

MALAYSIAN PACIFIC INDUSTRIES BERHAD

PROPOSED ESTABLISHMENT OF AN EXECUTIVE SHARE GRANT SCHEME

1. INTRODUCTION

On behalf of Malaysian Pacific Industries Berhad (“**MPI**” or the “**Company**”), Hong Leong Investment Bank Berhad (*formerly known as MIMB Investment Bank Berhad*) (“**HLIB**”) wishes to announce that the Company proposes to establish an executive share grant scheme (“**Proposed ESGS**”) for the eligible executives and/or directors of MPI and its subsidiaries (“**MPI Group**”) (“**Eligible Executives**”).

MPI currently has an executive share option scheme which was established on 8 March 2013 (“**Existing ESOS**”). Once the Proposed ESGS is approved, the Proposed ESGS together with the Existing ESOS shall be renamed as Executive Share Scheme (“**ESS**”). The aggregate maximum number of ordinary shares of RM0.50 each (unless otherwise adjusted) in MPI (“**MPI Shares**”) comprised in the Aggregate (as defined in Section 4.1 below) under the ESS shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of MPI at any one time.

2. DETAILS OF THE PROPOSED ESGS

The Proposed ESGS is intended to provide the Company with the flexibility to reward the Eligible Executives for their contribution to the MPI Group with awards of MPI Shares without any consideration payable by the Eligible Executives (“**Grants**”), subject to the Eligible Executives fulfilling the financial and performance targets, if any. For ease of administration, the bye-laws of the Existing ESOS will be amended to incorporate the Proposed ESGS to form a consolidated bye-laws governing the ESS (“**Bye-Laws**”).

The Proposed ESGS shall be administered by the Board of Directors of MPI or Board of Directors of the relevant subsidiary of MPI (as the case may be, in respect of Eligible Executives in the said subsidiary only) or a duly authorised committee thereof or an individual authorised by the Board of Directors (“**Board**”). In offering a Grant to the Eligible Executives under the Proposed ESGS, the Board shall be guided by the principles set out in the Bye-Laws, including the prescription of financial and performance targets or criteria, if any, and the period within which the said financial and performance targets or criteria are to be achieved.

In implementing the Proposed ESGS, it is the intention of the Company to have the flexibility, at the absolute discretion of the Board, to enable the satisfaction of the Grants through:

- (i) the issue of new ordinary shares of RM0.50 each (unless otherwise adjusted) in MPI (“**New MPI Shares**”);
- (ii) the transfer of existing MPI Shares; or
- (iii) a combination of issuance of New MPI Shares and transfer of existing MPI Shares.

An application will be made to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the New MPI Shares, if any, to be issued upon the vesting of MPI Shares pursuant to Grants under the Proposed ESGS on the Main Market of Bursa Securities.

3. INFORMATION ON EXISTING ESOS

On 8 March 2013, MPI established the Existing ESOS for a period of 10 years. The Existing ESOS will expire on 7 March 2023.

Since the commencement of the Existing ESOS up to 21 August 2013, the number of options to subscribe for MPI Shares (“**Options**”) offered to the executives and/or executive director(s) of the MPI Group are as follows:

Scheme	No. of Options offered	No. of Options exercised	No. of Options lapsed	No. of Options outstanding
Existing ESOS	7,900,000	-	-	7,900,000

In relation to the Options offered to the executive director(s) of MPI pursuant to the Existing ESOS since its commencement up to 21 August 2013, the details are as follows:

	No. of Options offered	No. of Options exercised	No. of Options lapsed	No. of Options outstanding
Executive director(s) of MPI	2,500,000	-	-	2,500,000

Under the Existing ESOS, at any time during its existence, the Board has the discretion to determine the aggregate allocation to the directors and senior management of the MPI Group, provided that such allocation does not exceed the Maximum Aggregate (as defined in Section 4.1 below). As at 21 August 2013, Options amounting to 3.97% of the issued and paid up ordinary share capital (excluding treasury shares) of MPI have been offered to executive directors and senior management of the MPI Group.

4. SALIENT FEATURES OF THE PROPOSED ESGS

4.1 Quantum

At any point of time during the existence of the ESS, the aggregate number of MPI Shares comprised in:

- (i) exercised Options;
- (ii) unexercised Options;
- (iii) unexpired offers of Options pending acceptances and unexpired offers of Grants (“**Grant Offers**”) pending acceptances by the Eligible Executives;
- (iv) outstanding Grants;
- (v) completed Grants; and
- (vi) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting

(collectively referred to as the “**Aggregate**”) shall not exceed an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time (“**Maximum Aggregate**”).

4.2 Eligibility

To be eligible for participation in the Proposed ESGS, a person must be at least 18 years of age as at the date of offer of a Grant (“**Date of Offer**”) and satisfy the following conditions:

- (i) be an executive of MPI or any of its subsidiaries (“**Member of the Group**”) and has been confirmed in service; or
- (ii) be a director of a Member of the Group.

The Board may from time to time at its absolute discretion select and identify suitable Eligible Executives to be offered the Grants.

4.3 Basis of allotment and maximum allowable allotment

A Member of the Group may at its discretion at any time and from time to time as it shall deem fit during the existence of the Proposed ESGS make one or more Grant Offers to an Eligible Executive. The Board may, from time to time, at its absolute discretion determine the number of MPI Shares and the terms and conditions to be comprised in a Grant Offer.

The allocation to an Eligible Executive who, either singly or collectively through persons connected with the Eligible Executive, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company, must not exceed 10% of the Maximum Aggregate.

4.4 Rights attaching to MPI Shares

In the event that any New MPI Shares are to be allotted upon the vesting of MPI Shares pursuant to the Grants under the Proposed ESGS, the New MPI Shares shall, upon issue and allotment, rank *pari passu* in all respects with the existing issued and paid-up ordinary share capital of the Company, except that they will not rank for any dividend, right, entitlement and/or distribution, in respect of which the record date precedes the allotment date of the New MPI Shares and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission or otherwise.

In the event that any existing MPI Shares are to be transferred upon the vesting of MPI Shares pursuant to the Grants under the Proposed ESGS, the existing MPI Shares shall be transferred together with all dividends, rights, entitlements and distributions, in respect of which the record date is on or after the transfer date.

4.5 Duration of the Proposed ESGS

The Proposed ESGS, if established, shall be in force until 7 March 2023, being the expiry date of the Existing ESOS.

5. UTILISATION OF PROCEEDS

The Company will not receive any proceeds pursuant to the Proposed ESGS as the Eligible Executives under the Proposed ESGS will not be required to pay for the MPI Shares to be issued and/or transferred to them.

6. RATIONALE FOR THE PROPOSED ESGS

The purpose of the Proposed ESGS is to provide the Company with flexibility to determine the most appropriate instrument or combination of instruments to be granted to the Eligible Executives as part of the Company’s efforts to motivate, reward and retain Eligible Executives.

7. EFFECTS OF THE PROPOSED ESGS

7.1 Issued and paid-up share capital

The Proposed ESGS is not expected to have any immediate effect on the issued and paid-up ordinary share capital of the Company. The issued and paid-up ordinary share capital of the Company will increase depending on the number of New MPI Shares to be issued upon the vesting of MPI Shares pursuant to Grants under the Proposed ESGS. However, if existing MPI Shares are to be transferred to Eligible Executives upon the vesting of MPI Shares pursuant to Grants under the Proposed ESGS, there will be no effect on the issued and paid-up ordinary share capital of the Company.

In any case, as the aggregate maximum number of MPI Shares comprised in the Aggregate shall remain at up to 10% of the issued and paid-up ordinary share capital of MPI, the Proposed ESGS will not result in any additional effects on MPI's issued and paid-up ordinary share capital.

7.2 Substantial shareholders' shareholdings

The Proposed ESGS will not have any immediate effect on the shareholdings of substantial shareholders of the Company. Any effect on the shareholdings of the substantial shareholders would depend on the number of New MPI Shares to be issued upon the vesting of MPI Shares pursuant to Grants under the Proposed ESGS.

7.3 Earnings

The Proposed ESGS is not expected to have any immediate effect on the earnings of the MPI Group. Malaysian Financial Reporting Standards 2 ("**MFRS 2**") issued by the Malaysian Accounting Standards Board requires the fair value of MPI Shares comprised in a Grant to be measured at the Date of Offer and recognised as an expense over the vesting period. This would have an effect on the future earnings of the MPI Group. However, the potential effect of the Proposed ESGS on the earnings per share of the MPI Group in the future, as a consequence of the recognition of the expense, cannot be determined at this juncture as it would depend on the number of MPI Shares comprised in the Grants and various factors that affect the fair value of the granted MPI Shares.

7.4 Net assets ("NA") and gearing

Apart from the potential impact of the MFRS 2 as elaborated in Section 7.3 above, the Proposed ESGS is not expected to have an immediate effect on the NA and gearing of the MPI Group based on its latest audited consolidated financial statements as at 30 June 2012 until such time that the Grants under the Proposed ESGS are vested. The effect would depend on, amongst others, the number of MPI Shares vested pursuant to the Grants.

7.5 Convertible securities

As at 21 August 2013, save for the 7,900,000 outstanding Options under the Existing ESOS, the Company does not have any outstanding convertible securities.

8. APPROVALS REQUIRED

The Proposed ESGS is subject to approvals being obtained from the following:

- (i) the shareholders of MPI;
- (ii) Bursa Securities, for the listing of and quotation for the New MPI Shares to be issued upon the vesting of MPI Shares pursuant to the Grants under the Proposed ESGS; and
- (iii) other relevant authorities/parties, if required.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

The Company proposes to seek shareholders' approval for authority to offer Grants to Mr Peter Nigel Yates, the Group Managing Director of MPI. As such, Mr Peter Nigel Yates, by virtue of his eligibility to participate in the Proposed ESGS, is deemed interested in respect of his proposed allocation under the Proposed ESGS ("**Proposed Allocation**").

Accordingly, Mr Peter Nigel Yates has abstained and will continue to abstain from deliberating and voting at all relevant meetings of the Board of Directors of MPI in relation to his Proposed Allocation.

Further, Mr Peter Nigel Yates will also abstain from voting, in respect of his direct and/or indirect interests in MPI, on the proposed ordinary resolution in relation to his Proposed Allocation at a general meeting to be convened. Mr Peter Nigel Yates will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the proposed ordinary resolution in relation to his Proposed Allocation.

The shareholding of Mr Peter Nigel Yates in MPI as at 21 August 2013 is as follows:

Name	Direct		Indirect	
	No. of MPI Shares	%	No. of MPI Shares	%
Mr Peter Nigel Yates	150,000	0.075	-	-

Save as disclosed above, none of the directors, major shareholders of MPI and/or persons connected with them have any interest, direct or indirect, in the Proposed ESGS and the Proposed Allocation.

10. DIRECTORS' RECOMMENDATION

The Board of Directors of the Company, having considered all aspects of the Proposed ESGS (including but not limited to the rationale and effects of the Proposed ESGS), is of the opinion that the Proposed ESGS is in the best interest of the Company.

The Board of Directors of the Company (except for Mr Peter Nigel Yates, who has abstained from expressing any opinion or recommendation relating to his Proposed Allocation), having considered all aspects of the Proposed Allocation, is of the opinion that the Proposed Allocation is in the best interest of the Company.

11. ADVISER

HLIB has been appointed as the Adviser for the Proposed ESGS.

12. EXPECTED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, an application to Bursa Securities for the listing of and quotation for the New MPI Shares to be issued upon the vesting of MPI Shares pursuant to Grants under the Proposed ESGS is expected to be made within 1 month from the date of this announcement.

MPI expects to complete the Proposed ESGS by the fourth quarter of 2013.

This announcement is dated 27 August 2013.