

MALAYSIA BUILDING SOCIETY BERHAD (“MBSB” OR “COMPANY”)

- (A) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN MBSB TOGETHER WITH NEW FREE DETACHABLE WARRANTS TO RAISE GROSS PROCEEDS OF APPROXIMATELY RM500 MILLION;**
- (B) PROPOSED CHANGE IN THE COMPOSITION AND INCREASE IN THE AUTHORISED SHARE CAPITAL OF THE COMPANY; AND**
- (C) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY**

(COLLECTIVELY TO BE REFERRED TO AS “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of MBSB (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that MBSB is proposing to undertake the following:-

- (a) a renounceable rights issue of new ordinary shares of RM1.00 each in MBSB (“**MBSB Shares**”) (“**Rights Shares**”) together with new free detachable warrants (“**Warrants**”) to raise gross proceeds of approximately RM500 million (“**Proposed Rights Issue with Warrants**”);
- (b) a change in the composition of and subsequently, an increase in the authorised share capital of the Company, details of which are set out in Section 3 of this Announcement (“**Proposed Changes In Authorised Share Capital**”); and
- (c) amendments to the Memorandum and Articles of Association (“**M&A**”) of the Company (“**Proposed Amendments**”).

2. DETAILS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

The Company is proposing to undertake a renounceable rights issue of new MBSB Shares together with Warrants to entitled shareholders whose names appear in the Record of Depositors of the Company on an entitlement date to be determined later by the Board (“**Entitlement Date**”).

The Proposed Rights Issue with Warrants is intended to raise gross proceeds of approximately RM500 million (“**Intended Gross Proceeds**”). The quantum of the Intended Gross Proceeds has been pre-determined upfront while the entitlement basis of the Proposed Rights Issue with Warrants and the issue price for the Rights Shares have not been determined at this juncture due to the following reasons:-

- (i) to provide flexibility to the Board in respect of the pricing of the Rights Shares; and
- (ii) to minimise unnecessary equity issuance.

The basis for the Proposed Rights Issue with Warrants shall be determined by the Board and announced together with the final issue price for the Rights Shares.

The Proposed Rights Issue with Warrants is renounceable in full or in part. Accordingly, entitled shareholders of MBSB can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. Entitled shareholders of MBSB who renounce all or part of their entitlements to the Rights Shares shall be deemed to have renounced the accompanying entitlement to the Warrants.

The Rights Shares which are not taken up or not validly taken up shall be made available for excess applications by the other entitled shareholders of MBSB and/or their renouncee(s). It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner, and on such basis as it may deem fit or expedient and in the best interest of the Company, to be determined by the Board and announced later by the Company.

The Proposed Rights Issue with Warrants is not undertaken on a minimum level of subscription basis.

2.1 Entitlement to the Rights Shares and Warrants

The Rights Shares will be provisionally allotted to the entitled shareholders of MBSB. In determining the entitlement of the entitled shareholders of MBSB to the Rights Shares, fractional entitlements, if any, will be dealt with in such manner and on such terms and conditions as the Board in its absolute discretion deem fit or expedient or in the best interests of the Company.

For avoidance of doubt, the Warrants are attached to the Rights Shares without any cost and will be issued only to the entitled shareholders of MBSB who subscribe for the Rights Shares. The Rights Shares and the Warrants are not separately renounceable. The Warrants shall be immediately detached from the Rights Shares upon issuance and shall be separately traded on Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The salient terms of the Warrants are set out in Section 2.6 of this Announcement.

2.2 Basis and justification for issue price for the Rights Shares and exercise price for the Warrants

The final issue price for the Rights Shares will be determined and announced by the Board at a price-fixing date after obtaining all relevant approvals for the Proposed Rights Issue with Warrants but before the Entitlement Date and in any event, shall be at a discount of between 20% to 30% to the theoretical ex-rights price (“**TERP**”) based on the 5-day volume weighted average market price (“**VWAP**”) of MBSB Shares immediately preceding the price-fixing date but shall in no event be lower than the par value of MBSB Shares of RM1.00, after taking into consideration, *inter-alia*, the then prevailing market conditions and market price of MBSB Shares.

The exercise price of the Warrants shall be determined and announced by the Board at a price-fixing date after obtaining all relevant approvals for the Proposed Rights Issue with Warrants but before the Entitlement Date after taking into consideration, *inter-alia*, the market demand for MBSB Shares, the then prevailing market conditions and market price of MBSB Shares.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, be of the same class and rank *pari passu* in all respects with the then existing MBSB Shares, save and except that they shall 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, the entitlement date of which is prior to the date of allotment of the Rights Shares.

2.4 Substantial shareholders’ undertakings and underwriting

MBSB intends to request from its substantial shareholders, namely Employees Provident Fund Board (“**EPF**”) and Permodalan Nasional Berhad (“**PNB**”), a written irrevocable undertaking for them to subscribe in full their respective entitlements to the Rights Shares as at the Entitlement Date (“**Undertakings**”).

As such, underwriting arrangements for the Rights Shares will depend on the extent of the Undertakings to be obtained. Such underwriting arrangement(s) are only expected to be in place prior to the implementation of the Proposed Rights Issue with Warrants.

2.5 Listing of and quotation for the Rights Shares and Warrants

An application will be made to Bursa Securities for the following:-

- (i) listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
- (ii) admission of the Warrants to the Official List of Bursa Securities;
- (iii) listing of and quotation for the Warrants on the Main Market of Bursa Securities; and
- (iv) listing of and quotation for the new MBSB Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities.

2.6 Salient terms of the Warrants

The salient terms of the Warrants to be issued pursuant to the Proposed Rights Issue with Warrants are as follows:-

Issuer	: MBSB
Form and Denomination	: The Warrants are immediately detachable from the Rights Shares upon issuance and shall be separately traded on Bursa Securities. The Warrants shall be issued in registered form.
Issue Price	: The Warrants are to be issued free to the entitled shareholders of MBSB and renounees who subscribe for the Rights Shares.
Exercise Rights	: Each Warrant entitles the registered holder to subscribe for 1 new MBSB Share at any time during the Exercise Period at the Exercise Price subject to any adjustment in accordance with the provisions of the deed poll to be executed by the Company.
Exercise Period	: The Warrants may be exercised at any time within a period commencing on or including the date of issue of the Warrants and ending at 5.00 p.m. on the Expiry Date. Any Warrants not exercised during the Exercise Period shall thereafter lapse and cease to be valid for any purpose.
Expiry Date	: A date being 5 years from and including the date of issue of the Warrants, provided that if such day falls on a day which is not a market day, then on the preceding market day.

Exercise Price	: The exercise price of the Warrants shall be determined and announced by the Board after obtaining all relevant approvals for the Proposed Rights Issue with Warrants but before the Entitlement Date after taking into consideration, <i>inter-alia</i> , the market demand for MBSB Shares, the then prevailing market conditions and market price of MBSB Shares. The Exercise Price is subject to adjustments under certain circumstances in accordance with the provisions of the deed poll to be executed by the Company.
Mode of Exercise	: The registered holder of the Warrants shall pay cash for the Exercise Price when exercising the Warrants for new MBSB Shares.
Board lot	: For purposes of trading on Bursa Securities, a board lot of the Warrants shall comprise 100 units of the Warrants carrying the right to subscribe for 100 new MBSB Shares or such other denomination as determined by Bursa Securities.
Rights of the Warrants	: The holders of the Warrants are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such holder of the Warrants are issued with new MBSB Shares arising from their exercise of the Warrants.
Status of the new MBSB Shares to be issued upon exercise of the Warrants	: The new MBSB Shares to be issued upon exercise of the Warrants shall, upon allotment and issue, be of the same class and rank <i>pari passu</i> in all respects with the then existing MBSB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the new MBSB Shares arising from the exercise of the Warrants.
Adjustments to the Exercise Price and/or number of Warrants	: The Exercise Price and number of Warrants in issue may be adjusted from time to time in accordance with the provisions of the deed poll to be executed by the Company.
Rights of the holders of the Warrants in the event of winding-up, compromise and/or arrangement	: Where a resolution has been passed by the Company for a members' voluntary winding-up or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies:- (a) for the purpose of such a winding-up, compromise or arrangement (other than consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holders of the Warrants or some persons designated by them for such purposes by special resolution, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and

	(b) in any other case, every holder of the Warrants shall be entitled at any time within 6 weeks after the passing of such resolution or the granting of the court order, by irrevocable surrender of his Warrants together with payment of the relevant subscription monies to elect to be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the subscription rights represented by such Warrants and be entitled to receive out of the assets which would be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly.
Listing	: An application will be made for the admission of the Warrants to the Official List of Bursa Securities and for the listing of and quotation for the Warrants and the new MBSB Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities.
Transferability	: The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
Deed Poll	: The Warrants will be constituted under a deed poll to be executed by the Company.
Governing Law	: Laws of Malaysia

3. DETAILS OF THE PROPOSED CHANGES IN AUTHORISED SHARE CAPITAL

As at 7 February 2011, the authorised share capital of MBSB of RM1,800,000,000 comprises the following:-

- (a) 1,000,000,000 MBSB Shares;
- (b) 300,000,000 redeemable cumulative preference shares of RM1.00 each (“RPS”); and
- (c) 500,000,000 redeemable convertible preference shares of RM1.00 each (“RCPS”),

of which 700,297,527 MBSB Shares have been issued and credited as fully paid-up.

As the Company no longer has any RPS and/or RCPS outstanding, the Company proposes to change the composition of its authorised share capital (“**Proposed Change In Composition**”). With the Proposed Change In Composition, MBSB’s authorised share capital will comprise 1,800,000,000 MBSB Shares.

The Company further proposes that following the Proposed Change In Composition being effected, its authorised share capital be increased from RM1,800,000,00 to RM2,800,000,000 comprising 2,800,000,000 MBSB Shares by the creation of 1,000,000,000 new MBSB Shares (“**Proposed Increase In Authorised Share Capital**”).

4. DETAILS OF THE PROPOSED AMENDMENTS

In order to accommodate the implementation of the Proposed Changes In Authorised Share Capital, the Company is required to amend the necessary clauses of the M&A of the Company.

5. RATIONALE FOR THE PROPOSALS

After due consideration of the various methods of fund-raising such as the issuance of private debt securities or bank borrowings as well as the capital structure of the Company, the Board is of the opinion that the Proposed Rights Issue with Warrants is the most appropriate means of raising funds for the following reasons:-

- (i) The Proposed Rights Issue with Warrants will enable the Company to strengthen its core capital and immediately address part of the Company's funding requirements for its loan growth and improve its loans-to-funding ratio.
- (ii) The Proposed Rights Issue with Warrants will enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing;
- (iii) The Proposed Rights Issue with Warrants will involve the issuance of new MBSB Shares without diluting existing shareholders' percentage shareholdings provided that all entitled shareholders of MBSB subscribe in full their respective entitlements under the Proposed Rights Issue with Warrants;
- (iv) The Proposed Rights Issue with Warrants will provide the entitled shareholders of MBSB with an opportunity to further increase their equity participation in the Company and ultimately, participate in the prospects and future growth of the MBSB group of companies ("**MBSB Group**" or "**Group**") by subscribing to the Rights Shares which will be offered at a discount to the market price and TERP of MBSB Shares; and
- (v) Upon exercise of the Warrants, the Company will obtain additional proceeds for the working capital requirements of the Group.

The Proposed Change In Composition has been proposed given that the Company no longer has any RPS and/or RCPS outstanding whilst the Proposed Increase In Authorised Share Capital will accommodate the issuance of new MBSB Shares assuming full exercise of the Warrants as well as facilitate future corporate exercises involving the issuance of new MBSB Shares that may be undertaken by our Company and new MBSB Shares to be issued upon exercise of the options granted and/or to be granted pursuant to MBSB's employees' share option scheme ("**ESOS**") ("**ESOS Options**").

The Proposed Amendments has been proposed to accommodate the implementation of the Proposed Changes In Authorised Share Capital.

6. UTILISATION OF PROCEEDS

The Intended Gross Proceeds is expected to be utilised in the following manner:-

	Note	Approximate amount (RM million)
(i) Working capital and general funding requirements of the Group	(a)	497.1
(ii) Defray expenses relating to the Proposed Rights Issue with Warrants	(b)	2.9
TOTAL		500.0

Notes:-

- (a) *The allocation to the working capital and general funding requirements of the Group is based on the balancing amount after taking into consideration the expenses relating to the Proposed Rights Issue with Warrants. If there is any variation of the estimated expenses relating to the Proposed Rights Issue with Warrants, the working capital portion will be adjusted accordingly.*
- (b) *The expenses relating to the Proposed Rights Issue with Warrants comprise of, amongst others, the estimated professional fees and fees payable to the relevant authorities, expenses to convene the extraordinary general meeting (“EGM”), printing, despatch and advertising expenses as well as other miscellaneous charges. If the actual expenses incurred are higher than budgeted, the deficit will be funded from the portion allocated for the Group’s working capital and general funding requirements. Conversely, any surplus of funds following payment of expenses will be utilised for the Group’s working capital and general funding requirements.*

The actual gross proceeds to be raised from the Proposed Rights Issue with Warrants will depend on the final issue price for the Rights Shares and the total number of Rights Shares to be issued. Such proceeds are expected to approximate the Intended Gross Proceeds and any differences between the Intended Gross Proceeds and the actual proceeds shall be adjusted to/from the amount allocated for working capital and general funding requirements of the MBSB Group.

The exact quantum of proceeds that may be raised by MBSB from the exercise of the Warrants would depend upon the actual number of Warrants exercised as well as the final exercise price of the Warrants. In any event, the Company intends to utilise the proceeds arising from the exercise of the Warrants for the working capital requirements of the Group in the future.

7. EFFECTS OF THE PROPOSALS

The Proposed Changes In Authorised Share Capital and the Proposed Amendments will not have any effect on the issued and paid-up share capital, consolidated net assets (“NA”) and gearing, consolidated earnings and earnings per MBSB Share (“EPS”), and shareholdings of the substantial shareholders of MBSB.

For illustrative purposes only, the effects of the Proposed Rights Issue with Warrants take into account the following:-

- (i) issued and paid-up share capital of MBSB as at 7 February 2011 of RM700,297,527 comprising 700,297,527 MBSB Shares;
- (ii) 48,745,200 outstanding ESOS Options as at 7 February 2011;

- (iii) assumed an issue price of RM1.00 per Rights Share which represents a discount of approximately 28.5% to the TERP of approximately RM1.285 calculated based on the 5-day VWAP of MBSB Shares up to and including 11 February 2011, being the last full trading day prior to this Announcement, of RM1.49 and we have also disregarded odd lots. Accordingly, the Proposed Rights Issue with Warrants will entail the issuance of 500,212,519 Rights Shares, rounded down to the nearest whole number of MBSB Shares; and
- (iv) assumed exercise price of RM1.00 for the Warrants.

The effects of the Proposed Rights Issue with Warrants have been shown based on the following scenarios:-

- Minimum Scenario : Assuming that none of the ESOS Options are exercised prior to the Entitlement Date.
- Maximum Scenario : Assuming that all outstanding ESOS Options are exercised prior to the Entitlement Date.

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7.1

Share Capital

The proforma effect of the Proposed Rights Issue with Warrants on the issued and paid-up share capital of MBSB are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of MBSB Shares	RM	No. of MBSB Shares	RM
As at 7 February 2011	700,297,527	700,297,527	700,297,527	700,297,527
To be issued assuming full exercise of ESOS Options	-	-	48,745,200	48,745,200
To be issued pursuant to the Proposed Rights Issue with Warrants	700,297,527	700,297,527	749,042,727	749,042,727
Enlarged issued and paid-up share capital after the Proposed Rights Issue with Warrants	500,212,519	500,212,519	535,030,519	535,030,519
To be issued assuming full exercise of the Warrants	1,200,510,046	1,200,510,046	1,284,073,246	1,284,073,246
Enlarged issued and paid-up share capital	500,212,519	500,212,519	535,030,519	535,030,519
	1,700,722,565	1,700,722,565	1,819,103,765	1,819,103,765

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7.2

NA per MBSB Share and Gearing

Based on the audited consolidated balance sheet of MBSB as at 31 December 2009 and on the assumption that the Proposed Rights Issue with Warrants had been effected on that date, the proforma effect of the Proposed Rights Issue with Warrants on the NA per MBSB Share and gearing of the Group are as follows:-

Minimum Scenario

	(I) Audited as at 31 December 2009 (RM'000)	(II) After (I) and after adjusting for ESOS Options granted and exercised from 31 December 2009 up to 7 February 2011 (RM'000)	(III) After (II) and the Proposed Rights Issue with Warrants (RM'000)	After (III) and assuming full exercise of the Warrants (RM'000)
Share capital	700,172	700,298	1,200,510	1,700,723
Share premium	497,169	497,252 ^(a)	497,252	497,252
Share option reserve	-	2,085 ^(b)	2,085	2,085
Capital reserve	17,838	17,838	17,838	17,838
Capital redemption reserve	12,486	12,486	12,486	12,486
Accumulated losses	(675,101)	(677,213)	(677,213)	(677,213)
Shareholders' funds/NA	552,564	552,746	1,052,958	1,553,171
No. of MBSB Shares in issue ('000)	700,172	700,298	1,200,510	1,700,723
NA per MBSB Share (RM)	0.79	0.79	0.88	0.91
Total borrowings	50,004	50,004	50,004	50,004
Gearing (times)	0.09	0.09	0.05	0.03

Notes:-

^(a) Based on 126,000 ESOS Options which were exercised at RM1.45 for each new MBSB Share and reversal of expenses amounting to approximately RM5,000 in relation to ESOS Options granted and exercised.

^(b) Based on expenses amounting to approximately RM2,085,000 in relation to ESOS Options granted and reversal of expenses amounting to approximately RM5,000 in relation to ESOS Options granted and exercised.

Maximum Scenario

	(I) Audited as at 31 December 2009 (RM'000)	(II) After (I) and after adjusting for ESOS Options granted and exercised from 31 December 2009 up to 7 February 2011 (RM'000)	(III) After (II) and assuming full exercise of ESOS Options (RM'000)	(IV) After (III) and the Proposed Rights Issue with Warrants (RM'000)	After (IV) and assuming full exercise of the Warrants (RM'000)
Share capital	700,172	700,298	749,043	1,284,073	1,819,104
Share premium	497,169	497,252 ^(a)	529,716 ^(c)	529,716	529,716
Share option reserve	-	2,085 ^(b)	-	-	-
Capital reserve	17,838	17,838	17,838	17,838	17,838
Capital redemption reserve	12,486	12,486	12,486	12,486	12,486
Accumulated losses	(675,101)	(677,213)	(685,657)	(685,657)	(685,657)
Shareholders' funds/NA	552,564	552,746	623,426	1,158,457	1,693,487
No. of MBSB Shares in issue ('000)	700,172	700,298	749,043	1,284,073	1,819,104
NA per MBSB Share (RM)	0.79	0.79	0.85	0.91	0.94
Total borrowings	50,004	50,004	50,004	50,004	50,004
Gearing (times)	0.09	0.09	0.08	0.04	0.03

Notes:-

^(a) Based on 126,000 ESOS Options which were exercised at RM1.45 for each new MBSB Share and reversal of expenses amounting to approximately RM5,000 in relation to ESOS Options granted and exercised.

^(b) Based on expenses amounting to approximately RM2,085,000 in relation to ESOS Options granted and reversal of expenses amounting to approximately RM5,000 in relation to ESOS Options granted and exercised.

^(c) Assuming all unexercised ESOS Options are exercised at RM1.45 for each MBSB Share prior to the Entitlement Date.

7.3 Substantial shareholders' shareholdings

The proforma effect of the Proposed Rights Issue with Warrants on the shareholdings of the substantial shareholders in MBSB is as follows:-

Minimum Scenario

	(I) As at 7 February 2011				(II) After (I) and the Proposed Rights Issue with Warrants			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%
EPF	464,390,632	66.3	-	-	796,098,226	66.3	-	-
PNB	104,368,815	14.9	-	-	178,917,969	14.9	-	-

	After (II) and assuming full exercise of the Warrants			
	<-----Direct----->		<-----Indirect----->	
	No. of MBSB Shares	%	No. of MBSB Shares	%
EPF	1,127,805,821	66.3	-	-
PNB	253,467,122	14.9	-	-

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Maximum Scenario

	(I) As at 7 February 2011				(II) After (I) and assuming full exercise of the ESOS Options			
	Direct----->		Indirect----->		Direct----->		Indirect----->	
	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%
EPF	464,390,632	66.3	-	-	464,390,632	62.0	-	-
PNB	104,368,815	14.9	-	-	104,368,815	13.9	-	-
	(III)							
	After (II) and the Proposed Rights Issue with Warrants				After (III) and assuming full exercise of the Warrants			
	Direct----->		Indirect----->		Direct----->		Indirect----->	
	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%
EPF	796,098,226	62.0	-	-	1,127,805,821	62.0	-	-
PNB	178,917,969	13.9	-	-	253,467,122	13.9	-	-

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7.4 Earnings and EPS

The Proposed Rights Issue with Warrants is not expected to have any material effect on the earnings and EPS of the Group for the financial year ending 31 December 2011.

Barring unforeseen circumstances, the Proposed Rights Issue with Warrants is expected to contribute positively to the future earnings of the Group when the benefits arising from the utilisation of proceeds raised from the Proposed Rights Issue with Warrants materialise. The effect of the Proposed Rights Issue with Warrants on the EPS of the Group cannot be ascertained at this juncture since it would depend upon, amongst others, the final issue price of the Rights Shares as well as the future earnings of the Group.

The potential effect of the exercise of the Warrants on the future earnings and EPS of the Group will depend upon, amongst others, the number of Warrants exercised at any point in time and the utilisation of proceeds arising from the exercise of the Warrants. Although the exercise of Warrants into new MBSB Shares is expected to immediately dilute the EPS of the Group as a result of the increase in the Company's issued and paid-up share capital, over time, the utilisation of proceeds raised from the exercise of Warrants is expected to contribute positively to the future earnings of the Group.

7.5 Adjustments to convertible securities

The Proposed Rights Issue with Warrants may give rise to adjustments to the option price and/or number of MBSB Shares to be allotted and issued pursuant to the exercise of ESOS Options in accordance with the provisions of the bye-laws governing MBSB's ESOS, to ensure that the status of the ESOS Option holders is not prejudiced as a result of the Proposed Rights Issue with Warrants. The rights and obligations of the ESOS Option holders will remain unchanged, save for the adjustment to the option price and number of unexercised ESOS Options. Any necessary adjustments arising from the Proposed Rights Issue with Warrants, if any, will only be finalised by the Board at a later date.

8. APPROVALS REQUIRED

The Proposed Rights Issue with Warrants is subject to the following being obtained:-

- (i) the approval of the Controller of Foreign Exchange of Bank Negara Malaysia for the issuance of the Warrants to non-residents pursuant to the Proposed Rights Issue with Warrants and any additional Warrants to be issued to non-residents from time to time arising from any adjustments made in accordance with the provisions of the deed poll constituting the Warrants to be executed by the Company;
- (ii) the approval of Bursa Securities for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
- (iii) the approval-in-principle of Bursa Securities for the following:-
 - (a) admission of the Warrants to the Official List of Bursa Securities;
 - (b) listing of and quotation for the Warrants on the Main Market of Bursa Securities; and
 - (c) listing of and quotation for the new MBSB Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities;
- (iv) the approval of the shareholders of MBSB at an EGM to be convened for the Proposed Rights Issue with Warrants; and
- (v) approvals, waivers and/or consents of any other relevant authorities/persons, if required.

The Proposed Changes In Authorised Share Capital and the Proposed Amendments are only subject to the approval of the shareholders of MBSB at an EGM to be convened.

The Proposals are inter-conditional upon each other.

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders and/or persons connected with the Directors and/or major shareholders have any interest, direct or indirect, in the Proposals save for their respective entitlements as shareholders under the Proposed Rights Issue with Warrants and their right to apply for excess Rights Shares which are also available to all other shareholders of MBSB.

12. DIRECTORS' STATEMENT

Having considered all aspects of the Proposals including the rationale and effects of the Proposals and after careful deliberation, the Board is of the opinion that the Proposals are in the best interests of the Company.

13. ADVISER

RHB Investment Bank has been appointed as Principal Adviser to the Company for the Proposed Rights Issue with Warrants.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 2nd quarter of 2011.

15. APPLICATIONS TO THE AUTHORITIES

Barring unforeseen circumstances, the application to the authorities in relation to the Proposed Rights Issue with Warrants will be made within 1 month from the date of this Announcement.

This Announcement is dated 14 February 2011.