THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

(I) PROPOSED BONUS ISSUE OF UP TO 154,685,630 FREE WARRANTS IN DAMANSARA REALTY BERHAD (“WARRANTS”) ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN DAMANSARA REALTY BERHAD HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER;

(II) PROPOSED ISSUANCE OF REDEEMABLE CONVERTIBLE NOTES WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO RM150.0 MILLION CONVERTIBLE INTO A MAXIMUM OF 300,000,000 CONVERSION SHARES AT THE MINIMUM CONVERSION PRICE OF RM0.50 PER SHARE REPRESENTING APPROXIMATELY 39.26% OF THE ENLARGED ISSUED SHARE CAPITAL;

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

kenanga

Kenanga Investment Bank Berhad

Company No. 15678-H

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting (“EGM”) of Damansara Realty Berhad (“DBhd”) to be held at Crystal Hall, Level 7, Holiday Villa Johor Bahru City Centre, 260 Jalan Dato’ Sulaiman, Taman Abad, 80250 Johor Bahru, Johor on 8 November 2017 at 11.00 a.m. or at any adjournment thereof, together with the Form of Proxy are enclosed with this Circular.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Form of Proxy at DBhd’s Share Registrar’s Office at Tricor Investor Services Sdn Bhd of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur in not less than 48 hours before the time and date stipulated for the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last day, date and time for lodging the Form of Proxy : Monday, 6 November 2017 at 11.00 a.m.
Day, date and time of the EGM : Wednesday, 8 November 2017 at 11.00 a.m.
DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

ACPAM : Advance Capital Partners Asset Management Pte Ltd

Act : Companies Act, 2016, as amended from time to time including any re-enactment thereof

AOF I or Subscriber : Advance Opportunities Fund I

Board : Board of Directors of DBhd

Bursa Depository : Bursa Malaysia Depository Sdn Bhd

Bursa Securities : Bursa Malaysia Securities Berhad

Circular : This circular to the shareholders of DBhd in relation to the Proposals dated 16 October 2017

CMSA : Capital Markets and Services Act, 2007

Conversion Price : The price at which each Conversion Share shall be issued upon conversion of the Notes

Conversion Shares : New DBhd Shares arising from the conversion of the Notes

DBhd or Company : Damansara Realty Berhad (4030-D)

DBhd Group or Group : DBhd and its subsidiaries, collectively

DBhd Share(s) : Existing ordinary shares in DBhd

Deed Poll : The deed poll constituting the Warrants to be executed by the Company

EGM : Extraordinary general meeting

Entitled Shareholders : Shareholders of our Company whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date

Entitlement Date : A date to be determined and announced by the Board, on which the names of shareholders of the Company must appear in the Record of Depositors of the Company in order to participate in the Proposed Bonus Issue of Warrants

EPS : Earnings per share

FPE : Financial period ended/ending, as the case may be

FYE : Financial year ended/ending, as the case may be

GDV : Gross development value

GDC : Gross development cost

Kenanga IB : Kenanga Investment Bank Berhad (15678-H)

LAT : Loss after taxation
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<tr>
<td>Market Day</td>
<td>Any day between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities</td>
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<td>Maturity Date</td>
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<td>Proposed issuance of Notes with an aggregate principal amount of up to RM150.0 million</td>
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<td>Record of Depositors</td>
<td>A record of depositors established by Bursa Depository</td>
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<td>RM and sen</td>
<td>Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia</td>
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<td>SC</td>
<td>Securities Commission Malaysia</td>
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<td>Subscription Agreement</td>
<td>A conditional subscription agreement dated 2 June 2016 entered into between DBhd, the Subscriber and ACPAM in relation to the Proposed Notes Issue (as supplemented by the Supplemental Letter 1, Supplemental Letter 2, Supplemental Letter 3, Supplemental Letter 4 and the Supplemental Agreement)</td>
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<tr>
<td>Supplemental Agreement</td>
<td>A supplemental agreement dated 22 June 2017 entered into between DBhd, the Subscriber and ACPAM</td>
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<tr>
<td>Supplemental Letter 1</td>
<td>A supplemental letter dated 16 December 2016 entered into between DBhd, the Subscriber and ACPAM to amend the fulfilment date of the Subscription Agreement</td>
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<tr>
<td>Supplemental Letter 2</td>
<td>A supplemental letter dated 7 March 2017 entered into between DBhd, the Subscriber and ACPAM to amend the fulfilment date of the Subscription Agreement</td>
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<td>Supplemental Letter 3</td>
<td>A supplemental letter dated 6 June 2017 entered into between DBhd, the Subscriber and ACPAM to amend the fulfilment date of the Subscription Agreement</td>
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Supplemental Letter 4 : A supplemental letter dated 7 September 2017 entered into between DBhd, the Subscriber and ACPAM to amend the fulfilment date of the Subscription Agreement

VWAP : Volume weighted average price

Warrants : Free warrants in DBhd to be issued pursuant to the Proposed Bonus Issue of Warrants

All references to “you” in this Circular are references to shareholders of DBhd.

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations.

Any reference to any enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise specified.
# LETTER FROM THE BOARD TO THE SHAREHOLDERS OF DBHD IN RELATION TO THE PROPOSALS CONTAINING:

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NOTICE OF EGM ENCLOSED

FORM OF PROXY ENCLOSED
To: The Shareholders of Damansara Realty Berhad

Dear Sirs/Madam,

(I) PROPOSED BONUS ISSUE OF WARRANTS; AND

(II) PROPOSED NOTES ISSUE

1. INTRODUCTION

On 15 April 2016, Kenanga IB had, on behalf of the Board, announced that the Company proposes to undertake a bonus issue of 154,685,630 Warrants in DBhd on the basis of one (1) Warrant for every two (2) DBhd Shares held on an Entitlement Date to be determined and announced later.

On 2 June 2016, Kenanga IB had, on behalf of the Board, announced that the Company proposes to undertake the issuance of redeemable convertible notes with an aggregate principal amount of up to RM150.0 million.

On 16 December 2016, 7 March 2017, 6 June 2017 and 8 September 2017, Kenanga IB had on behalf of the Board, announced that the Company, the Subscriber and ACPAM had entered into the Supplemental Letter 1, Supplemental Letter 2, Supplemental Letter 3 and Supplemental Letter 4 respectively to amend the fulfilment date of the Subscription Agreement. Premised on the aforesaid, the fulfilment date of the Subscription Agreement shall be 7 December 2017.
On 22 June 2017, Kenanga IB, had on behalf of the Board, announced that DBhd had entered into a Supplemental Agreement with the Subscriber and ACPAM to vary and amend some of the commercial terms of the Subscription Agreement and relevant provisions of the Subscription Agreement pursuant to the implementation of the Act.

On 2 October 2017, Kenanga IB had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 29 September 2017, approved the following:

(i) admission to the Official List and the listing of and quotation for up to 154,685,630 Warrants on the Main Market of Bursa Securities pursuant to the Proposed Bonus Issue of Warrants;

(ii) listing of and quotation for up to 154,685,630 new DBhd Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities; and

(iii) listing of and quotation for up to 300,000,000 new DBhd Shares to be issued upon conversion of the Notes on the Main Market of Bursa Securities pursuant to the Proposed Notes Issue.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Bonus Issue of Warrants

2.1.1 Basis and number of Warrants to be issued

The Proposed Bonus Issue of Warrants entails the issuance of 154,685,630 Warrants on the basis of one (1) Warrant for every two (2) existing Shares held by the Entitled Shareholders.

Based on the issued share capital of the Company as at the LPD of RM154,685,630 comprising 309,371,260 Shares, a total of 154,685,630 Warrants will be issued pursuant to the Proposed Bonus Issue of Warrants. Accordingly, assuming full exercise of the Warrants, a maximum of 154,685,630 new DBhd Shares will be issued.

Any fractional entitlements arising from the Proposed Bonus Issue of Warrants will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company. The Proposed Bonus Issue of Warrants will not be implemented in stages over a period of time.

2.1.2 Basis of determining the issue price and exercise price of the Warrants

The Warrants will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants had earlier been fixed at RM0.82 per Warrant, representing a premium of approximately 4.46% over the 45 day VWAP of DBhd Shares up to and including 14 April 2016 (being the last trading day prior to the announcement of the Proposed Bonus Issue of Warrants on 15 April 2016) of RM0.785.

The exercise price of the Warrants has subsequently been revised and fixed at RM0.58 per Warrant, representing a premium of approximately 5.84% over the 45 day VWAP of DBhd Shares up to and including 25 September 2017 (being the last trading day prior to the announcement of the revised exercise price of the Warrants on 26 September 2017) of RM0.548.
The exercise price of the Warrants of RM0.58 per Warrant was fixed after taking into consideration, amongst others, the following:

(i) prevailing market conditions;
(ii) the historical volatility of the underlying DBhd Shares;
(iii) the Warrants being exercisable at any time within a three (3)-year period from the date of issue of the Warrants;
(iv) the potential future earnings of the Group; and
(v) the then par value of DBhd Shares of RM0.50 each.

2.1.3 Ranking of the new DBhd Shares to be issued upon 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 DBhd to be set out in the Deed Poll and/or any offer of further securities in DBhd until and unless such holders of the Warrants exercise their Warrants into new DBhd Shares.

The new DBhd Shares to be issued upon exercise of the Warrants shall, upon allotment and issuance, rank pari passu in all respects with the existing DBhd Shares, save and except that the new Shares will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the shareholders of the Company, for which the entitlement date is prior to the date of allotment of the new DBhd Shares to be issued pursuant to the exercise of the Warrants.

2.1.4 Listing of and quotation for the Warrants and new DBhd Shares to be issued upon exercise of the Warrants

Bursa Securities had vide its letter dated 29 September 2017 approved the listing of and quotation for 154,685,630 Warrants and the new DBhd Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities.

2.1.5 Indicative salient terms of the Warrants

The indicative salient terms of the Warrants are set out below:

<table>
<thead>
<tr>
<th>Term</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue size</td>
<td>154,685,630 Warrants</td>
</tr>
<tr>
<td>Form</td>
<td>The Warrants will be issued in registered form and constituted by a Deed Poll</td>
</tr>
<tr>
<td>Exercise price</td>
<td>RM0.58 per Warrant</td>
</tr>
<tr>
<td>Tenure</td>
<td>Three (3) years from and including the date of issue of the Warrants</td>
</tr>
<tr>
<td>Exercise period</td>
<td>The Warrants may be exercised at any time within three (3) years commencing on and including the date of issuance of the Warrants. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid</td>
</tr>
<tr>
<td>Exercise rights</td>
<td>Each Warrant entitles its registered holder to subscribe for one (1) new DBhd Share at the exercise price at any time during the exercise period, subject to the provisions to be included in the Deed Poll</td>
</tr>
<tr>
<td>Mode of exercise</td>
<td>The registered holder of the Warrant is required to lodge an exercise form with the Company’s registrar, duly completed and signed together with payment of the exercise price via banker’s draft or cashier’s order or money order or postal order drawn on a bank or post office operating in Malaysia</td>
</tr>
</tbody>
</table>
Entitlement : Subject to the provisions to be included in the Deed Poll, each Warrant shall entitle the registered holder to subscribe for one (1) new DBhd Share at the Exercise Price during the Exercise Period.

Board lot : For the purpose of trading on Bursa Securities, one (1) board lot of Warrants shall comprise 100 Warrants carrying the rights to subscribe for 100 new DBhd Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities.

Participating rights of the Warrant holders in any distribution and/or offer of further securities : The Warrant holders are not entitled to vote in any general meetings of the Company or participate in any form of distribution other than on winding-up, compromise or arrangement of DBhd and/or in any offer of further securities in the Company until and unless the Warrant holder becomes a shareholder of DBhd by exercising his/her Warrants into new DBhd Shares or unless otherwise resolved by DBhd in a general meeting.

Adjustment in the exercise price and/or number of Warrants : The exercise price and/or the number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions to be included in the Deed Poll.

Modifications : Subject to the approval of Bursa Securities (if required), any modifications to the Deed Poll may be effected only by the Deed Poll, executed by the Company and expressed to be supplemental hereto and comply with the requirements of the Deed Poll. The Company must notify the Warrants holders of every modification within thirty (30) days after such modification is effected in accordance with the Deed Poll.


Governing law : The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia.

2.2 Proposed Notes Issue

DBhd had, on 2 June 2016, entered into the Subscription Agreement with the Subscriber and ACPAM for the Proposed Notes Issue, to be issued in four (4) tranches, subject to the terms and conditions as set out in the Subscription Agreement.

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 the Notes may be made and to whom the Notes are issued would fall within Schedule 6 or Section 229(1)(b) of the CMSA and read together with Schedule 9 or Section 257(3) of the CMSA, as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.

The Notes are convertible at the option of the Noteholders into new DBhd Shares at the conversion terms and are redeemable at the election of DBhd and/or on the Maturity Date in cash, subject to the terms and conditions as set out in the Subscription Agreement.
2.2.1 Salient terms of the Notes

**Issue instrument**: 0.1% redeemable convertible notes due in 2019.

**Issue size**: Up to RM150,000,000 comprising four (4) tranches of a principal amount of RM20,000,000 for the first tranche, RM30,000,000 for the second tranche, and RM50,000,000 for the third and fourth tranches (collectively, the convertible notes shall be referred to as the "Notes" and individually, the four tranches of the Notes shall be referred to as "Tranche 1 Notes", "Tranche 2 Notes", "Tranche 3 Notes" and "Tranche 4 Notes" respectively). Tranche 1 Notes shall comprise 40 equal sub-tranches of RM500,000 each, Tranche 2 Notes shall comprise of 30 equal sub-tranches of RM1,000,000 each, Tranche 3 Notes shall comprise of 25 equal sub-tranches of RM2,000,000 each, and Tranche 4 Notes shall comprise of 20 equal sub-tranches of RM2,500,000 each.

The issuance of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes shall be at the option of the Company.

**Tenure**: Three (3) years from the closing date of the first sub-tranche of Tranche 1 Notes.

**Interest rate**: The Notes shall bear interest from the respective dates on which they are issued and registered at the rate of 0.1% per annum, payable semi-annually in arrears on 30 June and 31 December in each year with the last payment being made on the Maturity Date.

**Method of issue**: The Notes will be privately placed to and subscribed by the Subscriber. No information memorandum 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 date of the first sub-tranche of Tranche 1 Notes**: 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 conditions precedent or such other date as the Company, the Subscriber and ACPAM may agree in writing, such date being the closing date for the first sub-tranche of Tranche 1 Notes.

In respect of each subsequent sub-tranches of Tranche 1, on or before the fifth Business Day after the full conversion of the Conversion Shares of the immediately preceding sub-tranche of Tranche 1 or such other date as the Parties may agree in writing, the Company will issue the next respective sub-tranches under Tranche 1.

The Company can only proceed to issue the subsequent sub-tranches of Tranche 1 upon full conversion of the preceding sub-tranche, save and except when the Subscriber elects, at its option, to subscribe for each such subsequent sub-tranche of Tranche 1 Notes 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 the Company shall be obliged to issue each such sub-tranche on the fifth Business Day on receipt of such written request issued by the Subscriber or such other date as the parties may agree in writing.
In respect of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes, the Company has the option to require the Subscriber to subscribe for such Notes from the Company (collectively the "Options" and each, an "Option") during the relevant 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) market day thereafter, or such other periods as the Company, the Subscriber and ACPAM may agree in writing ("Option Period").

To exercise an Option, the Company shall notify the Subscriber in writing (the "Exercise Notice") at any time during the relevant Option Period in respect of that Option.

If the Subscriber does not receive the Exercise Notice from the Company during the relevant Option Period, the Options in respect of all the subsequent tranches shall lapse and cease to have any force or effect whatsoever and the Subscriber will have no obligation to subscribe and pay for all the subsequent tranches, unless otherwise agreed by the Company, the Subscriber and ACPAM.

Upon receipt of the Exercise Notice from the Company in respect of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes, as the case may be, the Parties shall proceed with the subscription and issuance of the first sub-tranche of Tranche 2 Notes Tranche 3 Notes and Tranche 4 Notes, as the case may be on the Closing Date i.e. a date on or before the fifth Business Day following the date of the Exercise Notice or such other date as the parties may agree in writing.

In respect of each subsequent sub-tranches of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes, the Company will issue the next respective sub-tranches on or before the fifth Business Day after the full conversion of the Conversion Shares of the immediately preceding sub-tranche of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes, as the case may be, or such other date as the parties may agree in writing.

The Company can only proceed to issue the subsequent sub-tranches of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes upon full conversion of the preceding sub-tranche, save and except when the Subscriber elects, at its option, to subscribe for each such subsequent sub-tranche of Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes (other than the respective first sub-tranches) 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 the Company shall be obliged to issue each such sub-tranche on the fifth Business Day on receipt of such written request issued by the Subscriber or such other date as the parties may agree in writing.

In respect of each sub-tranche of the Notes, the date on which such sub-tranche of the Notes is subscribed for and issued.
**Conversion terms**

The Notes may be converted into Conversion Shares at the Conversion Price (as defined below), subject to the terms of the Redemption Option (as defined and set out below).

The number of Conversion Shares shall be determined by dividing the aggregate principal amount of the Notes held by the applicable Conversion Price. Fractions of Conversion Shares will not be issued on conversion and no adjustment or cash payment will be made.

The applicable accrued interest thereon up to and including the conversion date will be payable to the Noteholder(s) in cash on the conversion date.

The Subscription Agreement does not prohibit the Subscriber to convert part or a portion of the Notes and any Note may be converted into duly authorised, validly issued, fully-paid and unencumbered Conversion Shares, at the option of the Noteholder, at any time within the Conversion Period.

**Conversion period**

Any time after the issue date of the Notes and up to the day falling seven (7) days prior to the Maturity Date.
The price at which each Conversion Share shall be issued upon conversion of the Notes ("Conversion Price") shall be:

(a) in respect of Tranche 1 Notes, 80% of the average closing price per Share on any three (3) consecutive business days as selected by the Noteholder(s) during the forty-five (45) business days immediately preceding the relevant conversion date on which Shares were traded on the Main Market of Bursa Securities;

(b) in respect of Tranche 2 Notes, 82% of the average closing price per Share on any three (3) consecutive business days as selected by the Noteholder(s) during the forty-five (45) business days immediately preceding the relevant conversion date on which Shares were traded on the Main Market of Bursa Securities;

(c) in respect of Tranche 3 Notes, 85% of the average closing price per Share on any three (3) consecutive business days as selected by the Noteholder(s) during the forty-five (45) business days immediately preceding the relevant conversion date on which Shares were traded on the Main Market of Bursa Securities;

(d) in respect of Tranche 4 Notes, 90% of the average closing price per Share on any three (3) consecutive business days as selected by the Noteholder(s) during the forty-five (45) business days immediately preceding the relevant conversion date on which Shares were traded on the Main Market of Bursa Securities,

provided always that the Conversion Price is no than less RM0.50.

The discount rates in relation to the Conversion Price are negotiated and accepted by the Company and the Subscriber from a commercial perspective after the parties taking into consideration their respective cost of funding.

If, during any period in which the Conversion Price is being determined, an event has occurred including, without limitation, the Company shall (i) make a stock split, (ii) consolidate its outstanding DBhd Shares into a smaller number of shares, or (iii) re-classify any of its DBhd Shares into other securities of the Company, such that the closing price per DBhd Share before and after such event does not represent the same economic and financial participation that a holder of a DBhd Share would have had without the occurrence of such an event, then the closing price of the DBhd 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 SC would. Such bank or firm may be agreed between the Company and the holders of a majority in outstanding principal amount of the Notes or, if not so agreed, the Company and the holders of a majority in outstanding principal amount of the Notes shall agree to a bank or firm as nominated by the Malaysian Institute of Accountants, which it deems fair and reasonable to make such changes to the closing price.
Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes:

The Subscriber shall not be obliged to subscribe and pay for the first sub-tranche of Tranche 1 Notes unless the following conditions precedent have been satisfied within six (6) months from the date of the Subscription Agreement or such other date as the parties may agree in writing:

(a) delivery to the Subscriber of a list of the Company’s substantial shareholders dated the date of the Subscription Agreement and certified to be true and accurate by a director or company secretary of the Company on the date of the Subscription Agreement;

(b) 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;

(c) 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 to the Proposed Notes Issue (collectively referred to as “Approvals”);
Conditions precedent to the closing of the first sub-tranche of Tranche 1 Notes (Cont'd)

(d) (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) there shall have been delivered to the Subscriber a certificate, dated as of that closing date, of two (2) directors or a director with the company secretary of the Company to such effect;

(e) all other necessary approvals, consents and waivers (including any governmental, regulatory and/or corporate approvals and consents) for the Proposed Notes Issue (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 for the Subscriber) having been obtained in form and substance satisfactory to the Subscriber in its sole and absolute discretion 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:
   (i) annual financial reports for the financial year immediately preceding the relevant closing date;
   (ii) if the annual financial reports in item (i) above are dated more than three (3) months preceding the relevant closing date, copies of the interim accounts of the Company as publicly released;
   (iii) announcements issued by the Company to Bursa Securities before the relevant closing date;
   (iv) a list setting out the outstanding term loans and other loans of the Company as at a date not earlier than three (3) days before the closing date and certified by a director of the Company. This list of outstanding term loans and other loans is to include such particulars of each loan including but not limited to the name of the lender, the principal amount loaned, the maturity, the interest rate, the currency of the loan, the major covenants and the details of any security provided in respect of the loan;
   (v) a certified list setting out the names of the substantial shareholders of the Company dated as at each relevant closing date of the Notes;
   (vi) a duly executed facility agreement entered into between the Company and the facility agent in respect of the issuance of the Notes;
   (vii) a duly executed trust deed entered into between the Company and the trustee;
   (viii) a duly executed Securities Lodgement Form (1);
(ix) acknowledgement from the SC on the lodgement made under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework ("LOLA Guidelines") for the issuance of the Notes;

(x) a legal opinion issued by the legal advisers of the Company;

(xi) certified true copies of (a) Board’s resolutions; and (b) shareholders’ resolutions, approving the issue of the Notes and the allotment and issue of the Conversion Shares in accordance with the terms of the Subscription Agreement;

(xii) certified true copies of the Approvals; and

(xiii) such other documents, opinions and certificates as the Subscriber or ACPAM may reasonably require.

If any of the above conditions precedent are not satisfied or waived by the Subscriber and/or ACPAM, the Subscription Agreement shall ipso facto cease, and the parties shall be released and discharged from their respective obligations, save for costs and expenses payable in relation to the Notes and/or Conversion Shares, indemnity by the Company and any antecedent breaches.

Notes:

1. Securities Lodgement Form for the Central Securities Depository and Paying Agency Services as set out in Appendix 1 of the Central Securities Depository and Paying Agency Rules which will be submitted to Malaysian Clearing Corporation Sdn Bhd for the purposes of, amongst others, the appointment of Bank Negara Malaysia as the central securities depository and paying agent for the Notes, who shall be represented by Malaysian Clearing Corporation Sdn Bhd as its agent.

2. Pursuant to the LOLA Guidelines, issuance of the Notes does not require approval from the SC. Nevertheless, DBhd is required and has represented to the Subscriber that it shall within six (6) months from the date of the Subscription Agreement or such other date as the parties may agree in writing submit and lodge with the SC all information and documents as may be specified by the SC and in compliance with the LOLA Guidelines for the issue of the Notes.

3. Legal opinion on amongst others, the status of the Company and the Notes
Rights of Noteholders to participate in securities of the Company

: The Company or any of its subsidiary may offer and sell any securities convertible into securities of the same class as the Conversion Shares or securities substantially similar to the Notes (together, "Equity-linked Securities") provided that, in respect of any proposed private placement of such Equity-linked Securities, the Company shall, and the Company shall procure that the relevant subsidiary shall, offer and, if subscribed, sell such Equity-linked Securities to Noteholder(s) prior to offering such Equity-linked Securities to any other person (except for rights issues or any issues in respect of which the Company is restricted from doing so by law, the Listing Requirements or any other applicable regulations) ("Right of First Refusal"). For the avoidance of doubt, the term "Equity-linked Securities" shall exclude any DBhd Shares, warrants relating to DBhd 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).

The Right of First Refusal is exercisable only by Noteholder(s) holding in aggregate not less than 50% of the aggregate principal amount of the Notes outstanding as at the date of the First Right of Refusal Notice (as defined below) and may be exercised from and including the date of receipt by Noteholder(s) 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) market days thereafter.

Events of default

: If any of the following events occur:

(a) for so long as there are any Notes outstanding, any of the approvals 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 default by the Company in the payment of the principal and/or interest due in respect of the Notes;

(d) the closing price per DBhd Share is below its minimum Conversion Price of RM0.50 for more than twenty (20) consecutive market days;

(e) 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 Conversion Shares) contained in the Notes and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and such default continues for the period of seven (7) market days next following the service by any Noteholder(s) on the Company of notice requiring the same to be remedied;
Events of default (Cont’d)

(f) any other notes, debentures, bonds or other instruments of indebtedness or any other loan indebtedness having an aggregate outstanding amount of over RM100.0 million or the equivalent in any other currency or currencies (“Indebtedness”) of the Company or any of its subsidiaries become or becomes prematurely repayable following a default in respect of the terms thereof which have not been remedied, or steps are taken to enforce any security therefor, or the Company or any of its 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 RM100.0 million given by the Company or any of its subsidiaries shall not be honoured when due and called upon;

(g) a 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 which is approved by the shareholders of the Company, 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;

(h) a resolution is passed or an order of a court of competent jurisdiction is made that any of its subsidiary 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 Noteholder(s) holding 51% or more of the outstanding principal amount of Notes, (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 of its subsidiaries are distributed to the Company and/or such subsidiary;

(i) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the DBhd Group;

(j) (i) the Company or any of its subsidiary without any lawful cause stops payment (within the meaning of any applicable bankruptcy law) or is unable to pay its debts as and when they fall due or (ii) the Company or any of its subsidiary (otherwise than for the purposes of such a consolidation, amalgamation, merger, reconstruction or reorganisation as is referred to in paragraph (g) or (h) above) ceases or through an official action of the Board or any of its subsidiary, as the case may be, threatens to cease to carry on its business, and such action has a material adverse effect on the DBhd Group;
<table>
<thead>
<tr>
<th>Events of default (Cont’d)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(k)</td>
<td>proceedings shall have been initiated against the Company or any of its subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of seven (7) market days;</td>
</tr>
<tr>
<td>(l)</td>
<td>the Company or any of its subsidiary shall initiate or consent to proceedings seeking with respect to adjudication of bankruptcy 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;</td>
</tr>
<tr>
<td>(m)</td>
<td>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 of its 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) market days thereof;</td>
</tr>
<tr>
<td>(n)</td>
<td>the delisting of the DBhd 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 market days or more save for trading halts made at the request of the Company for pending corporate announcement(s);</td>
</tr>
<tr>
<td>(o)</td>
<td>ratio of borrowings to net worth(^{(1)}) exceeds two (2) times;</td>
</tr>
<tr>
<td>(p)</td>
<td>net worth(^{(1)}) is less than RM75.0 million;</td>
</tr>
<tr>
<td>(q)</td>
<td>for so long as there are any Notes outstanding, if the Company engages in any transaction with any hedge fund operating or originating from any part of the world; or</td>
</tr>
<tr>
<td>(r)</td>
<td>any credit facilities granted to the Company or any of its subsidiary are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on the Group,</td>
</tr>
</tbody>
</table>

then any Note may, by notice in writing given to the Company, be declared immediately due and payable by the Company at 115% of its principal amount together with accrued interest.

**Note:**

\(^{(1)}\) Net worth means, at any time, as stated in the audited consolidated financial statements of DBhd for the year ended 31 December 2015 and thereafter the most recent unaudited interim financial statements of DBhd 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 DBhd 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 relevant Accounts to the extent not already charged against retained earnings.
Redemption option: If the Conversion Price (as elected by the Noteholder(s)) is less than or equal to 65% of the average of the daily traded VWAP per DBhd Share for the forty-five (45) market days prior to the relevant closing date in respect of each first sub-tranche of the respective tranches of the Notes, the Company may redeem the Notes presented for conversion in cash at an amount calculated in accordance with the formula set out below ("Conversion Redemption Amount"):

\[ R = N \times (P + [8\% \times P \times (D/365)] + I) \]

where,

- **R**: Conversion Redemption Amount
- **D**: Number of days elapsed since the relevant closing date in respect of each sub-tranche of the Notes
- **N**: Number of Notes presented for conversion
- **P**: Face value of the Notes presented for conversion
- **I**: The remaining unpaid interest accrued on the Notes presented for conversion

The Notes which are not redeemed or purchased, converted or cancelled by the Company will be redeemed by the Company at 100% of their principal amount on the Maturity Date.

The Company and/or any of its subsidiary may also at any time and from time to time, purchase Notes at any price (but not more than 115% of its principal amount) as agreed between the Company (or such subsidiary) and the relevant Noteholder(s).

Status and ranking of the Notes: The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking pari passu and rateably 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 outstanding.

Form and denomination: The Notes are issued in registered form in multiples of RM50,000.

Transferability: The Notes will be tradable and transferable.

Rating: The Notes will not be rated.

Listing: The Notes will not be listed.

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.

Governing law: The Notes shall be governed by the laws of Malaysia.

Amendment to the terms: No amendment or variation of the Subscription Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.
The Proposed Notes Issue is expected to raise up to RM20.0 million through the issuance of Tranche 1 Notes. Further amounts of up to RM130.0 million may be raised through the issuance of the remaining three (3) tranches, at the discretion of the Company, subject to the terms and conditions as set out in the Subscription Agreement.

For avoidance of doubt, no funds will be raised upon conversion of the Notes into new DBhd Shares. The Notes will be constituted by a trust deed to be executed by the Company and the Notes trustee at a later date. The Notes are neither guaranteed nor secured.

2.2.2 Basis of determining the Conversion Price of the Notes

The basis of setting the Conversion Price for the Notes is a commercial decision agreed upon between the Company and the Subscriber. In addition, the discount rates in relation to the Conversion Price are negotiated and accepted by the Company and the Subscriber from a commercial perspective after the parties taking into consideration their respective commercial requirements.

For illustrative purposes, assuming the relevant conversion date to be the date of the Subscription Agreement, based on 80% of the average closing price per DBhd Share for the three (3) consecutive market days from 30 May 2016 to 1 June 2016, being the lowest average closing price during the 45 market days immediately prior to the date of the Subscription Agreement, of RM0.66, the Conversion Price will be RM0.53 in respect of the Notes.

Based on the illustrative Conversion Price of RM0.53, the number of Conversion Shares to be issued, assuming the entire Tranche 1 Notes with a principal amount of RM20.0 million are issued and subscribed pursuant to the Proposed Notes Issue, would be 37,735,849 Conversion Shares.

For avoidance of doubt, please note that the Conversion Price for the Notes has yet to be determined. Notwithstanding the aforesaid, pursuant to the Act coming into effect, where the DBhd Shares will be issued without par value, the Company and the Subscriber has agreed to set RM0.50 as the minimum Conversion Price after taking into consideration the following:

(i) the then par value of DBhd Shares of RM0.50 each before the coming into effect of the Act; and
(ii) the lowest traded price of DBhd Shares in the past one (1) year up to the LPD of RM0.505.

In the event the Notes are converted at the minimum Conversion Price of RM0.50, a maximum number of 300,000,000 Conversion Shares will be issued. For illustration purposes, the impact of the Proposed Notes Issue to the issued share capital of DBhd, NA and gearing of DBhd and the substantial shareholders’ shareholdings as set out in Section 6 of the Circular are computed based on the minimum Conversion Price of RM0.50.

The Proposed Notes Issue will result in the shareholders’ shareholdings in DBhd to be proportionately diluted as a result of the increase in the number of new DBhd Shares arising from the conversion of the Notes.

2.2.3 Ranking of the Conversion Shares

The Conversion Shares shall, upon allotment and issuance, rank pari passu in all aspects with the existing DBhd 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.
2.2.4 Redemption option of the Notes

As set out in Section 2.2.1 of the Circular, the Company may redeem the Notes presented for conversion in cash at an amount calculated in accordance with the Conversion Redemption Amount if the Conversion Price (as elected by the Noteholder(s)) is less than or equal to 65% of the average of the daily traded VWAP per DBhd Share for the 45 market days prior to the relevant closing date in respect of each first sub-tranche of the respective tranches of the Notes. The redemption option offers the Company a contractual right to seek redemption (as opposed to acceding to the Subscriber’s right to convert of the Notes) in the event the market price is below a certain threshold as agreed between the parties.

The Subscriber no longer has a right of conversion and is only paid a redemption amount with a 8% per annum interest for the Notes in the event the Company decides to redeem to Notes. The 65% threshold and 8% per annum interest are figures negotiated and accepted by the Company and Subscriber from a commercial perspective in such an eventuality after the parties taking into consideration the Subscriber’s cost of funding and expected yields.

For illustration purposes, assuming that:

(i) the first sub-tranche of Tranche 1 Notes is issued on 1 December 2017*;
(ii) the average of the daily traded VWAP per DBhd Share for the 45 market days prior to 1 December 2017 is RM0.79;
(iii) the second sub-tranche of Tranche 1 Notes of RM500,000, comprising 10 Notes (N) of RM50,000 each (P), is issued on 15 December 2017, being the closing date for the second sub tranche of the Notes;
(iv) the Subscriber presented the second sub-tranche of Tranche 1 Notes of RM500,000 for conversion on 20 December 2017;
(v) the Conversion Price is RM0.50;
(vi) DBhd decides to redeem the second sub-tranche of Tranche 1 Notes that are presented for conversion on the basis that RM0.50 is less than 65% of RM0.79; and
(vii) Interest rate of 0.1% as set out in the Subscription Agreement (I).

the Conversion Redemption Amount shall be as follows (R):

\[ R = N \times \left( P + \left[ 8\% \times P \times \frac{D}{365} \right] + I \right) \]

\[ = 10 \times \left( RM50,000 + \left[ 8\% \times RM50,000 \times \frac{5}{365} \right] + \left[ 0.1\% \times RM50,000 \times \frac{5}{365} \right] \right) \]

\[ = 10 \times \left( RM50,000 + RM54.79 + RM0.68 \right) \]

\[ = 10 \times RM50,055.47 \]

\[ = RM500,554.70 \]

In the event the Notes are redeemed by DBhd, the Group’s earnings and cash flow would be affected as DBhd would have to incur the cost to be paid to the Noteholders as illustrated in above. Notwithstanding the aforementioned, the shareholders shareholdings in the Company would not be diluted in the event of redemption as there will not be any issuance of new Shares arising from the conversion of the Notes. The Noteholders will only receive the principal and an additional 8% per annum interest and any unpaid accrued interest on these Notes.

*For illustration purposes only, assuming after all the relevant approvals have been obtained including shareholders’ approval at the EGM on 8 November 2017.*
The redemption option is available to the Company to redeem the Notes under the specific circumstance when the Conversion Price is less than or equal to 65% of the 45 days VWAP prior to the relevant closing date. Whereas under any other circumstances where the Company thinks fit and necessary, it can on its discretion, negotiate and purchase the Notes from the relevant Noteholders.

In the case of the redemption option, when the Company exercises its right, the Noteholders are obliged to allow the Company to redeem the Notes, whereas for the latter scenario, the purchase of the Notes by the Company is still subject to both the parties’ agreement on the purchase price provided the purchase price of the Notes does not exceed 115% of its principal amount. 115% is a figure negotiated and accepted by the Company and the Subscriber from a commercial perspective as the amount which the Subscriber is prepared sell the Notes back to the Company after the parties taking into consideration the Subscriber’s cost of funding and expected yields.

2.2.5 Background information on the Subscriber and ACPAM

The Subscriber is an open-ended fund incorporated as an exempted company with limited liability in the Cayman Islands on 27 January 2016 and has its registered office at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Subscriber is structured as a regulated mutual fund with the Cayman Islands Monetary Authority. The investment objective of the Subscriber is to achieve medium to long term capital appreciation through investment in financial instruments that assist small and medium capitalisation, publicly-listed companies. The investment strategy of the Subscriber is to provide funding solutions to companies that facilitate working capital requirements, business expansion, mergers and acquisitions, reverse takeovers, management by objective, debt restructuring, as well as capital market-sourced initial public offerings, secondary placements and arbitrage trades using a combination of debt and equity securities.

ACPAM is a company incorporated in Singapore on 5 June 2013 and has its registered office at 10 Anson Road, #20-08A International Plaza, Singapore 079903. ACPAM is a registered fund management company with the Monetary Authority of Singapore and has been appointed by the Subscriber to serve as the discretionary investment manager to manage, supervise, select and evaluate all the investments of the Subscriber.

Mr Tan Choon Wee is the principal director and shareholder of the Subscriber and ACPAM. Prior to founding ACPAM, Mr Tan has been managing the investment portfolio of Advance Opportunities Fund, an open-ended fund incorporated in the Cayman Islands, where he serves as founder and director. Mr Tan has over 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 prior to joining RHB Securities Sdn Bhd as Head of Institutional Sales and Securities Dealing. He has vast experience in marketing financial products such as convertible debts, private placements and IPOs to and executing program trading for large institutions. His clientele base consists of local and international institutions, including institutions in Hong Kong, London, Tokyo and New York. Additionally, Mr Tan has, through Advance Opportunities Fund, invested in quoted securities through unlisted convertible instruments such as the Notes in other listed companies in Malaysia in recent years, as set out below:

(i) Priceworth International Berhad for issuance of Notes of up to RM50.0 million on 6 March 2014;
(ii) Censof Holdings Berhad for issuance of Notes of up to RM100.0 million on 9 January 2014;
(iii) IDimension Consolidated Berhad for issuance of convertible preference shares of up to RM20.0 million on 16 May 2014;
(iv) Kanger International Berhad for issuance of Notes of up to RM100.0 million on 15 April 2015;
(v) DBE Gurney Resources Berhad for issuance of Notes of up to RM50.0 million on 21 September 2015;

(vi) Tanco Holdings Berhad for issuance of Notes of up to RM100.0 million on 29 September 2016; and

(vii) Hubline Berhad for issuance of Notes of up to RM80.0 million on 24 February 2017.

2.2.6 Representations and warranties of the Subscriber and ACPAM

(i) The Subscriber and ACPAM represent and warrant to the Company that they have 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 (i) that there will be no conversion of the Notes by the Subscriber to transfer a controlling interest in the Company to the Subscriber without the prior approval of the Company's shareholders at a general meeting and (ii) not to hold more than 10% interest in the Company's issued share capital, at any time and from time to time without the Company's prior approval (1).

Note:

(1) In the event such approval is obtained, the Subscriber shall not convert the Notes such that it will hold a controlling interest in DBhd without the prior approval of the Company's shareholders, which will be sought at a separate extraordinary general meeting.

In the event that shareholders’ approval is obtained for the Subscriber to hold a controlling interest in DBhd and the Subscriber thereby holds more than 33% interest in the Company (or such other percentage as may be prescribed in the Malaysian Code on Take-Overs and Mergers, 2016), the Subscriber would have to undertake a mandatory general offer for the remaining DBhd Shares and other securities, if any, not already held by it.

In addition, in the event such shareholders’ approval is obtained, the major shareholders of the Company may collectively hold more than 75% of the outstanding DBhd Shares which would result in the Company not being in compliance with the public shareholding spread requirement under the Listing Requirements.

Notwithstanding the above, as the Subscriber agrees not to hold more than 10% interest in the Company’s issued share capital, the Subscriber is expected to amongst others, divest the Conversion Shares via the open market on a progressive basis, in tandem with the progressive subscription and conversion of the Notes to facilitate the issuance and subscription of all four (4) tranches of the Notes.

In view of the above, the Company expects to continue to comply with the public shareholding spread requirement under the Listing Requirements upon full conversion of the Notes.

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2.2.7 Underwriting arrangement

The Proposed Notes Issue will not be underwritten as the Subscriber has been identified and the Subscription Agreement has been entered into on 2 June 2016.

2.3 Utilisation of proceeds

2.3.1 Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants will not raise any funds upon its issuance as the Warrants will be issued at no cost to the entitled shareholders of DBhd.

The exact quantum of the future proceeds that may be raised by DBhd pursuant to the exercise of the Warrants would depend upon on the actual number of Warrants exercised during the tenure of the Warrants. As such, the exact timeframe for utilisation of the proceeds is not determinable at this juncture.

Assuming full exercise of the Warrants at the exercise price of RM0.58 per Warrant, a total of 154,685,630 new Shares will be issued and the Company could potentially raise the maximum gross proceeds of RM89.72 million. Such proceeds to be raised, as and when the Warrants are exercised, shall be utilised for the future working capital requirements of the Group which include, amongst others, payment to trade and other payables, staff costs, utilities and other operating expenses. The proceeds to be utilised for each component of working capital are subject to the Group’s operating requirements at the time of utilisation, and therefore cannot be determined at this juncture.

2.3.2 Proposed Notes Issue

The Proposed Notes Issue is expected to raise gross proceeds of up to RM150.0 million which shall be utilised in the following manner:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Proceeds (RM’000)</th>
<th>Estimated timeframe for utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing of property development activities</td>
<td>77,000</td>
<td>Within 36 months</td>
</tr>
<tr>
<td>Working capital requirements</td>
<td>61,000</td>
<td>Within 36 months</td>
</tr>
<tr>
<td>Estimated expenses in relation to the Proposed Notes Issue</td>
<td>12,000</td>
<td>Within 36 months</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note:

(1) As the Notes will be issued in tranches and sub-tranches as set out in Section 2.2.1 of this Circular, 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 expected utilisation of proceeds are as follows:

(a) Property development activities

Approximately RM77.0 million of the proceeds are intended to be utilised to support the Group’s expansion of its property development business. Further details on the identified property development activities are set out below:

<table>
<thead>
<tr>
<th>Details</th>
<th>Notes</th>
<th>Proceeds (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed residential development at Bandar Damansara, Kuantan</td>
<td>(i)</td>
<td>10,000</td>
</tr>
<tr>
<td>• Damansara Hill 1 (“DH1”)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Damansara Hill 2 (“DH2”)</td>
<td>(ii)</td>
<td>32,000</td>
</tr>
<tr>
<td>Provision of financial assistance to DAC Properties Sdn Bhd (“DAC Properties”)</td>
<td>(iii)</td>
<td>35,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>77,000</strong></td>
</tr>
</tbody>
</table>
Notes:

(i) DH1 includes landed residential properties encompassing a mix of 39 linked and ten (10) semi-detached units. The previously abandoned proposed residential development was re-launched by the Company in April 2016 with its completion expected to be in 2018. DH 1 has an estimated GDC of RM21.0 million of which RM10.0 million will be funded by the proceeds of the Proposed Notes Issue. The GDC of RM10.0 million for DH1 will include its construction cost, consultant cost and cost of strata title.

(ii) The proposed DH2 includes landed residential properties encompassing a mix of 20 linked and 55 semi-detached units. DH2 is expected to commence in September 2018 and has an estimated GDC of RM32.0 million. The proceeds will be utilised to fund the entire GDC of the DH2 project which include its land cost, construction cost, authority and submission fee, project management cost, professional fees, sales and marketing expenses and interest incurred during construction.

(iii) The Group had on 13 October 2016 entered into the shareholders’ agreement with Country Garden Management Sdn Bhd (“CGM”) (formerly known as Country Garden Logistics Sdn Bhd), a wholly owned subsidiary of Country Garden Holdings Company Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, to jointly commence, manage, implement and develop part of land held under Lot 413, Mukim Tebrau, District of Johor Bahru, Johor into integrated township comprising, amongst others, residential, commercial shop lots and amenities.

Pursuant to the terms and conditions of the shareholders’ agreement, the Group is required to extend shareholders’ advances and/or corporate guarantee in respect of external borrowings to be secured by a joint venture company. At this juncture, the Group will potentially extend provision of financial assistance of up to RM35.0 million over the duration of the development of the proposed joint venture to DAC Properties (the joint venture vehicle through which an indirect wholly-owned subsidiary, Damansara Realty (Johor) Sdn Bhd (“DRJ”) and CGM shall undertake the proposed joint venture).

(b) Working capital requirements

The Group had secured the following contracts since 2016:

(i) a comprehensive cleaning and related services contract at Kuala Lumpur International Airport (“KLIA”) for a contract sum of approximately RM28.0 million;

(ii) a RM124.0 million contract for the provision of facilities management and catering services to Petronas’ Refinery and Petrochemical Integrated Development (“RAPID”) complex in Pengerang;

(iii) a proposed project described as “Cadangan Mereka beruntuk, Membina, Melengkap, Mentauliah Dan Menyelenggarakan Kerja-Kerja Infrastruktur Dan Bangunan Untuk Hospital Pengajar Universiti Teknologi Mara (Zone 1- Fasa 3) Dengan Kaedah Private Finance Initiative (PFI) Di Atas Lot PT1567, PT 1568 and PT 7388, Puncak Alam, Mukim Jeram, Daerah Kuala Selangor, Selangor Darul Ehsan(“Project Hospital Pengajar UiTM”) where our subsidiary Healthcare Technical Services Sdn Bhd will receive consultation fee of 0.75% (RM 2.79 million) for acting as project management consultant;

(iv) a Letter of Award for the provision of Security Management Services for Utilities and Interconnecting; Rapid at an estimated contract value of RM26.21 million, with optional services worth RM9.77 million;

(v) a contract to operate and manage car parks for the Singapore Sports Council’s (“SSC”) Sport Centres for five years commencing 1 September 2017 for a contract sum of approximately SGD18.14 million (RM 56.6 million); and

(vi) an integrated facilities management project for an estimated RM27.62 million, in a joint venture with Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB) for a small medical facility in Petronas Pengerang refinery in Johor.
The Group is also actively tendering for new projects in property services, facility management services, hospital planning, maintenance and manpower services, parking operations (including Philippines and Singapore operations) and the provision of related consultancy services, amongst others. DBhd would make the necessary announcements, where required in accordance with the Listing Requirements, upon securing the respective projects.

Based on the above, the Group intends to utilise up to RM61.0 million of the proceeds to finance its working capital requirements for its newly secured, on-going and future potential projects. Further details of the Group’s on-going projects are as set out in Section 3 of this Circular.

The working capital requirements of the Group include, amongst others, operating and administrative overheads, payment to sub-contractor, site works and other professional services. The breakdown of proceeds to be utilised for each category of working capital cannot be determined at this juncture as it will depend on the progress of the respective projects.

(c) Estimated expenses in relation to the Proposed Notes Issue

The balance of the proceeds of approximately RM12.0 million will be utilised for the estimated expenses relating to the Proposed Notes Issue which comprise of, inter-alia, administrative fees, professional fees, regulatory fees, printing, advertisement and other expenses in relation to the Proposed Notes Issue. In the event that the actual amount varies from the above estimate, the excess or deficit, as the case maybe, would be adjusted from the amount earmarked for working capital purposes accordingly. The breakdown of the estimated expenses is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>(RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative fees</td>
<td>9,540</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,000</td>
</tr>
<tr>
<td>Regulatory fees</td>
<td>200</td>
</tr>
<tr>
<td>Miscellaneous expenses (including printing and advertising costs)</td>
<td>260</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,000</strong></td>
</tr>
</tbody>
</table>

*The breakdown of the administrative fees is set out in the table below:

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Issue size (RM)</th>
<th>Admin Fee (%)</th>
<th>Admin Fee (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20,000,000</td>
<td>7%</td>
<td>1,400,000</td>
</tr>
<tr>
<td>2</td>
<td>30,000,000</td>
<td>7%</td>
<td>2,100,000</td>
</tr>
<tr>
<td>3</td>
<td>50,000,000</td>
<td>6%</td>
<td>3,000,000</td>
</tr>
<tr>
<td>4</td>
<td>50,000,000</td>
<td>5%</td>
<td>2,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,000,000</strong></td>
<td></td>
<td><strong>9,000,000</strong></td>
</tr>
<tr>
<td>Goods and services tax(“GST”)</td>
<td>6%</td>
<td>540,000</td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>9,540,000</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As set out in Section 2.2.1 of this Circular, the Proposed Notes Issue comprises four (4) tranches, of which Tranche 2 Notes, Tranche 3 Notes and Tranche 4 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 only exercise the said options if such funds are required for the purposes set out above.

However, Tranche 1 Notes will be issued upon the conditions precedent of the Subscription Agreement being met. Thus in the event the Company opts not to issue the subsequent tranches and only raises gross proceeds of RM20.0 million via the issuance of Tranche 1 Notes, it shall be utilised in the manner set out below:
<table>
<thead>
<tr>
<th>Purpose</th>
<th>Proceeds (RM'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing of property development activities</td>
<td>9,800</td>
</tr>
<tr>
<td>Working capital requirements</td>
<td>6,300</td>
</tr>
<tr>
<td>Estimated expenses in relation to the Proposed Notes Issue</td>
<td>*3,900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,000</strong></td>
</tr>
</tbody>
</table>

* Assuming the issuance of only Tranche 1 of the RCN and hence includes administrative fees of 7% of the issue size or approximately RM1.4 million and GST. The breakdown of the administrative fees is set out in Section 2.3.2 (c) of this Circular.

The remaining utilisation set out in Section 2.3.2 (a) and (b) above will be funded via other sources of funding that will be determined at a later juncture. For the avoidance of doubt, no proceeds will be raised from the conversion of the Notes.

### 3. RATIONALE FOR THE PROPOSALS

#### 3.1 Proposed Bonus Issue of Warrants

The Board, after due consideration, is of the view that the Proposed Bonus Issue of Warrants is an appropriate avenue to reward the existing shareholders of the Company for their continuing support by enabling them to participate in an equity derivative of the Company without incurring any cost upon issuance of the Warrants. In addition, it enables the Company to strengthen its capital base and market capitalisation, as well as potentially provide additional working capital to the Group as and when the Warrants are exercised. As set out in Section 2.3.1 of this Circular, the Company could potentially raise up to RM89.72 million, assuming full exercise of the Warrants at the exercise price of RM0.58 per Warrant. The Warrants will be traded separately from the DBhd Shares on Bursa Securities and will provide the Entitled Shareholders an avenue to monetise the Warrants, should they choose to do so.

The Warrants has a tenure of three (3) years during which it will remain valid and exercisable. The proceeds from the Proposed Notes Issue which are to be utilised within three (3) years for the proposed developments and future potential projects as set out in Section 2.3.2 of this Circular, are expected to contribute positively to the Group’s future financial performance and reduce the Group’s reliance on its existing parking services business. Premised on the above, the Group expects its share price to improve in tandem with its future financial performance and therefore, making the Warrants worthwhile to exercise.
## 3.2 Proposed Notes Issue

The segmental revenue and loss after taxation of the Group for the past three (3) financial years up to FYE 31 December 2016 and the unaudited FPE 30 June 2017 are set out below:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Q2 2017(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM ('000)</td>
<td>%</td>
<td>RM ('000)</td>
<td>%</td>
</tr>
<tr>
<td><strong>Segmental revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of properties</td>
<td>10,291</td>
<td>5.18</td>
<td>16,394</td>
<td>7.92</td>
</tr>
<tr>
<td>Project management</td>
<td>44,048</td>
<td>22.18</td>
<td>41,942</td>
<td>20.26</td>
</tr>
<tr>
<td>Parking services</td>
<td>116,672</td>
<td>58.74</td>
<td>119,296</td>
<td>57.61</td>
</tr>
<tr>
<td>Cleaning services</td>
<td>27,603</td>
<td>13.90</td>
<td>29,426</td>
<td>14.21</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td>4,262</td>
<td>2.32</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>198,614</td>
<td>100.00</td>
<td>207,058</td>
<td>100.00</td>
</tr>
<tr>
<td>Profit/(loss) after taxation</td>
<td>(4,612)</td>
<td>(2,835)</td>
<td>(27,734)</td>
<td>2,455</td>
</tr>
</tbody>
</table>

Note:

(1) For clarification, the segmental information is disclosed in the Company’s unaudited report for the interim financial statement for the second quarter and six months ended 30 June 2017 in the following manner:

<table>
<thead>
<tr>
<th></th>
<th>Q2 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM ('000)</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Segmental revenue</strong></td>
<td></td>
</tr>
<tr>
<td>Integrated Facility Management (&quot;IFM&quot;)</td>
<td>*99,090</td>
</tr>
<tr>
<td>Property Development</td>
<td>13,258</td>
</tr>
<tr>
<td>Project Management Consultancy</td>
<td>5,125</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>117,473</td>
</tr>
<tr>
<td>Profit/(loss) after taxation</td>
<td>2,455</td>
</tr>
</tbody>
</table>

*IFM comprises parking services, cleaning services and project management services, encompassing planning, development, maintenance, operation, car park solutions and management of assets excluding project management consultancy which was previously recorded under project management.

Revenue from parking services remained the biggest contributor to the Group’s revenue, registering a total of RM116.67 million, RM119.30 million, RM115.04 million and RM60.42 million for the FYE 2014, FYE 2015, FYE 2016 and FPE 30 June 2017 respectively.

In FYE 2014, the Group recorded a loss after taxation of RM4.61 million mainly due to higher finance cost on unwinding of an amount due to a trade payable. In FYE 2015, the Group recorded a lower loss after tax of RM2.84 million compared to FYE 2014 due to higher non-recurrent income recognised during the year. For FYE 2016, the Group recorded higher losses of RM27.7 million mainly due to RM9.2 million finance cost on unwinding of an amount due to a trade payable and provision of doubtful debts of RM2.70 million. The Group also incurred RM8.96 million in earthworks costs in relation to PPA1M. In FPE 30 June 2017, the Group recorded a profit of RM2.46 million after tax mainly due to higher revenue recorded for the period primarily due to contribution from parking services, sale of properties and project management. The higher revenue recorded for parking services were due to additional contracts secured in the financial year. The higher revenue contribution from property development were attributable to the sale of three (3) units of DH1 and four (4) units of Aliff Square 2 in Johor Bahru.
Notwithstanding parking services being the major revenue contributor for the Group, property development provides the highest gross and net margins for the Group. As part of its intensified efforts to expand its property development business, the Company has revived construction on its proposed residential development at Bandar Damansara, Kuantan or DH1 that aims to complement the growing market demand in the Gebeng Industrial area and Kuantan Port. The development will encompass a mix of 39 linked and 10 semi-detached units with its completion expected to be in Q2 2018. The development has an estimated GDC of RM21.0 million.

The Company also plans to develop the 2nd phase of its proposed residential development at Bandar Damansara, Kuantan or DH2. The proposed development will encompass a mix of 55 linked and 20 semi-detached units are expected to commence construction in Q3 2018. The proposed development has an estimated GDC of RM32 million.

DBhd is also looking to expand its project management division. In this regard, the Company has secured the following contracts:

(i) a comprehensive cleaning and related services (Category 1) at KLIA for a contract sum of approximately RM28.0 million for a period of three (3) years which commenced on April 2016;

(ii) a RM124.0 million contracts (for five years) for the provision of facilities management and catering services to the RAPID complex in Pengerang. The project commenced in January 2017 via a joint venture between DBhd's subsidiary TMR Urusharta Sdn Bhd and L.C. Catering Sdn Bhd;

(iii) a project to act as management consultant for Project Hospital Pengajar UiTM;

(iv) a Letter of Award for the provision of Security Management Services for Utilities and Interconnecting; Rapid at an estimated contract value of RM26.21 million, with optional services worth RM9.77 million;

(v) a contract to operate and manage car parks for the SSC Sport Centres for five years commencing 1 September 2017 for a contract sum of approximately SGD18.14 million (RM56.60 million); and

(vi) an integrated facilities management project for an estimated RM27.62 million in a joint venture with Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB) for a small medical facility in Petronas Pengerang refinery in Johor.

The Company is also in the midst of negotiating and tendering for new projects in the provision of property services, facility management services, hospital planning, maintenance and manpower services, parking operation and the provision of related consultancy services, amongst others.

Premised on the above, the proceeds from the Proposed Notes Issue will enable the Company to raise funds expeditiously for the proposed developments and future potential projects as set out in Section 2.3.2 of this Circular, which are expected to contribute positively to the Group’s future financial performance and reduce the Group’s reliance on its existing parking services business.

The Company had recorded losses for FYE 2014, FYE 2015 and FYE 2016. As such, the Company had faced difficulty in securing a line of credit for projects to be undertaken by the Company or attract investors via the issuance of new shares. After due consideration of the various fund raising options, the Board is of the view that the Proposed Notes Issue is the most appropriate avenue of raising funds for the aforementioned based on the following rationale:
(i) Alternate and cost effective means for raising funds

The Proposed Notes Issue will enable the Company to raise funds in a cost effective and expeditious manner as the Notes will be 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.

Additionally, in view of the losses recorded for the past two (2) financial years, the Group may face difficulty in obtaining further bank borrowings and/or attract new investors via the issuance of new shares. The Proposed Notes Issue will enable DBhd 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.

(ii) Flexibility in the issuance of the Proposed Notes Issue

The Proposed Notes Issue comprises four (4) tranches and the Company has the option to require the Subscriber to subscribe for the Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes during the relevant option period subject to the terms and conditions of the Subscription Agreement as set out in Section 2.2.1 of this Circular. Based on the foregoing, the Company is able to assume control in the issuance of the Notes providing the Company the discretion to issue Tranche 2 Notes, Tranche 3 Notes and Tranche 4 Notes only when the need for such funds arises.

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, Tranche 3 and Tranche 4. In comparison, other types of securities such as issuance of new shares will result in an immediate dilution in the shareholders’ shareholding in the Company.

4. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

4.1 Overview and Outlook of the Malaysian Economy

In 2016, the Malaysian economy continued to face considerable external and domestic headwinds. While some of the impact of earlier domestic shocks gradually dissipated during the year, growth performance was affected by the materialisation of new risks and ongoing adjustments to external shocks that have impacted the economy since end-2014. Despite these challenges, however, the economy recorded a commendable performance and grew by 4.2% in 2016.

(Source: Annual Report 2016, Bank Negara Malaysia)

The global economy continued to expand in the second quarter of 2017. Growth was also becoming more synchronised across the advanced and emerging economies. Indicators such as the manufacturing purchasing managers’ index (PMI) and industrial production expanded at a faster pace, particularly in the advanced economies. Similarly, manufacturing PMIs in Asia have remained above the usual trend observed since the global financial crisis. This indicates that global recovery has become more entrenched. In the US and euro area, growth drivers were more balanced as the uptrend in investments continued to complement private consumption. Domestic demand in China lent further support to global demand, as ongoing policy tightening has yet to show signs of feeding into the real economy. These key developments continued to drive global trade. As a result, Asia benefitted from the recovery in global demand amid sustained strength in domestic demand.

The Malaysian economy recorded a stronger growth of 5.8% in the second quarter of 2017 (1Q 2017: 5.6%). Private sector spending continued to be the main driver of growth. On the external front, growth was further supported by the robust expansion in real exports of goods and services (9.6%; 1Q 2017: 9.8%) following strong demand for manufactured and commodity products. Real imports moderated slightly to 10.7% (1Q 2017: 12.9%) following more moderate expansion in investment. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.3% (1Q: 1.8%).
Domestic demand grew by 5.7% in the second quarter of the year (1Q 2017: 7.7%), supported by continued expansion in both private sector expenditure (7.2%; 1Q 2017: 8.2%) and public sector spending (0.2; 1Q 2017: 5.8%). Private consumption recorded a growth of 7.1% (1Q 2017: 6.6%), supported by the improvement in private sector wages amid continued strength in employment growth. Private investment expanded by 7.4% in the second quarter (1Q 2017: 12.9%), mainly in the services and manufacturing sectors. Public consumption growth moderated to 3.3% (1Q 2017: 7.5%) following slower growth in the spending on emoluments, and supplies and services. Public investment declined by 5.0% in the second quarter (1Q 2017: 3.2%). This was attributable to the lower spending on fixed assets by public corporations, which more than offset the higher expenditure by the Federal Government. On the supply side, all economic sectors continued to expand. Headline inflation moderated to 4.0% in the second quarter of 2017 (1Q 2017: 4.3%) due mainly to lower transport inflation of 13.4% (1Q 2017: 16.2%). During the quarter, prices of RON95 petrol averaged RM2.07 per litre, lower than the average of RM2.23 per litre in 1Q 2017.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2017, Quarterly Bulletin, Bank Negara Malaysia)

The Malaysian economy is expected to expand between 4% and 5% in 2017 (2016: 4% - 4.5%) with nominal Gross National Income per capita increasing 5% to RM39,699 (2016: 4.8%; RM37,812). Economic growth will be underpinned by strong domestic demand, especially private sector expenditure. Private sector activity will be supported by pro-growth fiscal and accommodative monetary policies in an environment of stable inflation, which is projected to range between 2% and 3% (2016: 2% - 2.5%). Meanwhile, public sector expenditure will be driven mainly by higher capital investment by public corporations.

(Source: Economic Report 2017, Ministry of Finance Malaysia)

### 4.2 Overview of the Malaysian Property Market

Value-added of the construction sector recorded a strong growth of 8.4% during the first half of 2016. The acceleration of civil engineering works and sustained expansion in residential activities outweighed the tapering growth in the non-residential subsector. Overall, these three property subsectors contributed the highest share (more than 80%) of all construction activities. Total value of construction works completed during the first half of 2016 expanded 11.4% to RM62 billion with 11,881 projects. The civil engineering subsector contributed 33.2% to the total value of construction works, followed by non-residential (32.1%), residential (29.8%) and specialised construction activities (4.9%) subsectors. The private sector continued to dominate construction activity with a share of 66.3% in the first half of 2016. For the year, the construction sector is expected to expand 8.7%.

The residential subsector grew 10.4% supported by steady growth in incoming supply at 13.1%. Klang Valley, accounting for 26.2%, continued to contribute the most of the incoming supply mainly due to increasing affordable housing schemes. The average all-house price increased to RM326,241 in the second quarter of 2016 relative to RM309,705 for the corresponding period in 2015, with detached houses recording the highest increase at 6.5%, followed by high rise units (6%) and terrace houses (5.7%). The Purpose-Built Office segment improved with the incoming supply rebounding 28.4% to 2 million square metres, while planned supply increased sharply by 56% to 1 million square metres. Demand for commercial buildings remained favourable with the average occupancy rate of retail space at 82.2% and office (83.5%), reflecting sustained demand for commercial space in prime areas.
The construction sector is projected to grow 8.3% (2016: 8.7%) mainly supported by the commencement of large infrastructure projects such as Mass Rapid Transit Sungai Buloh – Serdang Putrajaya Line, Pan Borneo Highway, Sungai Besi – Ulu Klang Elevated Expressway and Damansara – Shah Alam Elevated Expressway. The upgrading road works from Klang Container Terminal – North Port and the construction of infrastructure in Malaysia Vision Valley are expected to further support the sector. The residential subsector is projected to expand driven by affordable housing programmes, particularly 1Malaysia Civil Servants Housing. Meanwhile, the non-residential subsector is expected to benefit from the mixed commercial development mainly in the Klang Valley, Johor and Pahang.

(Source: Economic Report 2017, Ministry of Finance Malaysia)

The construction sector continued to register a strong growth of 8.3% (Q2 2016: 8.9%) reinforced by higher civil engineering activities. Civil engineering subsector strengthened by 14.9% (Q2 2016: 19.1%) mainly due to higher activities in the transportation, power plant and O&G related projects. The specialised construction activities subsector expanded further to register 9% (Q2 2016: 7.9%) supported by painting, interior design and electrical works. In addition, the non-residential subsector rebounded 6.7% (Q2 2016: -0.6%) underpinned by industrial-related projects, particularly in Klang Valley and Perak. During the quarter, total value of construction work done recorded a double-digit growth of 11.2% to register RM33.8 billion involving 9,405 projects (Q2 2016: 11.7%; RM30.4 billion; 9,983 projects). The expansion in value of construction work done was driven by positive growth in all subsectors, particularly in civil engineering (19.3%) and special trades activities (11.6%). Private sector accounted for 68.3% of the total construction activity while the remaining by public sector.

(Source: Malaysian Economy in the Second Quarter of 2017, Quarterly Malaysian Economic, Ministry of Finance Malaysia)

The property market in Johor softened in H1 2016. There were 20,680 transactions recorded worth RM10.87 billion, decreased by 15.0% in volume and 1.4% in value over H1 2015. Residential sub-sector retained its lion market share, contributed 66.2% of the total transactions followed by agricultural sub-sector with 20.5%, commercial (7.7%), development land (3.9%) and industrial (1.7%) sub-sectors

Residential properties were recorded mixed movements across the board. Residential properties in established areas served with efficient connectivity continued to experience capital increases. Limited supply of single storey terraces pushed up the prices in selected schemes. As at Q2 2016, the All House Price Index for the state stood at 176.7 points, up by 7.0% from 165.2 points in Q2 2015. The average All House Price for the state as at Q2 2016 stood at RM254,768 increased from RM238,202 in Q2 2015.

(Source: Property Market Report First Half 2016 – Johor, Valuation and Property Services Department, Ministry of Finance Malaysia)

The state’s property market softened in H1 2016. A total of 8,528 transactions worth RM2.14 billion were recorded in the review period, indicated a contraction of 11.6% in volume and 18.4% in value against H1 2015. Residential sub-sector continued to steer the overall property market activity with 58.8% share, followed by agricultural subsector with 27.9%, development land (6.4%) commercial (5.5%) and industrial (1.3%) sub-sectors

Residential sub-sector dominated the overall state’s property market with 58.8% share. There were 5,017 transactions worth RM1.06 billion recorded in the review period, declined by 15.6% in volume and 16.0% in value. Terraced houses transactions dominated 40.2% of the residential property transactions.

(Source: Property Market Report First Half 2016 – Pahang, Valuation and Property Services Department, Ministry of Finance Malaysia)
4.3 Prospects of the Group

In 2014, the Company underwent a corporate restructuring exercise which saw the entry of Seaview Holdings Sdn Bhd ("Seaview Holdings") as controlling shareholder following its acquisition of a 51%-stake from Johor Corporation (Johor Corporation continues to hold a 14.2%-stake in the Company). As part of the restructuring exercise, the Company intensified efforts to increase its project base across its property services division – comprising facility management, hospital consultancy, car park management and industrial cleaning – while expanding its property development arm.

In 2016, the Company executed several strategic actions to accelerate corporate recovery and enhance shareholder value. The management team conducted a rigorous corporate review led by the new Group Chief Executive Officer who introduced a Strategic Restructuring Plan ("SRP") to drive the Company’s transformation.

Under the SRP, the Company executed several actions. The first is to improve internal and operational efficiencies through the centralisation of shared services for finance, human resources, and procurement as well as the standardisation of business processes. The second is the establishment of new senior divisions, including the formation of an Executive Committee (EXCO), to encourage synergies across the Company’s subsidiaries while improving Group-wide monitoring of processes. The third is to bolster corporate governance such that shareholders’ investment and value are safeguarded and enhanced.

The Company is scaling up the size and scope of its property development projects as demonstrated through the joint venture with one of China’s most reputable developers, Country Garden, to develop a 53-acre freehold land parcel into a mega integrated township. As part of its intensified efforts to expand its property development business, the Company has secured a number of contracts in property development as set out in Section 3 of this Circular. Pursuant thereto, the Company is allocating approximately RM77.0 million of the proceeds from the Proposed Notes Issue to support the expansion of its property development business.

In 2016, the Company secured a RM124.0 million contract awarded by Petronas for the provision of facilities management and catering services to the RAPID complex in Pengerang, as well as the RM28.0 million contract for cleaning and related services at KLIA. The Company is also in the midst of negotiating and tendering for new projects in the provision of property services, facility management services, hospital planning, maintenance and manpower services, parking operation and the provision of related consultancy services, amongst others. In view of this, the Company is allocating approximately RM61.0 million of the proceeds from the Proposed Notes Issue to finance its working capital requirements for its newly secured on-going and future potential projects.

In 2017, the Group’s Integrated Facilities Management focused more on leveraging each other’s expertise where the Group will continue to explore business opportunities in their existing contracts especially in RAPID. Amongst others, the Group will re-package its service offerings to include F&B, catering, comprehensive maintenance and operations, housekeeping and cleaning services, security services, medical facility services, transportation and logistics services and other related consultancy services for its clients.

The Group is optimistic on its future potential projects and expects to strive harder in its efforts to increase its project base and achieve sustainable growth in the coming year. The Group expects better performance for 2017 onwards compared to 2016 when the Proposals are completed and the benefits of the utilisation of the proceeds are realised. Premised on the Group’s on-going projects as well as future potential projects, the Board remains optimistic of the prospects of the Group moving forward.
5. RISK FACTORS

Notwithstanding the rationale set out in Section 3 of this Circular, the shareholders should take into consideration the following risks in relation to the Proposed Bonus Issue of Warrants and Proposed Notes Issue, as set out below:

Proposed Bonus Issue of Warrants

(i) Market risk for the Warrants

The Exercise Price of the Warrants has been determined at RM0.58. The Warrants derives its value by giving its holder the rights to subscribe for new DBhd Shares at the Exercise Price over the tenure of the Warrants of three (3) years from the date of its issuance. If the price of the Warrants quoted and traded on the Main Market of Bursa Securities and the Exercise Price is higher than the price of the underlying DBhd Shares, the Warrants are deemed to be “out-of-the-money” and hence, there may not be an incentive for the Entitled Shareholders to exercise their Warrants. There is also no assurance that an active market for the Warrants will develop upon their listing on Bursa Securities or if developed, that such market can be sustained upon or subsequent to the listing of the Warrants. Notwithstanding the above, the Warrants are issued at no cost to the Entitled Shareholders and as the Warrants will be traded separately from the DBhd Shares on Bursa Securities, the Entitled Shareholders will have an avenue to monetise the Warrants should they choose to do so.

Proposed Notes Issue

(i) Dilution risk of the existing shareholders’ shareholding in DBhd

The existing shareholders’ shareholding will be diluted in the event the RM150.0 million Notes are converted into 300,000,000 DBhd Shares at the minimum Conversion Price of RM0.50. Pursuant thereto, 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 ten percent (10%) interest in the share capital of the Company, at any time and from time to time without prior approval of the Company.

(ii) Non-subscription of Notes by the Subscriber

In the event that the price of DBhd Shares falls below or near the 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 not be able to raise the funds needed for the purposes as set out in Section 2.3.2 of this Circular. The Company however anticipates its financial performance to improve in the future with the implementation of its plans as set out in Section 3 of this Circular and this is consequentially expected to contribute positively to the price of DBhd Shares.

(iii) Delay in completion of projects

The timely completion of the projects undertaken by the Group is dependent on many external factors including, inter alia, the timely receipt of requisite licenses, permits or regulatory approvals, availability of construction/building materials, equipment and labour, availability of financing and satisfactory performance of any sub-contractors appointed. Adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which can consequently result in cost overruns that may affect the Group's profitability and cash flows. Notwithstanding the aforesaid, the management seeks to limit these risks through, inter-alia, keeping abreast with the latest development in the property development market, careful planning, continuous review and close supervision on projects and effective management to ensure cost containment and innovative marketing and pricing strategies to ensure the marketability and saleability of each of its development project. However, there can be no assurance that any changes in these factors will not have any material adverse effect on the business operations performance and financial performance of the Group.
(iv) **Ranking of the Noteholders**

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking *pari passu* and rateably 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 outstanding. As such, the Notes will rank above the DBhd 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 is going concern and will not be wound up and/or liquidated.

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6. EFFECTS OF THE PROPOSALS

The Proposed Notes Issue is expected to raise up to RM20.0 million through the issuance of Tranche 1 Notes. Further amounts up to RM130.0 million may be raised through the issuance of the remaining three (3) tranches at the Company’s option, subject to the terms and conditions as set out in the Subscription Agreement.

As at the date of this Circular, the Conversion Price for the Notes is yet to be determined. It is thus not possible, as at the date of this Circular, 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 Proposals shall be based on the minimum Conversion Price of RM0.50 and the following scenarios:

**Minimum Scenario**: Assuming only the first tranche of the Notes of RM20.0 million are issued and subscribed pursuant to the Proposed Notes Issue.

**Maximum Scenario**: Assuming all four (4) tranches of the Notes of RM150.0 million are issued and subscribed pursuant to the Proposed Notes Issue.

### 6.1 Issued Share Capital

The pro forma effects of the Proposed Bonus Issue of Warrants and Proposed Notes Issue on DBhd’s issued share capital are as follows:

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>Minimum Scenario</th>
<th>Maximum Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued share capital as at the LPD</td>
<td>309,371,260</td>
<td>309,371,260</td>
</tr>
<tr>
<td></td>
<td>(1)154,841,630</td>
<td>(1)154,841,630</td>
</tr>
<tr>
<td>To be issued pursuant to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full conversion of the Note(2)</td>
<td>40,000,000</td>
<td>300,000,000</td>
</tr>
<tr>
<td></td>
<td>20,000,000</td>
<td>150,000,000</td>
</tr>
<tr>
<td>Full exercise of the Warrants</td>
<td>154,685,630</td>
<td>154,685,630</td>
</tr>
<tr>
<td></td>
<td>(3)89,717,665</td>
<td>(3)89,717,665</td>
</tr>
<tr>
<td>Enlarged issued share capital</td>
<td>504,056,890</td>
<td>764,056,890</td>
</tr>
<tr>
<td></td>
<td>264,559,295</td>
<td>394,559,295</td>
</tr>
</tbody>
</table>

**Notes:**

(1) Includes share premium of RM156,000 pursuant to the commencement of the Act.

(2) Assuming conversion of the Notes at the minimum Conversion Price of RM0.50.

(3) Assuming full exercise of the Warrants at the exercise price of RM0.58 per Warrant.
6.2 NA and Gearing

Minimum Scenario

The proforma effects of the Proposed Bonus Issue of Warrants and Proposed Notes Issue on the NA per Share and gearing of the Group based on the latest audited consolidated financial statements of DBhd as at 31 December 2016 are set out below:

<table>
<thead>
<tr>
<th>Group Level</th>
<th>Audited as at 31 December 2016 (RM '000)</th>
<th>Proforma (I) Upon Issuance of the Warrants (RM '000)</th>
<th>Proforma (II) Upon Proposed Notes Issue (RM '000)</th>
<th>Proforma (III) Upon Full Conversion of the Notes (RM '000)</th>
<th>Proforma (IV) Upon Full Exercise of the Warrants (RM '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>154,685</td>
<td>(1) 154,841</td>
<td>(1) 154,841</td>
<td>(1) (7) 264,559</td>
<td>(1) (6) 264,559</td>
</tr>
<tr>
<td>Share premium</td>
<td>156</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(47,011)</td>
<td>(2) (47,211)</td>
<td>(3) (51,611)</td>
<td>(51,611)</td>
<td>(51,611)</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>(18,568)</td>
<td>(18,568)</td>
<td>(18,568)</td>
<td>(18,568)</td>
<td>(18,568)</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Exchange reserve</td>
<td>(1,378)</td>
<td>(1,378)</td>
<td>(1,378)</td>
<td>(1,378)</td>
<td>(1,378)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>7,734</td>
<td>7,734</td>
<td>7,734</td>
<td>7,734</td>
<td>7,734</td>
</tr>
<tr>
<td>Estimated Equity</td>
<td>-</td>
<td>-</td>
<td>(4) -861</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total equity/ NA

<table>
<thead>
<tr>
<th></th>
<th>95,703</th>
<th>95,503</th>
<th>91,964</th>
<th>111,103</th>
<th>200,821</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of DBhd Shares ('000)</td>
<td>309,371</td>
<td>309,371</td>
<td>309,371</td>
<td>349,371</td>
<td>504,057</td>
</tr>
<tr>
<td>NA per Share (RM)</td>
<td>0.31</td>
<td>0.31</td>
<td>0.30</td>
<td>0.32</td>
<td>0.40</td>
</tr>
<tr>
<td>Borrowings</td>
<td>19,243</td>
<td>19,243</td>
<td>(5) 38,111</td>
<td>19,243</td>
<td>19,243</td>
</tr>
<tr>
<td>Gearing (times)</td>
<td>0.20</td>
<td>0.20</td>
<td>0.41</td>
<td>0.17</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Notes:

(1) Includes share premium of RM156,000 pursuant to the commencement of the Act.
(2) After netting estimated expenses of RM200,000 pertaining to the Proposed Bonus Issue of Warrants.
(3) After netting estimated expenses of RM4.4 million pertaining to the Proposed RCN Issue.
(4) Being the equity component of the Notes after deducting the deferred tax liabilities of RM0.27 million, based on MFRS 132.
(5) For illustrative purposes, based on MFRS 132, the liability component of the Notes is determined based on the assumption that RM20.0 million Notes issued under the Proposed RCN Issue are discounted to its present value at a rate of 6% with a coupon rate of 0.1% and will be fully redeemed on the Maturity Date.
(6) Assuming full exercise of the Warrants at the exercise price of RM0.58 per Warrant.
(7) Assuming full conversion of tranche 1 of the Notes amounting to 40,000,000 Shares at the minimum Conversion Price of RM0.50.
Maximum Scenario

The proforma effects of the Proposed Bonus Issue of Warrants and Proposed Notes Issue on the NA per Share and gearing of the Group based on the latest audited consolidated financial statements of DBhd as at 31 December 2016 are set out below:

<table>
<thead>
<tr>
<th>Group Level</th>
<th>Audited as at 31 December 2016 (RM '000)</th>
<th>Proforma (I) Upon Issuance of the Warrants (RM '000)</th>
<th>Proforma (II) Upon Proposed Notes Issue (RM '000)</th>
<th>Proforma (III) Upon Full Conversion of the Notes (RM '000)</th>
<th>Proforma (IV) Upon Full Exercise of the Warrants (RM '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>154,685</td>
<td>(1)154,841</td>
<td>(1)154,841</td>
<td>(1)(1)304,841</td>
<td>(1)(8) 394,559</td>
</tr>
<tr>
<td>Share premium</td>
<td>156</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(47,011)</td>
<td>(2)47,211</td>
<td>(3)59,211</td>
<td>(59,211)</td>
<td>(59,211)</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>(18,568)</td>
<td>(18,568)</td>
<td>(18,568)</td>
<td>(18,568)</td>
<td>(18,568)</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>Exchange reserve</td>
<td>(1,378)</td>
<td>(1,378)</td>
<td>(1,378)</td>
<td>(1,378)</td>
<td>(1,378)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>7,734</td>
<td>7,734</td>
<td>7,734</td>
<td>7,734</td>
<td>7,734</td>
</tr>
<tr>
<td>Estimated Equity</td>
<td>-</td>
<td>-</td>
<td>(4)18,269</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Component of the Notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total equity/ NA</td>
<td>95,703</td>
<td>95,503</td>
<td>101,772</td>
<td>233,503</td>
<td>323,221</td>
</tr>
</tbody>
</table>

No. of DBhd Shares ('000) 309,371 309,371 309,371 609,371 764,057

NA per Share (RM) 0.31 0.31 0.33 0.38 0.42

Borrowings 19,243 19,243 (5)145,205 19,243 19,243

Gearing (times) 0.20 0.20 1.43 0.08 0.06

Notes:

1. Includes share premium of RM156,000 pursuant to the commencement of the Act.
2. After deducting the estimated expenses of RM200,000 in relation to the Proposed Bonus Issue of Warrants.
3. After deducting the estimated expenses of RM12.0 million in relation to the Proposed Notes Issue, which will be funded via the gross proceeds from the Proposed Notes Issue as set out in Section 2.3.2 of this Circular.
4. Being the equity component of the Notes after deducting deferred tax liabilities of RM5.77 million, based on MFRS 132.
5. Including the liability component of the Notes amounting to RM125.96 million which are discounted to its present value at a rate of 6% with a coupon rate of 0.1%, based on MFRS 132.
6. Assuming full exercise of the Warrants at the exercise price of RM0.58 per Warrant.
7. Assuming full conversion of all four (4) tranches of the Notes amounting to 300,000,000 Shares at the minimum Conversion Price of RM0.50.
### Substantial Shareholders' Shareholdings

The proforma effects of the Proposed Bonus Issue of Warrants and Proposed Notes Issue on the shareholdings of the substantial shareholders of DBhd as at the LPD are set out below:

#### Minimum Scenario

<table>
<thead>
<tr>
<th>Substantial Shareholders</th>
<th>Direct No. of Shares</th>
<th>Direct %</th>
<th>Indirect No. of Shares</th>
<th>Indirect %</th>
<th>Upon full conversion of the Notes(^{(1)}) Direct No. of Shares</th>
<th>Direct %</th>
<th>Indirect No. of Shares</th>
<th>Indirect %</th>
<th>After full exercise of the Warrants Direct No. of Shares</th>
<th>Direct %</th>
<th>Indirect No. of Shares</th>
<th>Indirect %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaview Holdings Sdn Bhd</td>
<td>157,816,580</td>
<td>51.01</td>
<td>-</td>
<td>-</td>
<td>157,816,580</td>
<td>45.17</td>
<td>-</td>
<td>-</td>
<td>236,724,870</td>
<td>46.96</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sindora Berhad</td>
<td>30,084,332</td>
<td>9.72</td>
<td>-</td>
<td>-</td>
<td>30,084,332</td>
<td>8.61</td>
<td>-</td>
<td>-</td>
<td>45,126,498</td>
<td>8.95</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kulim (Malaysia) Berhad</td>
<td>13,879,926</td>
<td>4.49</td>
<td>(2) 30,084,332</td>
<td>9.72</td>
<td>13,879,926</td>
<td>3.97</td>
<td>(2) 30,084,332</td>
<td>8.61</td>
<td>20,819,889</td>
<td>4.13</td>
<td>(2) 45,126,498</td>
<td>8.95</td>
</tr>
<tr>
<td>Johor Corporation</td>
<td>-</td>
<td>-</td>
<td>(3) 43,964,258</td>
<td>14.2</td>
<td>-</td>
<td>-</td>
<td>(3) 43,964,258</td>
<td>12.58</td>
<td>(3) 65,946,387</td>
<td>13.08</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dato' Daing A. Malek bin Daing A. Rahaman</td>
<td>-</td>
<td>-</td>
<td>(4) 157,816,580</td>
<td>51.01</td>
<td>-</td>
<td>(4) 157,816,580</td>
<td>45.17</td>
<td>-</td>
<td>(4) 236,724,870</td>
<td>46.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noteholder(s)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5) 40,000,000</td>
<td>11.45</td>
<td>-</td>
<td>-</td>
<td>(5) 40,000,000</td>
<td>7.94</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public</td>
<td>107,590,422</td>
<td>34.78</td>
<td>-</td>
<td>-</td>
<td>107,590,422</td>
<td>30.80</td>
<td>-</td>
<td>-</td>
<td>161,385,633</td>
<td>32.02</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:

1. There will be no effect on the substantial shareholders' shareholdings in the Company upon issuance of the Notes.
2. Deemed interested by virtue of its substantial interest in Sindora Berhad, pursuant to Section 8 of the Act.
3. Deemed interested by virtue of its substantial interest in Sindora Berhad and Kulim (Malaysia) Bhd, pursuant to Section 8 of the Act.
4. Deemed interested by virtue of his substantial interest in Seaview Holdings Sdn Bhd, pursuant to Section 8 of the Act.
5. Assuming full conversion of Tranche 1 of the Notes amounting to 40,000,000 Shares at the minimum Conversion Price of RM0.50.

---

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Maximum Scenario

<table>
<thead>
<tr>
<th>Substantial Shareholders</th>
<th>Direct</th>
<th>Indirect</th>
<th>(I)</th>
<th>(II)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Shares %</td>
<td>No. of Shares %</td>
<td>No. of Shares %</td>
<td>No. of Shares %</td>
</tr>
<tr>
<td>Seaview Holdings Sdn Bhd</td>
<td>157,816,580 51.01</td>
<td>-</td>
<td>157,816,580 25.90</td>
<td>236,724,870 30.98</td>
</tr>
<tr>
<td>Sindora Berhad</td>
<td>30,084,332 9.72</td>
<td>-</td>
<td>30,084,332 4.94</td>
<td>45,126,498 5.91</td>
</tr>
<tr>
<td>Kulim (Malaysia) Berhad</td>
<td>13,879,926 4.49</td>
<td>(2) 30,084,332 9.72</td>
<td>13,879,926 2.28</td>
<td>(2) 30,084,332 4.94</td>
</tr>
<tr>
<td>Johor Corporation</td>
<td>-</td>
<td>(3) 43,964,258 14.21</td>
<td>(3) 43,964,258 7.21</td>
<td>(3) 65,946,387 8.63</td>
</tr>
<tr>
<td>Dato' Daing A. Malek bin Daing A. Rahaman</td>
<td>-</td>
<td>(4) 157,816,580 51.01</td>
<td>(4) 157,816,580 25.90</td>
<td>(4) 236,724,870 30.98</td>
</tr>
<tr>
<td>Noteholder(s)</td>
<td>-</td>
<td>-</td>
<td>(5) 300,000,000 49.23</td>
<td>(5) 300,000,000 39.26</td>
</tr>
<tr>
<td>Public</td>
<td>107,590,422 34.78</td>
<td>-</td>
<td>107,590,422 17.66</td>
<td>161,385,633 21.12</td>
</tr>
</tbody>
</table>

Notes:

(1) There will be no effect on the substantial shareholders’ shareholdings in the Company upon issuance of the Notes.
(2) Deemed interested by virtue of its substantial interest in Sindora Berhad, pursuant to Section 8 of the Act.
(3) Deemed interested by virtue of its substantial interest in Sindora Berhad and Kulim (Malaysia) Bhd, pursuant to Section 8 of the Act.
(4) Deemed interested by virtue of his substantial interest in Seaview Holdings Sdn Bhd, pursuant to Section 8 of the Act.
(5) Assuming full conversion of all four (4) tranches of the Notes amounting to 300,000,000 Shares at the minimum Conversion Price of RM0.50.

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 the Notes by the Subscriber to transfer a controlling interest in the Company such that the Subscriber becomes 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. In view of the above, the Company expects to continue to comply with the public shareholding spread requirement under the Listing Requirements upon full conversion of the Notes.
6.4 **Earnings and EPS**

The Proposals are not expected to have a material effect on the earnings of the Group for FYE 31 December 2017.

Notwithstanding the above, the Proposed Notes Issue is expected to contribute positively to the earnings of the Group in future financial years when the benefits of the utilisation of proceeds from the subscription of the Notes, as set out in Section 2.3 of this Circular, are realised.

Subject to the future earnings of the Group, its EPS may be diluted in future financial years as a result of the increase in its issued share capital arising from the conversion of the Notes into new DBhd Shares.

6.5 **Convertible Securities**

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

7. **HISTORICAL SHARE PRICES**

The monthly highest and lowest transacted market prices of DBhd Shares as traded on Bursa Securities for the past twelve (12) months from October 2016 to September 2017 are as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>0.76</td>
<td>0.65</td>
</tr>
<tr>
<td>November</td>
<td>0.66</td>
<td>0.58</td>
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<td>0.59</td>
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<tr>
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<tr>
<td>September</td>
<td>0.60</td>
<td>0.52</td>
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</tbody>
</table>

Last transacted price of DBhd Shares on 14 April 2016 (being the last Market Day immediately prior to the date of announcement of the ProposedBonus Issue of Warrants) RM0.84

Last transacted price of DBhd Shares on 1 June 2016 (being the last Market Day immediately prior to the date of announcement of the Proposed Notes Issue) RM0.66

Last transacted price of DBhd Shares as at the LPD RM0.55

(Source: Bloomberg)
8. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

(i) Bursa Securities for the following:

(a) admission to the Official List and the listing of and quotation for up to 154,685,630 Warrants;

(b) listing of and quotation for up to 154,685,630 new DBhd Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities; and

(c) listing of and quotation for the Conversion Shares on the Main Market of Bursa Securities.

The approval of Bursa Securities was obtained vide its letter dated 29 September 2017 and is subject to the following conditions:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Status of compliance</th>
</tr>
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<tbody>
<tr>
<td>(a) DBhd and Kenanga IB to ensure compliance with Paragraph 8.02 of the Listing Requirements prior to the quotation for all the new DBhd Shares to be issued upon conversion of the Notes pursuant to the Proposed Notes issue;</td>
<td>To be complied</td>
</tr>
<tr>
<td>(b) DBhd and Kenanga IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;</td>
<td>To be complied</td>
</tr>
<tr>
<td>(c) DBhd and Kenanga IB to inform Bursa Securities upon the completion of the Proposals; and</td>
<td>To be complied</td>
</tr>
<tr>
<td>(d) DBhd and Kenanga IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposals are completed.</td>
<td>To be complied</td>
</tr>
</tbody>
</table>

(ii) shareholders of the Company at the forthcoming EGM; and

(iii) any other relevant authorities, if required.

The Proposals are not conditional upon each other and any other corporate exercises undertaken or to be undertaken by the Company.

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

None of the Directors, major shareholders of the Company and/or persons connected to them has any interest, direct or indirect, in the Proposals, save for their respective entitlements to the Warrants as shareholders of DBhd under the Proposed Bonus Issue of Warrants, for which all other shareholders of DBhd are similarly entitled to.
10. DIRECTORS’ RECOMMENDATION

The Board, having considered all aspects of the Proposals including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Group. As such, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

11. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and the corporate exercises disclosed here below, there are no other corporate exercises which have been announced by the Company but have yet to be completed as at the LPD:

(i) Proposed joint venture between DRJ, an indirect wholly-owned subsidiary of DBhd and Country Garden Management Sdn Bhd, a wholly-owned subsidiary of Country Garden Holdings Company Limited, which is listed on the Hong Kong Stock Exchange, through which DRJ and Country Garden Management Sdn Bhd shall jointly undertake and implement a development project under a joint venture company namely DAC Properties Sdn Bhd ("Proposed Joint Venture");

(ii) Proposed settlement of an aggregate settlement sum of RM141,526,000 between DBhd, DRJ, Johor Corporation, Johor City Development Sdn Bhd and Johor Land Berhad for the purpose of obtaining identified portion of approximately 63.15 acres of land within Lot 413, Mukim of Tebrau, District of Johor Bahru and State of Johor, in connection with an integrated township development known as “Taman Damansara Aliff”; and

(iii) Proposed provision of financial assistance to DAC Properties Sdn Bhd under the Proposed Joint Venture.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Warrants and the first sub-tranche of Tranche 1 Notes are expected to be issued in the fourth (4th) quarter of 2017.

13. EGM

The forthcoming EGM, the notice of which is enclosed with this Circular, will be held at Crystal Hall, Level 7, Holiday Villa Johor Bahru City Centre, 260 Jalan Dato’ Sulaiman, Taman Abad, 80250 Johor Bahru, Johor on 8 November 2017 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the forthcoming EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible and in any event, so as to arrive at DBhd’s Share Registrar’s Office at Tricor Investor Services Sdn Bhd of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time set for the EGM. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the forthcoming EGM should you subsequently wish to do so.
14. FURTHER INFORMATION

You are advised to refer to Appendix I of this Circular for further information.

Yours faithfully
for and on behalf of the Board
DAMANSARA REALTY BERHAD

DATO' AHMAD ZAHRI BIN JAMIL
Independent Non-Executive Chairman
APPENDIX I - FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they, collectively and individually, accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

Kenanga IB, being the Principal Adviser to the Company for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Kenanga IB is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser for the Proposals.

3. MATERIAL LITIGATION

As at the LPD and save as disclosed below, neither the Company nor any of its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group:

(i) Bungsar Hill Holdings Sdn Bhd & DBhd & Sistem Penyuraian Trafik KL Barat Sdn Bhd (v) Pentadbir Tanah Wilayah Persekutuan

Pursuant to a Property Development Agreement dated 7 January 1993 ("the PDA"), Bungsar Hill Holdings Sdn. Bhd. ("BHH") and Editrty Sdn. Bhd. ("ESB"), two subsidiaries of Selangor Properties Berhad granted rights to DBhd to develop approximately 15 acres of land adjacent to the Damansara Town Centre ("DTC") Complex in Damansara Heights, Kuala Lumpur ("the Development Land"). Part of the Development Land was compulsory acquired for the construction of Sprint Highway and DBhd had filed an objection with the Land Administrator over its dissatisfaction on the decision of the Land Administrator in respect of the compensation payable to DBhd. The objections have been referred to the High Court and pending resolution of the matter, the compensation monies (RM6,856,597.50 for suit No. S3(S1)-21-90-2001 and RM425,505.00 for suit No. S4-15-13-20013) have been deposited into the High Court ("Compensation Monies").

On 15 November 2010, the High Court had ordered for the case to be transferred and heard together with another suit filed by the Company against BHH and ESB for breaches of the PDA in relation to their disregard of the Company's interest in the Development Land. However, on 19 October 2011, the case pertaining to the breaches of PDA had been struck out with costs. BHH has filed an application for release of the Compensation Monies which have been deposited into Court and claimed for an interest accrued thereof. On 30 April 2013, the Court has allowed BHH's application in respect of release of the Compensation Monies whereby the Compensation Monies to be released and paid solely and exclusively to BHH. The Senior Assistant Registrar of the High Court had on 23 September 2013 ordered DBhd to pay BHH as follows:-

a) Pre Judgment interest on the sum of RM6,856,597.50 from 8 July 2002 until 30 April 2013 at the rate of 8% per annum and Post Judgment interest on the sum of RM6,856,597.50 from 1 May 2013 until date of payment by the Company at the rate of 5% per annum.
b) Pre Judgment interest on the sum of RM425,505.00 from 22 November 2007 until 30 April 2013 at the rate of 8% per annum and Post Judgment interest on the sum of RM425,505.00 from 1 May 2013 until date of payment by the Company at the rate of 5% per annum.

DBhd appealed against the decision of Senior Assistant Registrar to the Judge in Chambers.

On 26 May 2014, BHH served notice on DBhd under Section 218 of the Act demanding payment of the interest awarded on 23 September 2013 within 21 days from the receipt of the notice ("Section 218 Notice") failing which BHH would institute winding-up proceedings against DBhd. Within the same year of 2014, DBhd obtained an order in a separate action declaring the Section 218 Notice null and void and restraining BHH from presenting a winding-up petition based on that Section 218 Notice ("Order"). BHH initially filed an appeal against the Order and other related appeals to the Court of Appeal but have subsequently withdrew those appeals on 23 January 2015.

On 2 December 2014, the Judicial Commissioner of the High Court after hearing the aforesaid appeal to Judge in Chambers delivered judgment on the appeal as follows:-

aa) DBhd to pay BHH pre judgment interest at 3% per annum on principle sum of RM6,856,597.80 from 10 July 2002 to 30 April 2013;

bb) DBhd to pay BHH post judgment interest at 5% per annum on the sum of RM7,659,101.18 from 1 May 2013 to 21 October 2013;

cc) DBhd to pay cost of RM40,000 to BHH;

dd) BHH to be paid interest of 2% per annum on the sum of RM7,659,101.18 and also interest of 2% per annum on RM425,505 (by Ministry of Finance).

On 29 December 2014, DBhd filed an appeal to the Court of Appeal on part of the Judicial Commissioner’s decision not in favour of DBhd (items aa, bb and cc above, collectively, “Judgement Sum”). Whereas on 2 March 2015, BHH cross-appealed to the Court of Appeal (“Cross-Appeal”) to have the order granted on 2 December 2014 varied.

On 22 June 2015, the Court of Appeal decided the matter in favour of DBhd, allowed DBhd’s appeal, dismissing BHH’s Cross Appeal and allowed cost of RM70,000 to be paid to DBhd.

BHH then on 20 July 2015 through their solicitors have filed a motion for leave to appeal to the Federal Court. The Federal Court had on 12 May 2016 granted BHH’s leave to appeal on one single question on law only. The suit has been fixed for case management on 27 September 2016.

On 27 September 2016, the parties’ solicitors had informed the Federal Court that the Grounds of Judgment for the Court of Appeal’s decision had not been obtained. The Federal Court then directed the parties’ solicitors to write in to the Court of Appeal’s judges requesting for the Grounds of Judgment and the suit has been fixed for case management on 11 November 2016.

The Federal Court has vacated the case management date on 11 November 2016 and fixed another case management date on 18 November 2016 for the parties to update on the availability of the Court of Appeal’s Grounds of Judgment to the Federal Court.
During the case management on 18 November 2016, the Federal Court were informed that the Court of Appeal has yet to furnish the Grounds of Judgment to the parties. The Federal Court informed that the motion for leave to appeal cannot be heard until the Court of Appeal’s Grounds of Judgment had been obtained from the Court of Appeal. Following the case managements fixed by the Federal Court on 19 January 2017, 28 March 2017, 23 May 2017 and 26 July 2017, the Federal Court then fixed another case management date on 22 November 2017 pending the Grounds of Judgment from the Court of Appeal.

The Board based on legal advice is of the view that DBhd has an arguable chance of dismissing the appeal at the Federal Court. However, due to the complexity of the case, the Company is unable to estimate the losses arising from this suit.

(ii) **DBhd & Tebing Aur Sdn Bhd v Ibsul Holdings Sdn Bhd**

In 2009, DBhd and Tebing Aur Sdn Bhe (“TASB”) had filed a summons against Ibsul Holdings Sdn Bhd (“IHSB”) claiming a sum of RM3.6 million being the balance progress claim submitted to IHSB under the subcontract for Jelutong project which was terminated in April 2006. IHSB has made a counter claim of RM57.0 million for back-charges on works relating to the abovementioned project. On 18 July 2012, the Court had dismissed DBhd’s application for summary judgement with costs. Following hearings and trials on the matter, on 3 June 2016, the Court dismissed DBhd’s claim on account that the claim is premature, and also dismissed the IHSB’s counter claim with no order as to costs.

On 17 October 2016, DBhd instructed its solicitors to conduct watching brief for the arbitration proceedings between IHSB and the concession company pertaining to the dispute arose due to the said project. As at the LPD, the management of DBhd has made a commercial decision not to proceed with the arbitration as watching brief and to close the case, taking into account of the legal risk and implication and legal cost of the said arbitration.

(iii) **Om Cahaya Mineral Asia Berhad v Damansara Realty (Pahang) Sdn Bhd**

On 5 February 2016, Om Cahaya Mineral Asia Berhad (“Om Cahaya”) has filed a claim for unlawful termination of contract in relation to their alleged appointment to carry out mining works at Damansara Realty (Pahang) Sdn Bhd’s (“DRP”) land in Kuantan, Pahang and claims inter alia the following:-

a) a declaration that the termination of the agreement dated 1 December 2014 (“Agreement”) vide the DRP’s letter dated 11 September 2015 was invalid and unlawful;

b) special damages (wasted expenditure) in the sum of RM15,833,484.16;

c) loss of profit in the sum of USD85.0 million (RM366,656,000) as at the date of the summons;

Alternatively or in lieu:-

aa) a declaration that specific performance be granted to Om Cahaya to proceed with the said Agreement;

bb) an order that Om Cahaya be granted an extension of time of 526 days with an option to extend for a further one (1) year from the expiry, from the date of the order to complete the works under the Agreement;
APPENDIX I - FURTHER INFORMATION (Cont’d)

cc) loss and expense arising from the delay caused by the wrongful termination by DRP to be assessed by the Court from the date of wrongful termination on 11 September 2015 until the date of the order;

dd) interest and finance charges to be assessed by the court from the date of wrongful termination on 11 September 2015 until the date of the order;

ee) costs; and

ff) further or other relief as if deemed necessary by the honourable court.

DRP had on 14 April 2016 filed an application to strike out the suit to the court. The matter has come up for hearing of the striking out application on 27 May 2016 whereby the Kuala Lumpur High Court has allowed DRP’s application to strike out Om Cahaya’s summons and statement of claim with costs of RM5,000.00 and allocator fee of RM200.00. Om Cahaya appealed against the striking out and a case management is fixed on 8 November 2016 pending the extraction of the sealed order.

The Court of Appeal then fixed another case management date on 20 November 2017 for the parties to file their written submissions together with their bundle of authorities, executive summary and common chronology of facts. The Court of Appeal also fixed the Hearing date of the appeal on 6 March 2017.

On 7 March 2016, the Court of Appeal allowed Om Cahaya’s appeal against the Kuala Lumpur High Court’s decision in allowing DRP’s application to strike out the case with cost in cause and subsequently ordered for the case to be reverted to Kuala Lumpur High Court for trial. The Court of Appeal fixed a case management date at the Kuala Lumpur High Court on 13 March 2017. On 13 March 2017, the Kuala Lumpur High Court fixed a new case management date on 27 March 2017 pending the duly sealed Court of Appeal Order dated 6 March 2017. The Kuala Lumpur High Court subsequently postponed the case management to 31 March 2017 and 18 April 2017.

On 17 April 2017, Om Cahaya filed in an application to the Kuala Lumpur High Court to transfer the case to Kuantan High Court. The Kuala Lumpur High Court gave its directions to the parties with regard to the transfer application and vacated the case management which was initially fixed on 18 April 2017 and at the same time the Kuala Lumpur High Court fixed for a case management on 12 May 2017. On 12 May 2017, the Kuala Lumpur High Court fixed for a case management on 7 June 2017 for the parties to file their written submissions and the hearing for the transfer application was fixed on 21 June 2017. During the case management on 7 June 2017, Om Cahaya withdrew their transfer application with no order to costs. The Kuala Lumpur High Court then converted the hearing date on 21 June 2017 into a case management date. The Kuala Lumpur High Court fixed a pre-trial case management date on 6 November 2017 for the parties to file relevant cause papers.

In respect of DRP’s appeal to the Federal Court based on the Court of Appeal’s judgment dated 7 March 2017, during the case management in the Federal Court on 20 April 2017, the parties updated the Federal Court of the development of the case and the Federal Court then fixed a new case management date on 26 April 2017 to fix a hearing date for the application for leave to appeal. On 27 April 2017, the Federal Court gave its directions to the parties and further fixed the hearing date for the application for leave to appeal to the Federal Court on 14 August 2017. As at the LPD, the application for leave to appeal to the Federal Court is yet to be heard and pending receipt of the ground of judgment from the Court of Appeal. The Federal Court has notified the parties on the new case management date fixed on 15 November 2017 whereby the parties required to update the Federal Court on the receipt of the Court of Appeal’s ground of judgment.
The Board, based on legal advice, is of the view that DRP has an arguable chance to get the leave application granted for the appeal to the Federal Court. However, due to the complexity of the case, the Company is unable to estimate the losses arising from this suit.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material Commitments

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group.

4.2 Contingent Liabilities

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group, which upon becoming enforceable may have a material impact on the financial results or position of the Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Lot 10.3, Level 10, Wisma Chase Perdana, Off Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to the date of the EGM:

(i) Constitution of the Company;
(ii) Audited consolidated financial statements of the Company for FYE 31 December 2015 and FYE 31 December 2016 and latest unaudited results for FPE 30 June 2017;
(iii) Letter of consent referred to in Section 2 above;
(iv) Subscription Agreement;
(v) Cause papers in relation to the material litigation set out in Section 3 above; and
(vi) Draft Deed Poll.
NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("EGM") of Damansara Realty Berhad ("DBhd" or "Company") will be held at Crystal Hall, Level 7, Holiday Villa Johor Bahru City Centre, 260 Jalan Dato' Sulaiman, Taman Abad, 80250 Johor Bahru, Johor on 8 November 2017 at 11.00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF UP TO 154,685,630 FREE WARRANTS IN DBHD ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) EXISTING ORDINARY SHARES IN DBHD ("DBHD SHARES") HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("ENTITLEMENT DATE") ("PROPOSED BONUS ISSUE OF WARRANTS")

"THAT, subject to the approval of all relevant authorities, approval be and is hereby given to the Company to issue up to 154,685,630 Warrants to the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on the Entitlement Date ("Entitled Shareholders"), on the basis of one (1) Warrant for every two (2) existing DBhd Shares held in the Company on the Entitlement Date;

THAT approval be and is hereby given to the Board of Directors of the Company ("Board") to allot and issue new DBhd Shares pursuant to the exercise of the Warrants;

THAT the Board be and is hereby authorised to enter into and execute the deed poll constituting the Warrants ("Deed Poll") with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities or deemed necessary by the Board, and subject to all provisions and adjustments contained in the Deed Poll, to assent to any modifications and/or amendment to the exercise price, exercise period and/or number of Warrants as may be required or permitted to be revised as consequence of any adjustments under the provisions of the Deed Poll with full power to implement and give effects to the terms and conditions of the Deed Poll, and to take all steps as the Board deems fit or expedient in order to implement, finalise and give full effect to the terms and conditions of the Deed Poll;

THAT the Board be and is hereby authorised to allot and issue such appropriate number of Warrants in accordance with the provisions of the Deed Poll, including any additional Warrants as may be required or permitted to be issued as consequences of any adjustments in accordance with the provisions in the Deed Poll ("Additional Warrants");

THAT the Board be and is hereby authorised to issue and allot such appropriate number of new DBhd Shares arising from the exercise of the Warrants by the holders of the Warrants of their rights in accordance with the provisions of the Deed Poll, including such appropriate number of new DBhd Shares arising from the exercise of subscription rights represented by the Additional Warrants;

THAT fractional entitlements of the Warrants arising from the Proposed Bonus Issue of Warrants, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient in the best interest of the Company;

THAT the new DBhd Shares to be issued upon exercise of the Warrants and/or the Additional Warrants shall, upon allotment and issuance rank pari passu in all respects with the existing DBhd Shares, save and except that the new DBhd Shares will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid which the entitlement date precedes the date of allotment and issuance of the new DBhd Shares to be allotted and issued pursuant to the exercise of the Warrants;

AND THAT the Board be and is hereby authorised to sign and execute all documents to give effect to the Proposed Bonus Issue of Warrants with full power to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities and to take all steps and do all acts and things in the manner as the Board may consider necessary or expedient in order to implement, finalise and give full effect to the Proposed Bonus Issue of Warrants."
ORDINARY RESOLUTION 2

PROPOSED ISSUANCE OF REDEEMABLE CONVERTIBLE NOTES WITH AN AGGREGATE PRINCIPAL AMOUNT OF UP TO RM150.0 MILLION CONVERTIBLE INTO A MAXIMUM OF 300,000,000 CONVERSION SHARES AT THE MINIMUM CONVERSION PRICE OF RM0.50 PER SHARE ("PROPOSED NOTES ISSUE")

"THAT, subject to the approval of all relevant authorities, approval be and is hereby given to the Company to:

(i) issue up to RM150.0 million nominal value of Notes, convertible into new DBhd Shares at a conversion price to be determined in accordance with the terms and conditions of the Notes; and

(ii) allot and issue such number of new DBhd Shares pursuant to the conversion of the Notes, from time to time during the tenure of the Notes, credited as fully paid-up, to or to the order of the Notes in accordance with the terms and conditions of the Notes;

THAT such new DBhd Shares to be issued arising from the conversion of the Notes, shall, upon allotment and issue, be listed on the Main Market of Bursa Malaysia Securities Berhad and rank pari passu in all respects with the then existing DBhd Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the relevant date of allotment of the new DBhd Shares;

AND THAT the Board be and is hereby authorised to take all such steps and to enter into all such other agreements, deeds, arrangements, undertakings, indemnities, transfers, assignments and guarantees with any party or parties and to do all acts and things, as the Board may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Notes Issue with full powers to sign and execute all documents, make applications to authorities and regulatory bodies for any approvals and consents required and assent to any conditions, modifications, revaluations, variations and/or amendments as may be required by the relevant authorities and to do all such acts and things in any manner as they may deem necessary or expedient and/or appropriate to implement, finalise and give full effect to the Proposed Notes Issue."

By Order of the Board

WAN RAZMAH BINTI WAN ABD RAHMAN (MAICSA 7021383)
Company Secretary
Kuala Lumpur
16 October 2017

NOTES:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 1 November 2017 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

(iii) A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.

(v) Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect to the omnibus account.

(vi) The instrument appointing a proxy or proxies shall be in writing under the hand of the appointee or of his attorney duly authorised in writing or, if the appointee is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(vii) The instrument appointing a proxy or proxies must be deposited at DBhd’s Share Registrar’s Office at Tricor Investor Services Sdn Bhd of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
FORM OF PROXY

I/We

(Full Name as per NRIC /Passport No. /Certificate of Incorporation in block letters)

NRIC No. (new) /ID No. /Company No __________________________ NRIC No. (old) __________________________

of ______________________________________________________

(Full Address)

being a member(s) of DAMANSARA REALTY BERHAD (4030-D) (the Company) hereby appoint

______________________________ (Full Name as per NRIC /Passport No.)

With NRIC No. (new)/Passport No. ___________________________ NRIC No. (old) __________________________

of ______________________________________________________

(Full Address)

of failing him/her ________________________________ (Full Name as per NRIC /Passport No. in block letters)

with NRIC No. (New)/Passport No. ___________________________ NRIC No. (old) __________________________

of ______________________________________________________

(Full Address)

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Crystal Hall, Level 7, Holiday Villa Johor Bahru City Centre, 260 Jalan Dato’ Sulaiman, Taman Abad, 80250 Johor Bahru, Johor on 8 November 2017 at 11.00 a.m. or at any adjournment thereof.

With reference to the agenda set forth in the Notice of Meeting, please indicate with an “X” in the space provided below how you wish your votes to be cast on the ordinary resolution specified. If no specific direction as to the voting is given, the Proxy will vote or abstain at his/her discretion.

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<tr>
<th>RESOLUTIONS</th>
<th>FOR</th>
<th>AGAINST</th>
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<tbody>
<tr>
<td>1. ORDINARY RESOLUTION 1 - PROPOSED BONUS ISSUE OF WARRANTS</td>
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<tr>
<td>2. ORDINARY RESOLUTION 2 - PROPOSED NOTES ISSUE</td>
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</tbody>
</table>

For appointment of two (2) proxies, percentage of shareholdings to be represented by the respective proxies must be indicted below.

<table>
<thead>
<tr>
<th>NO OF SHARES</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proxy 1</td>
<td>%</td>
</tr>
<tr>
<td>Proxy 2</td>
<td>%</td>
</tr>
</tbody>
</table>

Signature of Shareholder(s) or Common Seal

Date: ____________________________

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 1 November 2017 (“General Meeting Record of Depositors”) shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may, but need not, be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

(iii) A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(iv) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.

(v) Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect to the omnibus account.

(vi) The instrument appointing a proxy or proxies shall be in writing under the hand of the appointee or of his attorney duly authorised in writing or, if the appointee is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(vii) The instrument appointing a proxy or proxies must be deposited at DBhd’s Share Registrar’s Office at Tricor Investor Services Sdn Bhd of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8 Jalan Kerinchi, 59200 Kuala Lumpur not less than 48 hours before the time for holding the meeting or at any adjournment thereof.
Fold this flap for sealing
Then fold here
1st fold here

The Registrar
DAMANSARA REALTY BERHAD (4030-D)
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No.8 Jalan Kerinchi,
59200 Kuala Lumpur

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AFFIX
STAMP