**Term Sheet**

**between the shareholders of «FILL IN COMPANY NAME » (“Company”)**

This term sheet summarizes the principal terms with respect to a potential investment in the Companyby «INVESTORNAME» (the “**Investor**”). This term sheet is not intended to be binding between the Company and the Investor.

The existing shareholders of the Company are as follows:

* [Party A] (“Party A”)
* [Party B] (“Party B”)
* [Party C] (“Party C”)

| SHAREHOLDERS’ AGREEMENT IN RELATION TO [ FILL IN COMPANY NAME ] SDN BHD |
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| **Parties** | 1. Party A
2. Party B
3. Party C

[Party A, Party B and Party C are collectively referred to as “Shareholders” and individually, as “Shareholder”) |
| **Conduct of Business**  | The Company will carry on the business of [ fill in. business description ]  |
| **Obligations of ABC in respect of Party C** | *[Note from Izwan & Partners]: Please consider if each Shareholder has a specific obligation, i.e. a shareholder to ensure the software, back end etc, another to manage service providers. If all shareholders work together and no obligation specific to anyone, then we can remove this clause]* |
| **Call Option** | *[Note from Izwan & Partners]: Please consider and revert. E.g. Party B and Party C shall grant to Party A an option to acquire shares held by Party B and Party C at the price of RM1.00 and the premium of which will be determined].* |
| **Investment Amount**  | RM comprising of ordinary shares  |
| **Instrument** | Ordinary shares  |
| **Share Capital** | * The shareholding proportion of each Party is as follows:
* Party A: \*\*\*%
* Party B: \*\*\*%
* Party C:\*\*\*%
* The authorised share capital of the Company : RM\*\*\*
* The issued and paid up share capital of the Company: RM\*\*\*
* The number of shares held by each Party are:
1. Party A: \*\*\* shares of RM\*\* each [\*\*%]
2. Party B: \*\*\* shares of RM\*\* each [\*\*%]
3. Party C: \*\*\* shares of RM\*\* each [\*\*%]
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| **Restriction on Transfer of Shares** | Subject to the pre-emption, no Shareholder can transfer any of its shares in the Company except with the prior written consent of all of the other Shareholders. |
| **Definitive Agreements** | * Subscription Agreement;
* Share Sale Agreement; and
* Shareholders Agreement,

collectively (“**Definitive Agreements**”). |
| **Pre-Emption** | Prior to the sale of any shares in the Company by any Shareholder, the outgoing Shareholder must first offer to sell its shares in the Company to the other remaining Shareholders. |
| **Right to Assign**  | The Shareholder may assign, in whole or in part, its rights to any of its subsidiary or related corporation, where applicable, provided that such assignee agrees to be bound by the provisions of the agreements. |
| **Board of Directors** | * A minimum of 3 directors, and a maximum of [\*\*\*] directors comprising:
1. Party A (as Chairman)
2. Party B
3. Party C
4. \*\* [independent]
5. \*\* [independent]
6. \*\* [independent]
* The quorum for any Board Meeting shall be 3 and at all times include Party A, Party B and Party C. If a quorum is not present for any Board Meeting first convened; it shall be adjourned to the next meeting after 7 business days. If no quorum is present again on the next convened Board Meeting, an adjourned meeting can be held, after 7 business days, with a quorum formed by any 2 directors which shall include Party A.
* A resolution in writing circulated to all the directors for the time being and signed or approved by all the directors by facsimile, cable or telex communication (and subsequently confirmed in writing) shall be valid and effectual as if it had been passed at a meeting of the directors duly convened.
 |
| **Management** | Board will manage the Company subject to terms of the Shareholders’ Agreement and its Terms of Reference. |
| **Funding** | Board to determine capital expenditure and working capital requirements of the Company (“Capex”).Capex will as far as practicable be funded from bank borrowings. In the event Shareholders are required to provide security or guarantee to the banks, it shall be provided severally in the proportion of each Shareholders’ shareholding ratio.Where bank borrowings cannot be obtained, any of the Shareholders can contribute by way of shareholders’ advances. Interest shall be payable at a rate proposed by the Board and agreed by the Shareholders.  |
| **Reserved Matters**  | Reserved Matters (enclosed list) must be approved by unanimous consent of all the Shareholders. |
| **Dividends** | No dividends shall be paid out by the Company until all advances from the Shareholders have been repaid in full.A dividend policy is to be approved by the Board. |
| **Accounting** | Proper accounts to be kept in accordance with GAAP Malaysia.Shareholders shall be entitled to inspect the books and accounts. |
| **Bank Account** | Signatories to bank accounts to be specified under Group A and Group B.

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| **Limit**  |
| * Any amount below [RM\*\*\*], to be approved by any **1 person** from either Group A or Group B
 | * Any amount equal to or in excess of [RM\*\*\*] to be approved by 1 person from Group A and 1 person from Group B.
 |
| **Group A** | **Group B** |
| **Party A** | * Party B
* Party C
 |

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**List of Reserved Matters (to be amended as required)**

1. Alter the capital or voting structure of the Company whether by:

1. the creation or issue of any type of new shares, debentures, options over shares or any similar instrument; or
2. by any increase, decrease, consolidation or sub-division in the authorised or issued share capital of the Company; or
3. by altering any rights attaching to the shares; or
4. issuing any shares to anyone other than a party to this term sheet and the Shareholders’ Agreement;
5. issuing any bonds and/or debentures and/or securities convertible into shares;
6. issuing, authorising the issuance of, delivery or grant of any right, option or other commitment for the issuance of any type of shares or other securities of the Company;
7. issue renounceable allotment letters or permit any person entitled to receive an allotment of shares to nominate another person to receive such allotment;

2. Create any fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over the whole or any part of the undertaking property or assets of the Company;

3. Borrow any loan or incur any debt financing in excess of [\*\*\*] (a figure which incorporates the maximum aggregate sum outstanding at any time);

4. Make any loan or advance or give any credit (other than normal trade credit) in excess of [\*\*\*];

5. Give any guarantee or indemnity to secure the liabilities or obligations of any person;

6. Sell, transfer, lease, assign, or otherwise dispose of a material part of the undertaking, property and/or assets of the Company, or contract so to do otherwise than in the ordinary and proper course of the business of the Company;

7. Acquire or buy any asset, undertaking or property the consideration of which is in excess of [\*\*\*];

8. Make any material changes in their business activities;

9. Change the auditor, banks or solicitors of the Company;

10. Amend or change the constitution;

11. Undertake new business ventures in industry segments other than those in which the Company is currently participating;

12 Declaration or distribution of any dividends or returns of any kind to its shareholders;

13. Enter into any related party transactions;

14. Transfer of intellectual property and technology;

15. Adopt any policy changes on financial matters such as significant accounting practices, depreciation practices, dividends, bonuses, senior management compensation, directors' fees and remuneration;

16. Any change to the signatories to operate any bank account of the Company.

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This term sheet is an indication of the commercial terms, which are agreeable in principle between the parties hereto, and is subject to the execution of formal legal agreement upon such terms and conditions to be agreed upon between the parties.

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| --- | --- |
| By Party A | By Party B |
| ..........................................................Name:Designation:NRIC No:in the presence of:-.........................................................Name:NRIC No:

|  |  |
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| By Party C | By [Party B] |
| ..........................................................Name:Designation:NRIC No:in the presence of:-.........................................................Name:NRIC No: | ..........................................................Name:NRIC No:in the presence of:-.........................................................Name:NRIC No: |

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