

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. You should rely on your own evaluation to assess the merits and risks of the Proposed Rights Issue (as defined herein).



**MALAYSIAN RESOURCES CORPORATION BERHAD**

(Company No. 7994-D)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 482,787,659 NEW ORDINARY SHARES OF RM1.00 EACH IN MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB") ("RIGHTS SHARES") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM1.00 EACH IN MRCB HELD AS AT AN ENTITLEMENT DATE TO BE DETERMINED LATER AT AN ISSUE PRICE OF RM1.12 FOR EACH RIGHTS SHARE ("PROPOSED RIGHTS ISSUE")**

**JOINT ADVISERS**



**Maybank Investment Bank Berhad (15938-H)**  
(Formerly known as Aseambankers Malaysia Berhad)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



**RHB INVESTMENT BANK BERHAD**

(Company No. 19663-P)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



**Newfields Advisors Sdn Bhd (296051-V)**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

The notice of the Extraordinary General Meeting ("EGM") to be held at Level 4, Dewan Merdeka, Putra World Trade Centre (PWTC), 41, Jalan Tun Ismail, 50480 Kuala Lumpur on Monday, 21 December 2009 at 2.30 p.m. or any adjournment thereof, for the purpose of considering the Proposed Rights Issue together with the Form of Proxy are enclosed in this Circular. The full text of the ordinary resolution to be passed in respect of the Proposed Rights Issue is set out in this Circular.

If you are unable to attend and vote in person at the EGM, you may complete the Form of Proxy in accordance with the instructions thereon and deposit it at our Share Registrar's office at Symphony Share Registrars Sdn Bhd, Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, on or before the time indicated below. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

The last date and time for lodging of Form of Proxy: Saturday, 19 December 2009 at 2.30 p.m.

Date and time of the EGM: Monday, 21 December 2009 at 2.30 p.m. or any adjournment thereof

**This Circular is dated 4 December 2009**

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## DEFINITIONS

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For the purpose of this Circular and the accompanying appendix, except where the context otherwise requires, the following definitions shall apply: -

“Act”	: The Companies Act, 1965 as amended from time to time and any re-enactment thereof
“Board”	: Board of Directors of MRCB
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd (165570-W)
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“Circular”	: This circular dated 4 December 2009 in relation to the Proposed Rights Issue
“Code”	: The Malaysian Code on Take-Overs and Mergers, 1998 as amended from time to time and any re-enactment thereof
“Director”	: Any person occupying the position of a director of a corporation and as defined in Section 4 of the Act
“EGM”	: Extraordinary General Meeting
“Entitled Shareholders”	: Our shareholders whose names appear in our Record of Depositors on the Entitlement Date in order to be eligible to participate in the Proposed Rights Issue
“Entitlement Date”	: A date and time to be determined by our Board and announced later, on which the names of our shareholders must be registered in our Record of Depositors in order to be eligible to participate in the Proposed Rights Issue
“EPF”	: Employees Provident Fund Board, a substantial shareholder of MRCB
“EPS”	: Earnings per Share
“ESOS”	: Employees’ Share Option Scheme
“ESOS Bye-laws”	: The rules, terms and conditions governing the ESOS Options and as amended, varied or supplemented from time to time in accordance with these ESOS Bye-laws
“ESOS Options”	: The option(s) granted/to be granted pursuant to our Company’s ESOS
“Foreign-Addressed Shareholders”	: Our shareholders who have not provided an address in Malaysia for the service of documents which will be issued in connection with the Proposed Rights Issue on the Entitlement Date
“FYE”	: Financial year ended/ending
“Intended Gross Proceeds”	: Gross proceeds of up to RM540.7 million intended to be raised by our Company pursuant to the Proposed Rights Issue
“Joint Advisers”	: Maybank IB, RHB Investment Bank and Newfields, collectively
“LPD”	: 16 November 2009

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**DEFINITIONS (CONT'D)**

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“Market Day”	:	Any day between Monday and Friday, both days inclusive which is not a public holiday and on which Bursa Securities is open for trading of securities
“Maximum Scenario”	:	The scenario assuming all Unexercised ESOS Options are fully exercised prior to the Entitlement Date
“Maybank IB”	:	Maybank Investment Bank Berhad (15938-H) ( <i>formerly known as Aseambankers Malaysia Berhad</i> )
“MGO”	:	Mandatory take-over offer pursuant to Section 33B of the SC Act and Part II of the Code
“Minimum Scenario”	:	The scenario assuming none of the Unexercised ESOS Options are exercised prior to the Entitlement Date
“MRCB” or “Company”	:	Malaysian Resources Corporation Berhad (7994-D)
“MRCB Group” or “Group”	:	MRCB and its subsidiaries, collectively
“MRCB Share(s)” or “Share(s)”	:	Ordinary share(s) of RM1.00 each in MRCB
“NA”	:	Net assets
“Newfields”	:	Newfields Advisors Sdn Bhd (296051-V)
“NSSB”	:	Nu Sentral Sdn Bhd (754028-P) ( <i>formerly known as Jewel Surprises Sdn Bhd</i> )
“Option Price”	:	Being the price at which our eligible Directors and employees who had accepted the ESOS Options shall be entitled to subscribe for each new MRCB Share pursuant to the ESOS Bye-laws
“Proposed Rights Issue”	:	Proposed renounceable rights issue of up to 482,787,659 Rights Shares on the basis of one (1) Rights Share for every two (2) existing MRCB Shares held as at the Entitlement Date at an issue price of RM1.12 for each Rights Share
“Record of Depositors”	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository
“RHB Investment Bank”	:	RHB Investment Bank Berhad (19663-P)
“Rights Share(s)”	:	New Shares to be issued by MRCB pursuant to the Proposed Rights Issue
“SC Act”	:	The Securities Commission Act, 1993 as amended from time to time and any re-enactment thereof
“Share Registrar”	:	Symphony Share Registrars Sdn Bhd (378993-D)
“TERP”	:	Theoretical ex-rights price

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**DEFINITIONS (CONT'D)**

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"Unexercised ESOS Options" : ESOS Options to subscribe for 57,950,250 new MRCB Shares which have been granted to our eligible Directors and employees pursuant to our Company's ESOS but have yet to be exercised as at the LPD

"VWAMP" : Volume-weighted average market price

**Terms on currency**

"AUD" : Australian Dollar

"RM" and "sen" : Ringgit Malaysia and sen respectively

References to "we", "us", "our" and "ourselves" are to our Company, and where the context otherwise requires, our subsidiaries.

All references to "you" in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine gender and vice versa. Reference to persons shall include corporations.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

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### FORM OF PROXY

*Enclosed*

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**Malaysian Resources Corporation Berhad**  
(Company No. 7994-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

**Registered Office: -**

Level 21, 1 Sentral  
Jalan Travers  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Malaysia

4 December 2009

**Board of Directors**

Tan Sri Azlan Zainol (*Non-Independent, Non-Executive Chairman*)  
Mohamed Razeek Md Hussain Mericar (*Chief Executive Officer*)  
Datuk Ahmad Zaki Zahid (*Executive Director*)  
Shahril Ridza Ridzuan (*Non-Independent Non-Executive Director*)  
Dato' Ahmad Ibnihaajar (*Independent Director*)  
Abdul Rahman Ahmad (*Independent Director*)  
Dr. Roslan A. Ghaffar (*Independent Director*)  
Mohamad Lotfy Mohamad Noh (*Non-Independent Non-Executive Director*)  
Che King Tow (*Independent Director*)

**To: Our Shareholders**

Dear Sir/Madam,

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 482,787,659 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING MRCB SHARES HELD AS AT THE ENTITLEMENT DATE AT AN ISSUE PRICE OF RM1.12 FOR EACH RIGHTS SHARE**

**1. INTRODUCTION**

On 5 November 2009, Maybank IB, RHB Investment Bank and Newfields had, on behalf of our Board, announced that MRCB proposed to undertake a renounceable rights issue to raise gross proceeds of up to RM566.0 million.

On 19 November 2009, Maybank IB, RHB Investment Bank and Newfields had, on behalf of our Board, announced that the issue price for the Rights Shares had been fixed at RM1.12 for each Rights Share at an entitlement basis of one (1) Rights Share for every two (2) existing MRCB Shares held by our shareholders as at the Entitlement Date.

On 30 November 2009, Maybank IB, RHB Investment Bank and Newfields had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 26 November 2009 approved the listing and quotation of up to 482,787,659 Rights Shares to be issued pursuant to the Proposed Rights Issue, subject to, *inter alia*, the conditions as set out in Section 8 of this Circular.

Further details of the Proposed Rights Issue are set out in Section 2 of this Circular.

**THE PURPOSE OF THIS CIRCULAR IS TO, *INTER ALIA*, PROVIDE YOU WITH THE DETAILS OF THE PROPOSED RIGHTS ISSUE AND SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY IS ENCLOSED IN THIS CIRCULAR.**

**YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE TO BE TABLED AT THE FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSED RIGHTS ISSUE**

The proposed rights issue of up to 482,787,659 Rights Shares is to be undertaken on a renounceable basis of one (1) Rights Share for every two (2) existing Shares held as at the Entitlement Date. The Rights Shares will be offered to our shareholders whose names appear in our Record of Depositors on the Entitlement Date.

The maximum number of Rights Shares of 482,787,659 was arrived at based on the issued and paid-up share capital of MRCB as at the LPD of 907,625,068 MRCB Shares and assuming full exercise of the Unexercised ESOS Options prior to the Entitlement Date. The minimum number of Rights Shares of 453,812,534 was arrived at based on the issued and paid-up share capital of MRCB as at the LPD of 907,625,068 MRCB Shares and assuming none of the Unexercised ESOS Options are exercised prior to the Entitlement Date.

In any event, the actual number of Rights Shares to be issued can only be determined based on the issued and paid-up share capital of our Company as at the Entitlement Date after taking into consideration the actual number of the Unexercised ESOS Options exercised.

The Rights Shares will be provisionally allotted to the Entitled Shareholders. Fractional entitlements under the Proposed Rights Issue, if any, will be dealt with in such manner as our Board in its absolute discretion deems fit and in the best interest of our Company.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. Any unsubscribed Rights Shares shall be offered to the other Entitled Shareholders and/or their renouncee(s) under the excess Rights Shares application. It is our Board's intention to allocate the excess Rights Shares in a fair and equitable manner on a basis to be determined by our Board and announced later.

### **2.1 Basis of determining and justification for the issue price for the Rights Shares**

The issue price for the Rights Shares has been fixed at RM1.12 for each Rights Share. The issue price represents a discount of approximately 13.2% to the TERP of MRCB Shares of RM1.29, based on the five (5)-day VWAMP up to and including 18 November 2009, being the Market Day immediately preceding the price fixing date on 19 November 2009, of approximately RM1.37.

The issue price for the Rights Shares was determined after taking into consideration our Company's share base, prevailing market conditions, the market price of MRCB Shares as well as the Intended Gross Proceeds.

## **2.2 Substantial shareholder's undertaking, underwriting arrangement and minimum subscription level**

EPF, our substantial shareholder holding 277,964,324 MRCB Shares representing approximately 30.6% equity interest in our Company as at 3 November 2009, has provided a written irrevocable undertaking to subscribe in full its legal entitlements under the Proposed Rights Issue as at the Entitlement Date. The actual number of Rights Shares to be subscribed for by EPF pursuant to such undertaking can only be determined based on EPF's shareholding as at the Entitlement Date.

EPF has confirmed via the said undertaking that it has sufficient financial resources to subscribe in full its legal entitlements under the Proposed Rights Issue and the Joint Advisers have verified the said confirmation.

Underwriting arrangements will be made by our Company for the remaining portion of the Rights Shares of which no irrevocable undertaking to subscribe has been obtained from our other shareholders.

The said underwriting arrangements are expected to be in place prior to the announcement of the Entitlement Date and the underwriting commission to be borne by our Company will be at arm's length and based on commercial terms which are expected to be in line with underwriting fees contemplated in recent rights issues.

Details of the underwriting arrangements will be disclosed in the abridged prospectus to be issued in connection with the Proposed Rights Issue.

The Proposed Rights Issue is not undertaken on a minimum level of subscription basis.

## **2.3 Ranking of the Rights Shares**

The Rights Shares shall, upon allotment and issue, be of the same class and rank *pari passu* in all respects with the then existing MRCB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the date of issue and allotment of the Rights Shares.

## **2.4 Adjustments to ESOS Options**

The Proposed Rights Issue will give rise to adjustments to both the number and Option Price of the Unexercised ESOS Options. The adjustments will be made in accordance with the ESOS Bye-laws to ensure that the status of our ESOS Option holders is not prejudiced as a result of the Proposed Rights Issue. The rights and obligations of our ESOS Option holders will remain unchanged, save for the adjustment to the number and Option Price of the Unexercised ESOS Options.

Any adjustments arising from the Proposed Rights Issue will only be made on the Entitlement Date and will be effective on the next Market Day following the Entitlement Date.



For illustrative purposes, pursuant to Bye-law 16.2(c)(ii) of the ESOS Bye-laws, whenever our Company makes any offer or invitation to our shareholders whereunder they may acquire or subscribe for MRCB Shares by way of rights, the Option Price and number of the Unexercised ESOS Option will be adjusted in the following manner: -

**(a) Adjustment to the Option Price of the Unexercised ESOS Options**

The Option Price of the Unexercised ESOS Options shall be adjusted by applying the following adjustment fraction to the Option Price: -

$$\begin{aligned}
 \text{Adjustment fraction} &= \frac{C - [(C - E) / (F + 1)]}{C} \\
 &= \frac{\text{RM1.41} - [(\text{RM1.41} - \text{RM1.12}) / (2 + 1)]}{\text{RM1.41}} \\
 &= \frac{\text{RM1.41} - (\text{RM0.29} / 3)}{\text{RM1.41}} \\
 &= \frac{\text{RM1.31}}{\text{RM1.41}} \\
 &= 0.93
 \end{aligned}$$

where: -

- C = Current market price of each MRCB Shares on the Market Day immediately preceding the date on which the offer or invitation is publicly announced to Bursa Securities, which is the closing price of MRCB Shares on 4 November 2009 of RM1.41 per Share.
- E = Subscription price per Rights Share of RM1.12.
- F = Number of existing MRCB Shares necessary for entitlement of a Rights Share, which is 2.

Therefore, the adjusted Option Price for the Unexercised ESOS Options: -

- (i) For Unexercised ESOS Options with Option Price of RM3.00:  
 $\text{RM3.00} \times 0.93 = \text{RM2.79}$
- (ii) For Unexercised ESOS Options with Option Price of RM1.22:  
 $\text{RM1.22} \times 0.93 = \text{RM1.14}$

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**(b) Adjustment to the number of the Unexercised ESOS Options**

For illustrative purposes only, based on 1,000 Unexercised ESOS Options held, the additional number of ESOS Options to be issued will be as follows: -

$$\begin{aligned}\text{Additional number of ESOS Options} &= \left[ T \times \left[ \frac{C}{C - ((C-E)/(F+1))} \right] \right] - T \\ &= \left[ 1,000 \times \frac{\text{RM1.41}}{\text{RM1.41} - [(\text{RM1.41} - \text{RM1.12}) / (2 + 1)]} \right] - 1,000 \\ &= \left[ 1,000 \times \frac{\text{RM1.41}}{\text{RM1.41} - (\text{RM0.29} / 3)} \right] - 1,000 \\ &= \left[ 1,000 \times \frac{\text{RM1.41}}{\text{RM1.3133}} \right] - 1,000 \\ &= 1,073 - 1,000 \\ &= 73\end{aligned}$$

where,

- T = Existing number of Unexercised ESOS Options which has been assumed to be 1,000 Unexercised ESOS Options.  
C = As above.  
E = As above.  
F = As above.

Based on the above, our Company shall issue approximately 73 additional ESOS Options for every 1,000 Unexercised ESOS Options held by the existing ESOS Options holders. The actual number of additional ESOS Options to be issued pursuant to the adjustment as required by the ESOS Bye-laws is dependent on the number of ESOS Options outstanding as at the Entitlement Date.

According to Bye-law 16(1) which stated that any adjustment to the Option Price and/or the number of the Unexercised ESOS Options shall be in such manner as our external auditors and/or the adviser, upon reference to them by the ESOS committee, confirm in writing to be in their opinion, fair and reasonable.

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## **2.5 Take-over implications**

As at 3 November 2009, EPF holds 277,964,324 MRCB Shares, representing approximately 30.6% equity interest in our Company.

Like any other Entitled Shareholders, should EPF subscribe for excess Rights Shares resulting in its shareholding in our Company exceeding 33%, EPF will be obliged to extend a MGO for all the remaining MRCB Shares not already owned by EPF after the Proposed Rights Issue. EPF has confirmed that, to the extent applicable, it will at all times observe and ensure compliance with the provisions of the Code. **In doing so however, it is EPF's intention to retain the listing status of MRCB.** Accordingly, in the event the MGO is triggered and should the level of acceptance received by EPF pursuant to the MGO result in our Company not being in compliance with the public shareholding spread requirement, EPF will explore various options or proposals to address our Company's public shareholding spread within the timeframe as allowed by the relevant authorities. However, the actual course of action to be taken will depend on, amongst others, circumstances as well as prevailing market conditions at the relevant time.

EPF has declared that there will be no parties acting in concert with it in the event that a MGO is triggered.

## **2.6 Foreign-Addressed Shareholders**

The abridged prospectus and its accompanying documents to be issued in connection with the Proposed Rights Issue will not be registered under applicable securities legislation of any foreign jurisdiction. Accordingly, the Proposed Rights Issue will not be offered for subscription in countries or jurisdictions other than Malaysia.

The abridged prospectus and its accompanying documents or any other documents relating to the Proposed Rights Issue will not be sent to our Foreign-Addressed Shareholders. Our Foreign-Addressed Shareholders who wish to provide Malaysian addresses should inform their respective stockbrokers as well as our Company's Share Registrar to effect the change of address prior to the Entitlement Date.

Our Foreign-Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue to the extent that it would be lawful to do so and our Company and/or its advisers would not, in connection with the Proposed Rights Issue, be in breach of the laws of any jurisdiction to which our Foreign-Addressed Shareholders may be subject. Our Foreign-Addressed Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction which they may be subject to, and participation by the applicants in the Proposed Rights Issue shall be on the basis of a warranty by the applicants that they may lawfully do so without our Company and/or its advisers being in breach of the laws of any jurisdiction.

Our Foreign-Addressed Shareholders who do not provide an address in Malaysia or who are not entitled to subscribe for the Rights Shares under the laws and jurisdiction to which they are subject to, will have no claims whatsoever against our Company and/or its advisers in respect of their rights entitlements or any net proceeds arising from the Proposed Rights Issue.

## **2.7 Listing and quotation of the Rights Shares**

Approval has been obtained from Bursa Securities vide its letter dated 26 November 2009 for the listing and quotation of up to 482,787,659 Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities, subject to, *inter alia*, the conditions as set out in Section 8 of this Circular.

### 3. RATIONALE FOR THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue will enable our Company to raise funds which will be earmarked for the proposed utilisation as set out in Section 5 of this Circular. After due consideration of various methods of fund raising, our Board is of the opinion that raising funds by way of the Proposed Rights Issue is most suitable for the following reasons: -

- (a) The Proposed Rights Issue will allow our Company to raise the requisite funding without having to incur interest expense or service principal repayment. This will allow our Company to preserve our cash flow for reinvestment and/or operational purpose;
- (b) The Proposed Rights Issue will involve the issuance of new Shares without diluting existing shareholders' equity interest (provided that all Entitled Shareholders fully subscribe for their respective entitlements);
- (c) The Proposed Rights Issue provides the Entitled Shareholders with an opportunity to subscribe for new Shares at a discount to market price;
- (d) The Proposed Rights Issue will strengthen our balance sheets by increasing our shareholders' funds and reducing our gearing level; and
- (e) The Proposed Rights Issue will further improve the liquidity of MRCB Shares in the market.

### 4. INDUSTRY REVIEW AND FUTURE PROSPECTS

#### 4.1 Overview and outlook of the Malaysian economy

##### Overview

Malaysia being an open economy is adversely affected with exports contracting sharply, following the global financial crisis and economic downturn. The significant decline in exports in turn affected domestic demand. Consequently, economic growth contracted 6.2% in the first quarter of 2009. However, the gross domestic product ("GDP") recorded a smaller decline of 3.9% in the second quarter, aided by speedy and effective implementation of stimulus packages as well as monetary easing. Economic performance is expected to improve in the second half of the year supported by counter-cyclical measures and reinforced by stabilisation in the global economic environment. As such, the economy is expected to turn around in the fourth quarter of 2009, though for the year it is estimated to contract 3.0%.

*(Source: Economic Report 2009/2010, Ministry of Finance Malaysia)*

##### Outlook

The latest indicators have continued to signal further improvements in the international economic and financial conditions. Economic activity in the advanced economies has shown broader signs of recovery, supported by the impact of the policy measures, while several regional economies have recorded positive growth in the third quarter. While these positive developments are expected to continue going into 2010, the recovery is likely to be gradual and uneven, with the outlook remaining uncertain once the effects of the policy support begin to diminish.

In the domestic economy, the pace of recovery is gaining momentum. Going forward, domestic demand, particularly private consumption and public sector spending, will continue to provide support for growth. This is supported by the sustained implementation of fiscal measures, accommodative monetary policy and continued access to financing.

Inflation continued to decline at a slower rate in October. The slower decline largely reflects the cumulative fall in retail fuel prices since June 2008 and the reduced pressure on food prices. Inflation is expected to turn positive in the coming months, as domestic economic conditions strengthen. In the absence of further unanticipated price adjustments and external influences, inflation is expected to remain modest in 2010.

*(Source: Monetary Policy Statement, Bank Negara Malaysia, 24 November 2009)*

The economy is expected to benefit from stabilising global economic conditions, augmented by fiscal measures and accommodative monetary policy. GDP growth is forecast to turn around to 2.0%-3.0% in 2010 (2009: -3.0%) driven by domestic demand, particularly the private expenditure and supported by expected recovery in external demand. The broad-based recovery with positive contribution from all sectors in the economy is expected to raise nominal per capita gross national product by 2.5% to RM24,661 (2009: -6.7%; RM24,055).

*(Source: Economic Report 2009/2010, Ministry of Finance Malaysia)*

## **4.2 Overview and outlook of the construction and engineering sector**

### Overview

The construction sector expanded 2.0% during the first half of 2009 (January - June 2008: 4.5%) attributed to strong performance of residential, non-residential and special trade works sub-sectors. This was driven by implementation of various projects under the stimulus packages, which among others, include building low and medium-cost houses as well as upgrading, repairing and maintenance of public buildings and rural roads. As such, the sector is expected to expand 3.5% in 2009, the third successive year of positive growth.

The civil engineering sub-sector fell 2.5% (January - June 2008: 6.3%) following weak performance in the first quarter of the year. This is in tandem with the completion of most projects at the tail end of the Ninth Malaysia Plan such as Duta - Ulu Kelang Expressway and Kajang - Seremban Expressway. However, ongoing civil engineering projects and implementation of two stimulus packages to upgrade rural infrastructure are expected to support the sub-sector. Ongoing projects include East Coast Expressway Phase 2 Jabur - Kuala Terengganu, upgrading Penang Bridge, electrified double track projects between Sentul - Batu Caves and Seremban - Gemas as well as Program Penyelenggaraan Infrastruktur Awam and Projek Infrastruktur Asas.

*(Source: Economic Report 2009/2010, Ministry of Finance Malaysia)*

### Outlook

The construction sector is envisaged to expand 3.2% (2009: 3.5%), with all sub-sectors registering steady growth. The sector is expected to benefit from the economic recovery and ongoing construction activities under the second stimulus package. In addition, exploration activities by oil and gas industries are expected to spur the construction sector. Major projects such as the Light Rail Transit ("LRT") extension works on the Kelana Jaya and Ampang Lines, Pahang - Selangor Raw Water Transfer, new LCCT at KLIA and expansion of Penang International Airport as well as electrified double track between Ipoh - Padang Besar are expected to drive growth of the civil-engineering sub-sector. The non-residential sub-sector is expected to pick up strongly spurred by better demand for property and commercial buildings. The residential sub-sector is also projected to strengthen following improved consumer sentiment and job prospects.

*(Source: Economic Report 2009/2010, Ministry of Finance Malaysia)*

Under the Budget Speech 2010, the Government has placed emphasis on the following areas: -

*Promoting Construction Industry*

49. In 2010, allocation totaling RM9 billion is provided to finance infrastructure projects including: -

First: Provision of RM4.7 billion for road and bridge projects as well as RM2.6 billion for water supply and sewerage services; and

Second: Provision of RM899 million for rail facilities, RM820 million for ports and sea services as well as RM276 million for airport projects.

*Improving Public Transport*

129. An efficient and effective public transport system will improve productivity and reduce traffic congestion. For this purpose, the following measures, amongst others, will be taken: -

First: Expand special lanes and increase the number of buses for more frequent services in Kuala Lumpur. In addition, 4 new hubs will be constructed in Pulau Pinang to enhance bus services and increase the number of routes; and

Second: Fast-track construction of the integrated transport terminal in Gombak, which will significantly reduce congestion in the city centre.

*(Source: Extracted from the Budget Speech 2010, where relevant)*

#### **4.3 Overview and outlook of the property sector**

Overview

The residential sub-sector grew 3.6% (January - June 2008: 3.5%) during the first half of 2009. The implementation of Home Ownership for the People (HOPE) project to provide affordable low-and medium-cost houses helped to offset sluggish private housing activities. A total of RM200 million has been allocated in the first *Rumah Mesra Rakyat* for the low-medium income group, of which 1,200 units have been built.

Despite the sluggish private housing activity, the high-end property segment performed better, with newly launched condominiums and apartments registering higher take-up rate of 32.0% to 1,178 units during the first half of 2009 (January - June 2008: 16.0%; 1,029 units). With developers being cautious, new units were lower at 16,069 units (January - June 2008: 36,033 units). During the period, 55,682 units were completed, resulting in an increase of total stock by 3.2% to 4,264,649 units. Given the lower supply and increased sales of high-end properties, the property overhang improved to 21,467 units as at end-June 2009 (end-December 2008: 26,029 units)

The non-residential sub-sector expanded 6.3% (January - June 2008: 1.6%) driven by ongoing construction activities of commercial properties, especially purpose-built office and hotels. Occupancy rate of purpose-built office in the second quarter of 2009 increased to 85.7% (first quarter of 2009: 85.2%) following improved business confidence in the second quarter of 2009. During the first half of 2009, 19 new shopping complexes offering 224,175 square metres ("sm") of new retail space were completed (July - December 2008: 16; 273,236 sm). Consequently, the stock of retail space expanded 2.7% to 9.98 million sm as at end-June 2009 (end-March 2009: 2.9%; 9.72 million sm). Despite slower economic activity, occupancy rate of retail space remained high at 81.7% in the second quarter of 2009 (first quarter of 2009: 81.6%), reflecting sustained consumer and business sentiments in the retail trade.

*(Source: Economic Report 2009/2010, Ministry of Finance Malaysia)*

### Outlook

The Malaysian economy is expected to progressively feel the shock from the slowing global economy through trade and investment linkages. Even though the Malaysian economy is backed by strong fundamentals, most economists believe that the economy is not going to be insulated from the global downturn.

The Government continues to support the economy. The RM7 billion stimulus package, which was unveiled in November 2008, is to avoid a possible recession in 2009. The basic thrust is to stimulate domestic demand and retain the maximum workforce in gainful employment.

The performance of leisure property sub-sector is expected to be encouraging. To boost the number of tourist arrivals, the Tourism Ministry will focus on niche markets especially the medium and long-haul tourists. The global recognition brought about by the listing of Melaka and Georgetown, Pulau Pinang as World Heritage Sites by UNESCO in July 2008 is expected to attract more tourists thus further energizing the country's hotel sub-sector.

*(Source: Press Release Malaysia Property Market 2008)*

On the whole, prices of all property types remained stable with isolated movements noted in select locations. Generally, prices of landed residential property held firm at last year's prices, even in the face of the country's economic downturn. On the other hand, stratified residential properties saw some declines even in good locations. Notwithstanding this, the on-going promotion of properties on the international platform has brought forth positive results. The announcement of substantial liberalisation in the service sector last April and the lifting of the 30.0% Bumiputra equity requirement for newly listed companies in June 2009 should make Malaysia more attractive to foreign investors; therefore foreign direct investment is expected to increase. Going forward, the property sector should see the market remain stable through the year. Performance would be further enhanced should external business environments and the country's economic position improve.

*(Source: Property Market Report First Half 2009)*

#### **4.4 MRCB'S prospects and future plans**

Moving forward, our Company expects to be fully engaged with its ongoing construction projects and property development of more than six (6) million square feet of hotel, retail and office space within Kuala Lumpur Sentral. The massive development allows us to intensify our efforts to leverage its economies of scale and innovative value engineering to improve our Group's performance in the coming years.

We are also investing resources into the design and development of sustainable buildings complying with international and Malaysian standards. The ongoing landmark office developments within the Kuala Lumpur Sentral, including: -

- (a) 348 Sentral, held under Geran 40094, Lot 348, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan or known as Lot 348;
- (b) Nu Sentral, held under Geran 46230, PT No. 26, Seksyen 72, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan or known as Lot G; and
- (c) KL Sentral Park, held under Geran 46222, Lot 73, Seksyen 70, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan or known as Lot E,

will meet the leadership in energy and environmental design, building commissioning association greenmark and green building index standards.

Our Company's engineering and construction division's external order book of approximately RM1.6 billion is expected to be fully completed in three (3) years time. The energy contracting side has outstanding orders worth RM200 million at year ended 2008, comprising mainly the Pantai Salak South gas insulated substation transmission lines and Bakun 275kV switchyard. Being one of the major local power transmission contractors and the biggest transport hub developer, our Company continues to explore for new opportunities such as the upcoming Bakun Dam power transmission project and the LRT extension works to replenish our order book.

In addition to our 30% equity interest in the Duta Ulu Kelang Expressway which commenced full operation in mid-2009, the Eastern Dispersal Link ("EDL") in Johor Bahru is another strategic concession which would complement our Company's recurring income base. Work for the EDL had started back in 2008 and completion is expected by end 2011. The EDL provides a long overdue connection between the North-South Expressway and the new customs, immigration and quarantine complex in Bukit Cagar, Johor Bahru.

With various ongoing developments in Kuala Lumpur Sentral and construction projects in hand, the Proposed Rights Issue would allow our Company to raise the requisite funding to acquire generic investments in the form of long term assets and new land bank for development and also for working capital purposes.

Our Board believes the capital raised would create higher value for our shareholders and strengthens our Company's core businesses as well as our recurring income operations. Our Company is one of Malaysia's premier construction players and property developers, specialising in civil and energy infrastructure development. We build power plants, transmission networks, colleges, hospitals and roads all over the country. This is our way of contributing to Malaysia's vision of becoming a fully developed nation by 2020.



## 5. PROPOSED UTILISATION OF PROCEEDS

The table below summarises the proposed utilisation of proceeds arising from the Proposed Rights Issue: -

	Timeframe for utilisation from the listing date of the Rights Shares	Minimum Scenario RM' million	Maximum Scenario RM' million
Equity investment in NSSB <sup>(1)</sup>	12 months	85.0	85.0
Capital expenditure in relation to future business expansion <sup>(2)</sup>	3 years	380.0	380.0
Estimated expenses in relation to the Proposed Rights Issue <sup>(3)</sup>	3 months	7.1	7.4
Working capital requirements, general corporate purposes and capital expenditures <sup>(3)</sup>	12 months	36.2	68.3
<b>Total</b>		<b>508.3</b>	<b>540.7</b>

Notes: -

- (1) This is in relation to our Company's 51% equity investment in NSSB, a joint-venture company between our Company and Pelaburan Hartanah Berhad which was set-up to acquire and manage a 7-storey retail mall, known as Nu Sentral. The said project which commenced in July 2009 and covering a gross floor area of about 1.2 million square feet, is targeted to be completed by 2012. As at 15 November 2009, the said project is approximately 4.5% completed.

Strategically located within the Kuala Lumpur Sentral development, Nu Sentral offers a new investment opportunity for retailers to establish their businesses at a location which has population catchment of approximately 150,000 people daily. The total investment for the retail mall of approximately RM800.0 million will be funded via equity contributions and bank borrowings.

As at the LPD, our Company has invested approximately RM38.0 million in Nu Sentral, out of which approximately RM25.0 million was funded via working capital and the remaining RM13.0 million was funded by bank borrowings. There may be further capital requirements subsequent to the LPD and prior to our Company receiving the proceeds from the Proposed Rights Issue. Our Company will meet such capital requirements via internally generated funds and/or bank borrowings and will reimburse from the amount allocated for this purpose.

- (2) This is to finance capital requirements of our Company in relation to potential future business investments and expansion of our principal activities, the breakdown of which is presented in the table below: -

Capital expenditure in relation to future business expansion	Estimated amount RM' million
(i) Investment in prime land for property development	315.0
(ii) Investment in environmental engineering and infrastructure	15.0
(iii) Investment in building services	50.0
	<b>380.0</b>

The above breakdown of the capital expenditure in relation to future business expansion of our Company is indicative in nature and subject to revision from time to time by our Board in its absolute discretion.

*There may be further capital requirements subsequent to the LPD and prior to our Company receiving the proceeds from the Proposed Rights Issue. Our Company will meet such capital requirements via internally generated funds and/or bank borrowings and reimburse from the amount allocated for this purpose.*

- (3) Any differences in the actual expenses relating to the Proposed Rights Issue shall be adjusted to/from portion of the proceeds of the Proposed Rights Issue allocated for the following: -
- (i) our Company's working capital requirements;
  - (ii) general corporate purposes, which include, amongst others, initial outlays for potential corporate proposals (such as business consultation expenses, legal costs, market studies on potential business expansion plans) as well as information technology upgrades and expansion; and
  - (iii) capital expenditures which include, amongst others, equipments and machineries for construction as well as office refurbishments and renovation works.

## 6. FINANCIAL EFFECTS

### 6.1 Share capital

The proforma effects of the Proposed Rights Issue on the issued and paid-up share capital of our Company are as follows: -

	Minimum Scenario		Maximum Scenario	
	No. of Shares	% of enlarged issued and paid-up share capital	No. of Shares	% of enlarged issued and paid-up share capital
	RM'000		RM'000	
As at the LPD	907,625	66.7	907,625	62.7
Assuming full exercise of the Unexercised ESOS Options	-	-	57,950	4.0
Sub-total	907,625	66.7	965,575	66.7
To be issued pursuant to the Proposed Rights Issue	453,813	33.3	482,788	33.3
<b>Enlarged issued and paid-up share capital of MRCB</b>	<b>1,361,438</b>	<b>100.0</b>	<b>1,448,363</b>	<b>100.0</b>

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## 6.2 Substantial shareholder's shareholding

The proforma effects of the Proposed Rights Issue on our substantial shareholder's shareholding as at the LPD, assuming all the Entitled Shareholders subscribe for their respective entitlements in full pursuant to the Proposed Rights Issue, are as follows: -

### Minimum Scenario

Substantial shareholder	(I)				(II)			
	As at the LPD				After (I) and the Proposed Rights Issue			
	<-----Direct----->		<---Indirect--->		<-----Direct----->		<---Indirect--->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
EPF	277,964,324	30.6	-	-	416,946,486	30.6	-	-

### Maximum Scenario

Substantial shareholder	(I)				(II)			
	As at the LPD				After (I) and assuming full exercise of the Unexercised ESOS Options			
	<-----Direct----->		<---Indirect--->		<-----Direct----->		<---Indirect--->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
EPF	277,964,324	30.6	-	-	277,964,324	28.8	-	-

Substantial shareholder	(III)			
	After (II) and the Proposed Rights Issue			
	<-----Direct----->		<---Indirect--->	
	No. of Shares	%	No. of Shares	%
EPF	416,946,486	28.8	-	-

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### 6.3 NA, NA per Share and gearing

Based on our latest audited consolidated balance sheet as at 31 December 2008 and on the assumption that the Proposed Rights Issue had been effected on that date, the proforma effects of the Proposed Rights Issue on our consolidated NA, NA per Share and gearing are as follows: -

#### Minimum Scenario

	(I)	(II)	(III)
	Audited as at 31 December 2008 RM'000	After (I) and adjustment for the ESOS Options exercised up to the LPD RM'000	After (II) and the Proposed Rights Issue RM'000
Share capital	907,537	<sup>(1)</sup> 907,625	1,361,438
Share premium	79,894	<sup>(1)</sup> 79,914	<sup>(2)</sup> 127,272
Other reserves	5,765	5,765	5,765
Accumulated losses	(358,029)	(358,029)	(358,029)
<b>Shareholders' funds/ NA</b>	<b>635,167</b>	<b>635,275</b>	<b>1,136,446</b>
No. of Shares ('000)	907,537	907,625	1,361,438
NA per Share (RM)	0.7	0.7	0.8
Total borrowings <sup>(3)</sup>	1,607,723	1,607,723	1,607,723
Gearing (times)	2.5	2.5	1.4

Notes: -

(1) Based on the 88,000 ESOS Options which were exercised at an average price of approximately RM1.22 for each MRCB Share.

(2) After netting off estimated expenses in relation to the Proposed Rights Issue of approximately RM7.1 million.

(3) Comprised short term and long term borrowings of our Group.

#### Maximum Scenario

	(I)	(II)	(III)	(IV)
	Audited as at 31 December 2008 RM'000	After (I) and adjustment for the ESOS Options exercised up to the LPD RM'000	After (II) and assuming full exercise of the Unexercised ESOS Options RM'000	After (III) and the Proposed Rights Issue RM'000
Share capital	907,537	<sup>(1)</sup> 907,625	965,575	1,448,363
Share premium	79,894	<sup>(1)</sup> 79,914	<sup>(2)</sup> 154,090	<sup>(3)</sup> 204,625
Other reserves	5,765	5,765	5,765	5,765
Accumulated losses	(358,029)	(358,029)	(358,029)	(358,029)
<b>Shareholders' funds/ NA</b>	<b>635,167</b>	<b>635,275</b>	<b>767,401</b>	<b>1,300,724</b>
No. of Shares ('000)	907,537	907,625	965,575	1,448,363
NA per Share (RM)	0.7	0.7	0.8	0.9
Total borrowings <sup>(4)</sup>	1,607,723	1,607,723	1,607,723	1,607,723
Gearing (times)	2.5	2.5	2.1	1.2

Notes: -

- (1) Based on the 88,000 ESOS Options which were exercised at an average price of approximately RM1.22 for each MRCB Share.
- (2) Assuming all the Unexercised ESOS Options are fully exercised at a price of approximately RM2.28 for each MRCB Share prior to the Entitlement Date.
- (3) After netting off estimated expenses in relation to the Proposed Rights Issue of approximately RM7.4 million.
- (4) Comprised short term and long term borrowings of our Group.

#### 6.4 Earnings and EPS

Barring unforeseen circumstances, the Proposed Rights Issue is only expected to be completed in the first (1st) quarter of 2010 and as such is not expected to have any effect on the earnings and EPS of our Group for the FYE 31 December 2009. Nevertheless, assuming the net earnings of our Group remain unchanged, the EPS of our Group will be proportionately reduced as a result of the increase in the number of Shares in issue upon issuance of the Rights Shares.

Barring unforeseen circumstances, the Proposed Rights Issue is expected to contribute positively to the future earnings of our Group since a substantial part of the proceeds will be utilised to facilitate future business expansion.

#### 7. HISTORICAL SHARE PRICE

The monthly highest and lowest prices of MRCB Shares traded on Bursa Securities for the past twelve (12) months are as follows: -

	LOW RM	HIGH RM
<b>2008</b>		
December	0.665	0.785
<b>2009</b>		
January	0.710	0.870
February	0.775	0.940
March	0.780	0.910
April	0.840	1.16
May	1.10	1.40
June	1.06	1.48
July	1.14	1.48
August	1.27	1.51
September	1.22	1.46
October	1.29	1.43
November	1.26	1.43

Last transacted market price on 4 November 2009, being the Market Day prior to the announcement of the Proposed Rights Issue RM1.41

Last transacted market price based on 1 December 2009, being the latest practicable date prior to the printing of this Circular RM1.29

(Source: Bloomberg)

## 8. APPROVALS REQUIRED

The Proposed Rights Issue is subject to the following approvals: -

- (a) the approval from Bursa Securities for the listing and quotation of up to 482,787,659 Rights Shares on the Main Market of Bursa Securities which was obtained vide its letter dated 26 November 2009, subject to, *inter alia*, the following conditions: -

	Conditions imposed	Status of compliance
(i)	Our Company and the Joint Advisers must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Rights Issue;	To be complied.
(ii)	Our Company and the Joint Advisers are to inform Bursa Securities upon the completion of the Proposed Rights Issue;	To be complied.
(iii)	Our Company must furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed;	To be complied.
(iv)	Our Company must announce on a quarterly basis the status of utilisation of proceeds arising from the Proposed Rights Issue.	To be complied.

- (b) the approval of our shareholders at the forthcoming EGM; and
- (c) the approvals, waiver and/or consents of any other relevant authorities and/or parties, if required.

## 9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of our Directors and major shareholders as well as persons connected to them have any interest, either direct or indirect, in the Proposed Rights Issue beyond their respective entitlements under the Proposed Rights Issue for which all our shareholders are entitled to, including the right to apply for excess Rights Shares.

## 10. TENTATIVE TIMELINE FOR THE PROPOSED RIGHTS ISSUE

The tentative timeline in relation to the Proposed Rights Issue is as follows: -

DATE	EVENT
Mid December 2009	EGM for the Proposed Rights Issue
End December 2009	Announcement of Entitlement Date
Mid January 2010	Entitlement Date

DATE	EVENT
Mid January 2010	Despatch of abridged prospectus, rights subscription form and notices of allotment
End January 2010	Last day for payment and acceptance of the Rights Shares
Mid February 2010	Listing of and quotation for the Rights Shares

## 11. BOARD'S RECOMMENDATION

Having considered the current and prospective financial position as well as the capacity of our Company, the rationale and all other aspects of the Proposed Rights Issue, our Board is of the opinion that the Proposed Rights Issue is in the best interest of our Company and our shareholders.

Accordingly, your Board recommends that you vote in favour of the resolution pertaining to the Proposed Rights Issue to be tabled at the forthcoming EGM.

## 12. CORPORATE EXERCISES ANNOUNCED BUT PENDING IMPLEMENTATION

Save as disclosed below and the Proposed Rights Issue, there are no other outstanding proposal announced by our Group which are pending implementation: -

On 10 November 2009, Bitar Enterprises Sdn Bhd ("**Bitar**"), being our wholly-owned subsidiary, entered into a shareholders and subscription agreement with Mr. Choong Kai Wai, Mr. Tam Cheok Wing and Mr. Chang Chai Kin (collectively referred to as "**Initial Shareholders**") for the proposed subscription of 70% of the proposed enlarged capital in Yes 88 Pty Ltd ("**Yes 88**") for AUD6.57 million ("**Proposed Subscription**").

Yes 88, a proprietary company limited by shares, is a proposed joint venture company between Bitar and the Initial Shareholders. Yes 88 was incorporated under the laws of Australia on 8 January 2008 and its registered address is at APAC Consulting, 21 Headingley Road, Mount Waverly Victoria 3149, Australia.

Yes 88 is the owner of parcels of land with a total area of 5,025 square metres located at the intersection between Burwood Highway and Middleborough Road in the Residential 1 zone ("**the Land**") as defined in the City Council of Whitehorse Planning scheme. The Land is 15 km from Melbourne City Centre and within walking distance from major education institutions, easily accessible by major roads and tram service.

Our Board expects the Proposed Subscription to be completed by the first (1<sup>st</sup>) quarter of 2010.

The Proposed Rights Issue is not conditional upon the Proposed Subscription or any other corporate exercise.

**13. EGM**

The EGM, notice of which is enclosed in this Circular, will be held at Level 4, Dewan Merdeka, Putra World Trade Centre (PWTC), 41, Jalan Tun Ismail, 50480 Kuala Lumpur on Monday, 21 December 2009 at 2.30 p.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed Rights Issue.

If you are unable to attend and vote in person at the forthcoming EGM, you may complete, sign and return the Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the Share Registrar's office at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time set for the convening of the forthcoming EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the forthcoming EGM should you subsequently wish to do so.

**14. FURTHER INFORMATION**

You are advised to refer to the attached appendix for further information.

Yours faithfully  
For and on behalf of the Board of  
**MALAYSIAN RESOURCES CORPORATION BERHAD**

**MOHAMED RAZEEL MD HUSSAIN MERICAR**  
Chief Executive Officer



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**FURTHER INFORMATION**


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**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Board who collectively and individually accepts full responsibility for the accuracy and correctness of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts, the omission of which would make any statement in this Circular misleading.

**2. CONSENTS**

Maybank IB, RHB Investment Bank, Newfields and Messrs. Shearn Delamore & Co. have given and have not subsequently withdrawn their written consents to the inclusion of their names in the form and context in which they appear in this Circular.

**3. CONFLICT OF INTEREST**

- (i) As at 20 November 2009, our Group has total outstanding borrowings amounting to approximately RM276.3 million out of a total credit limit of approximately RM700.0 million with Malayan Banking Berhad ("**Maybank**"), the parent company of Maybank IB. The said borrowings are extended by Maybank in the ordinary course of Maybank's business.

Maybank IB is of the opinion that the aforesaid lending relationship is not significant to give rise to a conflict of interest situation in its capacity as Joint Adviser to our Company for the Proposed Rights Issue.

Save as disclosed above, Maybank IB is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as Joint Adviser to our Company for the Proposed Rights Issue.

- (ii) Newfields is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as Joint Adviser to our Company for the Proposed Rights Issue.
- (iii) EPF is a common shareholder of RHB Capital Berhad, which is the holding company of RHB Investment Bank, and MRCB. Nevertheless, EPF is not involved in the day-to-day operations of RHB Investment Bank. In addition, Yg. Bhg. Tan Sri Azlan Zainol who is the Chief Executive Officer of EPF is a Non-Executive Director of RHB Investment Bank and also the Non-Independent Non-Executive Chairman of MRCB.

Notwithstanding the above, RHB Investment Bank is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as Joint Adviser to our Company for the Proposed Rights Issue.

- (iv) Messrs Shearn Delamore & Co., is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the legal adviser to our Company for the Proposed Rights Issue.

**FURTHER INFORMATION (CONT'D)****4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

Save as disclosed below, our Board is not aware of any other material commitments and contingent liabilities which will have an impact on the profits and net asset value of our Group: -

**Material commitments**

The material commitments of our Group as at the LPD are as follows: -

	<b>RM'000</b>
Approved but not contracted for	<u>381,198*</u>

Note: -

\* Out of which RM380.0 million relates to the capital expenditure in relation to future business expansion for the Group as set out in Section 5 of this Circular.

**Contingent liabilities**

The contingent liabilities of our Group as at the LPD are as follows: -

	<b>RM'000</b>
Litigation claim	<u>262,327</u>

**5. MATERIAL LITIGATION**

Save as disclosed below, our Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and as at the LPD, our Board is not aware of any proceedings, pending or threatened against our Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group: -

- (i) Kuala Lumpur High Court Civil Suit S-22-1684-03, MRCB v Mohd Razi Bin Shahadak and two (2) others

The first two defendants, Mohd Razi bin Shahadak and Mohd. Zuhdi bin Muda, are shareholders and directors of the third defendant, ST Industrial Clay Sdn Bhd ("**STI Clay**"). Our Company had filed a claim against them to recover: -

- (a) the refund of RM6,500,000.00 being amounts paid to the first and second defendants under a conditional shareholders' agreement dated 4 April 1997 for the acquisition of the rights of allotment of 6,000,000 ordinary shares in the capital of STI Clay pursuant to a rights issue to be undertaken by STI Clay;
- (b) RM173,140.00 being an amount advanced to STI Clay in respect of a mining lease; and
- (c) interest and costs.

The next hearing date has been fixed on 1 to 3 February 2010.

Our Board is of the opinion that our Company's claim has merit and a reasonable chance of success.

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**FURTHER INFORMATION (CONT'D)**


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- (ii) Kuala Lumpur High Court Civil Suit No. S5-22-250-2008, Juranas Sdn Bhd ("Juranas") v MRCB

Juranas filed an action against our Company for breach of the terms of the settlement agreement entered into between the parties in 2003 and claimed damages and loss amounting to RM43,889,100.00. The Court has fixed the mention date for case management on 8 March 2010.

Our Board is of the opinion that our Company has reasonable grounds of defence to the plaintiff's claim.

- (iii) Arbitration on a dispute pertaining to allegation of wrongful termination of contract between Sykt Dayausaha Bumiputra JV-Putra Enterprenuer ("SDU") and MRCB Engineering Sdn Bhd ("MESB") and MRCB

SDU alleged the company had been wrongfully terminated as the contractor for MESB's matriculation project at Labuan. SDU's estimate claim to be approximately RM14,612,611.35 loss of profits and unpaid work done. The matter was referred to an arbitration based on a Kota Kinabalu's High Court Order in 2008. The matter is pending arbitrator's decision on whether our Company should be a party to the proceeding. The arbitrator is expected to deliver his decision by 30 January 2011.

Our solicitors are of the view that MESB and our Company have a good arguable defence to the claim based on the information furnished to our solicitors.

- (iv) Arbitration between Kuala Lumpur Sentral Sdn Bhd ("KLSSB"), our subsidiary, and Express Rail Link Sdn Bhd ("ERL")

The arbitration commenced on 2 February 2005. KLSSB is claiming from ERL the sum of RM6,228,318.97, being the balance of the original contract price remained unpaid. ERL has counterclaimed for approximately RM7,719,911.20 plus interests and costs.

The final award of the arbitration was published on 6 April 2009. There are claims made by KLSSB which had been dismissed and claims by ERL which had been allowed. The parties are currently looking at the possibility of settlement of the costs of the arbitration, which had been awarded in favour of KLSSB, in lieu of taxation.

Our solicitors are of the view that in totality, the final award is in favour of KLSSB.

- (v) Kuala Lumpur High Court Civil Suit No. S1-22-970-2007, Malaysian Resources Sentral Sdn Bhd ("MRSSB") v Consortium Park & Ride Sdn Bhd ("CPR")

MRSSB initiated the action against CPR seeking vacant possession of the car park area at Blocks A, B, C and D at Plaza Sentral, Jalan Travers, Kuala Lumpur Sentral, double rental amounting to RM180,000 per month to be calculated from 1 August 2007 until vacant possession is delivered to MRSSB. On 19 October 2007, MRSSB filed an application for summary judgment in respect of these claims. CPR counterclaimed for the alleged loss and damage in the sum of RM4,629,000 allegedly suffered by them as a result of the alleged wrongful conduct and breach on the part of KLSSB. CPR further filed for an injunction against KLSSB and an application to strike out KLSSB's writ and statement of claim.

On 16 July 2008, the High Court allowed MRSSB's application for a summary judgment and dismissed CPR's application for an injunction and its application to strike out KLSSB's writ and statement of claim.

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**FURTHER INFORMATION (CONT'D)**


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CPR filed an appeal against the decisions vide a notice of appeal dated 14 August 2008. The appeal is still pending.

Our solicitors are of the view that it is still too early to assess the probable outcome of decision of the appeal as the record of appeal has yet to be filed.

- (vi) Kuala Lumpur High Court Suit No. S5-22-779-07, MRCB v Idaman Unggul Berhad ("**IUB**")

This claim was filed by our Company against IUB for outstanding rental of RM7,649,944.80 pursuant to a tenancy agreement for the rental of premises at Menara MRCB, Shah Alam.

Our Company had obtained summary judgment for the sum of RM3,624,782.44 on 29 June 2009. The claim for the balance sum is currently pending. Case management for the same has been fixed for 4 May 2010.

Our solicitors are of the view that our Company has a reasonable chance of success.

- (vii) Kuala Lumpur High Court Suit No. S2-22-776-07, MRCB v Tahan Insurance Malaysia Berhad ("**TIMB**")

This claim was filed by our Company against TIMB for outstanding rental of RM14,951,231.37 pursuant to a tenancy agreement for the rental of premises at Menara MRCB, Shah Alam.

The High Court had on 14 December 2007 ordered the matter to be transferred to the Sessions Court. The High Court is in the midst of transferring the file.

Our solicitors are of the view that our Company has a reasonable chance of success.

- (viii) Kuala Lumpur High Court Suit No. D7-22-648-2003, MRCB Property Development Sdn Bhd ("**MPD**") v Suedy Suwendy & six (6) others

MPD brought this action against the defendants for a breach of an agreement for the sale of shares in Taman Ratu Sdn Bhd ("**TRSB**").

The defendants were the legal and beneficial owners of 24,000,006 shares in TRSB. MPD and the defendants signed a share sale agreement on 2 January 2001 for the acquisition of the said shares. MPD then made payments totalling RM6.0 million to the first defendant as agent and/or representative of the other defendants for the said acquisition.

The conditions precedent under the share sale agreement were not fulfilled by the defendants and as such, MPD terminated the agreement and demanded a refund of the RM6.0 million. The defendants failed to refund the RM6.0 million. MPD then brought this action against the defendants. The defendants denied breaching the conditions precedent and filed a counter claim against MPD for an unquantified amount.

MPD's application for summary judgement against the defendants was dismissed. MPD subsequently withdrew the action against the 2<sup>nd</sup>, 4<sup>th</sup> and 5<sup>th</sup> defendants. The matter was then set down for case management. On 6 March 2008, the matter was fixed for final case management where the learned judge entered judgement for RM6 million with interest until full settlement against the defendants.

The defendants filed an appeal with the Court of Appeal. No date has been fixed for the said appeal.

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**FURTHER INFORMATION (CONT'D)**


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Our solicitors are of the view that it is probable that the defendants' appeal may be dismissed.

- (ix) Kuala Lumpur High Court Suit Number 22-390-2008, TRSB v MPD

TRSB alleged that they were given RM30.0 million as a credit facility by Maybank IB. The shareholders of TRSB signed a share sale agreement with the defendants on 2 January 2001 to sell their shares to MPD for RM15,417,000. The agreement states that the liability of TRSB at the material time was RM19,583,000. It is also alleged that the said payments must be made by TRSB in four quarterly instalments, where the first instalment will commence three (3) months from the date of the Foreign Investment Committee's ("FIC") approval. TRSB alleged that the said FIC approval was obtained on 9 May 2001. TRSB alleged that MPD failed to make payment as has been agreed upon in the agreement and that MPD terminated the agreement on 14 March 2002, as a result of which TRSB suffered a loss.

TRSB alleged that the termination of the agreement by MPD is invalid. TRSB claimed from MPD losses it had suffered as a result of MPD breaching the said agreement. TRSB claimed a sum of RM8,265,361.10 and unquantified damages for breach of contract and interest at 8% per annum from judgement to full settlement of the same.

MPD filed an application to strike out TRSB's claim as it is time barred and TRSB's locus standi in bringing this action on the basis that TRSB is a not a party to the agreement. Parties have filed their respective submissions and the court has fixed 20 January 2010 for decision.

## **6. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at our registered office at Level 21, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P. O. Box 12640, 50470 Kuala Lumpur Malaysia during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the EGM: -

- (i) Our Memorandum and Articles of Association;
- (ii) The letters of consent referred to in Section 2 above;
- (iii) The relevant cause papers in respect of the material litigations referred to in Section 5 above; and
- (iv) Our audited consolidated financial statements for the past two (2) FYEs 31 December 2007 and 31 December 2008 respectively and our latest unaudited consolidated results for the nine (9) months period ended 30 September 2009.

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**Malaysian Resources Corporation Berhad**  
(Company No. 7994-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Malaysian Resources Corporation Berhad (“**MRCB**” or “**Company**”) will be held at Level 4, Dewan Merdeka, Putra World Trade Centre (PWTC), 41, Jalan Tun Ismail, 50480 Kuala Lumpur on Monday, 21 December 2009 at 2.30 p.m. for the purpose of considering and, if thought fit, to pass with or without any modification the following resolution: -

### **ORDINARY RESOLUTION**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 482,787,659 NEW ORDINARY SHARES OF RM1.00 EACH IN MRCB (“RIGHTS SHARES”) ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM1.00 EACH IN MRCB (“MRCB SHARES”) HELD AS AT AN ENTITLEMENT DATE TO BE DETERMINED LATER AT AN ISSUE PRICE OF RM1.12 FOR EACH RIGHTS SHARE (“PROPOSED RIGHTS ISSUE”)**

**THAT**, subject to the approvals of the relevant authorities and/or parties being obtained (where required), approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to provisionally allot by way of a renounceable rights issue of up to a maximum of 482,787,659 Rights Shares at an issue price of RM1.12 for each Rights Share to the shareholders of the Company, whose names appear in the Record of Depositors of the Company at 5.00 p.m. on an entitlement date to be determined and announced by the Board, or their renouncee(s), on the basis of one (1) Rights Share for every two (2) existing MRCB Shares held;

**THAT**, the Board be and is hereby empowered and authorised to deal with any fractional entitlement that may arise from the Proposed Rights Issue in such manner as it shall in its absolute discretion deems fit and in the best interest of the Company;

**THAT**, the Rights Shares shall, upon issuance and allotment, rank *pari passu* in all respects with the then existing MRCB Shares save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions, the entitlement date of which is before the date of issue and allotment of the Rights Shares;

**THAT**, any Rights Shares which are not taken up or not validly taken up shall be made available for excess applications in such manner as the Board shall determine in a fair and equitable manner;

**THAT**, the proceeds of the Proposed Rights Issue to be utilised for the purposes as set out in the circular to the shareholders of the Company dated 4 December 2009, and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities, if required;

**THAT**, in order to implement, complete and give full effect to the Proposed Rights Issue, approval be and is hereby given to the Board to do or to procure to be done all acts, deeds and things and to execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/or appropriate to implement, give full effect to and complete the Proposed Rights Issue, with full powers to assent to any condition, modification, variation and/or amendment thereto as the Board may deem fit in connection with the Proposed Rights Issue;

**AND THAT** no offer documents pertaining to the Proposed Rights Issue shall be issued or sent to the shareholders of the Company having registered addresses outside Malaysia or who have not provided an address in Malaysia at which such documents may be delivered to prior to the entitlement date for the Proposed Rights Issue.

By order of the Board

**Mohd Noor Rahim Yahaya**  
**MAICSA No: 0866820**  
Company Secretary

Kuala Lumpur  
4 December 2009

Notes: -

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (or in the case of a corporation, to appoint a representative) to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *The Form of Proxy must be signed by the appointer of the proxy, or his attorney duly authorised in writing. In the case of a corporation, it shall be executed under its common seal or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.*
3. *The Form of Proxy must be deposited with the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.*





**Malaysian Resources Corporation Berhad**  
(Company No. 7994-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

## FORM OF PROXY

I/We .....[NRIC No.: .....]

(Full name in block letters)

of .....

(Full address)

being a \*member / members of **MALAYSIAN RESOURCES CORPORATION BERHAD** (Company No. 7994-D), do hereby appoint .....[NRIC No.: .....]

(Full name in block letters)

of .....

(Full address)

or failing \*him/her .....[NRIC No.: .....]

(Full name in block letters)

of .....

(Full address)

as \*my/our proxy to attend and to vote for \*me/us on \*my/our behalf at the Extraordinary General Meeting of the Company to be held at Level 4, Dewan Merdeka, Putra World Trade Centre (PWTC), 41, Jalan Tun Ismail, 50480 Kuala Lumpur on Monday, 21 December 2009 at 2.30 p.m. or any adjournment thereof. \*My/our proxy is to vote as indicated below: -

NO.	ORDINARY RESOLUTION	FOR	AGAINST
1.	Proposed Rights Issue		

(Please indicate with a cross (X) in the space whether you wish your vote to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit.)

Number of shares held

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2009

Signature / Common Seal

\* Delete if not applicable.

Notes: -

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (or in the case of a corporation, to appoint a representative) to attend and vote in his stead. A proxy need not be a member of the Company.
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