

## SYARIKAT TAKAFUL MALAYSIA BERHAD (“TAKAFUL MALAYSIA” OR “COMPANY”)

### PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF TAKAFUL MALAYSIA FOR THE ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF TAKAFUL MALAYSIA AND ITS SUBSIDIARIES (“PROPOSED LTIP”)

---

#### 1. INTRODUCTION

On behalf of the Board of Directors of Takaful Malaysia (“**Board**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that Takaful Malaysia proposes to establish and implement a long-term incentive plan of up to ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time during the duration of the Proposed LTIP, for the eligible employees and executive directors (“**Executive Director(s)**”) of Takaful Malaysia and its subsidiaries (“**Takaful Malaysia Group**” or “**Group**”) who fulfil the eligibility criteria set out in Section 2.2.3 below and who are awarded by a committee to be established to administer the Proposed LTIP (“**LTIP Committee**”) (“**Eligible Employees**”).

#### 2. DETAILS OF THE PROPOSED LTIP

- 2.1 The Proposed LTIP is intended to allow the Company to award the grant of new ordinary shares of RM1.00 each in Takaful Malaysia (“**Takaful Malaysia Shares**” or “**Shares**”) (“**Grant**”) to be vested to the selected Eligible Employees (“**Selected Employees**”) for the attainment of identified performance objectives of the Group.

The Proposed LTIP comprises a restricted share plan (“**RSP**”) and performance share plan (“**PSP**”). The main difference in the features of the RSP and PSP is the eligibility of the Selected Employees in terms of their job grades in the Group and the performance target to be met prior to the offer being made in writing to the Selected Employees (“**Offer**”) and vesting of the grant of RSP (“**RSP Grant**”) and grant of PSP (“**PSP Grant**”) to the Selected Employees.

The details of the RSP and PSP are set out below:

##### (i) RSP

The RSP is a restricted share plan for selected key employees and the executive directors of the Group. The RSP Grant is intended as a one-off grant, subject to the discretion of the LTIP Committee for future grants, to retain key employees for the development, growth and success of the Group.

Upon acceptance of the RSP Grant by the Selected Employees (“**RSP Grantees**”), the RSP will be vested to the RSP Grantees at no consideration over a period of up to three (3) years pro-rata which may include additional holding periods for each vesting as determined by the LTIP Committee, whereby the Selected Employees will be assessed based on, amongst others, the individual performance and achievement of selected financial measure(s), in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion.

(ii) **PSP**

The PSP is a performance share plan for selected key employees and the executive directors of the Group. The PSP Grant is an annual grant to incentivise key employees for the long-term success and growth of the Group as well as shareholders' value enhancement.

Upon acceptance of the PSP Grant by the Selected Employees ("**PSP Grantees**"), the PSP will be vested to the PSP Grantees at no consideration on a three (3)-year cliff vesting schedule whereby the Selected Employees will be assessed based on, amongst others, shareholder value creation and the long-term financial performance of Takaful Malaysia, over a period of three (3) financial years, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion.

In the event the Selected Employee does not meet the above targets over the said period set by the LTIP Committee, the new Takaful Malaysia Shares will not be vested to him at the end of the three (3) financial years.

The new Takaful Malaysia Shares to be allotted and issued pursuant to the PSP Grant will not be subject to any retention period or restriction on transfer.

In implementing the Proposed LTIP, the Grant will be satisfied by way of allotment and issuance of new Takaful Malaysia Shares to the RSP Grantees and PSP Grantees (collectively referred to as "**Grantees**") upon vesting of the Grant.

The LTIP Committee shall decide in its discretion, amongst others, the terms of the Offer, the performance targets to be met prior to the Offer being made and vesting of the Grant, the vesting period(s) and the number of Takaful Malaysia Shares to be allocated in each Grant.

## **2.2 Other salient terms and conditions of the Proposed LTIP**

### **2.2.1 Maximum number of new Takaful Malaysia Shares available under the Proposed LTIP**

The maximum number of new Takaful Malaysia Shares which may be made available under the Proposed LTIP and/or allotted upon vesting of the new Takaful Malaysia Shares under a Grant shall not be more than ten percent (10%) of the issued and paid-up share capital of Takaful Malaysia (excluding treasury shares) ("**Maximum Shares**") at any point in time during the duration of the Proposed LTIP as set out in Section 2.2.4 of this Announcement.

### **2.2.2 Basis of allocation and maximum allowable allotment of new Takaful Malaysia Shares**

The total number of new Takaful Malaysia Shares that may be offered to any one of the Selected Employees and/or vested in any of the Grantees under the Proposed LTIP at any time will be determined at the discretion of the LTIP Committee after taking into account such criteria as determined by the LTIP Committee, in its discretion (subject always to the by-laws governing the Proposed LTIP ("**By-Laws**") and any applicable law). Notwithstanding the foregoing, not more than ten percent (10%) of the new Takaful Malaysia Shares available under the Proposed LTIP shall be allocated to any individual Selected Employee who, either singly or collectively through persons connected with him (as defined under the relevant applicable law), holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares). Eligible Employees who are directors of the Group or who are in senior management shall not participate in any deliberation or discussion on the Offer and/or their own respective allocations.

### **2.2.3 Eligibility**

A person who fulfils the following criteria shall be eligible to be considered an Eligible Employee as at the date of the Offer:

- (i) has attained the age of eighteen (18) years;
- (ii) has entered into a full-time or fixed-term contract of employment with, and is on the payroll of any company within the Group and has not served a notice of resignation or received a notice of termination;
- (iii) whose service has been confirmed in writing;
- (iv) is not a non-executive or independent director of Takaful Malaysia; and
- (v) has fulfilled any other eligibility criteria which has been determined by the LTIP Committee in its discretion, as the case may be.

The LTIP Committee may determine any other eligibility criteria for the purposes of selecting an Eligible Employee at any time and from time to time, in the LTIP Committee's discretion.

### **2.2.4 Duration of the Proposed LTIP**

The Proposed LTIP shall be in force for a period of ten (10) years commencing from the effective date of implementation of the Proposed LTIP, being the date after full compliance with the relevant provisions of the Listing Requirements in relation to the Proposed LTIP, more particularly set out in the By-Laws.

### **2.2.5 Ranking of and rights to the new Takaful Malaysia Shares issued pursuant to the Proposed LTIP**

The new Takaful Malaysia Shares to be allotted and issued will, upon allotment and issuance, rank equally in all respects with the then existing issued Takaful Malaysia Shares of the Company.

The new Takaful Malaysia Shares to be allotted and issued pursuant to the vesting of the Grant under the Proposed LTIP shall not be entitled to any dividends, rights, allotments and/or any other distributions, the entitlement date for which is prior to the date on which the new Takaful Malaysia Shares are credited into the central depository system accounts of the respective Grantees upon vesting under the Proposed LTIP.

## **3. UTILISATION OF PROCEEDS**

No proceeds will be raised from the Proposed LTIP given that the new Takaful Malaysia Shares to be allotted and issued to the Selected Employees would not require any payment by the said Selected Employees.

#### 4. RATIONALE FOR THE PROPOSED LTIP

As part of its total reward strategy in providing the right remuneration and benefits, the Group intends to establish and implement the Proposed LTIP, which serves as a long-term incentive plan that aligns the Eligible Employees' interests with the long-term objectives and business strategy of the Group. The Proposed LTIP will form part of the total remuneration structure as an integral part of the Group's reward strategy. It is to complement the existing remuneration structure of the Group which, amongst others, includes a basic salary and a variable cash bonus.

In addition, the Proposed LTIP establishes a defined relationship to reward long-term performance, creating a stronger link between Eligible Employees' performance and reward, and thereby increasing shareholders' value by enabling Eligible Employees' to have a greater involvement with, and share in the future growth and profitability of the Group.

The Proposed LTIP is intended to:

- (i) reward, retain and motivate the Eligible Employees whose services are vital to the businesses, continued growth and future expansion of the Group;
- (ii) align the interest of the Eligible Employees through the Proposed LTIP to focus on long-term financial performance and shareholders' value enhancement via equity participation;
- (iii) encourage and incentivise long-term Eligible Employees' behaviour that are aligned with the shareholders' interests and the Group's business strategy;
- (iv) enable focus on the achievement of the Group's multi-year objectives;
- (v) attract prospective skilled and experienced employees to the Group via a competitive total remuneration package; and
- (vi) create a sense of ownership amongst the Selected Employees upon vesting of the Grant as they will be able to participate directly in the future growth of the Group.

[ The rest of this page is intentionally left blank ]

## 5. EFFECTS OF THE PROPOSED LTIP

### 5.1 Share capital

The Proposed LTIP will not have an immediate effect on the existing issued and paid-up share capital of the Company until and unless new Takaful Malaysia Shares are allotted and issued pursuant to the vesting of the Grant. The issued and paid-up share capital of the Company will increase progressively depending on the number of new Takaful Malaysia Shares which may need to be issued pursuant to the vesting of the new Takaful Malaysia Shares under the Grant.

For illustration purposes, assuming that the Maximum Shares are fully granted and vested, the proforma effect of the Proposed LTIP on the Company's issued and paid-up share capital is as follows:

	<b>No. of Takaful Malaysia Shares</b>	<b>RM</b>
Issued and paid-up share capital as at 7 March 2013	162,817,000	162,817,000
To be issued pursuant to the Proposed LTIP	<u>16,281,700</u>	<u>16,281,700</u>
<b>Enlarged issued and paid-up share capital</b>	<b><u>179,098,700</u></b>	<b><u>179,098,700</u></b>

### 5.2 Net assets ("NA") per Takaful Malaysia Share and gearing

The Proposed LTIP will not have an immediate effect on the consolidated NA per Takaful Malaysia Share and the gearing of the Group until such time when the new Takaful Malaysia Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the consolidated NA per Takaful Malaysia Share will depend on the number of new Takaful Malaysia Shares to be issued which can only be determined at the point of the vesting of the Grant on the date of vesting.

For illustration purposes, upon the vesting of the Grant, the consolidated NA per Takaful Malaysia Share is expected to decrease resulting from the allotment and issuance of new Takaful Malaysia Shares under the Grant.

Nonetheless, the Proposed LTIP is not expected to have a material impact on the Group's NA per Takaful Malaysia Share and gearing for the financial year ending 31 December 2013.

### 5.3 Earnings and Earnings per Share ("EPS")

With the adoption of Financial Reporting Standard 2 on Share Based Payment ("**FRS 2**") as issued by the Malaysian Accounting Standards Board, the potential cost of awarding the Offer under the Proposed LTIP will need to be measured at fair value on the date of granting the respective award and recognised as an expense in the statement of comprehensive income of the Takaful Malaysia Group over the vesting period of such new Takaful Malaysia Shares under the Grant.

The extent of the effect of the Proposed LTIP on the Group's EPS cannot be determined at this juncture as it would depend on the fair value of the new Takaful Malaysia Shares as at the respective dates of the Grant. However, it is important to note that the potential cost of the Offers pursuant to the Proposed LTIP do not represent a cash outflow and is only an accounting treatment.

For illustration purposes, the Proposed LTIP will have a dilutive effect on the Group's EPS due to the increase in number of Takaful Malaysia Shares resulting from the allotment and issuance of new Takaful Malaysia Shares to satisfy the Offer pursuant to the Proposed LTIP.

The Board has taken note of the potential impact of FRS 2 on the Group's future earnings and will take into consideration of such impact in the allocation and granting of the Offer to the Selected Employees.

#### 5.4 Substantial shareholders

The Proposed LTIP is not expected to have any immediate effect on the shareholdings of the substantial shareholders of Takaful Malaysia until and unless new Takaful Malaysia Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the shareholdings of the substantial shareholders of Takaful Malaysia would depend on the number of new Takaful Malaysia Shares issued at the relevant point in time.

For illustration purposes, assuming that the maximum of ten percent (10%) of the Company's issued and paid-up share capital (excluding treasury shares) is made available under the Proposed LTIP and are fully vested, the proforma effects of the Proposed LTIP on the shareholdings of the substantial shareholders of Takaful Malaysia as at 7 March 2013 are set out in the table below:

	As at 7 March 2013				After the Proposed LTIP			
	Direct		Indirect		Direct		Indirect	
	No. of Takaful Malaysia Shares		No. of Takaful Malaysia Shares		No. of Takaful Malaysia Shares		No. of Takaful Malaysia Shares	
	'000	%	'000	%	'000	%	'000	%
BIMB Holdings Berhad	99,554,175	61.14	-	-	99,554,175	55.59	-	-
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	15,157,420	9.31	-	-	15,157,420	8.46	-	-

[ The rest of this page is intentionally left blank ]

## 6. APPROVALS REQUIRED

The Proposed LTIP is subject to the following approvals being obtained:

- (i) Bursa Securities, for the listing of and quotation for the new Takaful Malaysia Shares to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities;
- (ii) shareholders of Takaful Malaysia at an extraordinary general meeting (“**EGM**”) to be convened; and
- (iii) any other relevant authorities, if required.

The Proposed LTIP is not conditional upon any other corporate exercise/scheme of the Company.

The application to Bursa Securities in relation to item (i) above is expected to be made within one (1) month from the date of this announcement.

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

Dato’ Mohamed Hassan Md. Kamil (“**DHK**”) is deemed interested in the Proposed LTIP by virtue of his eligibility for the Offer in his capacity as the Group Managing Director of Takaful Malaysia. DHK has abstained and will continue to abstain from deliberating and voting on any subject matter pertaining to his entitlement under the Proposed LTIP at the Board meetings and will continue to abstain from voting in respect of his direct and/or indirect shareholdings in Takaful Malaysia (if any), on the resolution pertaining to the proposed allocation to him under the Proposed LTIP at the EGM to be convened. Further, DHK has also undertaken that he shall ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in Takaful Malaysia (if any) on the resolution approving the proposed allocation to him under the Proposed LTIP at the EGM to be convened.

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

## 8. DIRECTORS’ STATEMENT

After having considered the rationale and effects of the Proposed LTIP, the Board (save for DHK, who has abstained from expressing any opinion or recommendation relating to his proposed allocation under the Proposed LTIP) is of the opinion that the Proposed LTIP is in the best interest of the Company.

## 9. ADVISER

Maybank IB has been appointed as Adviser to the Company for the Proposed LTIP.

**10. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Board expects to implement the Proposed LTIP by the fourth (4<sup>th</sup>) quarter of 2013.

This Announcement is dated 15 March 2013.