lease rental received for those coke ovens that were leased out during the year.

The relatively high operating expenses of RM237.8 million incurred by the Group during FY2016 was mainly due to an impairment made on some of the trade receivables which have been outstanding for a protracted period of time amounting to RM33.3 million, as well as the consequence of impairing the carrying value of the Group's property, plant and equipment ("PPE") amounting to RM152.6 million to reflect the lower value of the said assets due to low utilisation arising from a lack of demand precipitated by the continued challenging and unfavourable environment besetting the

coke industry. The diminution in value of the PPE was further substantiated by an independent valuation commissioned on the said asset in an effort to ascertain its “Fair Value less Cost to Sell” according to the prevailing adopted accounting policy.

Premised on the above, with the inclusion of the Group’s other income, operating expenses and finance costs, the Group recorded a loss for the year amounting to RM227.5 million. This translated to a loss per share (“LPS”) of 20.27 sen.

(ii) Financial commentary for FY2017

For the financial year 2017, the Group registered a consolidated revenue of RM891.7 million. This represents a significant increase of approximately 21.98 times from RM40.6 million recorded in the preceding financial year. Such an increase in revenue was primarily attributed to the fact that the Group has resumed its coke business operations in February 2017, following the expiry of its one-year leasing arrangement in respect of its operationalized coke ovens which covered a substantial part of the FY2016. As a consequence thereof, throughout financial year 2016 the Group was only able to earn transactional revenue from only a one-month period.

In addition to the above, given the fact that the steel and coke industry have substantially recovered in 2017, the Group saw a 191% increase in the average price of coke from RMB679/tonne to RMB1,981/tonne during the relevant month(s) in FY2016 and FY2017, respectively. The resurgence of the industry from its doldrums has also seen a 103% improvement in the price of tar oil which contributed approximately 6% of the total revenue of the Group. Such supplemented contribution was more than sufficient to negate the effects of a 28% decrease seen in the price of coal gas which represented approximately 7% of the total revenue.

In tandem with the substantial increase in the average price of coke mentioned above, the average prices of coking coal, being the primary raw material for the production of metallurgical coke, has also increased 119% from RMB561/tonne to RMB1,229/tonne during the relevant month(s) in FY2016 and FY2017, respectively. With such increase in the average price of coking coal, the cost of sales recorded by the Group has also increased 17.41 fold accordingly to RM790.8 million in FY2017 under review from RM45.4 million recorded in FY2016.

Based on the foregoing, the Group turned in a remarkable gross profit of approximately RM100.9 million for FY2017 as compared to a loss of RM4.8 million in FY2016.

During FY2017, the Group earned a relatively meagre other income amounting to approximately RM2.0 million compared to approximately RM15.2 million derived in the FY2016. The seemingly exceptionally high other income recorded in FY2016 was primarily due to the lease rental received from the operationalized coke ovens that were leased out during that year in question. However, other income has normalized in the FY2017 to only include the typical disposal of scrap metals, miscellaneous items and penalty imposed on staff for violation of any company policies.

Operating expenses for the current financial year has also normalized to approximately RM21.9 million, a stark reduction from RM237.8 million incurred by the Group in FY2016. The latter seemingly hefty operating expenses was primarily due to the impairment made on some of the trade receivables and PPE during FY2016 which was beleaguered by the then challenging business environment and unfavourable industry landscape.

Premised on the above, with the inclusion of the Group’s other income, operating expenses and finance costs, the Group recorded a commendable profit for the year amounting to approximately RM80.8 million and an earnings per share (“EPS”) of 7.20 sen during FY2017. In contrast, the Group suffered a substantial loss for the year amounting to approximately RM227.5 million and a LPS of 20.27 sen in FY2016.

(iii) Financial commentary for FY2018

In the FY2018, the Group registered a consolidated revenue of RM996.4 million. This represents an increase of approximately 11.7% from RM891.7 million recorded in FY2017. Such increase in revenue can be attributed primarily to the fact that the Group did not have a complete 12-month revenue recognition in FY2017 (recap: the Group resumed its coke business operations sometime in February 2017 following the expiry of the leasing arrangement in respect of its operationalised coke ovens) compared to the operations in FY2018. Notwithstanding the above consequential lowered overall sales volume in FY2017, the average coke price during the current financial year has declined by approximately 3.9% to RMB1,905/tonne from RMB1,981/tonne in 2017. The slack resulting from the aforesaid slide in average coke price was fortunately picked up to some extent by the overall increase in the prices of the by-products, i.e. tar oil at 14.3%, ammonium sulphate at 10.9% and coal gas at 21.2%, respectively.

The abovementioned “lack of a complete 12-month operation” phenomenon in FY2017 had inherently resulted in an overall reduced cost of sales during that year compared to what was registered in FY2018. Cost of sales in FY2018 stood at RM950.3 million, representing an increase of approximately 20.2% from RM790.8 million recorded in FY2017. Such an increase was also supported by the hike in the average price of raw material, namely coking coal, which saw an increase of approximately 5.2% from RMB1,229/tonne in 2017 to RMB1,292/tonne in 2018.

Premised on the above, the Group turned in a gross profit of approximately RM46.1 million for FY2018. This was however significantly lower than that registered in FY2017 of RM100.9 million for the very reason that the bullish sentiments seen in the coke industry in 2017 was ephemeral and did not continue into FY2018.

During FY2018, the Group earned a relatively meagre other income amounting to approximately RM0.9 million compared to RM2.0 million derived in FY2017. Other income is derived mainly from the periodic disposal of scraps and miscellaneous items as well as penalties/fines imposed on staff for any violation of company policies and rules.

Administration and operating expenses for FY2018 was recorded at approximately RM22.6 million, representing a slight increase of 3.2% from approximately RM21.9 million in FY2017. Administration and operating expenses constitute general administrative and sales expenses, social development contributions, etc.

Finance cost is primarily attributed to the interest element of the RMB40.0 million short term loan facility procured by Linyi Yehua Coking Co. Ltd. (the Group's wholly-owned subsidiary) sometime late-September 2017. As a result thereof, the finance cost recorded in FY2017 amounting to approximately RM0.2 million was attributed to only about 3 months remaining period of the year compared to that in FY2018 of approximately RM1.2 million whereby a full 12-month interest period was included.

Towards this end, with the inclusion of the Group's other income, administration and operating expenses and finance cost, the Group still managed to turn in a relatively decent profit before taxation of approximately RM23.2 million.

The above Group's profit was further elevated with a credit of approximately RM6.4 million resulting from the recognition of previously unrecognised deferred tax asset (unutilised tax losses which are eligible to be carried forward for future utilisation) in the current financial year. As a result thereof, the Group registered a profit for year of approximately RM29.6 million and an EPS of 2.64 sen during FY2018, despite being beset with challenging business environment and headwinds during such period. This is in contrast to the profit of approximately RM80.8 million and EPS of 7.20 sen recorded in FY2017.

3.2 Value creation and impacts of the Proposed Notes Issue

(i) Value creation of the Proposed Notes Issue

The Proposed Notes Issue enables the Company to pursue for the business expansion and working capital of its new businesses which include, amongst others, TPI, Wavetree and Bistromalones. The Group has been operating in China solely and relying on a single source of business which is manufacturing and sale of metallurgical coke and its by-products (“**Existing Primary Business**”). The Existing Primary Business is highly dependent on the steel industry, which has over the years caused the Group to operate in a challenging business environment especially the implementation of the trade protectionism policy by the United States against China has also weighted down the steel industry at large scale. As such, the Proposed Notes Issue will enable the Group to expand its income into mobile and digital solutions industry and food and beverages (“**F&B**”) service industry.

SHIB had engaged Providence Strategic Partners Sdn Bhd (“**Providence**”), an independent market research, to perform a study on mobile and digital solutions industry and food and beverage service industry. The findings of the said study are as follows:

- Based on the independent market research conducted by Providence, the mobile and digital solutions industry in Malaysia is anticipated to grow from an estimated RM7.9 billion in 2017 to RM8.4 billion in 2019 at a compound annual growth rate (“**CAGR**”) of 3.1%. Meanwhile, the global IoT market is anticipated to reach United States Dollar (“**USD**”) 772.5 billion in 2018 and forecast to increase to USD1.1 trillion in 2021, growing at a CAGR of 12.5% over the period. In Malaysia, the economic potential of IoT is forecast to be RM9.5 billion gross national income (“**GNI**”) creation by 2020 and is expected to reach RM42.5 billion in 2025. IoT is dependent of the use of technology and hardware, and thus will create opportunities for analytics, applications and services, computing and storage, communication and networking as well as hardware, power and protocols.

TPI and Wavetree are principally involved in the business of IoT and enterprise mobile development. Both of these companies design, manufacture, engineer and implement IoT and enterprise mobile solutions which allow for cost savings in manpower and logistics and enable automation and predictive analytics. Among some of the key projects undertaken by TPI and Wavetree include the development of smart city technology in Malaysia and IoT solutions for the agricultural sector in Malaysia and Indonesia respectively.

As such, the prospects of TPI and Wavetree are expected to grow in tandem with the growing digital solutions industry and also the key demand drivers of the said industry as stated below:

- (i) increase usage of internet that will facilitate the growth in adoption of digital solutions;
- (ii) various government initiative to support the growth of the digital solutions industry such as smart city projects;
- (iii) potential growth from the proposed development of smart cities; and
- (iv) growing number of enterprises that indicates and increase in demand of digital solutions from new enterprises

- Providence also forecasts the F&B service market in Malaysia to continue growing at a CAGR of 4.5% to RM43.7 billion, by 2020. The market in Malaysia is expected to be driven by the rising income levels which would lead to greater spending power for dining out, evolving F&B trends in Malaysia as well as the growing number of shopping complexes in the country which has led to an increasing number of dining options in Malaysia.

Thus, the growth potential of F&B service market in Malaysia is attractive and will bode well for the prospects of SHIB's entry into the market through the acquisition of Bistromalones.

Additionally, the markets for F&B service on China and Southeast Asia represent major revenue opportunities for SHIB in light of its future plan to expand into China and Southeast Asia market post the acquisition of Bistromalones.

With the largest population in the world and a rapidly growing economy, the F&B service market in China has vast potential to expand. In the last 5 years, China's F&B service market has grown at a CAGR of 7.7%. The market is expected to be driven by the growing spending power in the country as well as increasing number of international tourists in China. Further, since the launch of the anti-waste campaign in China in 2012, extravagance on food amongst officials has been curbed, leading to a shift in demand from high-end restaurants to casual dining restaurants. This is thus expected to benefit the casual dining segment in China, which is the segment in which Sino Hua-An International will be operating in post the proposed acquisition.

Meanwhile in Southeast Asia, the F&B service market has been growing at a CAGR of 6.7% over the last 5 years. As with Malaysia, dining out is becoming more of a lifestyle choice in other countries in Southeast Asia due to experiential element as well as longer working hours. The F&B service market in Southeast Asia is also expected to benefit from the growing tourism in these countries. This is anticipated to bode well for SHIB proposed entry into the market.

Premised on the above, upon the completion of the proposed acquisition of TPI, Wavetree and Bistromalones ("**Proposed Acquisitions**"), the prospects of SHIB will be positive in tandem with the growth in the digital solutions and F&B service industries. SHIB envisages the acquisitions of the new businesses will provide additional sources of revenue to contribute positively to the Group's future earnings and improve the financial performance of the Group and eventually, lead to a potential increase in shareholders' value.

(ii) Impact of the Proposed Notes Issue

As detailed in Section 4.1, the Proposed Notes Issue will result in a proportionate dilution to the shareholders' shareholdings. Nonetheless, it is expected that there will be no change in the Company's major shareholder pursuant to the Proposed Notes Issue as the Subscriber shall not hold more than 10% interest in the total number of issued shares of the Company at any time and from time to time without the Company's prior approval.

Despite the dilutive impact on the shareholders' shareholdings, the shareholders should also consider the potential benefits from the Proposed Notes Issue which is expected to create value to the Group as mentioned above.

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3.3 Adequacy of the Proposed Notes Issue in addressing the Group's financial requirement

The Board, after due consideration of the various fund raising options, is of the view that the Proposed Notes Issue is the most appropriate avenue of raising funds to address the Group's financial requirements based on the following:

(i) Cost effective and expeditious alternative source of finance

The Proposed Notes Issue will enable SHIB to raise funds via the hybrid market, that is, between the debt market where gearing, security or rating may be an issue, and the equity market where current market conditions may not be conducive.

The Proposed Notes Issue also enables the Company to raise funds in a cost effective manner. Based on the 1% interest rate of the Notes, the annualised cost in relation to the expenses for the Proposed Notes Issue is only 2.17% of the full issuance size of the Notes as compared to the Company's cost of equity of 32%⁽¹⁾. For the avoidance of doubt, the abovementioned cost of the Proposed Notes Issue will only be incurred upon the drawdown of the Notes. In addition, the Notes are being privately placed to and subscribed by a pre-identified investor, which allows the Company to save costs on road shows and marketing to potential investors as well as raising funds in an expeditious manner.

Note:

(1) Source: Bloomberg

(ii) Flexibility in drawdown

The Proposed Notes Issue consists of three (3) tranches. Subject to the terms and conditions of the Subscription Agreement as set out in Section 2.1, SHIB has the sole discretion to exercise its option during the relevant Option Period to issue Tranche 2 Notes and Tranche 3 Notes as and when the need for such funds arises. As mentioned in Section 2.8, the proceeds raised from the Proposed Notes Issue are expected to be utilised over a period of up to 3 years.

As such, the shareholders will not incur any unnecessary dilution to their respective shareholdings from the Proposed Notes Issue if there is no necessity for raising funds further under Tranche 2 Notes and Tranche 3 Notes. In comparison, other types of securities such as issuance of new shares e.g. private placement, or any other convertible instruments such as redeemable preference shares will result in an immediate dilution in the shareholders' shareholding in the Company as compared to the progressive dilution of the Proposed Notes Issue. The Board has also considered other fundraising exercises such as rights issue; however, the success of the rights issue is highly dependent on the prevailing market sentiment and economic conditions the Company is in.

(iii) The Proposed Notes Issue also provides liquidity of the ordinary shares upon conversion of the Notes and increases the investor pool of the Company by providing opportunity for the investors to participate in the equity of the Company. Conversion of the Notes into shares will also lead to an improvement in the net assets of the Company.

Premised on the above, the Board believes that the Proposed Notes Issue together with the utilisation of proceeds therefrom, barring any unforeseen circumstances, is adequate to fulfil the Group's immediate financing requirements to improve its financial performance and thereby, enhances its shareholders' value.

3.4 Prospects of the TPI, Wavetree, Bistromalones and enlarged SHIB Group

3.4.1 TPI

TPI is one of the technology leaders in the digital business transformation solution space in Malaysia, providing game changing enabling platforms for digital economy and Industry 4.0.

TP has developed Mobile Community Plan, a proven community building smart city platform that enables local authorities to engage with the community intelligently via a mobile app. Having been developed over the past 4 years, Mobile Community Plan is currently deployed as the official community mobile app in the city of Putrajaya. It allows the local authority and its respective departments to reach out to the community dynamically via its data driven service delivery and also to sustain a high level of engagement with the members of community which includes, amongst others, residents, visitors, local businesses and tourists. Mobile Community Plan also incorporates with the features such as location-targeted news and alerts and digital services such as facility booking, mobile payment collection and events listing.

In addition, Mobile Community Plan also helps Putrajaya to build a safer and more secure community with an in-app panic button, crowd-sourced feedback and complaints management feature. Mobile Community Plan also brings about a myriad of convenience features including mobile app parking payment and bus ticketing, helping Putrajaya to deliver smart mobility services.

The Mobile Promotion (“**MoPro**”) component within Mobile Community Plan is developed to drive Online-to-Offline (“**020**”) commerce which links the customers to local businesses in a targeted and personalized manner. 020 commerce is a business strategy designed to find customers online and bring them to the real-world store as well as create a seamless digital experience before, during and after for the users. By becoming a MoPro merchant, businesses can leverage on the user base of Putrajaya mobile app to provide delivery-friendly, digitally savvy products and services to the captive customer base in Putrajaya. As a smart Putrajaya’s digital economy pillar, MoPro enables a cashless and cashier-less capability to local businesses allowing them to grow their businesses around a strong hyperlocal community sentiment.

Mobile Community Plan also supports Putrajaya’s strategy in growing its tourism economy, by incorporating a ‘freemium’ virtual tour guide feature with rich context-aware interaction and content to its annual 8 million visitors and tourists. TPI will also be partnering up with Tourism Malaysia to promote the mobile app as a tourism platform overseas.

With a comprehensive list of key components, Mobile Community Plan is poised to help any township, city and state government to drive towards a smart digitally engaged community that emphasizes on data driven service delivery and digital economy. TPI is currently in talk with numerous venue owners, cities and state governments to deploy Mobile Community Plan in the coming months, targeting to sign up 5 communities or cities in the next 12 months.

3.4.2 Wavetree

Wavetree has developed an integrated IoT platform, SensorHub, which forms the baseline technology for its Industrial IoT and Agriculture IoT solutions. SensorHub is an end-to-end platform that has been commercially deployed in 25 locations of one of Malaysia’s largest hypermarket chain, providing automatic wireless environmental sensing. SensorHub is used to capture real-time data that is used to monitor and automate heating, ventilating and cooling (“**HVAC**”) and various intelligent building management subsystems, resulting in substantial tangible return on investment in the forms of energy savings in less than a year.

This industrial IoT platform incorporates A.I. and Machine Learning components that makes it well suited for other applications such as manufacturing automation, automated warehousing and logistics, environmental monitoring in retail and commercial buildings, etc. By leveraging on the expertise and market presence of our partners to provide business application friendly solutions, SensorHub will transform the industries by providing ready-to-consume data that will drive decision logic for improved efficiency and cost savings.

SensorHub is also a commercially deployed end-to-end Agriculture IoT platform in oil palm plantation which has successful implementations across Malaysia, Indonesia, and South America covering an area of over 20,000 hectares. By using a myriad of wireless sensors which are designed to operate effectively in an oil palm plantation environment.

By using A.I. algorithms to correlate and analyse these agronomic and operational data, SensorHub helps plantation operators to identify problematic areas, visualize operational inefficiencies and enable data driven SOPs to optimize resources, lower costs and increase yield.

SensorHub's Agriculture IoT platform is poised to capture a substantial portion of the oil palm plantation market in Malaysia and Indonesia, valued at approximately USD 220mil, as an initiative of Wavetree to solidify its first mover advantage to achieve a market leader position. By leveraging on the same baseline technology, the platform will continue to be developed and enriched to cater to other crops such as rubber, rice, fruits, etc.

3.4.3 Bistromalones

Bistromalones has been one of the leading operators in the F&B casual dining space for over the past 20 years. The 2 core brands comprise TGIF (for the Malaysia region) and TTP.

TGIF

Founded in 1965, TGIF is one of the leading American casual dining brands and was the pioneer of the international franchise format. Since then, TGIF has opened over 900 outlets in 60 countries (outside of the United States).

TGIF is one of the most established American casual dining brands in Malaysia and Bistromalones has been the exclusive franchisee of the TGI Fridays brand since 1994. The group currently operates 8 outlets in Kuala Lumpur, Johor and Penang. There are significant growth opportunities in Malaysia with the core base of the 8 outlets. Management targets to open at another 10 outlets over the next 5 years with expansion into greater Kuala Lumpur, Johor, Penang and East Malaysia.

TGIF has recently developed a new improved concept code named called "Future Fridays" which allows for a smaller footprint and aims to be more relevant to the millennial. Bistromalones is expected to expand the TGIF brand based on this newer concept and direction.

Aside from Malaysia, Bistromalones has the opportunity to expand into China beginning with the 2 key cities in Beijing and Shanghai. Long recognized as the leading American casual dining brand in these cities, Bistromalones is establishing a development plan with TGI Fridays International for China.

TTP

TTP is one of the leading emerging franchise brands in Malaysia and is wholly owned and created by Bistromalones. Having been a successful franchisee of TGIF for the past 2 decades, Bistromalones has used its experience to create the franchise model for a localized version of the café concept. Using a strong Malaysia flavor and branding, TTP offers affordable local cuisine with all the usual Malaysian favorites such as Teh Tarik, Roti Canai, Mee Mamak, Nasi Goreng etc.

The TTP brand currently has 2 owned outlets, a central kitchen and 20 franchise outlets in Malaysia. The potential for this brand is significant and the management has planned for an expansion plan to reach 100 outlets in the next 5 years through a combination of owned outlets and franchise outlets.

Outside of Malaysia, the brand also has tremendous growth potential in the region. The first international outlet was opened in Brunei early this year and has proven successful with 2 more outlets in Brunei in the planning stages by the same franchisee. Management has also entered into a Master Franchise agreement with an Australian operator with the first outlet targeted to be open in Melbourne in 4Q 2019. The plan is for 10 outlets to be opened within the first 5 years of franchising. Elsewhere, there are plans for franchising in Singapore, Myanmar and Vietnam.

Management has targeted China as a market that has penchant for Malaysian flavoured food and has allocated capital to expand the TTP brand in China. Bistromalones plans to open a few self-operating stores in Beijing and Shanghai and with the proven model begin the franchise concept into the other 27 provinces in China. The plan is for 18 self-owned outlets and a target of 100 franchise outlets in the next 5 years

Premised on the above, SHIB expects the acquisition of TPI, Wavetree and Bistromalones to contribute positively to the enlarged SHIB Group via future profits to be derived from the said companies on the back of promising growth in the digital and mobile solutions industry and well as F&B service industry.

4. RISK FACTORS

4.1 Risk relating to the Proposed Notes Issue

(i) Dilution risk of the existing shareholders' shareholding in SHIB and impact on SHIB share price

The existing shareholders' shareholding in SHIB will be diluted in the event the RM150 million Notes are converted into 833,333,333 Conversion Shares at the Minimum Conversion Price. Pursuant thereto, there will be a surge in the supply of SHIB Shares in the market and the Noteholders might emerge as the controlling shareholders after the completion of the Proposed Notes Issue. Notwithstanding the above, as set out in the Subscription Agreement, the Subscriber agrees not to hold more than 10% interest in the total number of issued shares of the Company, at any time and from time to time without prior approval of the Company.

As the share price of SHIB might be affected due to the disposal of SHIB Shares by the Subscriber in order to maintain their shareholding of 10%, the Board will ensure that the abovementioned risk will be mitigated through, amongst others, enhancing shareholders' and business value of the Proposed Notes Issue as described in Section 3.2.

(ii) Delay, non-completion or non-subscription of the Proposed Notes Issue

There is a possibility that the Proposed Notes Issue may not be completed in time due to failure in fulfilling the conditions precedent as set out in the Subscription Agreement within the stipulated timeframe. In addition, the Proposed Notes Issue is also conditional upon the approval of the Company's shareholders and other relevant authorities and parties. There is no assurance that the Company will be able to obtain all the requisite approvals.

In the event the conditions precedent are not fulfilled and/or the Company is unable to obtain the requisite approvals for the Proposed Notes Issue, the Subscription Agreement will be terminated and the Company will be unable to obtain the funds for the purposes as set out in Section 2.8.

The Board will take all reasonable steps to ensure that the conditions precedent stated in the Subscription Agreement are met within the stipulated timeframe in order to complete the Proposed Notes Issue.

Further, in the event that the price of the SHIB Shares falls below or near the Minimum Conversion Price, the Subscriber may choose to delay or not to subscribe for subsequent sub-tranches of the Notes. As a result, the Company will also not be able to raise the funds needed for the purposes as set out in Section 2.8.

Nonetheless, in the event of a delay or unsuccessful completion of the Proposed Notes Issue, even after obtaining all the requisite approvals, and/or in the event of non-subscription of the Notes by the Subscriber, SHIB shall look at other fund raising options such as additional bank borrowings or fund raising via the 10% placement under Sections 75 and 76 of the Companies Act 2016.

(iii) Ranking of the Noteholders

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking equally and rate-ably without any preference among themselves, and save as otherwise provided under any applicable laws or regulations, equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time. As such, the Notes will rank above the Company shares in the ranking of securities of the Company.

Thus, in the event of liquidation and/or winding up of the Company, the Noteholders will be paid ahead of the shareholders and the amount recovered by the shareholders may not be sufficient to compensate the shareholders' initial cost of investment.

Notwithstanding the above, the Board will take all reasonable steps to ensure that the Company will continue as a going concern and will not be wound up and/or liquidated.

4.2 Risk relating to TPI and Wavetree

(i) Dependence on key personnel

The limited availability of suitable talents in Malaysia, conversant in the latest IoT and digital mobile technologies present the most critical risk to the successful development and implementation of product offerings of TPI and Wavetree. The continuous innovation crucial to the business' intensive focus in delivering disruptive technology-based solutions also requires experienced and qualified technical personnel in Intellectual Property creation and commercialization.

Continuing success of TPI and Wavetree depends, to a certain extent, on the capabilities and continuing efforts of key management personnel as well as the ability to retain and attract skilled technical personnel. The loss of key personnel may have an unfavourable and material impact on the financial performance of TPI and Wavetree.

Although TPI and Wavetree will strive to retain its existing key management personnel by offering competitive incentives and remunerations and attract new talent to reduce dependency on its key management team, there can be no assurance that GAP would be successful in doing so. Failure of TPI and Wavetree to do so could adversely affect the future financial performance and in turn, the financial performance of the enlarged SHIB Group.

(ii) Business and Operational risk

As the digital and mobile solutions enter a high degree of maturity and having gained market validation, the business focus of SHIB Group shifts into an aggressive yet strategic go-to-market phase. This phase will require substantial working capital to be allocated to create market awareness, drive mass market adoption, and in the longer term, to create brand affinity and to solidify the market positioning of TPI and Wavetree in Malaysia and South East Asia as the leader in IoT and digital platform solutions.

SHIB expects this initial growth stage to take on an aggressive growth trajectory that will necessitate an accelerated spending in advertising and promotion, talent acquisition and partner/channel network development. The expected revenue generated during this stage will likely be insufficient to generative positive cash flow, therefore a strong working capital position is crucial.

(iii) Competition risk

TPI and Wavetree face competition from new players and existing competitors who may be more aggressive in expanding their business.

As with all disruptive technology solutions, market awareness and readiness play a critical role in the adoption and market uptake, TPI and Wavetree are keenly aware of this pre-requisite and are constantly executing strategic initiatives to turn this risk into a first-mover advantage. While TPI and Wavetree have gained strong initial traction in the market place amongst the more progressive and forward-looking customers and partners, the business growth teams of TPI and Wavetree are also focusing on spurring interest and energize market forces within the government sector in order to generate immediate demands for their innovative digital solutions.

It is also expected that regional and global players to be entering the Malaysian market in the coming years, likely covering the entire value chain from hardware providers, software platform players to application providers. SHIB Group sees this as a long-term business advantage as it will generate market awareness and interests, while presenting TPI and Wavetree with the opportunity to explore partnerships with these global players. The successful partnering with global well-known players will path the way for TPI and Wavetree to bring their digital solutions to a wider market within a shorter time frame, by leveraging on partners' branding and market presence.

4.3 Risk relating to Bistromalones

(i) Bistromalones may be affected by reductions in consumer spending as a result of changes in economic conditions

Bistromalones' business is subject to prevailing economic conditions in the countries it operates in. Any adverse changes in the economic conditions may in turn affect consumers' disposable income and consumer spending. The habits of its consumers are particularly sensitive to the state of the economy. In the event of an economic downturn, consumers will tend to become more budget conscious and sensitive to the amount they are willing to spend on food and entertainment.

(ii) Bistromalones' business will be affected by the availability and price fluctuations of food ingredients

Bistromalones sources its supply of food ingredients mainly in Malaysia. The prices of food ingredients may fluctuate due to various factors beyond its control, such as increase in food prices, outbreak of diseases, droughts, floods, or other disruption on a significant scale. The restaurants are highly dependent on a sufficient supply of food ingredients that meet Bistromalones' price and quality requirements. A significant increase in the market price of food ingredients will have an effect on its margins if it is unable to pass such increase in the price of food ingredients to its customers. A material shortage will affect the operation of the restaurants and its financial performance accordingly.

(iii) Bistromalones may be affected by any increase in the rental or the failure to renew its existing leases

Bistromalones operates all its restaurants on leased properties. Since the rental expenses represent a relatively significant portion of the total operating expenses of the restaurants, Bistromalones' financial performance will be affected by any substantial increase in rental.

The landlords have the right to review and change the terms and conditions of the lease agreements upon expiry of the existing leases. There is no assurance that Bistromalones would be able to renew the relevant lease agreements on terms acceptable to it. The non-renewal of these leases or renewal on less favourable terms may have a negative effect on Bistromalones' business and financial performance.

- (iv) Bistromalones' business is largely service-oriented and is dependent on good employees

In addition to Bistromalones' management, its continued success depends in part upon its ability to attract, motivate and retain a sufficient number of qualified and skilled employees. If it fails to recruit skilled personnel and to retain its key employees, this may have an adverse impact on its operations and expansion plans.

- (v) Bistromalones may be affected by the intense competition in the food and beverage industry

Bistromalones operates in an industry that is highly competitive and is faced with competition from diverse group of restaurant chains and individual restaurant operators. There is no assurance that Bistromalones will be able to compete strongly with its existing competitors and future competitors whilst adapting quickly to changing market conditions and trends. Bistromalones' business and financial performance will be badly affected if there is any failure by it to remain competitive in terms of its pricing, or there is deterioration in the quality of its food or its level of service.

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5. EFFECTS OF THE PROPOSED NOTES ISSUE

In view of the funding requirements of the Company as set out in Section 2.8 of this announcement, it is the intention of SHIB to raise the full principal amount of RM150 million under the Proposed Notes Issue, subject to the terms and conditions as set out in the Subscription Agreement. Accordingly, the pro forma effects of the Proposed Notes Issue herein are based on the assumption that a total of RM150 million will be raised from the Proposed Notes Issue.

As at the date of this announcement, the Conversion Price for the Notes has yet to be determined. It is thus not possible, as at the date of this announcement, to ascertain the effects of the Proposed Notes Issue until the Notes have been issued, converted and/or otherwise redeemed.

For illustrative purposes, the pro forma effects of the Proposed Notes Issue as set out in the ensuing sections are based on the Minimum Conversion Price of RM0.18.

5.1 Issued share capital

The pro forma effects of the Proposed Notes Issue on SHIB's issued share capital are as follows:

	<u>No. of Shares</u>	<u>RM</u>
Issued share capital as at the LPD	1,122,307,817	1,115,045,000
To be issued pursuant to:		
- Full conversion of the Notes ⁽¹⁾	833,333,333	150,000,000
Enlarged issued share capital	<u>1,955,641,150</u>	<u>1,265,045,000</u>

Notes:

(1) Assuming full conversion of the Notes at the Minimum Conversion Price.

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5.2 Net assets (“NA”) and gearing

The pro forma effects of the Proposed Notes Issue on the NA and gearing of the SHIB Group based on the audited consolidated financial statements of SHIB for the financial year ended 31 December 2018 are set out below:

	Audited as at 31 December 2018	Pro forma(I) Upon issuance of the Notes⁽¹⁾	Pro forma (II) Upon full conversion of the Notes
	(RM'000)	(RM'000)	(RM'000)
Share capital	1,115,045	1,115,045	⁽²⁾ 1,265,045
Reserves	(563,134)	(563,134)	(563,134)
Accumulated losses	(171,018)	(171,018)	⁽³⁾ (180,797)
Total equity/ NA	380,893	380,893	521,115
No. of Shares in issue (‘000)	1,122,308	1,122,308	1,955,641
NA per Share (RM)	0.34	0.34	0.27
Borrowings (RM'000)	24,055	164,277	24,055
Gearing (times)	0.06	0.43	0.05

Notes:

- (1) In accordance with MFRS 132, the Notes is a financial liability in its entirety. SHIB Group's total borrowings upon issuance of the Notes is after including RM140.22 million, being the carrying amount of the Notes after capitalising eligible estimated expenses in relation to the Proposed Notes Issue of RM9.78 million.
- (2) Assuming full conversion of all three (3) tranches of the Notes with total principal amount of RM150.0 million into 833,333,333 Conversion Shares at the Minimum Conversion Price immediately after their issuance.
- (3) In accordance with MFRS 9, the estimated expenses amounting to RM9.78 million in relation to the Proposed Notes Issue capitalised is amortised in profit or loss over the tenure of the Notes. However, for illustrative purposes, the estimated expenses of RM9.78 million is assumed to be reversed to profit or loss upon full conversion in Pro forma II.

5.3 Substantial Shareholders' Shareholdings

The pro forma effects of the Proposed Notes Issue on the shareholdings of the substantial shareholders of SHIB based on the Record of Depositors of the Company on 16 May 2019 are set out below:

Substantial Shareholders	As at 16 May 2019				After issuance of the Notes ⁽¹⁾				After full conversion of the Notes			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Rock Point Alliance Pte Ltd	285,000,080	25.39	-	-	285,000,080	25.39	-	-	285,000,080	14.57	-	-
Libran Infinity Inc	74,000,057	6.59	-	-	74,000,057	6.59	-	-	74,000,057	3.78	-	-
Liu Guodong	-	-	74,000,057 ⁽²⁾	6.59	-	-	74,000,057 ⁽²⁾	6.59	-	-	74,000,057 ⁽²⁾	3.78
Rise Business Inc	102,000,038	9.09	-	-	102,000,038	9.09	-	-	102,000,038	5.22	-	-
Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar	12,073,700	1.08	⁽³⁾ 304,492,259	27.13	12,073,700	1.08	⁽³⁾ 304,492,259	27.13	12,073,700	0.62	⁽³⁾ 304,492,259	15.57
Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar	1,221,500	0.11	⁽⁴⁾ 315,342,959	28.10	1,221,500	0.11	⁽⁴⁾ 315,342,959	28.10	1,221,500	0.06	⁽⁴⁾ 315,342,959	16.12
Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar	1,166,500	0.10	⁽⁵⁾ 315,397,959	28.10	1,166,500	0.10	⁽⁵⁾ 315,397,959	28.10	1,166,500	0.06	⁽⁵⁾ 315,397,959	16.13
Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar	1,176,500	0.10	⁽⁶⁾ 315,387,959	28.10	1,176,500	0.10	⁽⁶⁾ 315,387,959	28.10	1,176,500	0.06	⁽⁶⁾ 315,387,959	16.13
Y.A.M. Tunku Irinah Binti Tuanku Ja'afar	1,154,250	0.10	⁽⁷⁾ 315,410,209	28.10	1,154,250	0.10	⁽⁷⁾ 315,410,209	28.10	1,154,250	0.06	⁽⁷⁾ 315,410,209	16.13

Substantial Shareholders	As at 16 May 2019				After issuance of the Notes ⁽¹⁾				After full conversion of the Notes			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar	1,076,550	0.10	⁽⁸⁾ 315,487,909	28.11	1,076,550	0.10	⁽⁸⁾ 315,487,909	28.11	1,076,550	0.06	⁽⁸⁾ 315,487,909	16.13
Y.M. Tunku Nurul Hayati Binti Tunku Bahador	100,200	0.01	⁽⁹⁾ 316,465,759	28.20	100,200	0.01	⁽⁹⁾ 316,465,759	28.20	100,200	0.01	⁽⁹⁾ 316,465,759	16.18
Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin	1,500	*	⁽¹⁰⁾ 308,810,230	27.52	1,500	*	⁽¹⁰⁾ 308,810,230	27.52	1,500	*	⁽¹⁰⁾ 308,810,230	15.79
Zhu Qinghua	-	-	⁽¹¹⁾ 102,000,038	9.09	-	-	⁽¹¹⁾ 102,000,038	9.09	-	-	⁽¹¹⁾ 102,000,038	5.22
Noteholder(s)	-	-	-	-	-	-	-	-	833,333,333	42.61	-	-

Notes:

* Negligible

(1) There will be no effect on the substantial shareholders' shareholdings in the Company upon the issuance of the Notes.

(2) Deemed interest pursuant to Section 8 of Companies Act, 2016 by virtue of his entire equity interest in Libran Infinity Inc.

(3) Deemed interested by virtue of:

- Him being the sibling to Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar;
- Him being the father of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin;
- Him being the spouse of Y.M. Tunku Nurul Hayati Binti Tunku Bahador;
- His substantial shareholdings in Syarikat Pesaka Antah Sdn. Bhd. which in turn holds shares in SHIB;
- His direct interest of over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;
- His direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
- His direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.

- (4) Deemed interested by virtue of:
- Him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tuanku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar;
 - Him being the brother-in-law to Y.M. Tunku Nurul Hayati Binti Tunku Bahador;
 - His substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which in turn holds shares in SHIB;
 - His direct interest of over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;
 - Him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
 - Him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.
- (5) Deemed interested by virtue of:
- Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar;
 - Her being the sister-in-law to Y.M. Tunku Nurul Hayati Binti Tunku Bahador;
 - Her substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which in turn holds shares in SHIB;
 - Her sibling's interest of over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;
 - Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
 - Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.
- (6) Deemed interested by virtue of:
- Him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar;
 - Him being the brother-in-law to Y.M. Tunku Nurul Hayati Binti Tunku Bahador;
 - His substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which in turn holds shares in SHIB;
 - His direct interest of over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;
 - Him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
 - Him being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.
- (7) Deemed interested by virtue of:
- Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar;
 - Her being the sister-in-law to Y.M. Tunku Nurul Hayati Binti Tunku Bahador;
 - Her substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which in turn holds shares in SHIB;
 - Her sibling's interest of over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;

- Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
 - Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.
- (8) Deemed interested by virtue of:
- Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar and Y.A.M. Tunku Irinah Binti Tuanku Ja'afar;
 - Her being the sister-in-law to Y.M. Tunku Nurul Hayati Binti Tunku Bahador;
 - Her substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which in turn holds shares in SHIB;
 - Her sibling's interest of over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;
 - Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
 - Her being the sibling to Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.
- (9) Deemed interested by virtue of:
- Her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar;
 - Her being the sister-in-law to Y.A.M. Tunku Irinah Binti Tuanku Ja'afar, Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Tuanku Ja'afar, Y.A.M. Tunku Tan Sri Imran Ibni Tuanku Ja'afar, Y.A.M. Tunku Dara Tunku Tan Sri Naquiah Bte Tuanku Ja'afar and Y.A.M. Tunku Jawahir Bte Tuanku Ja'afar;
 - Her being the mother of Y.M. Tunku Mohamed Alauddin Tunku Naquiyuddin;
 - Her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has substantial shareholdings in Syarikat Pesaka Antah Sdn Bhd which in turn holds shares in SHIB;
 - Her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;
 - Her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
 - Her being the spouse of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.
- (10) Deemed interested by virtue of:
- Him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar and Y.M. Tunku Nurul Hayati Binti Tunku Bahador;
 - Him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Syarikat Pesaka Radin Sdn Bhd which in turn holds shares in SHIB;
 - Him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds shares in SHIB; and
 - Him being the son of Y.A.M. Tunku Naquiyuddin Ibni Tuanku Ja'afar who has direct interest of over 20% equity interest in Rock Point Alliance Sdn Bhd which in turn holds the entire equity interest in Rock Point Alliance Pte Ltd.
- (11) Deemed interested by virtue of his direct interest of over 20% equity interest in Rise Business Inc. which in turn holds shares in SHIB.

It is expected that there will be no change in the Company's controlling shareholder pursuant to the Proposed Notes Issue as there will be no conversion of Notes by the Subscriber to transfer a controlling interest in the Company such that the Subscriber become a controlling shareholder of the Company without the prior approval of the Company's shareholders, nor to hold more than 10% interest in the issued share capital of the Company, at any time and from time to time, without the Company's prior approval. In addition, the Conversion Shares are expected to be sold down via the open market on a progressive basis, in tandem with the progressive subscription and conversion of the Notes.

5.4 Earnings and earnings per Share ("EPS")

The Proposed Notes Issue is not expected to have a material effect on the earnings of the Group for the financial year ending 31 December 2019.

Notwithstanding the above, the Proposed Notes Issue is expected to contribute positively to the earnings of the Group in the future financial years when the benefits of the utilisation of proceeds from the Proposed Notes Issue, as set out in Section 2.8 of this announcement, are realised.

Subject to the future earnings of the Group, its EPS may be diluted in the future financial years as a result of the increase in its total number of issued shares arising from the exercise of the Free Warrants and conversion of the Notes into new SHIB Shares.

5.5 Convertible Securities

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

6. APPROVALS REQUIRED

The Proposed Notes Issue is subject to the following approvals being obtained:

- (i) Bursa Securities for the listing of and quotation for the Conversion Shares pursuant to the Proposed Notes Issue on the Main Market of Bursa Securities;
- (ii) the shareholders of SHIB at an Extraordinary General Meeting to be convened; and
- (iii) any other relevant authorities or parties, if required.

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

None of the Directors of SHIB, major shareholders of SHIB and/or persons connected with them has any interest, direct or indirect, in the Proposed Notes Issue, save for their respective entitlements as shareholders of SHIB under the Proposed Free Warrants Issue, to which all other shareholders of SHIB are similarly entitled.

8. DIRECTORS' STATEMENT

The Board, having duly considered all aspects of the Proposed Notes Issue, including but not limited to the rationale and effects of the Proposed Notes Issue, is of the opinion that the Proposed Notes Issue are in the best interest of the Group.

9. ADVISER

Kenanga IB has been appointed as the Principal Adviser for the Proposed Notes Issue.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the first sub-tranche of Tranche 1 Notes is expected to be issued in the fourth quarter of 2019.

11. APPLICATIONS TO THE AUTHORITIES

The Company is expected to submit the required applications to the relevant authorities in relation to the Proposed Notes Issue within two (2) months from the date of this announcement.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Subscription Agreement is available for inspection by the Company's shareholders at its registered office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan during normal office hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 14 June 2019.