

## **5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS**

### **5.1 INTRODUCTION**

HACB was listed on the Second Board of the MSEC on 18 January 1995 and is principally involved in the undertaking of earthworks, foundation and construction contracts. Its subsidiaries are involved in manufacturing of cement sand bricks and pre-cast blocks, trading, supplying and distribution of building materials, building construction, property development and also oil palm plantation. The slowing down in the construction industry, the general down turn of the Malaysian economy in 1997 and the high interest costs arising from the debts of HACB had severely affected the business activities of HACB. In 2001, HACB defaulted in its loan obligations to its creditor banks.

On 1 April 2002, the Company had announced that Mr. Patrick Chew Kok Bin and Mr. Alvin Tee Guan Pian of Anuarul Azizan Chew & Co. have been appointed as the SA of HACB pursuant to Section 24 of the Act. The Company also had, on 9 April 2002 made its "First Announcement" to comply with Practice Note 4/2001 ("PN4") of the MSEC Listing Requirements and announced its status as an affected listed issuer under the PN4.

Pursuant to Section 44 of the Act, the SA is required to prepare and submit a workout proposal (defined as "SA Proposal") to Danaharta to be independently reviewed by an independent advisor to be appointed under the Act to review the reasonableness of the SA Proposal, taking into consideration of the interests of unsecured creditors, secured creditors and members of HACB.

AmMerchant Bank, on behalf of the Company had, on 8 August 2002, announced that the SA had on behalf of HACB, on 7 August 2002, entered into the Definitive Agreement, with LDCSB Vendors and LDCSB with the intention to regulate and record their understanding of the principal terms of the SA Proposal. Subsequently, on 13 November 2002, a Supplemental DA was entered into between the SA, on behalf of HACB and LDCSB Vendors and LDCSB to vary the terms and conditions of the DA. On 17 February 2003, a Second Supplemental DA was entered into between the SA, LDCSB Vendors and LDCSB to further vary the terms of the LDB ICULS.

### **5.2 RESTRUCTURING SCHEME**

- (i) Capital reduction of HACB's existing issued and paid-up share capital of RM48,367,124, comprising 48,367,124 HACB Shares to RM483,671 comprising ordinary shares of RM0.01 each, representing a capital reduction of RM0.99 for each existing ordinary share of RM1.00 each in HACB ("HACB Share") and thereafter a consolidation of 100 HACB shares of RM0.01 each into one(1) new consolidated HACB Share;
- (ii) Arrangement of HACB Irredeemable Convertible Unsecured Loan Stock ("HACB ICULS") and cancellation of outstanding HACB Warrants and Employee Share Option Scheme ("HACB ESOS");
- (iii) Acquisition by LDB of the entire equity interest of HACB via the issuance of 483,671 new ordinary shares of RM0.50 each in LDB ("LDB Share") at an issue price of RM0.50 per LDB Share on the basis of one(1) new LDB Share for every one(1) consolidated HACB Share held by the shareholders of HACB;
- (iv) Acquisition by LDB of the entire equity interest of LDCSB comprising 17.0 million ordinary shares of RM1.00 each from the LDCSB Vendors for a total consideration of RM74.5 million to be satisfied via an issuance of 113.0 million LDB Shares at an issue price of RM0.50 per LDB Share and 18.0 million 2% LDB ICULS with a nominal value of RM1.00 each to be issued at 100% nominal value of LDB ICULS. The acquisition was completed on 7 January 2004.

## 5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS (*Cont'd*)

- (v) Exemption to LDCSB Vendors from the obligation to extend an unconditional mandatory general offer for the remaining shares in LDB not held by Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin and Datin Nor Hayati Bt Abd Malik;
- (vi) Fund raising via the following exercises:
- Public Issue of 5.0 million new LDB Shares at an issue price of RM1.20 per Public Issue Share to eligible Directors and employees of LDCSB, potential investors and the Malaysian public;
  - Offer For Sale of 5.0 million LDB Shares by LDCSB Vendors to the Malaysian public and placement of 14.0 million LDB Shares by LDCSB Vendors to placees to be identified at an offer price of RM1.20 per LDB Share; and
  - Placement of up to RM100,000 nominal value of LDB ICULS at 100% of the nominal value of RM1.00 each by the creditors of HACB
- (vii) Settlement of amounts owing by HACB to its creditors by undertaking the following proposals ("Debt Settlement"):
- *Cash Payment*  
The Cash Payment involves the payment by cash of RM10,167,941 by the LDCSB Vendors to the SA and/or the creditors' agent and/or their nominees for the purposes of part settlement to the creditors of HACB, which will be derived from the proceeds of the Offer for Sale and placement of LDB Shares;
  - *Transfer of LDB Shares*  
The Promoter will transfer a total of 9.0 million LDB Shares, arising from the Acquisition of LDCSB, at par value to the SA and/or the creditors' agent and/or their nominees for the purposes of part settlement to the creditors of HACB.  
  
The abovementioned transfer shares shall be one of the subjects of the Put and Call Arrangement, of which the details are set out below. The Transfer of LDB Shares and Put and Call Arrangement for the Transfer Shares will part settle an amount of approximately RM9 million of the total known debts as at the cut-off date of the SA Proposal, i.e. 31 March 2002.
  - *Transfer of LDB ICULS*  
In addition to the Transfer of LDB Shares, the Promoter will transfer at nominal value all RM18.0 million nominal value of LDB ICULS comprising 18.0 million LDB ICULS with a nominal value of RM1.00 each issued to the LDCSB Vendors pursuant to the Acquisition of LDCSB, to the SA and/or the creditors' agent and/or their nominees for the purposes of part settlement to the creditors of HACB.  
  
The LDB ICULS shall be one of the subjects of the Put and Call Arrangement, of which the details are set out below. The Transfer of LDB ICULS and Put and Call Arrangement for the LDB ICULS will part settle an amount of approximately RM18 million of the total outstanding debts as at the cut-off date of the SA Proposal, i.e. 31 March 2002.

## 5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS (Cont'd)

- *Put and Call Arrangement*

**(A) Transfer Shares**

As an integral part of the Debt Settlement, the following put and call option with regards to the Transfer Shares has been entered into on 13 November 2002 between the Promoter and the SA and/or the creditors' agent and/or their nominees:

- (i) The Promoter will grant the creditors of HACB (through the SA and/or creditors' agent and/or their nominees) an irrevocable and unconditional right to require the Promoter to acquire the Transfer Shares from the creditors of HACB at the option price of RM1.00 for every Transfer Share, together with holding costs at the rate of 8.5% per annum calculated on a daily rest basis ("Shares Option Price"). The aforementioned option period will commence on the expiry of the option period in Section 5.2(vii)(A)(ii) and expiring twenty(20) market days thereafter; and
- (ii) the creditors of HACB (through the SA and/or Creditors' Agent and/or their nominees) will grant the Promoter an irrevocable and unconditional right to require the creditors of HACB to sell the Transfer Shares to the Promoter at the Shares Option Price. The aforementioned option period will commence on the actual date of listing of and quotation for the LDB Shares and expiring six(6) months thereafter .

The Transfer Shares will be secured by 4.5 million LDB Shares which are not under moratorium, owned by the Promoter. For this purpose, the Promoter has entered into such security documentation in form and substance annexed to the put and call option agreement on 13 November 2002.

The Shares Option Price of RM1.00 per every Transfer Share is based on the following:

- a discount of approximately 16.7% over the indicative issue price of RM1.20 per LDB Share pursuant to the Public Offering; and
- a premium of 100% over the par value of the LDB Shares.

**(B) LDB Option ICULS**

As an integral part of the Debt Settlement, the following put and call option with regards to RM12.0 million nominal value of LDB ICULS comprising 12.0 million LDB ICULS with a nominal value of RM1.00 each ("LDB Option ICULS") arising from the Transfer of LDB ICULS has been entered into between the Promoter and the SA and/or the creditors' agent and/or their nominees on 13 November 2003:

- (i) The Promoter will grant the creditors of HACB (through the SA and/or Creditors' Agent and/or their nominees) an irrevocable and unconditional right to require the Promoter to acquire the LDB Option ICULS from the creditors of HACB at the option price of RM1.00 for every nominal value of the LDB Option ICULS, together with holding costs at the rate of 8.5% per annum calculated on a daily rest basis ("ICULS Option Price") during the following period; and

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- the period commencing on the first anniversary of the issue date of the LDB ICULS ("Issue Date") and expiring twenty (20) market days thereafter;
  - the period commencing on the second anniversary of the Issue Date and expiring twenty (20) market days thereafter; and
  - the period commencing on the sixth month prior to the maturity date of LDB ICULS and expiring twenty (20) market days thereafter.
- (ii) the Creditors (through the SA and/or Creditors' Agent and/or their nominees) will grant the Promoter an irrevocable and unconditional right to require the Creditors to sell the LDB Option ICULS to the Promoter at the LDB ICULS option price during the tenure of the LDB ICULS.

The Promoter shall make full payment to HACB's creditors' agent of the abovementioned ICULS Option Price, by way of cashiers' order or bankers' draft or such other manner of payment as may be mutually agreed upon by both parties.

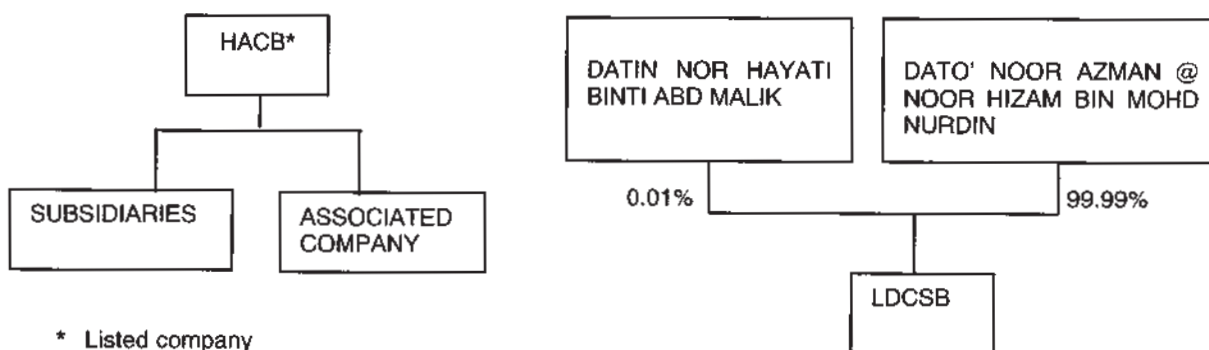
The LDB Option ICULS will be secured by 6.0 million LDB Shares which are not under moratorium, owned by the Promoter. For this purpose, the Promoter has entered into such security documentation in form and substance annexed to the put and call option agreement on 13 November 2002.

- (viii) Transfer of listing status from HACB to LDB on the Second Board of the MSEB; and
- (ix) Disposal of HACB to a Special Purpose Vehicle and subsequently liquidation of HACB and its subsidiaries upon the implementation of the SA Proposal.

**5.3 GROUP STRUCTURE**

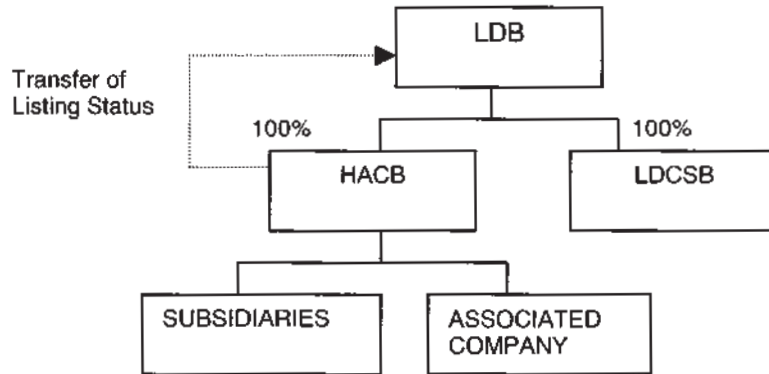
The diagrams depicting the structure of the HACB Group and the structure of the LDB Group before and after completion of the Restructuring Scheme are as follows:

**Before the Restructuring Scheme**

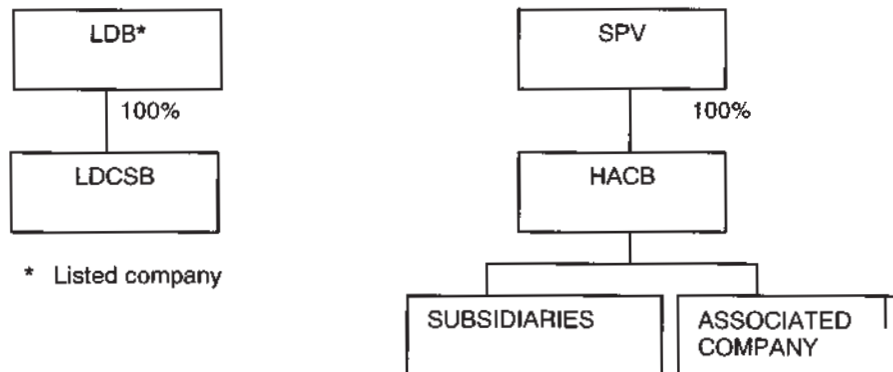


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**During the Restructuring Scheme**



**After the Restructuring Scheme**



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## 5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS (Cont'd)

### 5.4 SALIENT TERMS OF LDB ICULS

The salient terms of the ICULS to be issued pursuant to the Proposed Acquisition are as follows:

Issuer	:	LDB
Trustee	:	AmTrustee Berhad
Issue	:	RM18,000,000 nominal value of LDB ICULS comprising 18,000,000 ICULS with a nominal value of RM1.00 each.
Issue Price	:	100% of the nominal value of LDB ICULS.
Form and Denomination	:	The LDB ICULS will be issued in registered form in denominations and multiples of RM1.00 each and will be constituted by a trust deed executed between the LDB and the Trustee to be appointed.
Tenure	:	Three(3) years from the date of issuance of the LDB ICULS.
Maturity Date	:	On the day immediately prior to the third(3 <sup>rd</sup> ) anniversary of the date of issuance of the LDB ICULS, (but if that day is not a market day, it shall be the immediately preceding market day).
Status	:	The LDB ICULS will constitute direct and unconditional obligations of LDB ranking pari passu without priority amongst themselves.
Coupon Rate	:	An annual coupon rate of 2% is applicable to the LDB ICULS and is payable during the tenure of the LDB ICULS in arrears on 1 <sup>st</sup> and 2 <sup>nd</sup> anniversaries of the date of issuance and on Maturity Date.
Conversion Rights and Conversion Period	:	The LDB ICULS will be convertible on any day between Monday and Friday, which is not a public holiday after the first (1 <sup>st</sup> ) anniversary of the issue date, at the Conversion Price into LDB Shares.  Unless previously converted, all outstanding LDB ICULS will be converted by LDB into new LDB Shares on the Maturity Date.
Conversion Price and Mode of Conversion	:	The Conversion Price will be RM1.00 per new LDB Share, to be satisfied by tendering RM1.00 nominal value of LDB ICULS for one (1) new ordinary share of RM0.50 each in LDB. The conversion price will be subject to adjustment under certain circumstances in accordance with the provisions of the trust deed constituting the LDB ICULS to be executed by LDB.
Trust Deed	:	The LDB ICULS are constituted under a trust deed dated 7 January 2004 executed by LDB and AmTrustee Berhad as trustee who will act for the benefit of the holders of the LDB ICULS.
Ranking of LDB ICULS	:	The LDB ICULS shall, as between their holders, rank pari passu in all respects and rateably in all respects without preference or priority amongst themselves and all other present and future unsecured obligations (other than rights or priorities preferred by law or subordinated obligations, if any) of LDB from time to time outstanding.

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**5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS (Cont'd)**


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- Ranking of the new LDB Shares From Conversion : The new LDB Shares to be issued on conversion of the LDB ICULS will rank *pari passu* in all respects with the then existing ordinary shares of LDB except that such new ordinary shares will not be entitled to any dividends, rights, allotments or other distribution declared prior to the allotment of such new shares.
- Listing : An application will be made to the MSEB for the admission to the official list and the listing of the LDB ICULS and new LDB Shares arising from the conversion of the LDB ICULS.
- Rating : The LDB ICULS will not be rated.
- Minimum level of Subscription : 100%
- Events of default (as extracted from Clause 13.1 of the draft Trust Deed) : Each of the following shall be an Event of Default:-
- (a) **Non-Payment:** the Company fails to pay the Interest on the 2004/2007 ICULSs on the Interest Payment Dates; or
  - (b) **Breach of Undertaking:** the Company commits or threatens to commit a breach of any covenant term stipulation or undertaking herein contained or in the Issue Documents or any other documents between the Trustee and the Company or any other party and executed pursuant to or referred to in these presents or in the Issue Documents and on the part of the Company to be observed and performed and in the reasonable opinion of the Trustee, the Company has failed to remedy or take adequate steps to remedy the same within fourteen (14) Market Days after receipt of written notice from the Trustee; or
  - (c) **Misrepresentation and Inaccuracy in Warranty:** any representation or warranty made in connection with the execution and delivery of these presents and/or the Issue Documents shall be found to have been incorrect in any material respect and shall continue to be incorrect for a period of fourteen (14) Market Days after receipt of written notice thereof shall have been given to the Company by the Trustee; or
  - (d) **Repudiation:** the Company repudiates these presents and/or the Issue Documents or the Company does or causes to be done any act or thing evidencing an intention to repudiate these presents and/or the Issue Documents; or
  - (e) **Cessation of business:** the Company and/or its subsidiaries suspend or threaten to suspend a substantial part of their present business operations which the Company and/or its subsidiaries now conduct directly or indirectly, or any governmental authority expropriates or threatens to expropriate all or part of the assets of the Company or its subsidiaries, and the result of any of the foregoing will, in the reasonable determination of the Trustee, materially and adversely affect the financial condition or the ability of the Company to observe or perform any of its obligations under these presents and/or the Issue Documents; or

**5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS (Cont'd)**

- (f) **Disposal of Assets:** the Company and/or its subsidiaries sell, transfer, lease or otherwise dispose of, or in any way cease to exercise control over, or threaten to sell, transfer, lease or otherwise dispose of, or in any way cease to exercise control over, whether by a single transaction or a number of transactions, related or not, the whole or part (being in aggregate twenty-five percentum (25%) of the Shareholders' Funds as disclosed in the latest audited consolidated balance sheet of the Group) of their respective assets and undertakings other than in the ordinary course of business or trade or their controlling interest in their subsidiaries hereafter to be acquired; or
- (g) **Insolvency:** the Company and/or its subsidiaries are deemed unable to pay any of their respective debts within the meaning of section 218(2) of the Companies Act 1965 or become unable to pay any of their respective debts as they fall due or suspend or threaten to suspend making payments (whether of principal or interest) with respect to all or any class of their respective debts; or
- (h) **Composition, winding up:** the Company and/or its subsidiaries convene a meeting generally of their respective creditors or propose or make any arrangement or composition under section 176 of the Companies Act with, or any assignment for the benefit of, their respective creditors generally or a petition is presented or a meeting is convened for the purpose of considering a resolution or other steps are taken for making an administration order against or for the winding-up of the Company and/or its subsidiaries (other than for the purpose of and followed by a reconstruction previously approved in writing by the Trustee, unless during or following such reconstruction the Company and/or its subsidiaries become or are declared to be insolvent); or
- (i) **Appointment of receiver, legal process:** an encumbrancer takes possession of, or a trustee or administrative or other receiver or similar officer is appointed in respect of, all or any part of the assets, business or undertakings of the Company and/or its subsidiaries, or distress or any form of execution is levied, enforced or sued out against any of such assets, business or undertakings and is not discharged within fourteen (14) Market Days after being levied, enforced or sued out, or any Security Interest which may for the time being affect any of the said assets, business or undertakings becomes enforceable; or
- (j) **Judgment:** a judgment is obtained against the Company and/or its subsidiaries and in the reasonable opinion of the Trustee, such event has or could have a material adverse effect on the Company and/or its subsidiaries or the Company and/or its subsidiaries shall fail to satisfy any judgment passed against the Company and/or its subsidiaries by any court of competent jurisdiction, and no appeal against such judgment is pending in any appropriate appellate court in Malaysia; or



**5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS (Cont'd)**

- (k) **Nationalisation or Government Action:** all or a substantial (as determined by the Trustee in its absolute discretion) part of the assets, business and undertakings of the Company and/or its subsidiaries is seized, nationalised, expropriated or compulsorily acquired by or under the authority of any governmental body or any person or entity acting under any governmental authority save where adequate compensation has been paid, or any such body, person or entity curtails the authority of the Company and/or its subsidiaries in the overall conduct of their respective business or operations; or
- (l) **Analogous Proceedings:** anything analogous to any of the events or states of affair set out in **Clauses 13.1 (g), (h), (i), (j)** and **(k)** occurs under any applicable laws; or
- (m) **False Financial Statements:** the Company and/or its subsidiaries shall have furnished false financial statements or other data required by the Trustee; or
- (n) **Qualified Financial Statements:** any of the financial statements delivered to the Trustee shall be qualified by the Auditors that in its reasonable view, the Company and/or its subsidiaries cannot continue to operate as on-going concerns; or
- (o) **Cross-Default:** any loan debt guarantee or other obligation whatsoever constituting indebtedness of the Company and/or its subsidiaries become due and if such indebtedness shall not be paid when due, or is capable of being declared due prior to its scheduled maturity (by demand acceleration or otherwise) or any guarantee of the Company and/or its subsidiaries is not discharged at maturity or when called or if the Company and/or its subsidiaries are otherwise in breach of or default under any agreement, instrument, deed or mortgage under or pursuant to which such indebtedness or guarantee was created, incurred or assumed, or if any securities created for any other indebtedness becomes enforceable; or
- (p) **Inability:** an event or events has or have occurred or a situation exists which could or might, in the reasonable opinion of the Trustee and notified to the Company, prejudice the ability of the Company to perform any of its obligations hereunder or under the Issue Documents in accordance with the terms thereof; or
- (q) **Moratorium:** the Company and/or its subsidiaries enter into or propose to enter into, or there is declared by any competent court or authority, a moratorium on the payment of indebtedness or other suspension of payments generally; or
- (r) **Jeopardy:** in the reasonable opinion of the Trustee, any securities which may be provided hereafter is in jeopardy or if an event or events have occurred or a situation exists or arises which, in the opinion of the Trustee, gives reasonable ground for believing that any security from time to time held by or available to the Company in respect of or on account of the 2004/2007 ICULSs (or any part thereof) is in jeopardy; or

**5. RESTRUCTURING SCHEME AND PARTICULARS ON LDB ICULS (Cont'd)**

- (s) **Suspension by MSEB:** the 2004/2007 ICULSs are hereafter secured by a charge of shares of companies listed and quoted by the MSEB or any other Stock Exchange, the trading of such public quoted shares is suspended by the respective Stock Exchange whether such suspension is at the request of the Company or otherwise, and the period of such extension exceeds ten (10) days or such time frame as shall be allowed by the Stock Exchange, whichever is earlier; or
- (t) **Invalidity and/or Unenforceability:** any provision of these presents and/or the Issue Documents is or becomes, for any reason, invalid or unenforceable and/or any of the Issue Documents is rejected for registration or otherwise fails to be registered with the Companies Commission of Malaysia and/or the relevant authorities, as the case may be, for any reason whatsoever; or
- (u) **Adverse Event(s):** any event or events has or have occurred which, in the opinion of the Trustee, could or might prejudice the ability of the Company to perform its obligations under the Issue Documents; or
- (v) **Consent:** any consent, authorisation, licence or approval of or registration with or declaration to governmental or public authorities or bodies or courts (if any) required by the Company and/or its subsidiaries to authorise, or in connection with the execution, issue, sale, delivery, validity, enforceability or admissibility in evidence of these presents and/or the Issue Documents and/or the performance by the Company under these presents or the Issue Documents, as the case may be, is or are modified to such degree as would be materially prejudicial to the interests of the Trustee or the Holders or is or are not granted or is or are revoked, terminated, expired, not renewed and/or otherwise cease to be in full force and effect.

**5.5 BASIS OF DETERMINING THE CONVERSION PRICE OF THE LDB ICULS**

The conversion price of the LDB ICULS of RM1.00 per new LDB Share is based on the following:

- a discount of approximately 16.7% over the issue price of RM1.20 per LDB Share pursuant to the Public Issue and Offer for Sale and Placement of LDB Shares; and
- a premium of 100% over the par value of the LDB Shares.

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