

MENANG CORPORATION (M) BERHAD ("MCB" OR THE "COMPANY")

PROPOSED BONUS ISSUE OF 133,553,500 WARRANTS IN MCB ("WARRANT(S)") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH IN MCB ("MCB SHARE(S)" OR "SHARE(S)") AT AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE OF WARRANTS")

1. INTRODUCTION

On behalf of the Board of Directors ("Board") of the Company, M&A Securities Sdn Bhd ("M&A Securities") wishes to announce that the Company proposes to undertake a bonus issue of 133,553,500 Warrants on the basis of one (1) Warrant for every two (2) MCB Shares held.

2. PROPOSED BONUS ISSUE OF WARRANTS

2.1 Number of Warrants to be issued

As at the date of this announcement, MCB has an issued and paid up capital of RM133,553,500, comprising 267,107,000 MCB Shares. Accordingly, the Proposed Bonus Issue of Warrants will involve an issuance of 133,553,500 Warrants on the basis of one (1) Warrant for every two (2) MCB Shares held by the shareholders of MCB on an entitlement date to be determined later ("Entitlement Date").

The Entitlement Date will be determined and announced after the receipt of all relevant approvals for the Proposed Bonus Issue of Warrants. The Proposed Bonus Issue of Warrants will be implemented in a single issuance.

2.2 Capitalisation of reserves

There will not be any capitalisation of reserves arising from the issuance of the Warrants pursuant to the Proposed Bonus Issue of Warrants. Therefore, the requirement to ensure that the necessary reserves required for capitalisation of bonus issues is unimpaired by losses of the Company on a consolidated basis pursuant to Paragraph 6.30 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") is not relevant with regards to the Proposed Bonus Issue of Warrants.

2.3 Basis of determining the exercise price of the Warrants

The exercise price of the Warrants shall be determined and announced by the Board at a later date after obtaining the relevant approvals but before the Entitlement Date, after taking into consideration, amongst others, the following:-

- (i) the historical price movement of MCB Shares;
- (ii) the five (5)-day volume weighted average price ("5D-VWAP") of MCB Shares;
- (iii) prevailing market conditions;
- (iv) trading and liquidity of MCB Shares;
- (v) the par value of MCB Shares of RM0.50 each; and
- (vi) that the Warrants will be issued at no cost to the entitled shareholders of MCB.

At this juncture, the Board has yet to determine the range of premium or discount to be applied in determining the exercise price of the Warrants. For illustrative purposes, the indicative exercise price of the Warrants is assumed at RM1.00, representing a premium of approximately 8.7% to the 5D-VWAP of MCB Shares of RM0.92 up to 2 April 2014, being the date immediately preceding the date of this announcement.

The Board wishes to emphasise that the indicative exercise price of the Warrants of RM1.00 per Warrant should not be taken as an indication of or reference to the actual exercise price of the Warrants, which will be determined and announced at the price fixing date.

2.4 Listing of and quotation for the Warrants and new MCB Shares to be issued arising from the exercise of the Warrants

An application will be made to Bursa Securities for the admission of the Warrants to the Official List of the Main Market of Bursa Securities as well as for the listing of and quotation for the Warrants and the new MCB Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

2.5 Ranking of the Warrants and the new MCB Shares to be issued arising from the exercise of the Warrants

The holders of the Warrants will not be entitled to any voting rights or participation in any form of distribution other than on winding-up compromise or arrangement of MCB as set out in a deed poll constituting the Warrants and/or any offer of further securities in MCB until and unless such holders of the Warrants exercise their Warrants into new MCB Shares.

The new MCB Shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MCB shares, save and except that they shall not be entitled to participate in any rights, allotments, dividends and/or other distributions, the entitlement date of which precedes the date of allotment of the said new MCB Shares issued pursuant to the exercise of the Warrants.

2.6 Entitlement to the Warrants

The Warrants to be issued will be allotted and issued to the shareholders of MCB whose names appear in the Record of Depositors of the Company on the Entitlement Date.

In determining the shareholders' entitlement to the Warrants, fractional entitlements, if any, shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in order to minimise the incidence of odd lots and in the best interest of the Company.

2.7 Indicative salient terms of the Warrants

Terms	Details
Number of Warrants	: 133,553,500 Warrants to subscribe for 133,553,500 new MCB Shares.
Form and denomination	: The Warrants will be issued in registered form and will be constituted by a deed poll.
Exercise Rights	: Each Warrant entitles the registered holder to subscribe for one (1) new MCB Share at the Exercise Price during the Exercise Period and shall be subject to adjustment in accordance with the provisions of the deed poll.

Terms	Details
Exercise Price	: The exercise price of the Warrants shall be determined and fixed by the Board and announced at a later date, after obtaining the relevant approvals but before the Entitlement Date. Kindly refer to Section 2.3 of this announcement for the basis of determining the exercise price of the Warrants.
Exercise Period	: The Warrants may be exercised any time during the tenure of the Warrants of five (5) years including and commencing from the issue date and ending at 5.00 p.m. on the Expiry Date. Any Warrants which have not then been exercised will lapse and every Warrant not exercised by then will cease to be valid for any purpose.
Expiry Date	: A date which falls on the day before the fifth (5 th) anniversary of the issue date, provided that if such day falls on a day which is not a market day, then it shall be the market day immediately preceding the said non market day.
Adjustment in the Exercise Price and/or the number of Warrants in the event of alteration to the share capital	: Subject to the provisions of the deed poll, the Exercise Price and/or the number of Warrants held by each holder of Warrants shall be adjusted by the Board in consultation with an approved adviser appointed by the Company and certification by the auditors of MCB in the event of alteration to the share capital of the Company.
Status of the new MCB Shares to be issued pursuant to the exercise of the Warrants	: The new MCB Shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing MCB shares, save and except that they shall not be entitled to participate in any rights, allotments, dividends and/or other distributions, the entitlement date of which precedes the date of allotment of the said new MCB Shares issued pursuant to the exercise of the Warrants.
Modification of rights of Warrant holder	: The Company may, from time to time, without the consent or sanction of the holders of the Warrants but in accordance with the deed poll, modify the deed poll, if such modification made does not materially prejudice the interests of the holders of the Warrants or is made to correct a manifest error or to comply with prevailing laws of Malaysia, rules of the Bursa Malaysia Depository Sdn Bhd, Securities Industry (Central Depositories) Act, 1991 and/or Bursa Securities' Listing Requirements. Subject to the approval of any relevant authority, any modification, alteration or abrogation of the covenants or provisions contained in the deed poll proposed or agreed to by the Company must be sanctioned by special resolution of the holders of the Warrants, effected by a deed poll, executed by the Company and expressed to be supplemental and comply with the requirements of the Deed Poll.
Rights of holders of Warrants	: The holders of Warrants are not entitled to any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company until and unless such holder of Warrants are issued with new MCB Shares arising from their exercise of the Warrants.

Terms**Details**

- Rights in the event of winding up, liquidation or an event of default : Where a resolution has been passed by the Company for a members' voluntary winding-up or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies then:
- (a) for the purpose of such a winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of Warrants or some persons designated by them for such purposes by special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of Warrants; and
 - (b) in any other case, every Warrant holder shall be entitled at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies, to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the subscription rights represented by such Warrants to the extent specified in the exercise notice and be entitled to receive out of the assets of the Company which would be available in liquidation if he had on such date been the holder of the new MCB Shares to which he would have become entitled pursuant to such exercise; and the liquidator of the Company shall give effect to such election accordingly. Upon the expiry of the above six (6) weeks, all exercise rights of the Warrants shall lapse and cease to be valid for any purpose.
- Board Lot : The Warrants are tradeable upon listing in board lots of 100 units carrying the right to subscribe for 100 new MCB Shares at any time during the Exercise Period or such other number of units as may be prescribed by Bursa Securities.
- Listing : The Warrants will be listed on the Main Market of Bursa Securities.
- Transferability : The Warrants are transferable by transfer prescribed by the rules of Bursa Malaysia Depository Sdn Bhd and in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991 and the rules of Bursa Malaysia Depository Sdn Bhd.
- Governing Law : Laws of Malaysia.

3. UTILISATION OF PROCEEDS

The Proposed Bonus Issue of Warrants is not expected to raise any immediate funds upon its issuance as the Warrants will be issued at no cost to the entitled shareholders of MCB. The exact quantum of the future proceeds that may be raised by MCB from the exercise of the Warrants would depend upon the exercise price of the Warrants and the actual number of Warrants exercised during the tenure of the Warrants. As such, the exact timeframe for the utilisation of the proceeds is not determinable at this juncture.

Assuming full exercise of the Warrants at an indicative exercise price of RM1.00 per Warrant, a total of 133,553,500 new MCB Shares will be issued and the Company could potentially raise the gross proceeds of RM133.5 million.

The proceeds to be raised, as and when the Warrants are exercised, shall be utilised for repayment of bank borrowings and future working capital requirements of MCB and its subsidiaries ("MCB Group"), which include, amongst others, staff costs and other operating expenses. The proceeds to be utilised for each component of working capital and its timeframes are subject to MCB Group's operating requirements at the time of utilisation and therefore cannot be determined at this juncture.

4. RATIONALE FOR THE PROPOSED BONUS ISSUE OF WARRANTS

The Proposed Bonus Issue of Warrants is to reward existing shareholders of the Company while potentially enhancing the Company's capital base as the Proposed Bonus Issue of Warrants shall:-

- (i) aim to reward the existing shareholders of the Company for their support by enabling them to participate in a derivative of the Company without incurring any cost;
- (ii) provide the existing shareholders of the Company with an opportunity to increase their equity in the Company at a predetermined price during the tenure of the Warrants;
- (iii) allow the existing shareholders of the Company to further participate in the future prospects and growth of the Company;
- (iv) provide the opportunity to increase the liquidity of MCB's Shares in the market; and
- (v) provide the Company with additional capital as and when the Warrants are exercised during the tenure of the Warrants without incurring additional financing cost and minimise any potential cash outflow in respect of interest servicing.

The Proposed Bonus Issue of Warrants will involve the issuance of Warrants without diluting the existing shareholders' equity interest assuming all shareholders fully exercise their Warrants entitlement subsequently.

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5. FINANCIAL EFFECTS OF THE PROPOSED BONUS ISSUE OF WARRANTS

5.1 Share capital

The proforma effects of the Proposed Bonus Issue of Warrants on the issued and paid-up share capital of MCB is set out as follows:-

	No. of MCB Shares (^{'000})	RM (^{'000})
As at the date of this announcement	267,107	133,554
MCB Shares to be issued pursuant to the full exercise of the Warrants	133,554	66,777
Enlarged share capital	400,661	200,331

5.2 Net assets and gearing

Based on the audited consolidated statement of financial position of MCB as at 30 June 2013, the proforma effects of the Proposed Bonus Issue of Warrants on the net assets and gearing of MCB is set out below:-

	As at 30 June 2013 RM ^{'000}	I After the Proposed Bonus Issue of Warrants RM ^{'000}	II After I and assuming full exercise of Warrants RM ^{'000}
Share Capital	133,553	133,553	200,330
Share premium	-	-	66,777 [^]
Accumulated losses	(39,358)	(39,558)*	(39,558)
Capital reduction reserve	84,044	84,044	84,044
Available for sale reserve	5	5	5
Shareholders' funds/Net assets	178,244	178,044	311,598
No. of MCB Shares (^{'000})	267,107	267,107	400,661
Net assets per MCB Share	0.67	0.67	0.78
Interest-bearing borrowings ⁺ (^{'000})	349,909	349,909	349,909
Gearing	1.96	1.97	1.12

Notes:

* After deducting estimated expenses in relation to the Proposed Bonus Issue of Warrants of RM200,000.

[^] Based on the indicative exercise price of RM1.00 per Warrant.

⁺ Approximately RM281.3 million out of the total borrowings of RM349.9 million is secured over three (3) separate concession agreements with the Government of Malaysia as represented by the Ministry of Higher Education Malaysia ("the Government") and Universiti Teknologi MARA ("UiTM") to undertake the construction of three (3) UiTM campus on a Private Finance Initiative ("PFI") basis. The PFI is undertaken under the concept of "Build-Lease-Maintain-Transfer". Upon completion of the buildings, the buildings will be leased to the Government/UiTM for a concession period of 20 years for which, the MCB Group will maintain the facilities and infrastructure of the buildings.

5.3 Earnings and Earnings per Share

The Proposed Bonus Issue of Warrants is not expected to have an immediate material effect on the earnings and earnings per share of MCB.

Although the exercise of the Warrants is expected to dilute the consolidated earnings per share of the Company as a result of the increase in the number of MCB Shares in issue, the proceeds derived from the exercise of the Warrants are expected to contribute positively to the future earnings of MCB.

5.4 Existing convertible securities

As at the date of this announcement, the Company does not have any outstanding convertible securities in issue.

5.5 Substantial shareholders' shareholdings

The Proposed Bonus Issue of Warrants will not have any effect on the shareholdings of the substantial shareholders of MCB. Assuming full exercise of the Warrants, there is no effect to the percentage shareholdings of the substantial shareholders, but the number of MCB Shares held by each substantial shareholder will increase proportionately.

6. APPROVALS REQUIRED

The Proposed Bonus Issue of Warrants is subject to the following approvals:-

- (i) Bursa Securities, for the following:-
 - (a) the admission of the Warrants to the Official List; and
 - (b) the listing of and quotation for the Warrants and the new MCB Shares to be issued arising from the exercise of the Warrants,
on the Main Market of Bursa Securities;
- (ii) the shareholders of MCB at an extraordinary general meeting of the Company to be convened; and
- (iii) any other relevant authority, if required.

The Proposed Bonus Issue of Warrants is not conditional upon any other proposals undertaken or to be undertaken by the Company.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Proposed Bonus Issue of Warrants other than their respective entitlements under the Proposed Bonus Issue of Warrants, for which all shareholders of MCB are entitled to.

8. DIRECTORS' RECOMMENDATION

After having considered all aspects of the Proposed Bonus Issue of Warrants, the Board is of the opinion that the Proposed Bonus Issue of Warrants is in the best interest of MCB.

9. ADVISER

M&A Securities has been appointed as Adviser to MCB for the Proposed Bonus Issue of Warrants.

10. APPLICATIONS TO THE RELEVANT AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, applications to the relevant authorities in respect of the Proposed Bonus Issue of Warrants are expected to be submitted within two (2) months from the date of this announcement and the Proposed Bonus Issue of Warrants is expected to be completed in the second quarter of 2014.

This announcement is dated 3 April 2014.