

1. BACKGROUND INFORMATION

(a) *Issuer*

- (i) *Name* : Hong Leong Investment Bank Berhad (the "Issuer").
- (ii) *Address* : Correspondence Address:

Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur

Registered Address:

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
- (iii) *Business Registration Number* : 10209-W.
- (iv) *Date and Place of Incorporation* : 3 December 1970 / Malaysia.
- (v) *Date of listing, where applicable* : Not applicable.
- (vi) *Status on residence, ie whether it is a resident controlled company or non-resident controlled company* : Resident controlled company.
- (vii) *Principal activities* : The Issuer is principally engaged in investment banking, stockbroking business, futures broking and related financial services.
- (viii) *Board of directors (as at 31 July 2014)* : (i) Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman.
(ii) Lee Jim Leng.
(iii) Choong Yee How.
(iv) Tan Sri A. Razak bin Ramli.
(v) Dato' Mohzani bin Abdul Wahab.
(vi) Martin Giles Manen.
(vii) Dato' Wee Hoe Soon @ Gooi Hoe Soon

HONG LEONG INVESTMENT BANK BERHAD
 PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED ISSUANCE OF UP TO RM1.0 BILLION OR ITS
 EQUIVALENT IN OTHER CURRENCIES IN NOMINAL VALUE OF TIER 2 SUBORDINATED NOTES UNDER A
 MULTI-CURRENCY SUBORDINATED NOTES PROGRAMME OF 25 YEARS

(ix) <i>Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders (as at 31 July 2014)</i>	Substantial shareholders	Direct		Indirect	
		No. of Ordinary Shares of RM1.00 held	%	No. of Ordinary Shares of RM1.00 held	%
	Hong Leong Capital Berhad	165,000,000	100	-	-
	Hong Leong Financial Group Berhad	-	-	165,000,000	100 (a)
	Hong Leong Company (Malaysia) Berhad	-	-	165,000,000	100 (b)
	Tan Sri Quek Leng Chan	-	-	165,000,000	100 (c)
	HL Holdings Sdn Bhd	-	-	165,000,000	100 (c)
	Kwek Holdings Pte Ltd	-	-	165,000,000	100 (c)
	Kwek Leng Beng	-	-	165,000,000	100 (c)
	Hong Realty (Private) Limited	-	-	165,000,000	100 (c)
	Hong Leong Investment Holdings Pte Ltd	-	-	165,000,000	100 (c)
	Davos Investment Holdings Private Limited	-	-	165,000,000	100 (c)
	Kwek Leng Kee	-	-	165,000,000	100 (c)
	Quek Leng Chye	-	-	165,000,000	100 (c)
	Guoco Assets Sdn Bhd	-	-	165,000,000	100 (b)
	GuoLine Overseas Limited	-	-	165,000,000	100 (b)
	Guoco Group Limited	-	-	165,000,000	100 (b)
	GuoLine Capital Assets Limited	-	-	165,000,000	100 (b)

Notes:

- (a) Held through Hong Leong Capital Berhad
- (b) Held through Hong Leong Financial Group Berhad
- (c) Held through Hong Leong Company (Malaysia) Berhad

Shareholders	No. of Redeemable Preference Shares ("RPS") of RM0.01 each	%
	Direct	
HLG Securities Sdn Bhd	163,076,524	100

(x) *Authorised capital (as at 31 July 2014)* : RM620,000,000 comprising 600,000,000 ordinary shares of RM1.00 each and 2,000,000,000 RPS of RM0.01 each.

Issued and paid-up capital (as at 31 July 2014) : RM166,630,765.24 comprising 165,000,000 ordinary shares of RM1.00 each and 163,076,524 RPS of RM0.01 each.

(xi) *Disclosure of the following:* :

- If the issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and
- Nil.
- If the issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application.
- The Issuer has been fined twice in the preceding five years to the date of this application. These fines by the stock exchange were due to breaches occurring in the normal course of the Issuer's stockbroking business. Necessary action has been taken to prevent the recurrence of these incidents.

For further details please refer to Annex 1.

2. PRINCIPAL TERMS AND CONDITIONS

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

- (i) *Principal adviser* : Hong Leong Investment Bank Berhad ("HLIB").
- (ii) *Lead arranger* : HLIB.
Principal Adviser/Lead Arranger to be referred to as the "PA/LA".
- (iii) *Co-arranger* : Not applicable.
- (iv) *Solicitor* : Adnan Sundra & Low as legal counsel for the PA/LA.
- (v) *Financial adviser* : Not applicable.
- (vi) *Technical adviser* : Not applicable.
- (vii) *Bond trustee* : For Ringgit ("RM") denominated Sub Notes (as defined in paragraph 2(b)) issuance
Pacific Trustees Berhad (hereinafter referred to as the "Trustee").
For other currencies denominated Sub Notes
Not applicable
- (viii) *Guarantor* : Not applicable.
- (ix) *Valuer* : Not applicable.
- (x) *Facility agent* : For RM denominated Sub Notes
HLIB.
For other currencies denominated Sub Notes
Such person as may be appointed prior to each issuance.
- (xi) *Primary subscriber (under a bought-deal arrangement) and amount subscribed* : To be determined prior to each issuance in respect of issuance via bought deal basis only.
Not applicable for issuance to be undertaken via private placement and/or book building.
- (xii) *Underwriter and* : To be determined prior to each issuance (where

- amount underwritten* applicable).
- (xiii) *Central depository* : For RM denominated Sub Notes
 Bank Negara Malaysia (“BNM”).
For other currencies denominated Sub Notes
 Such central depository(ies) to be appointed prior to each issuance.
- (xiv) *Paying agent* : For RM denominated Sub Notes
 BNM.
For other currencies denominated Sub Notes
 Such person as may be appointed prior to each issuance.
- (xv) *Reporting accountant* : Not applicable.
- (xvi) *Calculation agent* : Not applicable.
- (xvii) *Others (please specify)*
- Lead Manager* : HLIB and such other party(ies) as may be selected by the Issuer for any particular issuance.
- (b) *Facility Description* : A multi-currency subordinated notes programme involving the issuance of the Tier 2 Subordinated Notes denominated in RM and/or other currencies (where applicable) (“**Sub Notes**”) of up to RM1.0 billion or its equivalent in other currencies in nominal value (“**Multi-Currency Subordinated Notes Programme**”).
 Each of the Sub Notes issued will qualify as Tier 2 capital of the Issuer in accordance with BNM’s existing Capital Adequacy Framework (Capital Components) issued on 28 November 2012 known as the “**Framework**”.
- (c) *Issue/debt programme size* : The Multi-Currency Subordinated Notes Programme shall have a limit of up to RM1.0 billion or its equivalent in other currencies in nominal value.

The total outstanding Sub Notes to be issued under the Multi-Currency Subordinated Notes Programme shall not at any time exceed the nominal value of RM1.0 billion or its equivalent in other currencies.

(d) *Tenure of issue/debt programme* : Tenure of the Multi-Currency Subordinated Notes Programme:

The tenure of the Multi-Currency Subordinated Notes Programme shall expire twenty five (25) years from the date of the first issuance of the Sub Notes under the Multi-Currency Subordinated Notes Programme.

Tenure of the Sub Notes:

Each Sub Notes to be issued under the Multi-Currency Subordinated Notes Programme shall have a minimum tenure of five (5) years from its issue date, provided that the maturity of the Sub Notes shall not exceed the tenure of the Multi-Currency Subordinated Notes Programme and shall, if applicable, be callable on the Call Date (as defined below) and/or upon the occurrence of event(s) as detailed out under paragraph 2(u).

Call Option:

Each issuance of the Sub Notes may have a call option ("Call Option") to allow the Issuer to have the option to redeem (in whole or in part) the Sub Notes on the Call Date (as defined below) at the Redemption Amount (as defined in paragraph 2(v)(ii) subject to the relevant requirements as set out in paragraph 2(u) being fulfilled.

"Call Date" is defined as any Coupon Payment Date (as defined in paragraph 2(g)) falling no earlier than five (5) years after the issuance of the Sub Notes and on any Coupon Payment Date thereafter as may be applicable to a particular issuance of Sub Notes that the Issuer and the Lead Manager agree prior to the issuance of such Sub Notes.

(e) *Availability period of debt programme* : The Multi-Currency Subordinated Notes Programme shall have an availability period commencing from the date where the conditions precedent are met or waived accordingly by the PA/LA, ending on such date falling twenty (20)

years after the first (1st) issuance of the Sub Notes under the Multi-Currency Subordinated Notes Programme provided that each issuance of Sub Notes shall mature on or prior to the maturity of the Multi-Currency Subordinated Notes Programme.

The first issue of the Sub Notes shall take place within two (2) years from the date of the authorisation and approval of Securities Commission ("**SC**") being obtained.

(f) *Interest/coupon rate* : The coupon rate is to be determined prior to the issue date of each Sub Notes.

The coupon rate shall be applicable throughout the tenure of the relevant Sub Notes. For the avoidance of doubt, there shall be no step-up of coupon rate.

(g) *Interest/coupon payment frequency* : Payable semi-annually in arrears or such other period as may be determined by the Issuer prior to each issuance subject to the rules issued by MyClear (as defined in paragraph 2(h) below) from the issue date ("**Coupon Payment Date**") with the last coupon payment to be made on the maturity date or upon the date of an early redemption/buy-back event(s) as stipulated in paragraph 2(u) of the applicable Sub Notes, whichever is the earlier.

(h) *Interest/Coupon payment basis* : For RM denominated Sub Notes

The coupon of the Sub Notes will be calculated on the basis of the actual number of days in the relevant period divided by 365 or in any event, in accordance with (1) the Participation and Operation Rules for Payment and Securities Services ("**MyClear Rules**") issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") and (2) the Operational Procedures for Securities Services issued by MyClear, ("**MyClear Procedures**"), as amended or substituted from time to time by the relevant authority(ies) (collectively the "**MyClear Rules and Procedures**").

For other currencies denominated Sub Notes

The interest/coupon payment basis is to be determined prior to each issuance.

- (i) *Security /Collateral, where applicable* : None.
- (j) *Details on utilisation of proceeds by Issuer* : The proceeds of the Sub Notes shall be made available to the Issuer, without limitation, for its working capital, general banking and other corporate purposes and where applicable the refinancing of any existing borrowings incurred, subordinated debt issued by the Issuer and any Sub Notes issued.
- (k) *Sinking fund and designated accounts, where applicable* : None.
- (l) *Rating* : For RM denominated Sub Notes Issuance

Unrated.

For other currencies denominated Sub Notes Issuance

In respect of other currencies denominated Sub Notes issuance, the rating requirement is exempted under paragraph 4.11(b) of the SC's Guidelines on Private Debt Securities ("**PDS Guidelines**"). However, in the future, the other currencies denominated Sub Notes may be rated by international rating agency(ies) at the discretion of the Issuer.

Notwithstanding the above, the Issuer reserves the right to rate the Multi-Currency Subordinated Notes Programme during the tenure of the same without requiring the consent of the holders of the Sub Notes on the condition that:

- (i) All the outstanding RM denominated Sub Notes (if any) will be rated;
- (ii) All the future issuance of the RM denominated Sub Notes will be rated;
- (iii) The rating of the outstanding RM denominated Sub Notes which has originally adopted the Consolidated Recognition Option (as defined in paragraph 2.(q)(D)(2)) shall be the same with the rating of the RM denominated Sub Notes;
- (iv) The Multi-Currency Subordinated Programme remains being rated until the expiry of the same; and
- (v) Such rating shall be assigned by a rating

agency registered with the SC, to be determined and appointed by the Issuer in due course.

- (m) *Mode of issue* : The Sub Notes may be issued via direct/private placement on a best effort basis or a bought deal basis or book running on a best effort basis, all without prospectus

For RM denominated Sub Notes issuance

Issuance of the Sub Notes shall be in accordance with the MyClear Rules and Procedures.

For other currencies denominated Sub Notes issuance

The Sub Notes shall be issued in accordance with procedures and rules of the relevant jurisdiction.

- (n) *Selling restriction, including tradability, ie whether tradable or non-tradable* : Selling Restrictions at issuance for unrated RM denominated Sub Notes

The unrated RM denominated Sub Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person falling within any of the categories of persons or in the circumstances specified under:

- (i) Schedule 6 (or Section 229(1)(b)) and Schedule 7 (or Section 230(1)(b)); read together with

- (ii) Schedule 9 (or Section 257(3))

of the Capital Markets and Services Act, 2007, as amended from time to time ("**CMSA**"), and such other selling restrictions as may be applicable outside Malaysia.

The unrated RM denominated Sub Notes will remain non-transferable and non-tradable for such period ("**Non-transferable and Non-tradable Period**") as shall be prescribed pursuant to the PDS Guidelines. Upon the expiry of such Non-transferable and Non-tradable Period, they shall be transferable in accordance with the PDS Guidelines, and subject to the following selling restrictions.

Selling Restrictions after issuance for unrated RM

denominated Sub Notes upon expiry of the Non-transferable and Non-tradable Period

Upon expiry of the Non-transferable and Non-tradable Period, the unrated RM denominated Sub Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person falling within any of the categories of persons or in the circumstances specified under:

- (i) Schedule 6 (or Section 229(1)(b)); read together with
- (ii) Schedule 9 (or Section 257(3))

of the CMSA, and such other selling restrictions as may be applicable outside Malaysia.

Selling Restrictions at issuance for other currencies denominated Sub Notes

The Sub Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase of the Sub Notes and to whom the Sub Notes are issued would fall within:

- (i) Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)); read together with
- (ii) Schedule 8 (or Section 257(3)) or Schedule 9 (or Section 257(3))

of the CMSA, and such other selling restrictions as may be applicable outside Malaysia.

Selling Restrictions after issuance for other currencies denominated Sub Notes

The Sub Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase of the Sub Notes and to whom the Sub Notes are issued would fall within:

- (i) Schedule 6 (or Section 229(1)(b)); read together with
- (ii) Schedule 8 (or Section 257(3)) or Schedule 9 (or Section 257(3))

of the CMSA, and such other selling restrictions as may be applicable outside Malaysia.

Other currencies denominated Sub Notes are transferable and tradable under (a) the Rules on Scripless Securities under the Real Time Electronic Transfer of Funds and Securities System operated by MyClear or (b) such other clearing and settlement rules of the relevant jurisdiction as shall be agreed by the Issuer and the Lead Manager.

In the event the Multi-Currency Subordinated Notes Programme is rated, the following Selling Restrictions shall apply.

Selling Restrictions at issuance for rated RM denominated Sub Notes

The rated RM denominated Sub Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person falling within any of the categories of persons or in the circumstances specified under:

- (i) Schedule 6 (or Section 229(1)(b)) and Schedule 7 (or Section 230(1)(b)); read together with
- (ii) Schedule 9 (or Section 257(3))

of the CMSA, and such other selling restrictions as may be applicable outside Malaysia.

Selling Restrictions after issuance for rated RM denominated Sub Notes

The rated RM denominated Sub Notes may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person falling within any of the categories of persons or in the circumstances specified under:

- (i) Schedule 6 (or Section 229(1)(b)); read together with
- (ii) Schedule 9 (or Section 257(3))

of the CMSA, and such other selling restrictions as may be applicable outside Malaysia

- The rated RM denominated Sub Notes are transferable and tradable.
- (o) *Listing status and types of listing, where applicable* : For RM denominated Sub Notes
- The Sub Notes will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.
- For other currencies denominated Sub Notes
- The Sub Notes may be listed on such stock exchange as may be agreed by the Issuer and the Lead Manager.
- (p) *Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase PDS, and whether or not obtained* : Approval from BNM for the Issuer to establish the Multi-Currency Subordinated Notes Programme was obtained via its letter dated 24 March 2014.
- (q) *Conditions precedent* : To include but not limited to the following (all of which shall be in form and substance acceptable to the PA/LA):
- A. Main Documentation
1. The Transaction Documents (more particularly described in paragraph 2(v)(v)) have been signed and, where applicable, stamped or endorsed as exempted from stamp duty under the relevant legislation and presented for registration.
- B. The Issuer
1. Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer.
 2. Certified true copies of the latest Forms 24, 44 and 49 of the Issuer.
 3. A certified true copy of a board resolution of the Issuer authorising, among others, the issuance of the Sub Notes and the execution of the Transaction Documents.
 4. A list of the Issuer's authorised signatories

and their respective specimen signatures.

5. A report of the relevant company search of the Issuer from the Companies Commission of Malaysia.
6. A report of the relevant winding up search or the relevant statutory declaration of the Issuer (in form and substance acceptable to the LA/PA) signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding up petition has been presented against the Issuer.

C. General

1. The authorisation and approval from the SC and, where applicable, all other regulatory authorities.
2. Approval from shareholder(s) (if applicable) of the Issuer for the Multi-Currency Subordinated Notes Programme.
3. The approval from BNM for the establishment of the Multi-Currency Subordinated Notes Programme.
4. Should a rating by international rating agency(ies) for the non-RM denominated Sub Notes be required by the investor(s), receipt of such rating(s) acceptable to the PA/LA.
5. A legal opinion from the solicitors acting for the PA/LA addressed to the PA/LA advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents.
6. A written confirmation from the solicitors acting for the PA/LA addressed to the PA/LA that all the conditions precedent have been fulfilled and where required, all the necessary Transaction Documents have been presented for registration with the relevant registries.
7. Any other conditions as may be advised by the solicitors acting for the PA/LA.

D. Additional Condition(s) Precedent *(only*

applicable in the event the Multi-Currency Subordinated Programme is rated)

1. Such tranche of the rated RM denominated Sub Notes shall have received the relevant rating acceptable to the PA/LA; and
2. Where a tranche of the rated Sub Notes is to be included as capital in the consolidated total capital of the Hong Leong Financial Group Berhad group, which shall be decided by the Issuer prior to the issuance of such rated tranche ("**Consolidated Recognition Option**"), it is a condition precedent to the issuance of such rated tranche that the Issuer has procured the relevant rating agency's written confirmation that the rating assigned to such rated tranche remains unchanged from the rating originally (or to be) assigned notwithstanding the adoption of Consolidated Recognition Option in respect of such tranche, which confirmation shall be in form and substance acceptable to the PA/LA.

- (r) *Representations and warranties* : Representation and warranties will include such representation and warranties customary and standard for a facility of this nature and shall include, but not limited to the following:
1. The Issuer is duly established and validly in existence and has the power and authority to carry out its business.
 2. The Issuer has the power to enter into the Transaction Documents and exercise its rights to perform its obligations under the Transaction Documents.
 3. Entry into and the exercise of the Issuer's rights and obligations under the Transaction Documents do not violate any existing law or regulation.
 4. The Transaction Documents create valid, binding and enforceable obligations on the part of the Issuer.
 5. All necessary actions, authorisations and consents required under the Transaction

Documents and the Sub Notes have been obtained and remain in full force and effect.

6. The audited accounts of the Issuer are prepared in accordance with generally accepted accounting principles and standards and represent a true and fair view.
7. Save as disclosed in the information memorandum (if any), there is no litigation which would have a material adverse effect on the Issuer's ability to perform its obligations under the Transaction Documents.
8. Any other representation and warranties as may be advised by the solicitors acting for the PA/LA.

(s) *Events of default and enforcement event, where applicable* : Events of Default shall be:

1. Default in payment of any principal or coupon payment and such default continues for a period exceeding seven (7) business days; or
2. If an order is made for the winding up of the Issuer and such order is not stayed or set aside within sixty (60) days of such order being made, or an effective resolution is passed for the winding up of the Issuer except where such order or such resolution is passed for the purpose of a reconstruction or amalgamation of the Issuer, the terms of which have been approved by the holders of the Sub Notes by way of a special resolution.

There will be no other events of default for the Sub Notes under the Multi-Currency Subordinated Notes Programme.

Upon the occurrence of the event of default described in (1.) under the "Events of Default" clause above, subject to the terms of the Trust Deed, the Trustee or the Sub Notes holders are entitled to institute legal proceedings to enforce the obligations of the Issuer for repayment of principal and/or coupon under the Sub Notes that are in default, including to institute proceedings in Malaysia for the winding up of the Issuer. For the avoidance of doubt, neither the Trustee nor any of the Sub Notes holders shall have the right to accelerate payment of the Sub Notes in the case of default in (i) the payment of principal and

coupon on the Sub Notes; and (ii) the performance or observance of any covenant, condition or provision contained in the Sub Notes or any of the Transaction Documents.

For the avoidance of doubt, the occurrence of Event of Default described in (1) above for any tranche of the Sub Notes will not trigger an Event of Default for other tranches of the Sub Notes outstanding.

Upon the occurrence of the event of default described in (2.) under the "**Events of Default**" clause above, subject to the terms of the Trust Deed, the Trustee may by written notice to the Issuer declare that all the Sub Notes issued shall immediately become due and payable at their principal amount together with the accrued but unpaid coupon notwithstanding the stated maturity of the Sub Notes whereupon such amounts shall become immediately due and payable.

(t) *Covenants*

: In respect of the Ringgit denominated Sub Notes, the Issuer shall comply with such applicable positive covenants as may be advised by the solicitors acting for the PA/LA and/or which are required in order to comply with the SC's Trust Deed Guidelines, unless waived, including, but not limited to the following:

1. Exercise reasonable diligence in carrying on its business in a proper and efficient manner and keep in force and effect all licenses, consents and rights necessary for the conduct of its business.
2. At all times comply with all relevant laws and regulations.
3. Maintain a paying agent in Malaysia.
4. Maintain proper books and accounts and deliver a copy of its audited financial statements to the Trustee in a timely manner.
5. Inform the Trustee of any actual or potential Event of Default.
6. Deliver to the Trustee an annual certificate of compliance.

In respect of the other currencies denominated Sub Notes, the Issuer shall comply with such applicable covenants which are to be agreed between the relevant parties and are required in order to comply with the relevant guidelines or laws in the relevant jurisdiction.

(u) *Provisions on buy-back and early redemption of PDS* : *Buyback of the Sub Notes*

The Issuer or any of its subsidiaries may at any time purchase, subject to the prior approval of BNM where applicable (but which approval shall not be required for a purchase done in the ordinary course of business), the Sub Notes at any price in the open market or by private treaty provided no Non-Viability Event (as defined in paragraph 2(v)(ix) below) has occurred prior to the date of such purchase. If purchase is made by tender for a tranche of the Sub Notes, such tender must (subject to any applicable rules and regulations) be made available to all holders of that tranche of the Sub Notes equally.

The Sub Notes purchased by the Issuer or its subsidiaries (other than in the ordinary course of business) shall be cancelled and cannot be resold. The Sub-Notes purchased by related corporations (other than its subsidiaries) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, need not be cancelled but they will not entitle such related corporations or interested person of the Issuer to vote under the terms of the Sub Notes subject to any exceptions in the SC's Trust Deeds Guidelines.

For the avoidance of doubt, the Sub Notes held by related corporations or any interested person of the Issuer shall not be counted for the purposes of voting subject to any exceptions in the SC's Trust Deeds Guidelines. The Sub Notes purchased and cancelled shall not be available for reissuance by the Issuer.

For the purpose of this clause, the term "ordinary course of business" includes those activities performed by the Issuer or any related corporation of the Issuer for third parties but excludes those performed for the funds of the Issuer or such related corporation. Third parties herein refer to clients of the Issuer, of its subsidiaries' and of

related corporations.

For the avoidance of doubt, Sub Notes bought back and cancelled by the Issuer shall not cause any reduction in the Multi-Currency Subordinated Notes Programme, and new Sub Notes may be issued subject to the limit and tenure of the same as elaborated above.

Optional/Early Redemption (Exercise of the Call Option)

Subject to the prior approval of BNM being obtained, the Issuer may, at its sole discretion, redeem any tranche of the Sub Notes where applicable (in whole or in part) on the Call Date at the Redemption Amount. The Optional/Early Redemption exercised by the Issuer of the Sub Notes of any tranche does not trigger the redemption of the Sub Notes in other tranches.

Regulatory Redemption

If at any time there is more than an insubstantial risk, as determined by the Issuer, that (i) any tranche of the Sub Notes (in whole or in part) issued will, either immediately or with the passage of time or upon either the giving of notice or fulfilment of a condition, no longer fully qualify as Tier 2 capital of the Issuer (whether due to a change in accounting or tax policies or BNM's regulations or otherwise) for the purposes of BNM's capital adequacy requirements under any regulations applicable to the Issuer; or (ii) changes in law will make it unlawful to continue performing its obligations under the Sub Notes, the Issuer may at its option, redeem such tranche of the Sub Notes in full at the Redemption Amount, subject to the prior approval of BNM.

Tax Redemption

If there is more than an insubstantial risk that:

1. the Issuer has or will become obliged to pay any additional amounts because of taxes, duties, assessments or government charges of whatever nature as a result of or in connection with any tranche of the Sub Notes

issued; or

2. the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment of interest in respect of any tranche of the Sub Notes issued;

as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of first issue and the Issuer cannot, by taking reasonable measures available to it, avoid the payment of any additional amounts or deduct interest in respect of any tranche of the Sub Notes, then the Issuer may, subject to the prior approval of BNM being obtained, at its option, redeem any tranche of the Sub Notes (in whole or in part) at the Redemption Amount.

(v) *Other principal terms and conditions for the issue*

- (i) *Redemption at maturity* : Unless previously purchased from the market and cancelled or redeemed pursuant to paragraph 2(u) above, the Sub Notes will be redeemed at Redemption Amount on their respective maturity dates.
- (ii) *Redemption Amount* : Means an amount equal to 100% of the nominal value of the relevant Sub Notes together with accrued but unpaid interest (if any) relating to the then current interest period (if any) up to (and excluding) the date on which the Sub Notes are redeemed.
- (iii) *Form and denomination* : The RM denominated Sub Notes shall be issued in bearer form and accordance with the MyClear Rules and Procedures. Each of the Sub Notes issued shall be represented by a global certificate to be deposited with BNM, and is exchanged for a definitive bearer form only in certain limited circumstances. The denomination of the Sub Notes shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

In respect of other currencies denominated Sub

Notes, it will be issued in bearer or registered form, and in each case, the specified denomination(s) is to be determined for each series of the Sub Notes. Each issue of the Sub Notes shall be represented by a global certificate (exchangeable for definitive certificates on the occurrence of certain events) in accordance with the rules and procedures of the relevant clearing body, exchange and jurisdiction.

- (iv) *Status of Sub Notes* : The Sub Notes constitute direct and unsecured obligations of the Issuer and subordinated in right and priority of payment, to the extent and in the manner provided in the Sub Notes, ranking pari passu and rateably, without discrimination, preferences or priority amongst themselves and rank above the share capital of the Issuer but the claims of the holders of the Sub Notes pursuant to the “**Events of Default**” clause above shall, in the event of a winding up or liquidation of the Issuer, be subordinated in right and priority of payment to all claims of depositors and all other creditors of the Issuer except for the claims in respect of the Issuer’s unsecured and subordinated obligations which by their terms rank equally in right and priority of payment with or are expressed to be subordinated to the Sub Notes.
- (v) *Transaction Documents* : The Transaction Documents shall include (but not limited) to the following:
1. Programme Agreement;
 2. Trust Deed;
 3. Securities Lodgement Form; and
 4. Any other agreements as may be advised by the solicitors.
- (vi) *Taxation* : All payments by the Issuer shall be made subject to withholding or deductions for or on account of any present or future tax, duty, or charge of whatsoever nature imposed or levied by or on behalf of Malaysia, or any authority thereof having power to tax, and the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.
- (vii) *No further rights to participate in profits and assets* : The holders of the Sub Notes shall not be conferred any right or claim as regards to participation in the profits and assets of the

Issuer.

- (viii) *Voting Rights* : Holders of the Sub Notes will not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or to participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the holders of the Sub Notes, and as such, the relationship between the Issuer and the holders of the Sub Notes shall not be governed by the Memorandum and Articles of Association of the Issuer.
- (ix) *Non viability loss absorption* : Following the occurrence of the following trigger events (each a “**Non-Viability Event**”), whichever is earlier:
- (i) BNM has notified the Issuer in writing that they are of the view that the principal write off of the Sub Notes, together with the conversion or write off of any other Tier 2 Instruments and Tier 1 Instruments which, pursuant to their terms or by operation of law, are capable of being converted into common equity, written off at that time, is necessary without which the Issuer or the Hong Leong Financial Group Berhad group (if the Consolidated Recognition Option has been adopted in respect of such tranche of the Sub Notes), will cease to be viable; or
 - (ii) BNM publicly announces that a decision has been made by BNM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer or the Hong Leong Financial Group Berhad group (if the Consolidated Recognition Option has been adopted in respect of such tranche of the Sub-Notes), would cease to be viable,

BNM shall have the option to require the entire principal outstanding or such portion thereof and all other amounts owing under the Sub Notes to be written off, and if BNM elects to exercise such option, subject to and as of the date of the occurrence of the Non- Viability Event (as defined above), each of the holders of the Sub Notes hereby irrevocably waives its right to receive repayment of the principal amount of the Sub Notes so written off and also irrevocably waives

its right to any interest (including interest accrued but unpaid up to the date of the occurrence of a Non-Viability Event).

For the avoidance of doubt, the requirement for a write off following the occurrence of a Non-Viability Event involving the Hong Leong Financial Group Berhad group will only apply to such tranche of the Sub Notes in respect of which the Consolidated Recognition Option has been adopted and will not apply to other tranches of the Sub Notes in respect of which the Consolidated Recognition Option has not been adopted.

For the avoidance of doubt, upon the occurrence of a Non-Viability Event as described under (i) or (ii) above, where the Issuer is required by BNM to write off or convert a portion of all the Tier 2 Instruments and Tier 1 Instruments of the Issuer which, pursuant to their terms or by operation of law, are capable of being converted into common equity or written off at that time, the Issuer shall first convert or write off the relevant Tier 1 Instruments, to be followed by the write off or conversion of the relevant Tier 2 Instruments on a pari passu basis.

For the avoidance of doubt, such write off shall not constitute an event of default or enforcement event, nor would it trigger a cross-default under the Sub Notes.

A Non-Viability Event shall be deemed to have occurred on the day on which the Issuer received the notification from the BNM as per the clause herein where the Issuer shall immediately inform the Trustee and rating agency (if applicable) of the same.

The Sub Notes will under no circumstances be converted into equity of the Issuer and will only absorb losses pursuant to the terms specified herein.

- (x) *Other Conditions* : The Sub Notes shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or any other authority having jurisdiction over matters pertaining to the Sub Notes.
- (xi) *Governing Laws* : For RM denominated Sub Notes issuance

Laws of Malaysia.

For other currencies denominated Sub Notes
issuance

The laws of such jurisdiction as shall be agreed
upon by the Issuer and the Lead Manager.

(xii) *Jurisdiction*

: For RM denominated Sub Notes issuance

The Issuer shall unconditionally and irrevocably
submit to the exclusive jurisdiction of the courts of
Malaysia.

For other currencies denominated Sub Notes
issuance

The jurisdiction of such courts as shall be agreed
upon by the Issuer and the Lead Manager.

Annex 1

Date	Nature of Breaches	Stock Exchange	Action
2 August 2013	<p>The Issuer had self-reported an incident where its equities broking business unit had committed a non-compliance with regards the Rules of Bursa Malaysia Securities Clearing Sdn Bhd for failure to submit true and accurate information pertaining to its monthly clearing fee submission / report between March 2010 to May 2012.</p>	<p>Bursa Malaysia Securities Berhad ("Bursa Securities")</p>	<p>Fine of RM5,000 imposed</p>
21 July 2009	<p>MIMB Investment Bank Berhad ("MIMB", presently known as Hong Leong Investment Bank Berhad, the Issuer) received a letter dated 21 July 2009 from Bursa Securities informing that an investigation is being conducted in relation to the complaint lodged by "R", a client of MIMB's remisier, "A".</p> <p>"R" (the complainant), claimed that she was induced by "B" (a dispatch clerk with MIMB, whose employment has since been terminated) to invest in a scheme purportedly offered by MIMB which claimed would generate a fixed return of 30% per month. The complainant had deposited 2 cheques into MIMB's trust account for the collective sum of RM75,000. Upon internal investigation by MIMB, it was discovered that the monies deposited by "R" had been claimed and withdrawn by two MIMB remisiers ("C" and "W") on behalf of their respective clients ("P" and "H") respectively.</p> <p>Based on legal advice obtained from a particular law firm, the board of MIMB had decided to withhold the RM75,000 deposited by "R" with MIMB. MIMB had also lodged a police report against the 2 remisiers, namely "C" and "W" (who have been terminated by MIMB). Meanwhile, the sum of RM75,000 has been set aside in the trust account of MIMB, in favour of "R", pending the outcome of the police investigations.</p> <p>"R" had, via her solicitors, served a legal letter of demand for the refund of the RM75,000 but management of MIMB had instructed its solicitors to refute the demand. In the event a claim is filed and served, MIMB intends to file a third party notice</p>	<p>Bursa Securities</p>	<p>Fine of RM15,000 (paid on 19 December 2011)</p>

	<p>against the remisers who are alleged to be involved in the withdrawal of "R"'s monies from MIMB's trust account. However, "R" had not proceeded with further legal action but made application to claim against the Compensation Fund under the CMSA.</p> <p>Further to the requisite notice issued by Bursa Securities dated 14 October 2011, the written response of MIMB dated 28 October 2011 and the oral representation by MIMB on 17 November 2011, Bursa Securities vide its letters dated 30 November 2011 and 6 December 2011, informed MIMB the following:-</p> <p>(i) that the Market Participants Committee of Bursa Securities ("MPC") had found that MIMB had acted or omitted to act in a manner that it had triggered the provision of Rule 1302.1(1)(a) of the Rules of Bursa Securities and contravened Rules 404.1(7)(b) & (c), 404.1(11) and 404.3(11) of the Rules of Bursa Securities, and accordingly had imposed certain sanctions on MIMB, including a fine of RM15,000; and</p> <p>(ii) the Compensation Committee of Bursa Securities had allowed part of "R"'s claim amounting to RM66,000 after taking into consideration the monies received by her and request MIMB for the reimbursement of the same as the amount is deemed subrogated to Bursa Securities.</p> <p>MIMB's Risk Assessment Committee and board of directors had concurred that MIMB accede to the fine of RM15,000 to Bursa Securities inspite of the detailed reply and oral representations made and in view of the amount of time and effort for further appeals that does not justify the amount of the fine. As such, the amount of RM15,000 has been paid to the Bursa Securities on 19 December 2011. As for the Compensation Fund claim by "R", Bursa Securities had paid to "R" the amount of RM66,000 under Section 154 of the CMSA and claimed the amount from MIMB. As there is no provision for appeal as the decision is final, MIMB had reimbursed Bursa Securities on 19 December 2011 from the Trust monies set aside for "R"'s claim accordingly.</p>		
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	<p>Besides, Bursa Securities also issued separate Requisite Notices on 6 October 2011 under Rule 1303.1 of the Rules of Bursa Securities to "W" and "A" (who has left MIMB) in respect of violation of the rules of Bursa Securities. Having taken into consideration the relevant facts and circumstances and their respective written explanations, the MPC decided to impose sanctions against them after finding them to have acted or omitted to act in such manner that they had contravened and/or triggered the relevant provisions of the rules of Bursa Securities.</p> <p>"W" appealed against the aforesaid decision but Bursa Securities vide its letter dated 19 January 2012 informed him that its Appeals Committee, after having considered his appeal, has decided to uphold the decision of the MPC and dismissed his appeal against the decision of the MPC. Thus, he was publically reprimanded and is required to pay a fine and is restricted from trading on or through the stock market of Bursa as a Dealer's Representative for 18 months.</p> <p>The MPC had imposed a fine amounting to RM1,000 on "A".</p>		
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