

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

- (A) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN MBSB (“MBSB SHARES”) TO RAISE GROSS PROCEEDS OF UP TO RM1.47 BILLION; AND**
 - (B) PROPOSED DIVIDEND REINVESTMENT PLAN THAT GIVES SHAREHOLDERS OF MBSB THE OPTION TO ELECT TO REINVEST THEIR CASH DIVIDEND IN NEW MBSB SHARES**
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1. INTRODUCTION

On behalf of the Board of Directors of MBSB (“**Board**”), AmlInvestment Bank Berhad (“**AmlInvestment Bank**”) wishes to announce that MBSB proposes to undertake the following:-

- (a) a renounceable rights issue of new MBSB Shares (“**Rights Shares**”) to the entitled shareholders of MBSB (“**Entitled Shareholders**”) to raise maximum gross proceeds of up to RM1.47 billion (“**Proposed Rights Issue**”); and
- (b) a dividend reinvestment plan that gives shareholders of MBSB (“**MBSB Shareholders**” or “**Shareholders**”) the option to elect to reinvest their dividend entitlements (representing cash dividends declared by MBSB including interim, final, special or any other cash dividends (“**Dividend(s)**”) in new MBSB Shares (“**Proposed DRP**”).

The Proposed Rights Issue and Proposed DRP shall hereinafter collectively be referred to as the “**Proposals**”.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE

2.1 Basis and quantum

The Company proposes to undertake a renounceable rights issue of new MBSB Shares to the Entitled Shareholders to raise gross proceeds of up to RM1.47 billion (“**Maximum Gross Proceeds**”).

The entitlement basis for the Proposed Rights Issue (“**Entitlement Basis**”) and the issue price for the Rights Shares (“**Issue Price**”) have not been fixed at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Shares and the number of Rights Shares to be issued.

Notwithstanding the above, the Maximum Gross Proceeds have been determined upfront to provide clarity to MBSB Shareholders with respect to the capital outlay required to fully subscribe for their respective entitlements under the Proposed Rights Issue, which can be approximated by multiplying the Maximum Gross Proceeds with their respective percentage shareholdings in MBSB.

For illustration purposes only, based on 1,742,098,148 MBSB Shares in issue as at 30 September 2013, being the last practicable date prior to this announcement (“**LPD**”), the capital outlay required from a Entitled Shareholder holding 1,000 MBSB Shares who wishes to subscribe for his entitlement is approximately RM844 (based on the Maximum Gross Proceeds of RM1.47 billion). The actual outlay required by Entitled Shareholders to fully subscribe for their entitlements under the Proposed Rights Issue will depend on the Entitlement Basis and Issue Price.

The Issue Price and the Entitlement Basis will be determined and announced by the Board before the entitlement date, after taking into consideration, *inter-alia*, the then prevailing market conditions, market price of MBSB Shares, MBSB's issued and paid-up share capital and the resultant theoretical ex-rights price ("**TERP**") based on the five (5)-day volume weighted average price ("**VWAP**") of MBSB Shares immediately preceding the price-fixing date.

It is the intention of the Board that the Issue Price shall be at a discount of at least 20% but not more than 30% from the TERP based on the five (5)-day VWAP of MBSB Shares immediately preceding the price-fixing date, and shall in no event be lower than the par value of MBSB Shares of RM1.00 each.

Fractional entitlements of the Rights Shares, if any, arising from the Proposed Rights Issue shall be disregarded, and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient and in the best interests of the Company.

The full details of the Proposed Rights Issue will be set out in the abridged prospectus. The abridged prospectus together with the accompanying documents in relation to the Proposed Rights Issue will not be sent to Shareholders whose addresses in the Company's Record of Depositors are not in Malaysia to avoid any violation on the part of the Company of any securities laws applicable outside Malaysia.

2.2 Major shareholder's undertaking and underwriting

The Proposed Rights Issue is intended to be undertaken on a full subscription basis.

MBSB has procured a written undertaking dated 10 October 2013 from its major shareholder, the Employees Provident Fund Board ("**EPF**") of which EPF has undertaken to subscribe in full for its entitlement under the Proposed Rights Shares ("**Undertaking**") subject to, *inter-alia*, a minimum of 20% discount to the TERP based on the five (5) days volume weighted average market price up to the date preceding the announcement of the entitlement date.

As at the LPD, EPF holds 1,127,805,820 MBSB Shares representing approximately 64.7% equity interest in MBSB. Assuming all the MBSB's ESOS and Warrants are fully exercised, EPF's subscription amount pursuant to the Undertaking based on the Maximum Gross Proceeds will be approximately RM920 million.

The remaining portion of Rights Shares for which no undertaking is obtained will be fully underwritten. Such underwriting arrangement will be in place prior to the implementation of the Proposed Rights Issue.

2.3 Renunciation of the Rights Shares

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements for the Rights Shares in full or in part. The Rights Shares which are not taken up or not validly taken up will be made available for excess applications by the other Entitled Shareholders and/or their renounee(s).

It is the intention of the Board to allocate the excess Rights Shares on a pro-rata basis to the Entitled Shareholders and/or their renounee(s) who have applied for the excess Rights Shares, based on their respective shareholdings in the Company on the entitlement date.

2.4 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MBSB Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to the Entitled Shareholders prior to the date of allotment of the Rights Shares.

2.5 Listing of and quotation for the Rights Shares

An application will be made to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds

The Maximum Gross Proceeds is proposed to be utilised in the following manner:-

Details of utilisation	Timeframe for utilisation ^(a)	RM'million
Purchase of financial instrument qualified as Liquefiable Assets ^(b)	Within 6 months	400.0
Expansion of financing business of our Group ^(c)	Within 6 months	1,060.5
Defray expenses in relation to the Proposed Rights Issue ^(d)	Within 6 months	9.5
		1,470

Notes:-

- (a) *From the date of listing of the Rights Shares.*
- (b) *The Liquefiable Assets are such assets that fulfill the qualifying characteristics specified under the Bank Negara Malaysia's Liquidity Framework Guidelines and are eligible for liquefiable assets status.*
- (c) *The financing business includes but not limited to, personal financing, property financing, corporate and project financing, mortgage, and corporate loans.*
- (d) *Any shortfall/excess shall be adjusted from the expansion of financing business of the MBSB and its group of companies (“**MBSB Group**”).*

The actual gross proceeds to be raised will depend on the final Issue Price and the total number of Rights Shares to be issued. Any differences between the Maximum Gross Proceeds and actual proceeds raised shall be adjusted to/from the amount allocated for the financing business of the MBSB Group.

3. PROPOSED DRP

3.1 Overview

The Proposed DRP is part of the Company's efforts to enhance and maximise Shareholders' value. The Proposed DRP will provide Shareholders with the opportunity to reinvest their Dividends in new MBSB Shares in lieu of receiving cash. Accordingly, Shareholders will have greater flexibility in meeting their investment objective as they would have the choice of receiving cash or reinvesting in the Company via subscription of additional MBSB Shares.

The Board may, at its absolute discretion, determine whether to offer Shareholders the option to reinvest all or part of such Dividends into new MBSB Shares ("**Option to Reinvest**") and where applicable, the size of the portion of such Dividends to which the Option to Reinvest applies ("**Electable Portion**"). Shareholders should note that MBSB is not obliged to undertake the dividend reinvestment plan and provide the Option to Reinvest for every Dividend declared.

In this respect, the Electable Portion may encompass the whole Dividend declared or only a portion of the Dividend. In the event the Electable Portion is not applicable for the whole Dividend declared, the remaining portion of the Dividend will be wholly satisfied in cash.

Unless the Board has determined that the Option to Reinvest will apply to a particular Dividend (or a part thereof), all Dividends as may be declared by MBSB will be wholly satisfied in cash in the usual manner.

3.2 Election to reinvest Dividend into new MBSB Shares

Shareholders will have the following options in respect of the Electable Portion:-

- (a) elect to exercise the Option to Reinvest and thereby reinvest the entire Electable Portion (or a part thereof) at the issue price of the new MBSB Shares ("**DRP Price**") and to receive cash for the remaining portion of the Dividend (in the event that only part of the Electable Portion is reinvested); or
- (b) elect not to exercise the Option to Reinvest and thereby receive their entire Dividend entitlement wholly in cash.

There will be no brokerage fees and other related transaction costs payable by Shareholders on the new MBSB Shares allotted pursuant to the Proposed DRP.

The DRP Price shall be at a discount of not more than ten percent (10%) to the five (5)-day VWAP of MBSB Shares immediately prior to the date of fixing of the DRP Price provided that the DRP Price shall not be less than the par value of MBSB Shares of RM1.00 each at the material time. The VWAP shall be adjusted ex-dividend before applying the discount in fixing the DRP Price. The DRP Price shall be announced on or before the announcement of the books closure date ("**Books Closure Date**") in relation to the Dividend to which the Option to Reinvest applies.

An approval for the listing of and quotation for the new MBSB Shares on the Main Market of Bursa Securities pursuant to the Proposed DRP will be obtained from Bursa Securities and the announcement on the Books Closure Date will be made after receipt of the said approval from Bursa Securities and such approval from other relevant authorities (if any).

Subsequent to the Books Closure Date, a notice of election pursuant to the Proposed DRP ("**Notice of Election**") will be despatched to Shareholders. Instructions will be provided in the Notice of Election in respect of the action to be taken by Shareholders should they wish to exercise the Option to Reinvest. The Notice of Election will also state, *inter-alia*, the last day (which will be a date to be fixed and announced by the Board) by which an election to be made by Shareholders in relation to the Electable Portion must be received by the Company ("**Expiry Date**").

An announcement will also be made in respect of the day on which the new MBSB Shares will be listed and quoted on the Main Market of Bursa Securities.

In accordance with Paragraph 6.09 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), MBSB will, within eight (8) market days from the Expiry Date or such other date as may be prescribed by Bursa Securities, allot and issue the new MBSB Shares and despatch notices of allotment to Shareholders who elect to exercise their Option to Reinvest.

Further, in accordance with Paragraphs 8.26(2) and 9.19(2)(a)(ii) of the Listing Requirements, a dividend (in cash, by share or both) will be paid within one (1) month from the Books Closure Date and in any event, within three (3) months from the date of the declaration of the Dividend or the date on which the approval is obtained in a general meeting of the Company, whichever is applicable. Shareholders who do not exercise their Option to Reinvest will also be paid concurrently in the usual manner.

Shareholders must take note that if they do not expressly elect in writing (i.e. by signing and returning the Notice of Election in accordance with the instructions stated therein) to participate in the Option to Reinvest by the Expiry Date, their entire Dividend entitlements will be satisfied in cash by the Company. As such, Shareholders who wish to receive their Dividends entitlements wholly in cash need not take any action with regards to the Notice of Election.

3.3 Eligibility

All Shareholders are eligible to participate in the Proposed DRP provided that:-

- (a) such participation will not result in a breach of any restrictions on their holding of MBSB Shares which may be imposed by any of their contractual obligations, or by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, or by any relevant authorities as the case may be (unless the requisite approvals under the relevant statute, law or regulation or from the relevant authorities are first obtained or the relevant contractual obligation is otherwise waived in accordance with the terms and conditions of the relevant contracts); or
- (b) there are no restrictions for such participation as prescribed in the Company's Memorandum and Articles of Association.

The Notice of Election will not be sent to Shareholders whose addresses in the Company's Record of Depositors are not in Malaysia to avoid any violation on the part of the Company of any securities laws applicable outside Malaysia.

3.4 Odd lots

Shareholders who elect to exercise the Option to Reinvest may be allotted such new MBSB Shares in odd lots. Shareholders who receive odd lots of new MBSB Shares and wish to trade such odd lots on Bursa Securities should do so on the odd lots market, which allows trading in odd lots.

3.5 Modification, suspension and termination of the Proposed DRP

Subject to any requirement or provision imposed by any statute, law or regulation in force in Malaysia, the Proposed DRP may be modified, suspended (in whole or in part) or terminated at any time by the Board as it deems fit or expedient by giving notice in writing to all Shareholders in such manner as the Board deems fit, irrespective of whether an election to exercise the Option to Reinvest has been made by a Shareholder.

3.6 Number of new MBSB Shares

The number of new MBSB Shares to be allotted and issued pursuant to the Proposed DRP will depend on, amongst others:-

- (a) the quantum of the Dividend;
- (b) the Board's decision on the proportion/size of the Electable Portion;
- (c) the number of Shareholders who elect to exercise the Option to Reinvest and the extent of their election; and
- (d) the DRP Price.

Under the Proposed DRP, Shareholders who elect to exercise the Option to Reinvest shall not be allotted fractional shares. As such, the amount of the Dividends relating to such fractional entitlement of new MBSB Shares will be added to the non-electable portion and paid in cash to the Shareholders in the usual manner.

3.7 Ranking of new MBSB Shares

The new MBSB Shares to be issued pursuant to the Proposed DRP will rank *pari passu* in all respects with the then existing MBSB Shares, save and except that the new MBSB Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to Shareholders prior to the date of allotment of the new MBSB Shares to be issued.

3.8 Taxation

For income tax purposes, Shareholders shall be treated as having received a cash distribution equivalent to the amount of the Dividend declared. Hence, the election for the Option to Reinvest does not relieve the Shareholder of any income tax obligation (if applicable) and there is no tax advantage to be gained in exercising the Option to Reinvest or otherwise. Irrespective of whether an election is made by a shareholder, a tax voucher in respect of the Dividend will be despatched to all Shareholders.

3.9 Utilisation of proceeds

The total proceeds (after deduction of the estimated expenses in relation to the Proposed DRP) retained by MBSB arising from the Proposed DRP cannot be ascertained at this juncture as a result of the factors as set out in Section 3.6 of this announcement. As such, the time frame for the utilisation of such proceeds can only be determined later. Nonetheless, the proceeds retained from the Proposed DRP will be available for utilisation towards the funding of the working capital and/or other requirements of MBSB Group.

3.10 General

The right to participate in the Proposed DRP will be granted to all Shareholders, including directors, substantial shareholders and other interested persons (including persons connected with a director or substantial shareholder) of MBSB who hold MBSB Shares, subject to the restrictions set out in Section 3.3 of this announcement.

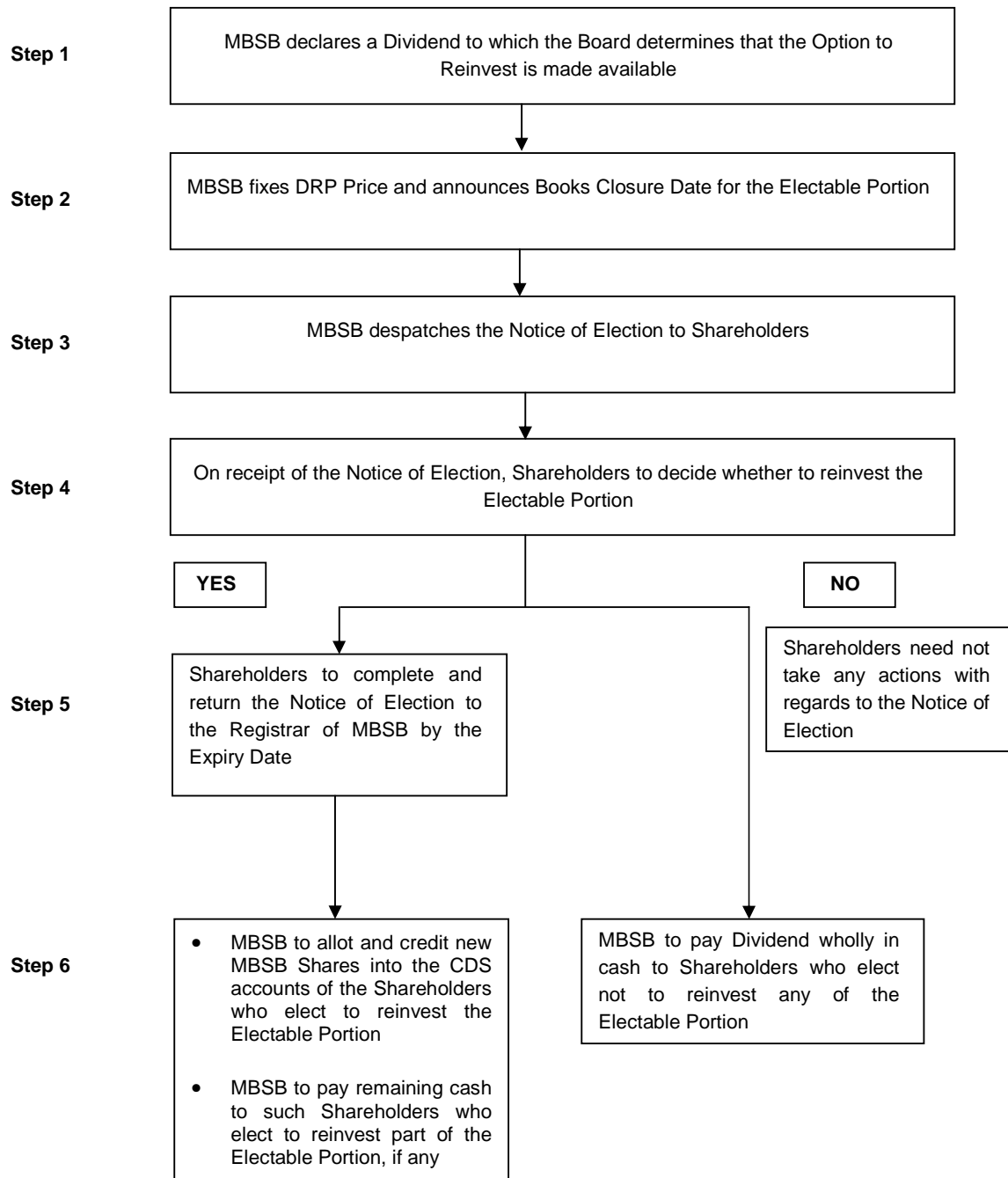
Shareholders' approval for the Proposed DRP will be sought at the forthcoming extraordinary general meeting of MBSB ("**EGM**"). The first Shareholders' approval for the issuance of such new MBSB Shares as may be required pursuant to the exercise of the Option to Reinvest by the Shareholders under the Proposed DRP will be sought at the said EGM and such approval shall (except in respect of the issuance of new MBSB Shares in connection with an Option to Reinvest which has already been offered by the Company to Shareholders) continue to be in full force until the conclusion of next annual general meeting of MBSB. Subsequent approvals for any future issuances of new MBSB Shares pursuant to the Proposed DRP will be sought at the Company's annual general meeting on an annual basis.

For avoidance of doubt, the specific approval to be obtained from the Shareholders for the issuance of new MBSB Shares pursuant to the Proposed DRP is in addition to any general mandate seeking shareholders' approval under Section 132D of the Companies Act 1965 ("**Act**"), for general purposes, where the MBSB Shares to be issued shall not exceed ten percent (10%) of the nominal value of the total issued and paid-up share capital of the Company), to be sought (if applicable) at the annual general meeting of MBSB on an annual basis.

The Shareholder's shareholding in the Company will be diluted should he not exercise his Option to Reinvest whilst other Shareholders do. However, the extent of the dilution will depend on the number of new MBSB Shares to be issued by the Company pursuant to the amount of exercise of the Option to Reinvest by the other Shareholders of MBSB.

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The process flow chart in relation to the administration of the Proposed DRP is shown below:-



Note:-

In respect of Step 6, Shareholders should note that the cash payment and share allotment will occur on the same day, which shall be within one (1) month from the Books Closure Date and in any event, within three (3) months from the date of the declaration of the Dividend or the date on which the approval is obtained in a general meeting of the Company, whichever is applicable.

3.11 Implication of the Malaysian Code on Take-Overs and Mergers, 2010 (“Code”)

Shareholders should take note of Paragraph 9(1) Part III of the Code and Section 217 of the Capital Markets and Services Act 2007 (“**CMSA**”). In particular, a Shareholder should be aware that he may be under an obligation to extend a mandatory take-over offer for the remaining MBSB Shares not already owned by him and persons acting in concert with him (“**Affected Parties**”), if:-

- (a) by participating in the Proposed DRP in relation to the reinvestment of the Electable Portion, the Affected Parties have obtained control (as defined in Section 216 of the CMSA) in MBSB; or
- (b) the Affected Parties acquire, including by participating in the Proposed DRP in relation to the reinvestment of the Electable Portion, more than two percent (2%) of the voting shares or voting rights in MBSB in any period of six (6) months and the Affected Parties’ holdings were more than thirty-three percent (33%) but not more than fifty percent (50%) of the voting shares or voting rights of MBSB during that six (6) months period, or such other amount as may be prescribed in the Code, howsoever effected.

In the event an obligation to undertake a mandatory offer is expected to arise resulting from the exercise of the Option to Reinvest, the Affected Parties may make an application to the Securities Commission Malaysia for a waiver from the obligation to undertake a mandatory offer pursuant to the Code prior to exercising their Option to Reinvest.

The statements herein do not purport to be a comprehensive or exhaustive description of all the relevant provisions of, or all implications that may arise under the Code, or any other relevant legislation or regulations in force in Malaysia.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Rights Issue

The Proposed Rights Issue is undertaken with the following objectives:-

- (a) The Proposed Rights Issue is part of the Company’s capital management strategy to strengthen its core capital and consequently, improve MBSB’s shareholders funds as well as gearing;
- (b) With a stronger capital base, MBSB will have greater flexibility in its capital structure to take advantage of future growth and business opportunities. The larger capital base post the Proposed Rights Issue will pave way for MBSB to meet Basel III Adequacy Capital Requirements and in a position to capitalise on growth and business opportunities; and
- (c) To provide the Entitled Shareholders of MBSB with an opportunity to maintain their equity interests in the Company as well as increase their equity participation and ultimately, participate in the prospects and future growth of the MBSB Group.

Premised on the above, the Board is of the opinion that the Proposed Rights Issue is the most appropriate means of raising funds.

4.2 Proposed DRP

The Proposed DRP is a capital management tool that would strengthen MBSB's capital position. The reinvestment of the cash dividend entitlements by Shareholders for new MBSB Shares will enlarge MBSB's share capital base and strengthen its capital position.

Under the Proposed DRP, the cash which would otherwise be paid out by way of dividends, will be preserved to fund the working capital or capital funds requirements of the MBSB Group.

The Proposed DRP will provide Shareholders with greater flexibility in meeting their investment objectives as they would have the option of either receiving Dividends in cash or reinvesting the Electable Portion (or part thereof) in new MBSB Shares.

5. EFFECTS OF THE PROPOSALS

The proforma effects of the Proposed Rights Issue in this section are presented purely for illustration purposes based on the following assumptions ("**Assumptions**"):-

- (a) As at the LPD, the Company has the following outstanding securities:-
- (i) 1,742,098,148 MBSB Shares;
 - (ii) 40,077,028 ESOS Options which are exercisable into 40,077,028 MBSB Shares at exercise prices ranging from RM1.17 to RM2.33 each; and
 - (iii) 18,227,721 outstanding Warrants which are exercisable into 18,227,721 MBSB Shares at an exercise price of RM1.00 each.

The Proposed Rights Issue is illustrated based on the following parameters:-

Issue price	RM2.04, representing a 21.2% discount to the TERP of RM2.59 based on the five (5)-day VWAP of MBSB Shares up to LPD
Entitlement basis	Two (2) Rights Shares for every five (5) MBSB Shares held
Minimum Scenario:	Assuming that none of the outstanding ESOS Options and Warrants are exercised prior to the Entitlement Date
Maximum Scenario*:	Assuming full exercise of the outstanding ESOS Options and Warrants as at LPD prior to the Entitlement Date

Based on the above parameters, the proceeds to be raised from the Proposed Rights Issue will amount to between RM1.422 billion and RM1.469 billion.

Note:-

* Pursuant to the Proposed Rights Issue, the exercise price and the corresponding number of outstanding convertible securities will be adjusted in accordance with the terms of the by-laws and deed poll governing the ESOS Options and Warrants respectively. The actual adjustment factors cannot be determined at this juncture as it is dependent on, amongst others, the Entitlement Basis and the Issue Price of the Rights Shares and the prevailing market price on the date falling prior to the price-fixing date.

Nonetheless, for the purpose of this illustration, an adjustment factor of 0.9217 and 1.0849 is adopted to illustrate on a preliminary basis the effects of the exercise price and number of the ESOS Option and the Warrants in relation to the Proposed Rights Issue.

Based on the above, the ESOS Options exercise prices will be adjusted to RM1.08 to RM2.15 and number of ESOS Options will be adjusted to 43,481,254 ESOS Options.

No adjustment will be made to the exercise price and number of outstanding Warrants as the exercise price of the Warrants is RM1.00, being the par value of MBSB Shares and the number of Warrants will be adjusted to 19,776,022.

The Company wishes to emphasise that the proforma effects under this Section are presented purely for illustration purposes based on the Assumptions and should not be regarded as an indication or reference to the final Issue Price or the Entitlement Basis of the Proposed Rights Issue.

The proforma effects of the Proposed DRP are dependent on several factors, which include, amongst others:-

- (a) the quantum of the Dividend;
- (b) the Board's decision on the proportion/size of the Electable Portion;
- (c) the number of Shareholders who elect to exercise the Option to Reinvest and the extent of their election; and
- (d) the DRP Price.

5.1 Share Capital

5.1.1 Proposed Rights Issue

For illustrative purposes, the proforma effects of the Proposed Rights Issue on the issued and paid-up capital of the Company based on the Assumptions as at the LPD are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of MBSB Shares ('000)	RM'000	No. of MBSB Shares ('000)	RM'000
As at LPD	1,742,098	1,742,098	1,742,098	1,742,098
To be issued assuming full exercise of the outstanding ESOS Options	-	-	40,077	40,077
To be issued assuming full exercise of the outstanding Warrants	-	-	18,228	18,228
To be issued pursuant to the Proposed Rights Issue	696,839	696,839	720,161	720,161
Enlarged issued and paid-up share capital after the Proposed Rights Issue	2,438,937	2,438,937	2,520,564	2,520,564

5.1.2 Proposed DRP

The issued and paid-up share capital of the Company will increase and such increase will depend on the Board's decision on the Electable Portion and the extent of MBSB's shareholders elect to reinvest the Electable Portion into new MBSB Shares.

5.2 Substantial shareholders' shareholdings

5.2.1 Proposed Rights Issue

The percentage shareholdings of the substantial shareholders will remain the same in the event they subscribe in full for their entitlements under the Proposed Rights Issue.

For illustrative purposes, the proforma effects of the Proposed Rights Issue on the substantial shareholder's shareholdings as at the LPD under the Minimum Scenario and the Maximum Scenario based on the Assumptions and the Undertaking provided by EPF are as follows:-

Minimum scenario

Substantial shareholder	As at LPD				(I) After the Proposed Rights Issue				(II) After full conversion of outstanding ESOS Options and Warrants ^(a)			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%
EPF	1,127,806	64.7	-	-	1,578,928	64.7	-	-	1,578,928	63.1	-	-

Note:-

(a) Assuming 18.2 million outstanding Warrants and 40.1 million outstanding ESOS Options are not fully exercised prior to the Entitlement Date of the Proposed Rights Issue.

Maximum Scenario

Substantial shareholder	As at LPD				(I) After full conversion of outstanding ESOS Options and Warrants ^(a)				(II) After Proposed Rights Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%	No. of MBSB Shares ('000)	%
EPF	1,127,806	64.7	-	-	1,127,806	62.6	-	-	1,578,928	62.6	-	-

Note:-

(a) Assuming 18.2 million outstanding Warrants and 40.1 million outstanding ESOS Options are fully exercised prior to the Entitlement Date of the Proposed Rights Issue.

5.2.2 Proposed DRP

The substantial shareholder's shareholding in MBSB will not be affected should all Shareholders elect to subscribe for all of their entire Electable Portion. However, the shareholding of the substantial shareholder who elects to reinvest its Electable Portion will increase if some or all of the other Shareholders elect not to reinvest their Electable Portion or elect to reinvest only a part of their Electable Portion.

5.3 Net Assets (“NA”) per share and gearing

5.3.1 Proposed Rights Issue

For illustration purposes, based on the Assumptions, the latest consolidated statement of financial position of MBSB as at 31 December 2012 and the assumption that the Proposed Rights Issue has been completed on 31 December 2012, the proforma effects of the Proposed Rights Issue on the consolidated NA per share and gearing are as follows:-

Minimum Scenario

	(I)	(II)	(III)	
	Audited as at 31 December 2012 RM'000	After adjusting for subsequent events ^(a) RM'000	After (I) and the Proposed Rights Issue RM'000	After (II) and full conversion of outstanding ESOS Options and Warrants ^(c) RM'000
Share capital	1,240,361	1,742,098	2,438,937	2,502,195
Share premium	514,098	628,077	1,343,290 ^(b)	1,382,013
Accumulated losses	(389,143)	(744,648)	(744,648)	(745,964)
Other reserve	131,330	35,607	35,607	30,324
Total equity/NA	1,496,646	1,661,134	3,073,186	3,168,568
Number of MBSB Shares ('000)	1,240,361	1,742,098	2,438,937	2,502,195
NA per MBSB Share (RM)	1.21	0.95	1.26	1.27
Total borrowings (RM'000)	701,420	701,420	701,420	701,420
Gearing ratio (times) ^(d)	0.47	0.42	0.23	0.22

Notes:-

- (a) After adjusting for the exercise of the ESOS Options and Warrants from 1 January 2013 up to LPD and the dividends which were declared and paid during the second quarter of 2013 of approximately RM350 million.
- (b) After deducting the estimated expenses relating to the Proposed Rights Issue of approximately RM9.5 million.
- (c) Assuming adjusted 19.78 million outstanding Warrants and 43.48 million outstanding ESOS Options are fully exercised at exercise prices of RM1.00 and RM1.08 to RM2.15 respectively.
- (d) Excluding recourse on loan sold to Cagamas

Maximum Scenario

	Audited as at 31 December 2012 RM'000	(I) After adjusting for subsequent events and full conversion of Warrants and ESOS ^{(a)(b)} RM'000	(II) After (I) and after the Proposed Rights Issue RM'000
Share capital	1,240,361	1,800,403	2,520,564
Share premium	514,098	668,889	1,408,357 ^(c)
Accumulated losses	(389,143)	(744,648)	(744,648)
Other reserve	131,330	30,324	30,324
Total equity/NA	1,496,646	1,754,968	3,214,597
Number of MBSB Shares ('000)	1,240,361	1,800,403	2,520,564
NA per MBSB Share (RM)	1.21	0.97	1.28
Total borrowings (RM'000)	701,420	701,420	701,420
Gearing ratio ^(d) (times)	0.47	0.40	0.22

Notes:-

- (a) After adjusting for the exercise of the ESOS Options and Warrants from 1 January 2013 up to LPD and the dividends which were declared and paid during the second quarter of 2013 of approximately RM350 million.
- (b) Assuming all 18.2 million outstanding Warrants and 40.1 million outstanding ESOS Options are fully exercised at exercise prices of RM1.00 and RM1.17 to RM2.33 respectively.
- (c) After deducting the estimated expenses relating to the Proposed Rights Issue of approximately RM9.5 million.
- (d) Excluding recourse on loan sold to Cagamas

5.3.2 Proposed DRP

The NA of the Company will increase and such increase will depend on the Electable Portion decided by MBSB and the extent of MBSB's shareholders elect to reinvest the Electable Portion into new MBSB Shares. The one-off estimated expenses in relation to the Proposed DRP amounts to approximately RM250,000. The Proposed DRP is expected to improve the gearing position of the Company. Such improvement however, will depend on Electable Portion decided by MBSB and the extent to which the MBSB's shareholders elect to exercise the Option to Reinvest.

5.4 Earnings and Earnings Per Share (“EPS”)

The impact of the Proposals on the earnings and EPS of MBSB will depend on, amongst others, the actual number of Rights Shares to be issued, the level of returns generated from the utilisation of proceeds raised from the Proposed Rights Issue, the actual number of new MBSB Shares to be issued pursuant to the Proposed DRP and the level of returns generated from the proceeds retained pursuant to the Proposed DRP.

The Proposals may result in the Company’s EPS being diluted immediately as a result of the increase in the number of MBSB Shares in issue upon completion of the Proposed Rights Issue and as and when new MBSB Shares are issued pursuant to the Proposed DRP.

However, the Proposals are expected to contribute positively to the consolidated earnings of MBSB for the ensuing financial years, when the benefits of the proposed utilisation of proceeds pursuant to the Proposed Rights Issue and proceeds retained pursuant to the Proposed DRP are realised.

5.5 Convertible securities

Save for the ESOS Options and Warrants, MBSB does not have any other convertible securities as at the LPD.

Adjustment to the number of outstanding Warrants arising from the Proposals will be determined based on the deed poll. However, no adjustment will be made to the exercise price as the exercise price of the Warrants is RM1.00, being the par value of MBSB Shares.

Adjustments to the exercise price and number of outstanding ESOS Options arising from the Proposals will be determined based on the by-laws governing the ESOS.

6. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:-

- (a) Bursa Securities for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue;
- (b) MBSB’s shareholders at an EGM to be convened in relation to the Proposals; and
- (c) approvals, waivers and/or consents of any other relevant authorities/parties, if required.

The Proposals are not inter-conditional and are not conditional upon any other corporate exercise undertaken or to be undertaken by MBSB.

Barring any unforeseen circumstances, applications to the relevant regulatory authorities in relation to the Proposals are expected to be made within two (2) months from the date of this announcement.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER AND/OR PERSONS CONNECTED WITH THEM

None of the directors and/or major Shareholders of MBSB or any persons connected with them have any interest, direct or indirect, in the Proposals save for their respective entitlements as Shareholders under the Proposals as well as their right to apply for excess Rights Shares and their right to participate in the Proposed DRP to which all other Shareholders are similarly entitled to.

8. DIRECTORS' STATEMENT

Having considered all aspects of the Proposals (including but not limited to the rationale and proforma 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.

9. ADVISER

AmlInvestment Bank has been appointed as the Principal Adviser to the Company for the Proposals.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 1st quarter of 2014.

This announcement is dated 10 October 2013.