

CNA GROUP LIMITED
(Company Registration No 199000449K)
(Incorporated in the Republic of Singapore)

PROPOSED ISSUE OF UP TO \$120 MILLION IN AGGREGATE PRINCIPAL AMOUNT OF REDEEMABLE ZERO COUPON CONVERTIBLE BONDS CONSISTING OF: (A) 2 SEPARATE SUCCESSIVE TRANCHES OF INITIAL BONDS; AND (B) 58 SEPARATE SUCCESSIVE TRANCHES OF SUBSEQUENT BONDS, EACH HAVING A PRINCIPAL AMOUNT OF S\$2,000,000, TO PACIFIC ALLIANCE ASIA OPPORTUNITY FUND L.P. AND/OR ITS AFFILIATES

*Where capitalised terms are used in this announcement and not otherwise defined, such capitalised terms used herein shall bear the same meaning as ascribed to them in the Company's announcement dated 8 August 2014 relating to the Bond Issue ("**AIP Announcement**") and the circular to shareholders of the Company ("**Shareholders**") dated 14 August 2014 ("**Circular**").*

The board of directors of the Company refers to the condition of the AIP as set out in paragraph (c) of the AIP Announcement, and wishes to announce (i) the conditions under which the price of the New Shares may be adjusted and (ii) the conditions under which the Bonds may be redeemed.

Adjustments

The Bonds shall be converted into New Shares in accordance with the lower of either of the following formulae:

- (a) 125 per cent of the average of the closing prices quoted by the SGX-ST for one Share for the 15 consecutive Trading Days ending on the Trading Day immediately preceding the date of issue of the Bond; and
- (b) 90 per cent of the lowest average of the closing prices quoted by the SGX-ST for one Share for any five consecutive Trading Day period in the 15 consecutive Trading Days immediately preceding the conversion date,

provided that if either (a) or (b) above is less than the Minimum Conversion Price, the initial conversion price shall be the Minimum Conversion Price.

The Bond Subscription Agreement provides for adjustments to the Fixed Conversion Price in respect of the Initial Bonds and Subsequent Bonds, in the following events:

- (i) Consolidation, Subdivision or Reclassification: If and whenever there shall be an alteration to the number of the Shares as a result of consolidation, subdivision or reclassification;
- (ii) Capitalisation of profits or reserves: If and whenever the Company shall issue any Shares credited as fully paid to the holders of the Shares by way of capitalisation of profits or including Shares paid-up out of distributable profits or reserves, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received which would not have constituted a Capital Distribution (as defined in the Bond Subscription Agreement); or in the case of an issue of Shares by way of a scrip dividend;
- (iii) Capital Distribution: If and whenever the Company shall pay or make any Capital

Distribution to the Shareholders;

- (iv) Rights Issues of Shares or Options over Shares: If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at: (1) the Current Market Price (as defined in the Bond Subscription Agreement) per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant; (2) (save where such issue or grant is at more than the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant) the then prevailing Fixed Conversion Price; or (3) the then prevailing Minimum Conversion Price;
- (v) Rights Issues of other securities: If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares);
- (vi) Issues at less than Current Market Price, Fixed Conversion Price or Minimum Conversion Price: If and whenever the Company shall issue (otherwise than as mentioned in (iv) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise as mentioned in (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a consideration per Share which is less than: (1) the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue; (2) (save where such issue is at a consideration per Share which exceeds the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue) the then prevailing Fixed Conversion Price; or (3) the then prevailing Minimum Conversion Price;
- (vii) Other Issues at less than Current Market Price, Fixed Conversion Price or Minimum Conversion Price: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-section (vii), the issue by the Company or any Subsidiary (otherwise than as mentioned in (iv), (v) or (vi) above) or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than: (1) the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities; (2) (save where such issue is at a consideration per Share which exceeds the Current Market Price on the last Trading day preceding the date of announcement of the terms of issue of such securities) the then prevailing Fixed Conversion Price; or (3) the then prevailing Minimum Conversion Price;
- (viii) Modification of Rights of Conversion etc: Any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than: (1) the Current Market Price on the last Trading Day preceding the date of announcement of the proposals of such modification; (2) (save where such modification results in the consideration per Share

exceeding the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification) the then prevailing Fixed Conversion Price; or (3) the then prevailing Minimum Conversion Price;

- (ix) Other offers to Shareholders: The issue, sale or distribution by or on behalf of the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Fixed Conversion Price falls to be adjusted under (iv), (v), (vi) or (vii) above); and
- (x) Other Events: If the Company determines that an adjustment should be made to the Fixed Conversion Price (or Minimum Conversion Price) as a result of one or more events or circumstances not referred to hereunder in these sub-sections (i) to (x) (for avoidance of doubt, such events or circumstances includes situations where no dilution of the holdings of the existing Shareholders of the Company occurs or has occurred), the Company shall at its own expense request a Licensed FA or a leading bank in Singapore or Hong Kong (acting as an expert), selected by the Company and approved in writing by the Bondholders, to determine as soon as practicable what adjustment (if any) to the Fixed Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Fixed Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment shall be made and shall take effect in accordance with such determination PROVIDED THAT where the circumstances giving rise to any adjustment pursuant to (i) to (x) above have already resulted or will result in an adjustment to the Fixed Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Fixed Conversion Price, such modification (if any) shall be made to the operation of the provisions referred to in (i) to (x) as may be advised by a Licensed FA or a leading bank in Singapore or Hong Kong (acting as an expert), selected by the Company and approved in writing by the Bondholder, to be in such bank's opinion appropriate to give the intended result.

The Bond Subscription Agreement provides for adjustments to the Minimum Conversion Price in respect of the Initial Bonds and Subsequent Bonds, in the following events:

- (a) If any of the events described in items (i) to (ix) above occurs after the date of the Bond Subscription Agreement, the Minimum Conversion Price shall be adjusted in accordance with the Bond Subscription Agreement. Additionally, if the Fixed Conversion Price is adjusted pursuant to any of the provisions in items (i) to (ix) above, the Minimum Conversion Price shall be correspondingly adjusted so as to ensure that the economic value of the Bonds and the rights thereunder to the Bondholders shall be the same after such adjustment to the Fixed Conversion Price as it was immediately prior to such adjustment. The adjustment to the Minimum Conversion Price shall take effect at the same time as the date on which the corresponding adjustment to the Fixed Conversion Price takes effect.
- (b) The Minimum Conversion Price may be adjusted by the agreement of the Company and the approval of Bondholders through an Extraordinary Resolution (which is, a written resolution signed by or on behalf of one or more Bondholders holding 90% or more of the total principal amount of the Bonds outstanding, and such written resolution

may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders), provided that the total number of New Shares to be issued in respect of the Conversion Right shall not exceed the total number of New Shares approved under the Listing Approval. An Extraordinary Resolution duly passed shall be binding on all the Bondholders. For the avoidance of doubt, the maximum number of New Shares to be issued by the Company shall not exceed 2,400,000,000 and the Company will seek a separate resolution from shareholders in the event that additional New Shares will need to be issued beyond the total number approved under the Listing Approval.

Redemption

The Bond Subscription Agreement provides for redemption of the Bonds in respect of the Initial Bonds and Subsequent Bonds as follows:

- (i) Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, the Company will redeem each Bond at 100% of its principal amount on the Maturity Date.
- (ii) The Company will, at the option of the Bondholder, redeem all or any of that Bondholder's Bonds at any time after the date falling one (1) year from the respective dates of issue of such Bonds, as may be notified by that Bondholder, at the principal amount of such Bonds.
- (iii) The Company shall also redeem the Bonds by paying the applicable redemption amount to the Bondholders forthwith upon its receipt of a default notice issued by the Bondholders pursuant to the occurrence of an event of default entitling the Subscriber to give notice for such redemption.
- (iv) The Bondholder has the option to redeem the Bonds in the event of a Change of Control and where the Shares of the Company cease to be listed or admitted to trading on the SGX-ST or halted or suspended for a period exceeding 3 consecutive Trading Days.
- (v) The Company has the option to redeem the Bonds if (i) the Company has or will become obliged to pay additional Taxes as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Agreement, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.

The Company will make further announcements in relation to the Bond Issue at the relevant time, including any conversion of the Bonds in compliance with the requirements of the Listing Manual and the AIP granted by the SGX-ST on 8 August 2014.

The AIP granted by the SGX-ST for the listing and quotation of the New Shares and Fee Shares is not an indication of the merits of the Bond Issue, the New Shares, the Fee Shares, the Fee Share Issue, the Company and/or its subsidiaries.

Details on the adjustments to the Fixed Conversion Price and Minimum Conversion Price (including the adjustment formulae) and the redemption of the Bonds are more particularly set out in Appendix 3 of the Circular.

By Order of the Board of CNA Group Limited

Joint Company Secretary
Lee Thiam Chye

1 September 2014