

MALAYSIA BUILDING SOCIETY BERHAD ("MBSB" OR THE "COMPANY")

PROPOSED DISPOSAL OF PROPERTY TO WCT HARTANAH JAYA SDN. BHD., A WHOLLY OWNED SUBSIDIARY OF WCT LAND SDN BHD, WHICH IS IN TURN A WHOLLY OWNED SUBSIDIARY OF WCT BERHAD FOR A SALE CONSIDERATION OF RM180.0 MILLION

1. INTRODUCTION

The Board of Directors of MBSB ("**Board**") wishes to announce that its wholly owned subsidiary, Idaman Usahamas Sdn Bhd (Company No. 713213 - W) ("IUSB") has entered into a Sale and Purchase Agreement dated 23 August 2012 ("SPA") with WCT Hartanah Jaya Sdn. Bhd. (Company No. 963911-K) ("WCT" or the "Purchaser"), a wholly owned subsidiary of WCT Land Sdn Bhd (Company No. 324888-H) which is in turn a wholly owned subsidiary of WCT Berhad (Company No. 66538-K), for the proposed disposal of the following property at a purchase consideration of RM180,000,000.00 ("Proposed Disposal"):-

- (i) A plot of commercial land together with abandoned shop mall comprising a 4 level retail podium block and 2 levels of car park erected on Lot 32665 held under a freehold title Geran 413471, Mukim of Tebrau, District of Johor Bharu, State of Johor Darul Takzim ("the Property").

Further details on the Proposed Disposal are set out in the ensuing sections.

2. BACKGROUND

IUSB was incorporated in Malaysia on 20 October 2005 under the Companies Act, 1965 ("Act") as a private limited company.

IUSB has yet to commence its operation since its incorporation on 20 October 2005.

IUSB is the registered owner of the Property in the State of Johor measuring approximately 50,107 square metres in land area. The Property is freehold land.

Messrs Jordan Lee & Jaafar on 15 February 2012, ascribed an open market value of RM160,000,000.00 to the Property using a combination of the Comparison and Cost Methods of Valuation to determine the present Market Value of the Property.

The net book value of the Property as at 31 December 2011 was RM124,548,127.

3. DETAILS OF THE PROPOSED DISPOSAL

The contract for the disposal of the Property was awarded by way of Public Tender. The tender was advertised on 16 April 2012 in the News Straits Times at a reserve price of RM160.0 million. The tender was closed on 22 June 2012. Two (2) tenders were received for the purchase of the said Property. The value of the other bid was RM89.0 million. The

transaction falls within Chapter 10.08(11)(j) of the Main Market Listing Requirements and is not regarded as Related Party Transaction.

WCT has paid the sum of Ringgit Malaysia Nine Million (RM 9,000,000.00) only prior to the execution of the SPA being Earnest Deposit and the Balance Deposit of Ringgit Malaysia Nine Million (RM 9,000,000.00) only was paid upon execution of the SPA, towards part payment of the Purchase Price (both the Earnest Deposit and Balance Deposit shall hereinafter collectively be referred to as the "Deposit") and accordingly the balance consideration payable under the SPA amounts to RM162.0 million ("Balance Consideration").

3.1 Salient terms of the SPA

The following are the salient terms of the SPA:

CONSIDERATION

In consideration of the sum of **Ringgit Malaysia Nine Million (RM 9,000,000.00)** only paid by the WCT to IUSB prior to the execution hereof being Earnest Deposit and the sum of **Ringgit Malaysia Nine Million (RM 9,000,000.00)** only being Balance Deposit paid by WCT to IUSB's Solicitors as stakeholders upon execution of the SPA, both being part payment of the Purchase Price, IUSB hereby agrees to sell and the WCT hereby agrees to purchase the said Property with vacant possession free from all Encumbrances subject to all the restrictions in interest, category of land use and the conditions of title whether express or implied affecting the said Property and endorsed on the Document of Title to the said Property at the total Purchase Price of **Ringgit Malaysia One Hundred Eighty Million (RM 180,000,000-00)** only subject to the terms and conditions contained in the SPA.

COMPLETION OF SALE

Subject to the compliance of the Condition Precedent by IUSB, the Balance Sum in the sum of **Ringgit Malaysia One Hundred Sixty Two Million (RM 162,000,000-00)** only shall be paid or caused to be paid by WCT to IUSB's Solicitors as stakeholders on or before the expiry of **Ninety 90 calendar DAYS** from the date the Conditions Precedent are fulfilled [hereinafter referred to as the "**Completion Period**"].

3.2 Basis and justification for the Total Cash Flow and Disposal Consideration

The Cash Flow and Disposal Consideration of RM180.0 million was arrived at on a "willing buyer willing seller" basis after taking into consideration the highest bid received by way of Public Tender.

3.3 Original cost and date of investment

The Property was transferred to IUSB by its holding company, MBSB in December 2011 at a cost of RM124,548,127 after the Property was acquired by MBSB as foreclosed property pursuant to a Scheme of Arrangement of its borrower. The Court Order was dated 5 December 2011.

3.4 Liabilities to be assumed by WCT

There are no liabilities, including contingent liabilities and guarantees, to be assumed by WCT arising from the Proposed Disposal.

3.5 Utilisation of proceeds

The gross cash proceeds of RM180.0 million are expected to be utilised in the following manner:

Purpose	RM	Estimated timeframe for utilisation
Expansion of the financing business of the Company ⁽¹⁾	180.0 million	Within six (6) months from the date of the receipt of the cash proceeds from the Proposed Disposal
Total	180.0 million	

Notes:-

- The financing business is the largest business segment of the Group followed by property development, the letting of real property and hotel operations. MBSB's financing activities comprise personal financing, mortgage and corporate loans, both conventional and Islamic. The allocation to fund the expansion of the financing business of the Group is the balancing amount after taking into consideration the expenses relating to the Proposed Disposal.*

4. INFORMATION ON WCT HARTANAH JAYA SDN. BHD.

WCT was incorporated in Malaysia under the Companies Act, 1965 on 12 October 2011 as a private limited company. It is a wholly owned subsidiary of WCT Land Sdn Bhd, which is in turn a wholly owned subsidiary of WCT Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad. WCT is presently dormant.

As at 15 August 2012, WCT has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM2.00 comprising 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

As at the date of this announcement, the Directors of WCT are:-

1. Taing Kim Hwa
2. Choe Kai Keong

As at the date of this announcement, the shareholder of WCT is WCT Land Sdn Bhd, a wholly owned subsidiary of WCT Berhad.

5. RATIONALE OF THE PROPOSED DISPOSAL

The Proposed Disposal is in line with the Group's objective to dispose off non-income generating assets, foreclosed properties and properties acquired previously.

6. RISK FACTORS IN RELATION TO THE PROPOSED DISPOSAL

Other than for the general risks such as non-completion of the SPA, the Board is not aware of any risk factors arising from the Proposed Disposal which could materially or adversely affect the financial and operating conditions of MBSB.

7. EFFECTS OF THE PROPOSED DISPOSAL

The effects of the Proposed Disposal on the Company's issued and paid-up share capital, NA and gearing, consolidated earnings and substantial shareholders' shareholdings are set out below:

7.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of MBSB as the Proposed Disposal Consideration will be fully satisfied in cash.

7.2 NA and gearing

Based on the latest audited consolidated financial statements of MBSB as at 31 December 2011, the proforma effects of the Proposed Disposal on the audited NA and gearing of MBSB are set out in the table below:

MBSB (Group level)	Audited as at 31 December 2011 RM'000	After the Proposed Disposal RM'000
Share capital	1,215,501	1,215,501
Share premium	498,498	498,498

MBSB (Group level)	Audited as at 31 December 2011 RM'000	After the Proposed Disposal RM'000
Other reserves	131,980	131,980
Accumulated losses	(715,830)	<u>(674,241)</u>
Equity attributable to owners of the Company	1,130,149	<u>1,171,738</u>
Non-controlling interest	-	-
Total equity	1,130,149	<u>1,171,738</u>
No. of shares in issue (‘000)	1,215,501	1,215,501
NA per share (RM)	RM0.93	<u>RM0.96</u>
Total borrowings	100,044	100,044
Gearing ratio (times)	0.089	<u>0.085</u>

7.3 Earnings and earnings per share

Based on the audited net assets of IUSB as at 31 December 2011, the Proposed Disposal is expected to result in a gain on disposal at MBSB Group level of approximately RM55 million **before estimated tax of 25%**. This will translate into an increase in **net** earnings per share by approximately **4.1** sen based on the weighted average number of ordinary shares in issue of MBSB as at 31 December 2011 of 1,003,622,000.

8. APPROVALS REQUIRED

The Proposed Disposal is not subject to the approval of the shareholders of the Company or any relevant governmental authorities.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

By virtue of Employees Provident Fund Board being the holding company of MBSB and major shareholder in WCT Berhad, Tan Sri Abdul Halim Ali and Datuk Shahril Ridza Ridzuan are deemed interested parties of the transaction by virtue of both of them being representatives / employees of Employees Provident Fund Board. As such, Tan Sri Abdul Halim Ali and Datuk Shahril Ridza Ridzuan had abstained from Board deliberations and voting in respect of the Proposed Disposal.

Save as disclosed above, none of the other directors or major shareholders of MBSB or person connected with them has any interest, direct or indirect in the Proposed Disposal.

10. DIRECTORS' STATEMENT

The Board, after having considered all relevant aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED DISPOSAL

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the 1st quarter of 2013.

12. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED DISPOSAL

The highest percentage ratio applicable to the Proposed Disposal pursuant to Rule 10.02(g) of the Listing Requirements is 15.93%.

13. DOCUMENTS FOR INSPECTION

The SPA is available for inspection at the registered office of the Company at 11th Floor, Wisma MBSB, 48 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur, during normal business hours (from 8 :30 a.m. to 5:30 p.m.) from Monday to Friday (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 24 August 2012.