

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

**PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME (“ESOS”) OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL (EXCLUDING TREASURY SHARES) OF THE COMPANY (“PROPOSED ESOS”)**

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**1. INTRODUCTION**

On behalf of the Board of Directors of MBSB (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) is pleased to announce that the Company is proposing to establish and implement an ESOS of up to 10% of the issued and paid-up share capital (excluding treasury shares) of MBSB for the benefit of the eligible executive directors of MBSB and the eligible employees of MBSB and its subsidiaries (excluding dormant subsidiaries) (“**MBSB Group**”).

**2. DETAILS OF THE PROPOSED ESOS**

The principal features of the Proposed ESOS are as follows:-

**2.1 Total number of shares available under the Proposed ESOS**

The total number of new ordinary shares of RM1.00 each in MBSB (“**Share(s)** or **MBSB Shares**”) that may be allotted and issued pursuant to the exercise of options granted under the Proposed ESOS (“**ESOS Options**”) shall not exceed 10% of the issued and paid-up share capital (excluding treasury shares) of MBSB at any relevant point in time throughout the duration of the Proposed ESOS.

**2.2 Eligibility**

Subject to the discretion of the committee appointed by the Board to administer the Proposed ESOS (“**Option Committee**”), any employee(s) of the MBSB Group shall be eligible to participate in the Proposed ESOS if, as at the date on which an offer (including any subsequent offers) is made by the Option Committee in writing to participate in the Proposed ESOS (“**Date of Offer**”), the employee:-

- (a) is at least 18 years of age;
- (b) is confirmed in writing as a full time employee and/or has been in the employment of the MBSB Group for a period of at least 12 months of continuous service prior to and up to the Date of Offer, including service during the probation period; and
- (c) fulfils any other criteria and/or falls within such category as may be determined by the Option Committee from time to time.

(To be referred to as “**Eligible Employee**”)

Subject to the discretion of the Option Committee, any executive director(s) of MBSB shall be eligible to participate in the Proposed ESOS if, at the Date of Offer, the director:-

- (a) is at least 18 years of age;
- (b) has been an Executive Director of MBSB for a period of at least 12 months; and
- (c) fulfils any other criteria and/or falls within such category as may be determined by the Option Committee from time to time.

(To be referred to as “**Eligible Director**”)

### 2.3 Maximum allowable allotment and basis of allocation

The maximum number of new MBSB Shares that may be offered under the Proposed ESOS shall be at the sole and absolute discretion of the Option Committee after taking into consideration, amongst others, the Eligible Director's and the Eligible Employee's position, performance, length of service and seniority in MBSB and the MBSB Group, respectively, or such other matters which the Option Committee may in its discretion deem fit subject to the following:-

- (i) the number of ESOS Options shall not exceed the amount stipulated in Section 2.1 of this announcement;
- (ii) the number of new MBSB Shares allocated, in aggregate, to the Eligible Directors and senior management of the MBSB Group does not exceed 50% of the total number of new MBSB Shares to be issued under the Proposed ESOS; and
- (ii) the number of new MBSB Shares allocated to any Eligible Director and/or Eligible Employee who, either singly or collectively through persons connected with such Eligible Director and/or Eligible Employee, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company, does not exceed 10% of the total number of new MBSB Shares to be issued under the Proposed ESOS,

provided always that it is in accordance with any prevailing guidelines, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") or any other requirements of the relevant authorities and as amended from time to time.

### 2.4 Effective date and duration of the Proposed ESOS

The effective date for the implementation of the Proposed ESOS shall be the date of full compliance with all relevant requirements of the Listing Requirements ("**Effective Date**") including the following:-

- (i) submission of the final copy of the By-Laws for the Proposed ESOS ("**By-Laws**") to Bursa Securities together with a letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (ii) receipt of approval from Bursa Securities for the listing of the new MBSB Shares to be issued upon exercise of the ESOS Options;
- (iii) the approval of the shareholders of MBSB for the Proposed ESOS being obtained;
- (iv) receipt of the approval(s) of any other relevant authorities, where applicable; and
- (v) fulfilment or waiver (as the case may be) of all applicable conditions attached to the above approvals, if any.

The Proposed ESOS shall be in force for a period of five (5) years and may be extended for a further period of five (5) years, at the sole and absolute discretion of the Board upon the recommendation of the Option Committee provided always that the initial period stipulated above and such extension of the Proposed ESOS shall not in aggregate exceed a duration of ten (10) years from the Effective Date.

### 2.5 Subscription price

The price payable for each new MBSB Share upon exercise of an ESOS Option ("**Subscription Price**") shall be based on the higher of the following:-

- (i) the 5-day weighted average market price of MBSB Shares as quoted on Bursa Securities, immediately preceding the day the ESOS Option is offered, with a premium of not more than 10%; or

(ii) the par value of MBSB Shares of RM1.00 each,

and subject to adjustments in accordance with the By-Laws for the Proposed ESOS, where applicable.

## 2.6 Ranking of the new MBSB Shares

The new MBSB Shares to be allotted and issued upon exercise of the ESOS Options, shall upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid-up MBSB Shares except that the holders of the new MBSB Shares so allotted and issued shall not be entitled to any dividends, voting rights, other rights, allotments and/or any other distributions that 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 and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise.

## 2.7 Listing of new MBSB Shares

An application will be made to Bursa Securities for the listing of and quotation for the new MBSB Shares to be allotted and issued upon exercise of the ESOS Options on the Main Market of Bursa Securities.

## 3. RATIONALE FOR THE PROPOSED ESOS

The rationale for the Proposed ESOS are as follows:-

- (i) to recognise and reward the Eligible Directors and Eligible Employees for their contribution to the operations, profitability and continued growth of the MBSB Group;
- (ii) to motivate and align the long-term interests of the Eligible Directors and Eligible Employees towards the MBSB Group's business plans, strategic goals and expansion with greater dedication via participation in MBSB's equity; and
- (iii) to allow the Eligible Directors and Eligible Employees to participate directly in the equity of MBSB and promote a sense of ownership and belonging to the MBSB Group.

## 4. UTILISATION OF PROCEEDS

The gross proceeds arising from the exercise of the ESOS Options, if any, shall be utilised for the working capital of the MBSB Group as and when received.

## 5. EFFECTS OF THE PROPOSED ESOS

### 5.1 Share Capital

*For illustrative purposes only*, the proforma effect of the Proposed ESOS on the issued and paid-up share capital of MBSB is as follows:-

	No. of MBSB Shares
As at 26 March 2010	700,171,527
To be issued assuming full exercise of ESOS Options *	70,017,152
Enlarged share capital	770,188,679

\* Based on 10% of the existing issued and paid-up share capital of the Company as at 26 March 2010.

## 5.2 Net Assets (“NA”), NA per Share and Gearing

The Proposed ESOS is not expected to have any immediate effect on the NA, NA per Share and gearing of the MBSB Group until such time when the ESOS Options are granted. The effects on the NA, NA per Share and gearing of the MBSB Group will depend on the number of new MBSB Shares to be issued upon exercise of the ESOS Options and the Subscription Price.

## 5.3 Earnings and Earnings per Share (“EPS”)

The Proposed ESOS is not expected to have any immediate effect on the earnings and EPS of the MBSB Group until such time when the ESOS Options are granted. Any potential effect on the EPS of the MBSB Group in the future will depend upon the number of ESOS Options granted and exercised, the Subscription Price, the utilisation of proceeds arising from the exercise of the ESOS Options and the impact of the Financial Reporting Standard 2 (“FRS2”).

With the adoption of FRS2, the cost arising from the issuance of ESOS Options is measured by the fair value of the ESOS Options, which is expected to vest at the grant date and is recognised in the income statement over the vesting period of the ESOS Options (i.e. the period when the ESOS Options are exercisable), thereby reducing the earnings of the MBSB Group. Hence, the total potential cost of the ESOS Options granted will depend on, *inter-alia*, the number of ESOS Options granted and the fair value of such ESOS Options.

The Board has taken note of the potential impact of FRS2 on the future earnings of the MBSB Group and shall take into consideration such impact in the allocation and granting of ESOS Options to Eligible Directors and Eligible Employees.

## 5.4 Substantial Shareholders’ Shareholding

The Proposed ESOS will not have any immediate effect on the substantial shareholders’ shareholdings in the Company until such time when the ESOS Options are exercised.

*For illustrative purposes only*, based on the Register of Substantial Shareholders as at 26 March 2010, the proforma effect of the Proposed ESOS on the shareholdings of the substantial shareholders of MBSB is as follows:-

Name	As at 26 March 2010				Assuming full exercise of ESOS Options*			
	<-----Direct----->		<---Indirect--->		<-----Direct----->		<---Indirect--->	
	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%	No. of MBSB Shares	%
Employees Provident Fund Board	471,409,732	67.33	-	-	471,409,732	61.21	-	-
Permodalan Nasional Berhad	104,368,815	14.91	-	-	104,368,815	13.55	-	-

\* Based on 10% of the existing issued and paid-up share capital of the Company as at 26 March 2010.

## 6. APPROVALS REQUIRED

The Proposed ESOS is subject to the following approvals being obtained:-

- (i) the shareholders of MBSB at an extraordinary general meeting (“EGM”) to be convened for the Proposed ESOS;
- (ii) Bursa Securities for the listing of and quotation for the new MBSB Shares to be issued upon exercise of the ESOS Options; and

(iii) any other relevant authorities, if required.

**7. DIRECTORS', MAJOR SHAREHOLDERS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS**

**7.1 Directors' Interests**

None of the Directors of MBSB and/or persons connected with them have any interest, direct and/or indirect, in the Proposed ESOS.

**7.2 Major Shareholders' Interests**

None of the major shareholders of the Company and/or persons connected with them have any interest, direct and/or indirect, in the Proposed ESOS.

**7.3 Chief Executive Officer's Interest**

The Chief Executive Officer of MBSB, namely Ahmad Zaini Othman, is entitled to participate in the Proposed ESOS and is therefore deemed interested in the Proposed ESOS.

Accordingly, the Chief Executive Officer will abstain from voting in respect of his direct and/or indirect shareholding in MBSB, if any, on the resolution pertaining to his allocation under the Proposed ESOS to be tabled at an EGM to be convened for the Proposed ESOS. Further, the Chief Executive Officer has undertaken to ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in MBSB, if any, on the resolution pertaining to his allocation under the Proposed ESOS to be tabled at the an EGM to be convened for the Proposed ESOS.

**8. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Company.

**9. ADVISER**

RHB Investment Bank has been appointed as Adviser to the Company for the Proposed ESOS.

**10. APPLICATION TO THE RELEVANT AUTHORITIES AND ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, the application to Bursa Securities in relation to the Proposed ESOS will be made within 1 month from the date of this announcement.

The Proposed ESOS is expected to be implemented by the 3<sup>rd</sup> quarter of 2010.

This announcement is dated 2 April 2010.