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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 adviser immediately. If you have sold all your shares in Malaysian Resources Corporation Berhad, you should immediately hand this Circular together with the accompanying Form of Proxy, to the agent through whom the sale was contracted for transmission to the purchaser.

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MALAYSIAN RESOURCES CORPORATION BERHAD

(COMPANY NO: 7994-D)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

in relation to

PART A

PROPOSED DISPOSAL OF MALAYSIAN RESOURCES CORPORATION BERHAD'S ENTIRE 70% EQUITY INTEREST IN SEPANG POWER SDN BHD, COMPRISING 700,000 ORDINARY SHARES OF RM1.00 EACH TO TENAGA NASIONAL BERHAD FOR A CASH CONSIDERATION OF RM115,000,000 ("PROPOSED DISPOSAL")

Advised By

Arab-Malaysian Merchant Bank Berhad

(23742-V) (Licensed Merchant Bank)
(A Member of the Arab-Malaysian Banking Group)

PART B

INDEPENDENT ADVICE LETTER TO THE MINORITY SHAREHOLDERS OF MALAYSIAN RESOURCES CORPORATION BERHAD IN RELATION TO THE PROPOSED DISPOSAL

Independent Adviser



ALLIANCE MERCHANT BANK

Alliance Merchant Bank Berhad (21605-D)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of an Extraordinary General Meeting to be held at Dewan Perdana, Grand BlueWave Hotel, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor on Monday, 15 April 2002 at 10.00 a.m. is set out in this Circular. Shareholders are advised to refer to the Notice of the Extraordinary General Meeting and the Form of Proxy which are enclosed. The Form of Proxy should be lodged at the registered office of the Company at Level 10, Menara MRCB, No 2 Jalan Majlis 14/10, Seksyen 14, 40000 Shah Alam, Selangor not less than 48 hours before the time stipulated for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting at the meeting if you are able to do so.

The last day and time for lodging the Form of Proxy is on Saturday, 13 April 2002 at 10.00 a.m.

This Circular is dated 28 March 2002

DEFINITIONS

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

Alliance Merchant or Independent Adviser	Alliance Merchant Bank Berhad (21605-D)
Arab-Malaysian	Arab-Malaysian Merchant Bank Berhad (23742-V)
Board	The Board of Directors of MRCB
BPIMB Loan	Loan taken by Sepang Power from Bank Pembangunan Dan Infrastruktur Malaysia Berhad pursuant to a loan agreement dated 7 November 2000
Business Day	A day (excluding Saturday and Sunday) on which banks are open for banking business in Selangor and Kuala Lumpur
Completion Date	The tenth (10 th) Business Day following the date that the last of the Conditions Precedent is satisfied
Conditions Precedent	Conditions precedent as set forth in Clause 3 of the SPA
EGM	Extraordinary general meeting
EPF	Employees Provident Fund
EPU	Economic Planning Unit
FIC	Foreign Investment Committee
KDEB	Kumpulan Darul Ehsan Bhd (148080-T)
KLSE	Kuala Lumpur Stock Exchange
MI	Minority interest
MITI	Ministry of International Trade and Industry
NTA	Net tangible assets
PAT	Profit after taxation
PPA	Power Purchase Agreement to be signed between TNB and Sepang Power to govern the sale and purchase of generating capacity and electrical energy, which will incorporate revised tariffs and scheduled commercial operation dates to be agreed between TNB and Sepang Power
PE Multiple	Price-earnings multiple
Proposed Disposal	Proposed Disposal of MRCB's entire 70% equity interest in Sepang Power, comprising 700,000 ordinary shares of RM1.00 each to TNB for a cash consideration of RM115,000,000
RM and sen	Ringgit Malaysia and sen respectively

DEFINITIONS (CONT'D)

Sale Shares	700,000 ordinary shares of RM1.00 each in Sepang Power held by MRCB
SC	Securities Commission
Sepang Power	Sepang Power Sdn Bhd (81237-D)
Shareholders' Agreement	Agreement entered into by MRCB, Sepang Power and KDEB on 25 October 2000 which set forth, among others, that KDEB has the first right of refusal to purchase the Sale Shares. Further details of the agreement are set out in Section 3.1 of Appendix IV
SPA	Agreement For Sale and Purchase dated 23 November 2001 entered into between MRCB and TNB on the Proposed Disposal
MRCB or Company	Malaysian Resources Corporation Berhad (7994-D)
MRCB Group or Group	MRCB and its subsidiary companies
TNB	Tenaga Nasional Berhad (200866-W)

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PART A

**LETTER FROM THE BOARD OF DIRECTORS OF
MRCB TO THE SHAREHOLDERS OF MRCB IN
RELATION TO THE PROPOSED DISPOSAL**

MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No: 7994-D)
(Incorporated in Malaysia)

Registered Office

Aras 10, Menara MRCB,
No. 2, Jalan Majlis 14/10,
Seksyen 14,
40000 Shah Alam,
Selangor

28 March 2002

Directors

Dato' Seri Syed Anwar Jamalullail (Chairman)
Abdul Rahman bin Ahmad (Chief Executive Officer)
Shahril Ridza bin Ridzuan (Executive Director)
Datuk Zahari bin Omar (Executive Vice President)
Dato' Ahmad bin Hj. Ibnihajar
Dato' Zainol Abidin Dato' Hj. Salleh

To : The Shareholders of Malaysian Resources Corporation Berhad

Dear Sir / Madam,

MALAYSIAN RESOURCES CORPORATION BERHAD

- **PROPOSED DISPOSAL OF MALAYSIAN RESOURCES CORPORATION BERHAD'S ENTIRE 70% EQUITY INTEREST IN SEPANG POWER SDN BHD, COMPRISING 700,000 ORDINARY SHARES OF RM1.00 EACH TO TENAGA NASIONAL BERHAD FOR A CASH CONSIDERATION OF RM115,000,000**
-

1. INTRODUCTION

On 23 November 2001, the Company announced to the KLSE that the Company had entered into an Agreement For Sale and Purchase of Shares ("SPA") with TNB for the proposed disposal of MRCB's entire 70% equity interest in Sepang Power comprising 700,000 ordinary shares of RM1.00 each for a cash consideration of RM115,000,000. Kumpulan Darul Ehsan Berhad ("KDEB") holds the remaining 30% equity interest in Sepang Power comprising 300,000 ordinary shares of RM1.00 each.

The EPU and the FIC had approved the Proposed Disposal on 15 January 2002 and 7 March 2002 respectively.

The Proposed Disposal is a related party transaction as EPF is a major shareholder of MRCB and TNB with equity interest of approximately 12% and 7.3% respectively.

In compliance with the requirements of Chapter 10.08 of the KLSE Listing Requirements, the Company has appointed Arab-Malaysian Merchant Bank Berhad and Alliance Merchant Bank Berhad to act as the Main Adviser and Independent Adviser respectively to the shareholders of MRCB for the Proposed Disposal.

The purpose of the Circular is to provide you with the details of the Proposed Disposal and to seek your approval for the resolution to be tabled at the forthcoming EGM. The resolution pertaining to the Proposed Disposal is set out in the Notice of EGM, which is attached together with this Circular.

SHAREHOLDERS OF MRCB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE INDEPENDENT ADVISER'S LETTER CONTAINED IN PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED DISPOSAL AT THE FORTHCOMING EGM.

2. THE PROPOSED DISPOSAL

2.1 Details of the Proposed Disposal

Pursuant to the SPA, MRCB will sell the Sale Shares for a disposal consideration of RM115,000,000 to be satisfied wholly by cash.

2.2 Basis of determining the disposal consideration

The disposal consideration for the Sale Shares of RM115,000,000 for the Proposed Disposal was arrived at on a willing-buyer-willing-seller basis after taking into consideration the latest unaudited NTA as at 31 October 2001 of Sepang Power amounting to negative RM38.0 million and expected future earnings.

Based on the latest audited accounts as at 31 August 2001, Sepang Power had a negative NTA of RM37.8 million and losses for the year then ended of RM38.8 million.

An estimate of expected future earnings is sensitive to the assumptions made with respect to the terms of the PPA, project financing and actual cost of construction. As explained in Para 9.1, the terms of the PPA, project financing and actual cost of construction remains uncertain at present. Hence, the expected future earnings could not be reliably quantified at present.

Apart from the said factors, qualitative factors taken into consideration by TNB in respect of the expected future earnings of Sepang Power include TNB's view that the electricity supply industry is anticipating a moderate electricity demand growth. The acquisition of Sepang Power will provide TNB the flexibility to manage the electricity demand supply balance and consequently avert a situation of excessive generating capacity. Furthermore, the acquisition of Sepang Power will enable TNB to defer capacity payments amounting to approximately RM300 million annually which would otherwise have to be borne by TNB even if the capacity is not utilised due to expected lower demand in the near to medium term.

(Source: TNB announcement to KLSE dated 4 December 2001)

Sepang Power would be entitled to capacity payments of approximately RM300 million per year under the PPA when based on the tariff structures and scheduled commercial operation dates set out in the EPU letter of award dated 9 March 2001 described in Section 3.1 of Part A of this Circular. By acquiring control of Sepang Power, TNB gains the flexibility of determining the tariff structures and scheduled commercial operation dates for Sepang Power. This enables TNB to defer the capacity payments.

2.3 Salient terms of the Proposed Disposal

The salient terms of the Agreement for Sale and Purchase of Shares for the Proposed Disposal are as follows:-

- (i) The sale consideration will be satisfied in the following manner:
 - (a) an initial payment of 10% upon execution of the SPA, which was made on 26 November 2001 (refundable in the event that the conditions precedent are not met by 22 May 2002 or MRCB fails to meet its obligations set out in Clause

- 4.3 of the SPA, which requires MRCB to deliver share certificates, board resolutions and other completion documents to TNB on Completion Date); and
- (b) the balance of 90% on Completion Date or other date as the Parties may agree in writing;
- (ii) The completion of the SPA is conditional, inter-alia, on:-
- (a) MRCB having obtained pursuant to the Shareholders' Agreement dated 25 October 2000, the notification by Sepang Power that Kumpulan Darul Ehsan Bhd is not exercising its first right of refusal to purchase the Sale Shares pursuant to the Shareholders' Agreement dated 25 October 2000. (Notification was received on 18 January 2002);
- (b) notification in writing by MRCB of the Proposed Disposal to Bank Pembangunan Dan Infrastruktur Malaysia Berhad ("BPIMB"), the sole lender to Sepang Power which was made on 26 November 2001 (the notification is a condition precedent in the SPA requiring MRCB to inform the lender to Sepang Power of the change in Sepang Power's major shareholder from MRCB to TNB); and
- (c) the relevant approvals from the respective parties as set out in Section 7.
- (iii) Pursuant to Clause 7.3 of the SPA, all liabilities and obligations of Sepang Power with MRCB and its subsidiaries will be terminated and fully released. Consequently, TNB and MRCB agreed that a sum of RM 66,996,000 ("Compensation Amount") to be satisfied wholly in cash as compensation for work done, termination costs and the release for Sepang Power of all its obligations with MRCB and its subsidiaries payable to MRCB within three (3) months of the completion date of the SPA, which is subject to the terms as set out in 2.3(ii). Work performed by MRCB and its subsidiaries for Sepang Power relates mainly to project management services, engineering for the overhead transmission lines and construction works. Sepang Power's obligations include advances owing and obligations to contract MRCB and its subsidiaries for plant operations and maintenance, project management and the construction of the gas pipeline and other plant related infrastructure. The Compensation Amount does not form part of the disposal consideration of RM115,000,000 because the amount does not relate to the price of the Sale Shares.

2.4 Sale Shares free from encumbrances

The Sale Shares shall be disposed of free from all charges, liens, encumbrances and all liabilities and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared, made and paid as from the date of the SPA upon the terms and subject to the conditions therein contained.

2.5 Original cost of investment

The original cost of investment for the Sale Shares are as follows:-

Date of initial investment	No. of shares held	Original cost of investment RM
17.02.1982	3	3
23.06.2000	499,997	499,997
28.11.2000	200,000	200,000
Total		700,000

3. INFORMATION ON THE COMPANIES INVOLVED IN THE PROPOSED DISPOSAL

3.1 SEPANG POWER

Sepang Power was incorporated in Malaysia on 17 February 1982 under the name Resource Credit and Leasing Sdn Bhd as a private limited company under the Companies Act, 1965 and subsequently changed to MRCB Energy Ventures Sdn Bhd on 5 August 1994. It assumed its current name on 2 August 2000. Sepang Power, a joint-venture company between MRCB and KDEB, was awarded the development of the 710MW Power Station at Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor as approved by the EPU of the Prime Minister's Office, vide a letter dated 9 March 2001.

The authorised share capital of Sepang Power is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activity of Sepang Power is power generation. However, Sepang Power is currently at its pre-operating stage. In November 2000, Sepang Power commenced site preparation work, which included site clearing, drainage and backfilling to raise the level of the site for the power plant. At the same time, work commenced on the design, engineering and manufacturing of the overhead transmission towers. As at 31 August 2001, project costs of RM135 million relating to the preliminary work has been capitalised out of RM241 million total liabilities incurred in terms of bank borrowings and creditors, mainly to finance the preliminary work and payment of deposits to contractors for the initial milestone payment under the interconnection facilities contract and the reservation fee for the turbines under the main engineering, procurement and construction ("EPC") contract for the power plant. Work on the construction of the power plant building has not started. Work has currently been suspended. Completion of the power plant would have taken up to 2 years from the date of signing the PPA, which has not been signed.

Based on Sepang Power's audited accounts as at 31 August 2001, Sepang Power's NTA stands at negative RM 37.8 million with a post tax loss of RM 38.8 million for the year ended 31 August 2001.

Further information on Sepang Power is set out in Appendix I of this Circular.

3.2 TNB

TNB was incorporated in Malaysia on 12 July 1990 as a private limited company under the Companies Act, 1965 for the purpose of corporatising the operations of the National Electricity Board or Lembaga Letrik Negara ("LLN") through the Electricity Supply (Successor Company) Act, 1990. On 1 September 1990, all properties, rights and liabilities to which LLN was entitled or subject to, were transferred to TNB thereby corporatising the generation, transmission and distribution of electricity in Peninsular Malaysia. It was listed on the Main Board of the KLSE on 28 May 1992.

The authorised share capital of TNB is RM3.5 billion comprising 3.5 billion ordinary shares of RM1.00 each, of which 3.1 billion ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activities of TNB are the transmission, distribution and sale of electricity. At present, TNB has a production capacity of 7,100 MW. Its operations are spread across all states of Peninsular Malaysia and Sabah.

3.3 MRCB

MRCB was incorporated in Malaysia on 21 August 1968 under the name Perak Carbide Corporation Sdn Bhd as a private limited company under the Companies Act, 1965. On 28 June 1969, the Company converted to a public company, adopting the name Perak Carbide Corporation Bhd. It assumed its present name on 12 October 1981. MRCB was listed on the Main Board of the KLSE on 22 March 1971.

The authorised share capital of MRCB is RM2 billion comprising 2 billion ordinary shares of RM1.00 each of which RM976,549,499 ordinary shares have been issued and fully paid-up.

MRCB is principally an investment holding company. The MRCB group is principally engaged in the business of construction, engineering, property, publishing and broadcasting.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The electricity supply industry is anticipating electricity demand growth to moderate. Accordingly, TNB requires greater flexibility to shape its plant strategy to match the expected load demand in the country and to avoid a situation of excess capacity. In light of such scenario, the Proposed Disposal represents the best way forward for MRCB and provides a win-win solution for all parties involved. The Proposed Disposal enables MRCB to immediately realise the value of its investments at a fair price based on expected project returns, whilst avoiding all the risks and uncertainties of project development and operation.

In addition, the Proposed Disposal is in line with MRCB's current efforts to rationalise its investments and refocus its resources to core activities, namely engineering, construction, infrastructure and property development.

The Proposed Disposal will also generate substantial proceeds that will provide MRCB greater flexibility in undertaking its proposed restructuring scheme which was announced on 8 October 2001 and 21 January 2002. The Proposed Disposal is not part of the proposed restructuring scheme. However, the proceeds from the Proposed Disposal may be utilised as an additional source of funds for the proposed settlement to MRCB lenders in relation to the proposed restructuring scheme.

5. UTILISATION OF THE PROCEEDS FROM THE PROPOSED DISPOSAL

The Proposed Disposal will raise cash proceeds receivable by MRCB of RM115,000,000 on completion date. The Company proposes to utilise the proceeds principally for working capital, investments and repayment of borrowings. However, the Board has not determined the breakdown of the utilisation of proceeds at this time as the Board is currently in the process of finalising the potential investments and the exact proceeds to be used for the repayment of borrowings. Based on the latest unaudited management accounts as at 28 February 2002, total outstanding borrowings at the MRCB group and company level stood at RM1,843.7 million and RM583.9 million respectively.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Share Capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of MRCB as the consideration for the Proposed Disposal will be wholly settled in cash.

6.2 Major shareholders

The Proposed Disposal will not have any effect on the shareholdings of the major shareholders of the Company as the consideration for the Proposed Disposal will be wholly settled in cash.

6.3 Shareholding Structure

The Proposed Disposal will not have any effect on the shareholding structure of the Company as the consideration for the Proposed Disposal will be wholly settled in cash.

6.4 NTA

Based on the audited consolidated balance sheet of MRCB as at 31 August 2001, the proforma effects of the Proposed Disposal and Compensation Amount on the NTA are as follows :-

	As at 31 August 2001	After Proposed Disposal	After proposed receipt of Compensation Amount
	(RM'000)	(RM'000)	(RM'000)
Share capital	976,550	976,550	976,550
Share Premium	1,008,463	1,008,463	1,008,463
Other Reserves	86,973	86,973	86,973
Accumulated losses	(1,598,872)	*(1,446,034)	** (1,410,034)
Shareholders' equity	473,114	625,952	661,952
Less :			
Project development expenditure	(8,549)	-	-
Goodwill on consolidation	(8,944)	(8,944)	(8,944)
Group's share of intangible assets	(271,975)	(271,975)	(271,975)
Premium on acquisition	(133,179)	(133,179)	(133,179)
NTA	50,467	211,854	247,854
No. of shares in issue ('000)	976,550	976,550	976,550
NTA per share (RM)	0.05	0.22	0.25

* estimated exceptional gain of RM152.8 million from the Proposed Disposal

** estimated exceptional profit of RM36 million from the Compensation Amount. The Compensation Amount does not form part of the consideration for the Proposed Disposal

The proforma consolidated balance sheet of MRCB as at 31 August 2001 and the Reporting Accountants' letter thereon are set out in Appendix III of this Circular.

Based on the above evaluation, the NTA per share of MRCB will improve from RM0.05 per share to RM0.25 per share.

6.5 Earnings

Upon completion of the Proposed Disposal, MRCB group is expected to realise an exceptional gain on disposal of approximately RM152.8 million. On the assumption that the Proposed Disposal will be completed by 31 August 2002, the net EPS of the Company as well as the MRCB group for the financial year ending 31 August 2002 is expected to improve by approximately 15.6 sen, after taking into account the estimated exceptional gain arising from the Proposed Disposal of approximately RM152.8 million based on its existing issued and paid-up share capital of 976,549,499 of RM1.00 each as at 31 August 2001, as follows:-

Estimated Gain from the Proposed Disposal (RM'million)	152.8
Estimated Profit from the Compensation Amount (RM'million)	36.0
Total Estimated Gain (RM'million)	188.8
No. of shares in issue (million)	976.5
Net EPS (sen)	19.3

7. CONDITIONS TO THE PROPOSED DISPOSAL

The Proposed Disposal are subject to approvals being obtained from the following:-

- (a) FIC, the approval of which has been obtained on 7 March 2002, with the condition that Sepang Power retains at least 51% Bumiputera equity interest at all times;
- (b) EPU, the approval of which was obtained on 15 January 2002;
- (c) the shareholders of MRCB at the forthcoming EGM to be convened for the Proposed Disposal;
- (d) TNB having obtained the approval of the Ministry of Finance, if required; and
- (e) any other relevant authorities or parties, if required.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

EPF holds 12.0% and 7.3% equity interest in MRCB and TNB respectively. As such, EPF is deemed interested in the Proposed Disposal. In this respect, EPF will be required to abstain from voting in respect of its direct or indirect shareholdings at the forthcoming EGM.

On 4 February 2002, MRCB had on behalf of EPF applied to the KLSE to allow EPF to vote in the EGM to be convened for the Proposed Disposal. The application was made in view that EPF does not participate in the management of the day-to-day operations at both MRCB and TNB. Furthermore, EPF is an institutional investor in both MRCB and TNB and are merely shareholders in the respective companies via their investments and they are not directly involved in the Proposed Disposal in any other capacity.

The KLSE has, vide its letter dated 1 March 2002, granted approval for the exemption for EPF from having to abstain from voting at the EGM to be convened for the Proposed Disposal.

Save as disclosed above, none of the other directors and/or major shareholders, or persons connected to the directors and/or major shareholders have any direct and/or indirect interest in the Proposed Disposal.

9. RISKS IN RELATION TO THE PROPOSED DISPOSAL

9.1 Uncertainty in realising the future value in Sepang Power

The EPU letter dated 9 March 2001 set out the principal commercial terms for the PPA and the scheduled commercial operation dates ("COD") for the power plant. Given the delays in executing a PPA, the CODs per the EPU letter can no longer be met.

To proceed with the project, Sepang Power would need to renegotiate the PPA in terms of new CODs and also higher tariffs to compensate for the delay. Inability to obtain sufficiently compensating higher tariffs may render the project unattractive to potential lenders for project financing. Further delays will result in escalation in the cost of construction due to higher interest costs, potential adverse movements in the foreign exchange and additional costs incurred by the contractors.

Furthermore, after a certain time span, Sepang Power may no longer be able to enforce the contracts it has entered into with its key suppliers and would have to incur further time and cost to renegotiate contracts.

Thus, in the event that the Proposed Disposal is not completed, there is a significant risk that MRCB will not realise the potential future returns from Sepang Power due to the significant uncertainty as explained above.

9.2 Cashflow requirements of MRCB

The proceeds from the Proposed Disposal are urgently required to fulfil MRCB's requirements in terms of working capital, investments and financing obligations. In the event the Proposed Disposal is not completed, MRCB may face difficulty in meeting certain obligations on a timely basis. The obligations relate mainly to servicing of borrowings and the working capital and capital requirements of projects in progress and those due to commence.

10. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstances, the Proposed Disposal is expected to be completed in second quarter of 2002.

11. DIRECTORS' RECOMMENDATION

The Board, having considered the rationale of the Proposed Disposal, and after careful deliberation, is of the opinion that the Proposed Disposal is in the best interest of the Company and accordingly, they recommend that you vote in favour of the resolution to be tabled at the forthcoming EGM.

12. APPOINTMENT OF THE INDEPENDENT ADVISER

In view of the interest of EPF as disclosed under Section 8 of the Circular and in compliance with Chapter 10 of the KLSE Listing Requirements, Alliance Merchant has been appointed to act as the Independent Adviser to the minority shareholders of MRCB in respect of the Proposed Disposal. The independent advice letter in relation to the Proposed Disposal is set out in Part B of this Circular.

13. EGM

An EGM, the notice of which is enclosed with this Circular, is to be held at Dewan Perdana, Grand BlueWave Hotel, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor on Monday, 15 April 2002 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the resolution so as to give effect to the Proposed Disposal.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible, so as to arrive at the registered office of the Company of not less than 48 hours before the time set for the EGM or any adjournment thereof. The completion and return of the form of proxy does not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

14. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully

For and on behalf of the Board

MALAYSIAN RESOURCES CORPORATION BERHAD

Abdul Rahman Ahmad
Chief Executive Officer

PART B

**INDEPENDENT ADVICE LETTER FROM
ALLIANCE MERCHANT BANK BERHAD
TO THE MINORITY SHAREHOLDERS OF MRCB
IN RELATION TO THE
PROPOSED DISPOSAL**



ALLIANCE MERCHANT BANK

Alliance Merchant Bank Berhad (21605-D)
(Incorporated in Malaysia)

Registered office:

Level 20, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur

28 March 2002

To: **The Minority Shareholders of
Malaysian Resources Corporation Berhad**

Dear Sir/ Madam

MALAYSIAN RESOURCES CORPORATION BERHAD

- **PROPOSED DISPOSAL OF MALAYSIAN RESOURCES CORPORATION BERHAD'S ENTIRE 70% EQUITY INTEREST IN SEPANG POWER SDN BHD, COMPRISING 700,000 ORDINARY SHARES OF RM1.00 EACH TO TENAGA NASIONAL BERHAD FOR A CASH CONSIDERATION OF RM115,000,000**

1. INTRODUCTION

On 23 November 2001, the Company announced to the KLSE that the Company had entered into an Agreement For Sale and Purchase of Shares ("SPA") with TNB for the proposed disposal of MRCB's entire 70% equity interest in Sepang Power comprising 700,000 ordinary shares of RM1.00 each for a cash consideration of RM115,000,000. KDEB holds the remaining 30% equity interest in Sepang Power of RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

As set out in Section 8 of Part A of this Circular, EPF is a direct major shareholder of both MRCB and TNB with equity interest of 12.0% and 7.3% in MRCB and TNB respectively. As such, EPF is deemed interested in the Proposed Disposal.

Accordingly, the Proposed Disposal is deemed a related party transaction and in compliance with Part E, Paragraph 10.08 of the Listing Requirements of the KLSE, Alliance Merchant has been appointed as the independent adviser to the minority shareholders of MRCB on the Proposed Disposal.

The purpose of this IAL is to provide the Independent Directors and minority shareholders of MRCB with an independent evaluation of the Proposed Disposal and our recommendation in relation to the ordinary resolution to give effect to the Proposed Disposal to be tabled at the forthcoming EGM or any adjournment thereof.

MINORITY SHAREHOLDERS ARE ADVISED TO READ BOTH THIS IAL TOGETHER WITH THE APPENDICES THERETO AND TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE PROPOSED DISPOSAL.

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 ADVISER IMMEDIATELY.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Details of the Proposed Disposal

Pursuant to the SPA, MRCB will sell the Sale Shares for a disposal consideration of RM115,000,000 to be satisfied wholly by cash.

2.2 Basis of Determining the Disposal Consideration

The disposal consideration for the Sale Shares of RM115,000,000 was arrived at on a willing-buyer-willing-seller basis after taking into consideration the latest unaudited NTA as at 31 October 2001 of Sepang Power amounting to negative RM38.0 million and expected future earnings.

Based on the latest audited accounts as at 31 August 2001, Sepang Power had a negative NTA of RM37.8 million and losses for the year then ended of RM38.8 million.

An estimate of expected future earnings is sensitive to the assumptions made with respect to the terms of the PPA, project financing and actual cost of construction. As set out in Section 9.1 of Part A of this Circular, the terms of the PPA, project financing and actual cost of construction remain uncertain at present. Hence, the expected future earnings could not be reliably quantified at present.

Apart from the said factors, qualitative factors taken into consideration by TNB in respect of the expected future earnings of Sepang Power include TNB's view that the electricity supply industry is anticipating a moderate electricity demand growth. The acquisition of Sepang Power will provide TNB the flexibility to manage the electricity demand supply balance and consequently avert a situation of excessive generating capacity. Furthermore, the acquisition of Sepang Power will enable TNB to defer capacity payments amounting to approximately RM300 million annually which would otherwise have to be borne by TNB even if the capacity is not utilised due to expected lower demand in the near to medium term (*Source: TNB announcement to KLSE dated 4 December 2001*).

Sepang Power would be entitled to capacity payments of approximately RM300 million per year under the PPA when based on the tariff structures and scheduled commercial operation dates set out in the EPU letter of award dated 9 March 2001 described in Section 3.1 of Part A of this Circular. By acquiring control of Sepang Power, TNB gains the flexibility of determining the tariff structures and scheduled commercial operation dates for Sepang Power. This enables TNB to defer the capacity payments.

2.3 Salient Terms of the Proposed Disposal

The salient terms of the Agreement for Sale and Purchase of Shares for the Proposed Disposal are as follows:-

- (i) The sale consideration will be satisfied in the following manner:
 - (a) an initial payment of 10% upon execution of the SPA, which was made on 26 November 2001 (refundable in the event that the conditions precedent are not met by 22 May 2002 or MRCB fails to meet its obligations set out in Clause 4.3 of the SPA, which requires MRCB to deliver share certificates, board resolutions and other completion documents to TNB on Completion Date); and
 - (b) the balance of 90% on Completion Date or other date as the Parties may agree in writing;
- (ii) The completion of the SPA is conditional, inter-alia, on:-

- (a) MRCB having obtained pursuant to the Shareholders' Agreement dated 25 October 2000, the notification by Sepang Power that KDEB is not exercising its first right of refusal to purchase the Sale Shares pursuant to the Shareholders' Agreement dated 25 October 2000. (Notification was received on 18 January 2002);
- (b) notification in writing by MRCB of the Proposed Disposal to Bank Pembangunan Dan Infrastruktur Malaysia Berhad ("BPIMB"), the sole lender to Sepang Power, which was made on 26 November 2001 (the notification is a condition precedent in the SPA requiring MRCB to inform the lender to Sepang Power of the change in Sepang Power's major shareholder from MRCB to TNB); and
- (c) the relevant approvals from the respective parties as set out in Section 7 of Part A of this Circular.
- (iii) Pursuant to Clause 7.3 of the SPA, all liabilities and obligations of Sepang Power with MRCB and its subsidiaries will be terminated and fully released. Consequently, TNB and MRCB agreed that a sum of RM66,996,000 ("Compensation Amount") to be satisfied wholly in cash as compensation for work done, termination costs and the release for Sepang Power of all its obligations with MRCB and its subsidiaries payable to MRCB within three (3) months of the completion date of the SPA, which is subject to the terms as set out in 2.3(ii) above. Work performed by MRCB and its subsidiaries for Sepang Power relates mainly to project management services, engineering for the overhead transmission lines and construction works. Sepang Power's obligations include advances owing and obligations to contract MRCB and its subsidiaries for plant operations and maintenance, project management and the construction of the gas pipeline and other plant related infrastructure. The Compensation Amount does not form part of the disposal consideration of RM115,000,000 because the amount does not relate to the price of the Sale Shares.

2.4 Sale Shares Free from Encumbrances

The Sale Shares shall be disposed of free from all charges, liens, encumbrances and all liabilities and with all rights, benefits and advantages now or hereafter attaching thereto, including all bonuses, rights, dividends and distributions declared, made and paid as from the date of the SPA upon the terms and subject to the conditions therein contained.

2.5 Original cost of investment

The original cost of investment of MRCB in Sepang Power is as follows:-

Date of initial investment	No. of shares held	Original cost of investment RM
17.02.1982	3	3
23.06.2000	499,997	499,997
28.11.2000	200,000	200,000
Total		700,000

3. INFORMATION ON SEPANG POWER

Sepang Power was incorporated in Malaysia under the Companies Act, 1965 on 17 February 1982 as a private limited company under the name of Resource Credit and Leasing Sdn Bhd. On 5 August 1994, the company changed its name to MRCB Energy Ventures Sdn Bhd. It assumed its current name on 2 August 2000. Sepang Power, a joint-venture company between MRCB and KDEB, was awarded the development of the 710MW Power Station at Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor as approved by the EPU of the Prime Minister's Office, vide a letter dated 9 March 2001.

The authorised share capital of Sepang Power is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activity of Sepang Power is power generation. However, Sepang Power is at its pre-operating stage. In November 2000, Sepang Power commenced site preparation work, which included site clearing, drainage and backfilling to raise the level of the site for the power plant. At the same time, work commenced on the design, engineering and manufacturing of the overhead transmission towers. As at 31 August 2001, project costs of RM135 million relating to preliminary work has been capitalised out of RM241 million total liabilities incurred in terms of bank borrowings and creditors, mainly to finance the preliminary work and payment of deposits to contractors for the initial milestone payment under the interconnection facilities contract and the reservation fee for the turbines under the main engineering, procurement and construction ("EPC") contract for the power plant. Work on the construction of the power plant building has not started. Completion of the power plant would have taken up to two (2) years from the date of signing the PPA, which has not been signed.

Based on Sepang Power's audited accounts as at 31 August 2001, Sepang Power's NTA stands at negative RM37.8 million with a post tax loss of RM38.8 million for the year ended 31 August 2001.

Further information on Sepang Power is set out in Appendix I of this Circular.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

EPF holds 12.0% and 7.3% equity interest in MRCB and TNB respectively. As such, EPF is deemed interested in the Proposed Disposal. In this respect, EPF will be required to abstain from voting in respect of its direct or indirect shareholdings at the forthcoming EGM.

On 4 February 2002, MRCB had on behalf of EPF applied to the KLSE to allow EPF to vote in the EGM to be convened for the Proposed Disposal. The application was made in view that EPF does not participate in the management of the day-to-day operations of both MRCB and TNB. Furthermore, EPF is an institutional investor in both MRCB and TNB and is merely a shareholder in the respective companies via its investments and is not directly involved in the Proposed Disposal in any other capacity.

The KLSE has, vide its letter dated 1 March 2002, granted approval for the exemption for EPF from having to abstain from voting at the EGM to be convened for the Proposed Disposal.

Save as disclosed above, none of the other directors and/or major shareholders, or persons connected to the directors and/or major shareholders have any direct and/or indirect interest in the Proposed Disposal.

5. CONDITIONS

The Proposed Disposal is subject to the approvals of the following:-

- (i) the EPU, which was obtained on 15 January 2002;
- (ii) the FIC, which was obtained on 7 March 2002, with the condition that Sepang Power retains at least 51% Bumiputera equity interest at all times;
- (iii) the shareholders of MRCB at the forthcoming EGM to be convened for the Proposed Disposal;
- (iv) TNB having obtained the approval of the Ministry of Finance; and
- (v) any other relevant authorities or parties, if required.

6. EVALUATION OF THE CORPORATE PROPOSALS

Alliance Merchant was not involved in the negotiations nor formulation pertaining to the Proposed Disposal. In evaluating the Proposed Disposal, we have relied on the information contained in Part A of this Circular, other relevant information provided by MRCB and Arab-Malaysian as its adviser and other publicly available information. We have not independently verified any information used in this letter or disclosed to us for the purposes of this letter.

We have obtained written confirmation from the Board of Directors of MRCB that the Directors collectively and individually accepts full responsibility for the accuracy of the information given to us and confirm that all information relevant for the purpose of our evaluation on the Proposed Disposal have been disclosed to us and there are no facts, the omission of which would make any information supplied to us misleading.

Alliance Merchant, as the independent adviser, has evaluated the Proposed Disposal, to the extent which concern MRCB and/ or its shareholders, and in forming our opinion, we have considered various factors which we believe are important in enabling us to form an opinion on the fairness and reasonableness of the Proposed Disposal, as far as the shareholders are concerned and on whether the Proposed Disposal is to the detriment of the minority shareholders of the Company.

We have not given consideration to the specific investment objectives, financial situation and particular needs of any individual minority shareholder or any specific group of shareholders including any specific group of minority shareholders. We do not express any opinion on the commercial merits of the Proposed Disposal, which is the sole responsibility of the Board of Directors of MRCB. We recommend that any individual shareholder or any specific group of shareholders who may require specific advice in relation to the Proposed Disposal, in the context of their individual objectives, financial situation and particular needs should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser without further delay.

As the independent adviser to the Independent Directors and minority shareholders of MRCB, we have considered the following areas in our evaluation of the Proposed Disposal:

- (i) Rationale for the Proposed Disposal;
- (ii) Basis of the purchase considerations for the Proposed Disposal; and
- (iii) Financial effects.

6.1 Rationale

As stated in Section 4, Part A of this Circular, the rationale for the Proposed Disposal is as follows:-

"The electricity supply industry is anticipating electricity demand growth to moderate. Accordingly, TNB requires greater flexibility to shape its plant strategy to match the expected load demand in the country and to avoid a situation of excess capacity. In light of such scenario, the Proposed Disposal represents the best way forward for MRCB and provides a win-win solution for all parties involved. The Proposed Disposal enables MRCB to immediately realise the value of its investments at a fair price based on expected project returns, whilst avoiding all the risks and uncertainties of project development and operation.

In addition, the Proposed Disposal is in line with MRCB's current efforts to rationalise its investments and refocus its resources to core activities, namely engineering, construction, infrastructure and property development.

The Proposed Disposal will also generate substantial proceeds that will provide MRCB greater flexibility in undertaking its proposed restructuring scheme which was announced on 8 October 2001 and 21 January 2002. The Proposed Disposal is not part of the proposed restructuring scheme. However, the proceeds from the Proposed Disposal may be utilised as an additional source of funds for the proposed settlement to MRCB lenders in relation to the proposed restructuring scheme. "

On 8 October 2001, Arab Malaysian on behalf of MRCB, made an announcement on the corporate and debt restructuring proposals of MRCB and its subsidiaries (“MRCB Group” or “Group”), Sistem Television Malaysia Berhad (“TV3”) and The New Straits Times Press (M) Bhd (“Corporate Proposals”). Under the Corporate Proposals, MRCB proposes to restructure and settle its debts owing to certain scheme creditors amounting up to RM567 million via a scheme of arrangement involving issuance of private debt securities and divestment of its non-core assets/ businesses. Even though the Proposed Disposal does not form part of MRCB’s proposed debt restructuring exercise, the sale proceeds of RM115,000,000 will provide an additional source of repayment to MRCB lenders. The sale proceeds of RM115,000,000 is proposed to be utilised principally for working capital, investments and repayment of borrowings of the MRCB Group. The detailed breakdown of the utilisation of the sale proceeds have yet to be determined.

The Proposed Disposal forms part of MRCB’s divestment programme of non-core assets/businesses, which is in line with MRCB’s rationalisation exercise proposed under the Corporate Proposals. MRCB is currently involved in a diverse range of businesses covering media, property, power, engineering and construction which are not necessarily complementary and synergistic to the Group as a whole. In order to rationalise the Group, MRCB proposes to refocus into engineering, construction and property activities by divesting non-core assets/activities and transfer its interests in the integrated media and print business to a newly incorporated company, which shall hold The New Straits Times Press (M) Berhad (“NSTP”) and TV3 upon the completion of the Corporate Proposals.

As per Sepang Power’s audited accounts for the financial year ended 31 August 2001, some preliminary work has started on the power plant in that site preparation work had commenced and work on the design, engineering and manufacturing of overhead transmission towers had also commenced. Sepang Power has incurred liabilities of approximately RM241 million in terms of bank borrowings and amount owing to creditors, mainly to finance the preliminary work and payment of deposits to contractors for the initial milestone payment under the Interconnection facilities contract and the reservation fee for the turbines under the main Engineering, Procurement and Construction contract for the power plant. The percentage of completion of the work is not quantifiable given that only preliminary work have been done. MRCB estimates that the cost to complete the construction and development of the power plant, requires approximately RM2 billion of funding. Proceeding with the project will not benefit MRCB Group as the project will be a financial burden to MRCB due to the high project financing cost and the fact that the project is only expected to generate positive earnings until much later in its operating years. The power plant can be completed within two (2) years of signing the PPA.

Furthermore, there is significant risk that MRCB will not be able to realise the potential future returns from Sepang Power if the Proposed Disposal is not completed. The risk arises mainly due to the uncertainty *vis a vis* agreeing to the terms of the PPA and signing of the PPA, securing project financing and completing the construction of the power plant given the delays suffered to date due to the PPA not being signed as yet between Sepang Power and TNB. This is notwithstanding that the award of the project by EPU to Sepang Power was made on 9 March 2001.

As such, taking into consideration of the above, the Proposed Disposal allows MRCB to exit entirely from the project. The project can then be undertaken under the helm of TNB, which is in a better financial position to proceed with the said project. Further, the Proposed Disposal allows TNB greater flexibility to shape its power plant strategy to match the expected load demand in the country and avoid a situation of excess capacity.

Based on the above, we are of the opinion that the rationale of the Proposed Disposal is fair and reasonable taking into consideration MRCB Group’s present financial situation and the Group’s future plans.

6.2 Sale consideration for the Proposed Disposal

The disposal consideration for the Sale Shares of RM115,000,000 was arrived at on a willing-buyer-willing-seller basis after taking into consideration the latest unaudited NTA of Sepang Power as at 31 October 2001 amounting to negative RM38.0 million and expected future earnings.

Based on the audited accounts as at 31 August 2001, Sepang Power had a negative NTA of RM37.8 million and losses for the year then ended of RM38.8 million.

Sepang Power has yet to generate any profits because the power station has not commenced operations. Sepang Power has incurred liabilities of approximately RM241 in terms of bank borrowings and amount owing to creditors mainly to finance the preliminary works on the construction of the power plant and deposits to contractors.

The disposal consideration of RM115,000,000 represents a premium of RM152,800,000 over Sepang Power's net tangible liabilities of RM37.8 million as at 31 August 2001.

Further, the disposal consideration of RM115,000,000 is significant compared to the cost of investment of MRCB of RM700,000 in Sepang Power.

The disposal consideration has been agreed on a willing buyer willing seller basis and takes into account the expected future earnings of Sepang Power. As highlighted in Section 9.1 of Part A of this Circular, there is significant risk that MRCB will not realise the expected future returns from Sepang Power if the Proposed Disposal is not completed. The risk arises mainly due to the uncertainty *vis a vis* agreeing to the terms of the PPA and signing of the PPA, securing project financing and completing the construction of the power plant given the delays suffered to date. It should be noted that MRCB does not have the financial capability to proceed with the project. Hence, in order to complete the project, MRCB and Sepang Power will have to rely on high bank borrowings, which will be a burden to MRCB's existing financial position.

However, by disposing Sepang Power to TNB, TNB will have the flexibility to shape its power plant strategy to match the expected load demand in the country and avoid a situation of excess capacity.

As such, the disposal consideration of the Proposed Disposal is considered to be fair and reasonable to MRCB.

6.3. FINANCIAL EFFECTS

The effects of the Proposed Disposal on the share capital, shareholding of substantial shareholders, shareholding structure, NTA and earnings are as follows:-

6.3.1 Share Capital

The Proposed Disposal will not have any effect on the issued and paid-up share capital of MRCB as the consideration for the Proposed Disposal will be wholly settled in cash.

6.3.2 Substantial Shareholders

The Proposed Disposal will not have any effect on the shareholdings of the major shareholders of the Company as the consideration for the Proposed Disposal will be wholly settled in cash.

6.3.3 Shareholding Structure

The Proposed Disposal will not have any effect on the shareholding structure of the Company as the consideration for the Proposed Disposal will be wholly settled in cash.

6.3.4 NTA

Based on the audited consolidated balance sheet of the MRCB as at 31 August 2001, the proforma effects of the Proposed Disposal and Compensation Amount on the NTA are as follows :-

	As at 31 August 2001 (RM'000)	After Proposed Disposal (RM'000)	After proposed receipt of Compensation Amount (RM'000)
Share capital	976,550	976,550	976,550
Share Premium	1,008,463	1,008,463	1,008,463
Other Reserves	86,973	86,973	86,973
Accumulated losses	(1,598,872)	*(1,446,034)	** (1,410,034)
Shareholders' equity	473,114	625,952	661,952
Less :			
Project development expenditure	(8,549)	-	-
Goodwill on consolidation	(8,944)	(8,944)	(8,944)
Group's share of intangible assets	(271,975)	(271,975)	(271,975)
Premium on acquisition	(133,179)	(133,179)	(133,179)
NTA	50,467	211,854	247,854
No. of shares in issue ('000)	976,550	976,550	976,550
NTA per share (RM)	0.05	0.22	0.25

* estimated exceptional gain of RM152.8 million from the Proposed Disposal

** estimated exceptional profit of RM36 million from the Compensation Amount. The Compensation Amount does not form part of the consideration for the Proposed Disposal.

Based on the above evaluation, the consolidated NTA per share of MRCB will improve from RM0.05 per share to RM0.22 per share after the Proposed Disposal.

The Proposed Disposal will also result in TNB paying to MRCB a Compensation Amount of RM66,996,000 for work done to date, termination costs and the release of Sepang Power of all its obligations with MRCB and its subsidiaries. The Compensation Amount is expected to further improve the consolidated NTA of MRCB from RM0.22 per share after the Proposed Disposal to RM0.25 per share.

6.3.5 Earnings

Upon completion of the Proposed Disposal, MRCB is expected to realise an exceptional gain on disposal of approximately RM152.8 million and a further profit of RM36.0 million from the Compensation Amount. On an overall basis, on the assumption that the Proposed Disposal will be completed by 31 August 2002, the net EPS of the Company as well as the MRCB Group for the financial year ending 31 August 2002 is expected to improve by approximately 19.3 sen, after taking into account the estimated exceptional gain arising from the Proposed Disposal of approximately RM152.8 million and profit of RM36.0 million from the Compensation Amount, based on its existing issued and paid-up share capital of 976,549,499 of RM1.00 each as at 31 August 2001, as follows:-

Estimated Gain from the Proposed Disposal (RM'million)	152.8
Estimated Profit from the Compensation Amount (RM'million)	36.0
Total Estimated Gain (RM'million)	<u>188.8</u>
No. of shares in issue (million)	976.5
Net EPS (sen)	19.3

7. CONCLUSION

In considering the Proposed Disposal, we have evaluated the following pertinent areas as follows:

- ***Rationale for the Proposed Disposal***

The Proposed Disposal aims to address three main areas:-

- The Proposed Disposal will provide an additional repayment source to the MRCB lenders which coincides with MRCB Group's proposed debt restructuring exercise as announced on 8 October 2001, whereby MRCB proposes to restructure and settle its debts owing to certain scheme creditors via a scheme of arrangement involving issuance of private debt securities and divestment of its non-core assets/ businesses. The Proposed Disposal forms part of the divestment programme, the proceeds of which totaling RM115,000,000 is proposed to be utilised for working capital purposes of MRCB, investments and repayment of borrowings of the MRCB Group. However, the Board has not determined the breakdown of the utilisation of proceeds at this point in time;
- MRCB proposes to refocus into engineering, construction and property activities, and to divest its non-core assets/businesses as well as transfer its interests in the integrated media and print business to a newly incorporated company. The Proposed Disposal will be in line with MRCB's rationalisation exercise; and
- Furthermore, there is significant risk that MRCB will not be able to realise the expected future returns from Sepang Power if the Proposed Disposal is not completed. Hence, the Proposed Disposal allows MRCB to exit entirely from the project, to be undertaken under the helm of TNB, which is in a better financial position to proceed with the said project. Further, the Proposed Disposal allows TNB greater flexibility to shape its power plant strategy to match the expected load demand in the country and avoid a situation of excess capacity.

- ***Sale consideration of the Proposed Disposal***

The disposal consideration of RM115,000,000 represents a premium of RM152,800,000 over Sepang Power's net tangible liabilities of RM37.8 million as at 31 August 2001.

The disposal consideration also takes into account the expected future earnings of Sepang Power. Sepang Power has yet to generate any profits because the power station has not commenced operations. Further, in the event the Proposed Disposal is not completed, there is significant risk that MRCB will not realise the expected future returns from Sepang Power. The risk arises mainly due to the uncertainty *vis a vis* agreeing to the terms of the PPA and signing of the PPA, securing project financing and completing the construction of the power plant given the delays suffered to date, due to the PPA not being signed as yet between Sepang Power and TNB. This is notwithstanding that the award of the project by EPU to Sepang Power was made on 9 March 2001.

Further, the disposal consideration of RM115,000,000 is significant compared to the cost of investment of MRCB of RM700,000 in Sepang Power.

Based on the above, the sale consideration of RM115,000,000 for the Proposed Disposal is fair and reasonable.

- ***Financial effects of the Proposed Disposal on MRCB Group***

The Proposed Disposal is expected to improve the consolidated NTA per share of MRCB from RM0.05 per share as at 31 August 2001 to RM0.22 per share. The improvement in MRCB's consolidated NTA is due to the exceptional gain of RM152.8 million from the Proposed Disposal.

The Proposed Disposal will also result in TNB paying to MRCB a Compensation Amount of RM66,996,000 being for work done, termination costs and the release of Sepang Power of all its obligations with MRCB and its subsidiaries. Taking into consideration of the receipt of the Compensation Amount, the consolidated NTA of MRCB is expected to improve by RM0.03 per share from RM0.22 per share after the Proposed Disposal to RM0.25 per share.

Meanwhile, on the assumption that the Proposed Disposal will be completed by 31 August 2002, the net EPS of the Company as well as the MRCB Group for the financial year ending 31 August 2002 is expected to improve by approximately 19.3 sen, after taking into account the estimated exceptional gain arising from the Proposed Disposal of approximately RM152.8 million and profit of RM36.0 million from the Compensation Amount, based on its existing issued and paid-up share capital of 976,549,499 of RM1.00 each as at 31 August 2001.

Based on our evaluation and review on the abovesaid areas, we are of the opinion that the terms of the Proposed Disposal are fair and reasonable and the Proposed Disposal is in the interest of the Company and its shareholders as a whole. Therefore, we are of the view that the Proposed Disposal is not detrimental to the minority shareholders of MRCB. Accordingly, we would recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM of MRCB.

Yours faithfully
For and on behalf of
ALLIANCE MERCHANT BANK BERHAD

T. JEYARATNAM
Chief Executive Director

SOON DEE HWEE
Director
Corporate Finance

APPENDIX I - INFORMATION ON SEPANG POWER SDN BHD

1. HISTORY AND BUSINESS

Sepang Power was incorporated in Malaysia on 17 February 1982 as a private limited company under the name Resource Credit And Leasing Sdn Bhd. The authorised share capital of Sepang Power is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each, of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The principal activity of Sepang Power is power generating. Currently, Sepang Power is at its pre-operating stage. Sepang Power had awarded the main EPC contract of the power plant to Siemens AG and Siemens Power Generation Asia Pacific Sdn Bhd. Preliminary work has been performed at the designated power plant site at Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor and Sepang Power is at the final stages of negotiations with all its main contractors e.g. EPC contractor, interconnection facilities, operations and maintenance, civil contractors, lead project financier and professional advisers. All work on the development of the power plant, which encompasses site work, manufacturing of components, engineering work and securing of financing has been suspended pending the signing of the PPA.

2. SHARE CAPITAL

The authorised and issued and paid-up share capital of Sepang Power as at 28 February 2002 are as follows:-

	No. of ordinary shares	Par value RM	Amount RM
Authorised share capital	2,000,000	1.00	2,000,000
Issued and fully paid-up	1,000,000	1.00	1,000,000

Details of the changes in the issued and paid-up share capital of Sepang Power since the date of incorporation are as follows:-

Date of change	No. of shares allotted	Par value RM	Consideration	Total issued and paid-up share capital RM
17.02.1982	3	1.00	Cash	3
23.06.2000	499,997	1.00	Cash	500,000
28.11.2000	500,000	1.00	Cash	1,000,000

3. MAJOR SHAREHOLDERS

The major shareholders of Sepang Power (holding 5% or more) as at 28 February 2002 (being the latest practicable date prior to the printing of this Circular) are as follows :-

Name of Shareholders	Direct	No. of shares		%
		%	Indirect	
MRCB	700,000	70	-	-
KDEB	300,000	30	-	-

4. **BOARD OF DIRECTORS AND THEIR SHAREHOLDINGS**

Name	Nationality	Direct	No. of Shares		
			%	Indirect	%
Y.Bhg. Datuk Zahari Omar	Malaysian	-	-	-	-
Y.Bhg. Dato' Zabir Bajuri	Malaysian	-	-	-	-
Y.Bhg. Datin Paduka Juma'ah Moktar	Malaysian	-	-	-	-
Y.Bhg. Dato' Ir. Ibrahim Abu Bakar	Malaysian	-	-	-	-

5. **SUBSIDIARIES AND ASSOCIATED COMPANIES**

Sepang Power does not have any subsidiary or associated companies.

6. **PROFIT AND DIVIDEND RECORD**

The profit and dividend record of Sepang Power based on the audited accounts for the past five(5) financial years ended 31 August 2001 are as follows :-

	<-----Financial year ended 31 August----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Turnover	-	-	-	-	-
Loss before exceptional items	(1)	(1)	(1)	(1)	(3,228)
Exceptional items	-	-	-	-	(35,602)
Loss before taxation	(1)	(1)	(1)	(1)	(38,830)
Taxation	-	-	-	-	-
Loss after taxation	(1)	(1)	(1)	(1)	(38,830)
No. of shares in issue	3	3	3	500,000	1,000,000
Net EPS (RM)	-	-	-	-	(38.8)
Gross dividend (sen)	-	-	-	-	-

Note:

- Sepang Power was only awarded the power plant project in January 2000. Sepang Power was therefore dormant for the 3 years ended 31 August 1999.*
- In the year ended 31 August 2000, the share capital was increased to RM500,000. However, no significant expenditure was incurred.*
- The losses for the year 31 August 2001 includes an exceptional loss of RM35.6 million related to the cost of a foreign exchange call option which lapsed during the year. The call option was not exercised due to the delays suffered by the project. The call option was entered into to hedge the foreign exchange exposure arising from the costs denominated in Euro relating to the EPC contract from Siemens AG and Siemens Power Generation Asia Pacific Sdn Bhd, details of which are set out in Section 1 of this Appendix. The losses also include administrative and pre-operating costs which could not be capitalised as part of project development costs.*
- There were no extraordinary items for the past five (5) financial years ended 31 August 2001.*



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(AF 1146)
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REPORT OF THE AUDITORS TO THE MEMBERS OF
SEPANG POWER SDN. BHD.
(Company No. 81237 D)

We have audited the financial statements set out on pages 9 to 19. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Company as at 31 August 2001 and of the results and cash flows of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

REPORT OF THE AUDITORS TO THE MEMBERS OF
SEPANG POWER SDN. BHD. (CONTINUED)

(Company No. 81237 D)

Without qualifying our opinion, we draw attention to Note 2 in the financial statements. The Company incurred a loss after taxation of RM38,830,071 during the financial year ended 31 August 2001. At that date, the Company's current liabilities exceeded its current assets by RM169,177,115 and its shareholders' funds were in deficit of RM37,838,310. The appropriateness of preparing the financial statements on the going concern basis is dependent on the continuing financial support from its holding company as disclosed in Note 17 to the financial statements, both existing and new shareholders, creditors, bankers and on it attaining cash inflows to sustain its operations.



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Public Accountants



DATO' GUMURI BIN HUSSAIN
(No. 892/04/02 (J))
Partner of the firm

Kuala Lumpur
31 December 2001

Company No.

81237

D

SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2001

	<u>Note</u>	<u>2001</u> RM	<u>2000</u> RM
Revenue	4	-	-
Selling and distribution expenses		(15,404)	-
Administrative expenses		(458,523)	(994)
Other operating expenses (including loss on hedging contract of RM35,602,200 (2000: RM nil))		<u>(35,946,741)</u>	<u>-</u>
Loss from operation	5	(36,420,668)	(994)
Finance cost			
- Interest expense		<u>(2,409,403)</u>	<u>-</u>
Loss before taxation		(38,830,071)	(994)
Taxation	6	<u>-</u>	<u>-</u>
Net loss attributable to shareholders		<u>(38,830,071)</u>	<u>(994)</u>

The note on pages 13 to 19 form an integral part of these financial statements.

SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

BALANCE SHEET AS AT 31 AUGUST 2001

	<u>Note</u>	<u>2001</u> RM	<u>2000</u> RM
NON CURRENT ASSETS			
Property, plant and equipment	7	124,878,723	-
Project development expenditure	8	10,313,987	1,673,814
		<u>135,192,710</u>	<u>1,673,814</u>
CURRENT ASSETS			
Deposits		67,963,000	18,247,000
Cash and bank balances		149,033	16,434
		<u>68,112,033</u>	<u>18,263,434</u>
CURRENT LIABILITIES			
Trade payables		4,460,743	-
Property, plant and equipment supplier		46,800,000	-
Other payables		57,863	-
Trade accruals		9,079,259	132,156
Amounts due to fellow subsidiaries	9	12,985,555	-
Amounts due to related parties	10	69,192	-
Short term borrowing - secured	11	163,836,536	17,000,000
		<u>237,289,148</u>	<u>17,132,156</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(169,177,115)</u>	<u>1,131,278</u>
NON CURRENT LIABILITY			
Amount due to holding company	12	3,853,905	2,313,331
		<u>(37,838,310)</u>	<u>491,761</u>
CAPITAL AND RESERVE			
Share capital		1,000,000	500,000
Accumulated losses		(38,838,310)	(8,239)
		<u>(37,838,310)</u>	<u>491,761</u>

The note on pages 13 to 19 form an integral part of these financial statements.

Company No.

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SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2001

	Issued and fully paid ordinary shares of RM1.00 each		Accumulated losses RM	Total RM
	Number of shares	Nominal value RM		
At 1 September 1999	3	3	(7,245)	(7,242)
Issued during the year	499,997	499,997	-	499,997
Net loss for the financial year	-	-	(994)	(994)
At 31 August 2000	500,000	500,000	(8,239)	491,761
Issued during the year	500,000	500,000	-	500,000
Net loss for the financial year	-	-	(38,830,071)	(38,830,071)
At 31 August 2001	1,000,000	1,000,000	(38,838,310)	(37,838,310)

The note on pages 13 to 19 form an integral part of these financial statements.

SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2001

	<u>2001</u> RM	<u>2000</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(38,830,071)	(994)
Adjustment for:		
Interest expense	2,409,403	-
Depreciation of property, plant and equipment	118,624	-
	<u>(36,302,044)</u>	<u>(994)</u>
Changes in working capital:		
Increase in project development expenditure	(6,631,570)	(1,673,814)
Increase in amounts due to fellow subsidiaries	12,985,555	-
Increase in amounts due to related parties	69,192	-
Increase in deposits	(49,716,000)	(18,247,000)
Increase in trade, other payables and accruals	8,519,192	131,484
Increase in amount due to holding company	1,540,574	2,306,761
Net cash absorbed by operations	<u>(69,535,101)</u>	<u>(17,483,563)</u>
Interest paid	(4,418,006)	-
Net cash outflow from operating activities	<u>(73,953,107)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(68,508,244)	-
Interest paid	(4,742,586)	-
Net cash outflow from Investing activities	<u>(73,250,830)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	500,000	499,997
Proceeds from short term borrowings	163,836,536	17,000,000
Repayment of short term borrowings	(17,000,000)	-
Net cash inflow from financing activities	<u>147,336,536</u>	<u>17,499,997</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	132,599	16,434
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	16,434	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	<u>149,033</u>	<u>16,434</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>149,033</u>	<u>16,434</u>

The note on pages 13 to 19 form an integral part of these financial statements.

Company No.

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SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2001

1 GENERAL INFORMATION

The principal activities of the Company are to develop a 480 MW new open cycle gas turbine electricity facility to be subsequently converted into a 710 MW combined cycle gas turbine electricity generating facility in the district of Kuala Langat. There has been no significant change in this activity during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The address of the principal place of business of the Company is as follows:

Aras 2, Menara MRCB
No. 2, Jalan Majlis 14/10
Seksyen 14
40000 Shah Alam
Selangor Darul Ehsan

The number of employees at the end of the financial year amounted to 9 (2000: Nil).

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies as stated in Note 3 to the financial statements.

The financial statement comply with the applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

The Company incurred a loss after taxation of RM38,830,071 during the financial year ended 31 August 2001. At that date, the Company's current liabilities exceeded its current assets by RM169,177,115 and its shareholders' funds were in deficit of RM37,838,310. The appropriateness of preparing the financial statements on the going concern basis is dependent on the continuing financial support from its holding company as disclosed in Note 17 to the financial statements, both the existing and new shareholders, creditors, bankers and on it attaining cash inflows to sustain its operations.

As the Directors are of the opinion that the financial support will be provided by the new shareholder following the disposal by the holding company of its entire interest in the Company, it is therefore, appropriate for the financial statements to be prepared on the going concern basis.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2001 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for construction-in-progress which is not depreciated. Property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives at the following annual rates:

Computers	25%
Office equipment	20%
Furniture and fittings	10%
Office renovations	33 1/3%

Depreciation on assets under construction commences when the assets are ready for their intended use.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use.

(b) Project development expenditure

Project development expenditure of an identification, initiation or developmental nature incurred on projects is deferred to future periods. Ultimate recovery of such expenditure is dependent on successful implementation of the project. Should the project be abandoned or considered to be of no value, the accumulated expenditure applicable to such a project is charged as expense in the income statement in the financial year in which such a decision is made.

(c) Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end. Bad debts are written off during the financial year in which they are identified.

(d) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet are converted in Ringgit Malaysia at the rates of exchange ruling on that date. Exchange differences arising from the settlement of foreign currency transactions and from translation of foreign currency monetary assets and liabilities are included in the income statements.

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SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2001 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies (Continued)

The principal closing rates used in translation of foreign currency amounts are as follows:

<u>Foreign currency</u>	<u>31.8.2001</u> RM	<u>31.8.2000</u> RM
1 US Dollar	3.80	3.80
1 Euro	3.41	3.36

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits and bank overdrafts.

(f) Deferred taxation

Deferred taxation is provided for using the liability method in respect of all material timing differences between accounting income and taxable income. Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation.

4 REVENUE

The Company did not derive any revenue during the financial year.

5 LOSS BEFORE TAXATION

	<u>2001</u> RM	<u>2000</u> RM
Loss before taxation is arrived at after charging:		
Auditors' remuneration	5,000	320
Depreciation of property, plant and equipment	118,624	-
Staff cost	362,590	-
Rental of premises	151,860	-
Rental of motor vehicle	16,498	-
Rental of office equipment	14,198	-
	<u>668,770</u>	<u>320</u>

6 TAXATION

There is no tax charge for the current financial year as the Company does not have any chargeable income.

Subject to agreement by the Inland Revenue Board, the amount of unutilised tax losses for which the related tax credit has not been recognised in the financial statements amounted to RM38,706,000 (2000: RM1,000).

SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2001 (CONTINUED)

7 PROPERTY, PLANT AND EQUIPMENT

	<u>Computers</u> RM	<u>Office equipment</u> RM	<u>Furniture and fittings</u> RM	<u>Office renovations</u> RM	<u>Construction -in-progress</u> RM	<u>Total</u> RM
<u>2001</u>						
<u>Cost</u>						
As at 1.9.2000	-	-	-	-	-	-
Additions	76,540	14,770	68,597	301,857	124,535,583	124,997,347
As at 31.8.2001	76,540	14,770	68,597	301,857	124,535,583	124,997,347
<u>Accumulated depreciation</u>						
As at 1.9.2000	-	-	-	-	-	-
Charge for the financial year	13,401	1,942	3,430	99,851	-	118,624
As at 31.8.2001	13,401	1,942	3,430	99,851	-	118,624
Net book value as at 31.8.2001	63,139	12,828	65,167	202,006	124,535,583	124,878,723

Interest expense on borrowings directly related to property, plant and equipment that has been capitalised within additions of the Company during the year amounted to RM9,689,103 (2000: RM nil).

8 PROJECT DEVELOPMENT EXPENDITURE

	<u>2001</u> RM	<u>2000</u> RM
Project development expenditure, at cost	10,313,987	1,673,814
Included in project development expenditure are the following charges made during the financial year:		
Interest capitalised	2,008,603	131,820
Management fees payable to a fellow subsidiary	1,771,429	-

SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2001 (CONTINUED)

9 AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

10 AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

11 SHORT TERM BORROWING - SECURED

The short term borrowing carried interest at the rate of 9.5% (2000: 4.3%) per annum is secured by way of:

- (i) a debenture on all fixed and floating assets of the Company, both present and future;
- (ii) an assignment of project site owned or leased by the Company; and
- (iii) an assignment of insurance.

12 AMOUNT DUE TO HOLDING COMPANY

The Company is a wholly owned subsidiary company of Malaysian Resources Corporation Berhad, a company incorporated in Malaysia, which is also regarded by the Directors as the ultimate holding company.

The amount due to holding company is unsecured and interest free. The holding company has given an undertaking that the amount due to them by the Company will not be recalled, in part or in full, for the period of the earlier of twelve months from the balance sheet date or the period from 1 September 2001 to the date that the holding company ceases its control over the Company in view of the disposal by the holding company of its entire interest in the Company as disclosed in Note 20 to the financial statements.

13 SHARE CAPITAL

	<u>2001</u> RM	<u>2000</u> RM
Authorised:		
2,000,000 ordinary shares of RM1.00 each	<u>2,000,000</u>	<u>2,000,000</u>

SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2001 (CONTINUED)

14 SIGNIFICANT RELATED PARTY DISCLOSURES

In the normal course of business, the Company undertakes on agreed terms and prices a variety of transactions with its fellow subsidiaries and other companies deemed related by virtue of being members of Malaysia Resources Corporation Berhad Group of companies. The Malaysia Resources Corporation Berhad Group of companies, with whom the Company transact with, include the following companies:

MRCB Selborn Sdn Bhd	Fellow subsidiary
MRCB Project Management Sdn Bhd	Fellow subsidiary
Transmission Technology Sdn Bhd	Fellow subsidiary
MRCB Construction Sdn Bhd	Fellow subsidiary
The New Strait Times Press (Malaysia) Bhd	Associated company of holding company
Berita information System Sdn Bhd	Associated company of holding company

Significant related party transactions

	<u>2001</u> RM
Rental of premises to:	
- MRCB Selborn Sdn Bhd	151,860
Purchase of services from:	
- MRCB Construction Sdn Bhd	261,394
- MRCB Project Management Sdn Bhd	1,771,429
- The New Straits Times Press (Malaysia) Bhd	3,532
Purchase of goods from:	
- Transmission Technology Sdn Bhd	2,000,000
- Berita Information System Sdn Bhd	65,660

15 CAPITAL COMMITMENTS

Capital expenditure not provided for the financial statements are as follows:

	<u>2001</u> RM	<u>2000</u> RM
Property, plant and equipment:		
- Authorised and contracted	1,377,260,531	-
- Authorised but not contracted	16,200,000	-
	<u>1,393,460,531</u>	<u>-</u>

Company No.	
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SEPANG POWER SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 AUGUST 2001 (CONTINUED)

16 CONTINGENT LIABILITIES (UNSECURED)

At 31 August 2001, the Company had contingent liabilities in respect of escalation cost on the Engineering, Procurement and Construction ('EPC') contract as disclosed in Note 18(b) to the financial statements amounting to RM19,163,000 (2000: RM nil). It is anticipated that the escalation cost will only crystallise upon the issuance of Authorisation to Proceed ('AP'). The AP is yet to be issued as at 31 August 2001.

17 FINANCIAL SUPPORT

The Company has obtained financial support from Malaysian Resources Corporation Berhad, the holding company, to meet all its liabilities due within the period of the earlier of twelve months period from the balance sheet date or the period from 1 September 2001 to the date that the holding company ceases its control over the Company in view of the disposal by the holding company of its entire interest in the Company as disclosed in Note 20 to the financial statements.

18 COMPARATIVES

Comparative figures have been adjusted or extended to conform with the additional disclosure requirements of the 9 new MASB Standards i.e. MASB 8 to MASB 16, that are applicable for the financial year ended 31 August 2001 except for comparative information in respect of MASB 8, related party disclosures since this is the first reporting year which the Company applies MASB 8.

19 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR.

- (a) On 21 September 2000, the Company's request for the extension of the standby letter of facility of RM17,000,000 from 26 September 2000 to 31 December 2000 was approved by the banker.
- (b) On 6 October 2000, the Company entered into an EPC contract with Siemens AG and Siemens Power Generation Asia Pacific Sdn Bhd for a new RM2 billion 710 MW combined cycle gas turbine power plant in Kuala Langat, Selangor Darul Ehsan.
- (c) On 18 October 2000, the Company entered into a Sale and Purchase of Land Agreement to acquire a parcel of land at district of Kuala Langat from Kumpulan Perangsang Selangor Berhad for a total purchase price of RM29 million.

20 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) On 23 November 2001, the Company's holding company, Malaysian Resources Corporation Berhad, entered into a Sale and Purchase Agreement with Tenaga Nasional Berhad for the disposal of its entire 70% equity interest in the Company for a cash consideration of RM115.0 million. The disposal is subject to the relevant approvals.



The Board of Directors
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25 March 2002

PwC/OCC/ra/0776J

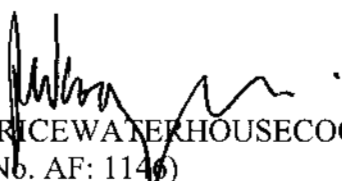
**MALAYSIAN RESOURCES CORPORATION BERHAD
PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2001**

Dear Sirs,

We have reviewed the Proforma Consolidated Balance Sheet of Malaysian Resources Corporation Berhad ('MRCB') as at 31 August 2001 together with the notes thereto, for which the Directors of MRCB are solely responsible, as set out in the circular to shareholders in relation to the proposed disposal of MRCB's entire 70% equity interest in Sepang Power Sdn Bhd.

Based on the results of our review, we confirm that the Proforma Consolidated Balance Sheet of MRCB as at 31 August 2001, which are provided for illustrative purposes only, have been properly compiled on the bases set out in the notes to the Proforma Consolidated Balance Sheet.

Yours faithfully,



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MALAYSIAN RESOURCES CORPORATION BERHAD

PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2001

Proforma

	As at 31.8.2001 (audited) RM'000	I After proposed disposal of Sepang Power RM'000	II After proposed receipt of compensation amount RM'000
Intangible assets	8,549	-	-
Goodwill on consolidation	8,944	8,944	8,944
Property, plant and equipment	218,107	93,228	93,228
Investment properties	223,434	223,434	223,434
Development properties	738,188	738,188	738,188
Interests in associated companies	682,186	682,186	682,186
Other investments	1,297	1,297	1,297
Current assets			
Development properties	233,900	233,900	233,900
Inventories	11,749	11,749	11,749
Trade and other receivables	520,507	467,618	450,622
Short term investment	290	290	290
Bank balances and deposits	334,689	449,540	516,536
	1,101,135	1,163,097	1,213,097
Current liabilities			
Trade and other payables	(536,354)	(475,887)	(475,887)
Short term borrowings	(831,052)	(667,215)	(667,215)
Taxation	(27,046)	(27,046)	(41,046)
	(1,394,452)	(1,170,148)	(1,184,148)
Net current assets/ (liabilities)	(293,317)	(7,051)	28,949

MALAYSIAN RESOURCES CORPORATION BERHAD

PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2001 (CONTINUED)

Proforma

	As at 31.8.2001 (audited) RM'000	I After proposed disposal of Sepang Power RM'000	II After proposed receipt of compensation amount RM'000
Long term borrowings	(989,902)	(989,902)	(989,902)
Deferred taxation	19,159	19,159	19,159
Other long term liabilities	(32,685)	(32,685)	(32,685)
	<u>583,960</u>	<u>736,798</u>	<u>772,798</u>
Share capital	976,550	976,550	976,550
Share premium	1,008,463	1,008,463	1,008,463
Other reserves	86,973	86,973	86,973
Accumulated losses	(1,598,872)	(1,446,034)	(1,410,034)
Shareholders' fund	<u>473,114</u>	<u>625,952</u>	<u>661,952</u>
Minority interest	110,846	110,846	110,846
	<u>583,960</u>	<u>736,798</u>	<u>772,798</u>
NTA	50,467	211,854	247,854
NTA per share (RM)	0.05	0.22	0.25

MALAYSIAN RESOURCES CORPORATION BERHAD

PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2001 (CONTINUED)

1 Basis of preparation

- 1.1 The consolidated balance sheet of Malaysian Resources Corporation Berhad ('MRCB') is extracted from the audited consolidated financial statements of MRCB as at 31 August 2001.
- 1.2 The Proforma Consolidated Balance Sheets incorporate on a proforma basis the proposed disposal of Sepang Power Sdn Bhd ('Sepang Power') as though they were effected as at 31 August 2001. The Proforma Consolidated Balance Sheets are prepared in accordance with the applicable approved accounting standards in Malaysia as at 31 August 2001 and have been prepared on accounting principles and bases consistent with those previously adopted in the financial statements for the year ended 31 August 2001.

Proforma I

- 1.3 Proforma I incorporates the effects of the proposed disposal of 70% equity interest, comprising 700,000 ordinary shares of RM1.00 each in Sepang Power to Tenaga Nasional Berhad ('TNB') for a consideration of RM115.0 million to be satisfied wholly by cash.

Proforma II

- 1.4 Proforma II incorporates the effects of Proforma I and the proposed receipt of compensation amount of RM67 million to be satisfied wholly by cash from TNB for work done, termination costs and the release of all Sepang Power's obligation with MRCB and its subsidiaries.

2 Movement of reserves

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Accumulated losses</u> RM'000	<u>Other reserves</u> RM'000
Audited consolidated balance sheet as at 31 August 2001	976,550	1,008,463	(1,598,872)	86,973
Proposed sale of Sepang Power	-	-	152,838	-
As shown in Proforma I	<u>976,550</u>	<u>1,008,463</u>	<u>(1,446,034)</u>	<u>86,973</u>
Proposed receipt of compensation amount	-	-	36,000	-
As shown in Proforma II	<u><u>976,550</u></u>	<u><u>1,008,463</u></u>	<u><u>(1,410,034)</u></u>	<u><u>86,973</u></u>

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1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable inquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION**2.1 MRCB Group**

MRCB and/or its subsidiaries are not engaged in any material litigation, claims and arbitration either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any facts likely to give rise to any proceeding which might materially affect the position or business of the Company and/or its subsidiaries save as disclosed below :-

1. KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D7-22-1600-2000 HEE CHOI & 2 ORS V MRCB

The plaintiffs being Hee Choi, Khoo Chee Ming and Khoo Chee Keong were the previous owners of 1,440,000 ordinary shares of Region Resources Sdn Bhd ("Region Resources"). By a Sale and Purchase Agreement dated 21 December 1998 ("Sale and Purchase Agreement"), MRCB acquired the said shares in Region Resources from the plaintiffs for the sum of RM1,656,000.00. In addition thereto, MRCB agreed to procure the release and discharge of the personal guarantees furnished by the plaintiffs to secure the borrowings of Region Resources.

By the abovementioned suit, the plaintiffs are seeking an order for the specific performance of the said Sale and Purchase Agreement, in that MRCB must obtain the release and discharge of the said personal guarantees furnished by the plaintiffs. As at the date of filing of the abovementioned suit, the borrowings of Region Resources guaranteed by the plaintiffs amounted to RM11,188,118.00. In its defence, MRCB is contending that it has discharged its obligations under the said Sale and Purchase Agreement. The matter is yet to be fixed for pre-trial case management.

The Directors of MRCB are of the opinion that there are reasonable grounds of defence in this claim made by the plaintiffs.

1A. KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D4-22-1638-01 SOUTHERN BANK BERHAD V REGION RESOURCES SDN BHD & 3 ORS

The plaintiff, Southern Bank Berhad, is claiming the sum of RM4,230,104.30 as at 22.8.01 together with interest at the rate of 24% per annum under a hire purchase agreement for several machinery entered into by Region Resources. The obligations under the said hire purchase agreement are guaranteed by the previous owners of Region Resources that is, Khoo Chee Kcong, Khoo Chee Ming and Hee Choi, who are the second, third and fourth defendants respectively in this suit. The defendants filed their defence on 2 January 2002.

In the meantime, the parties have agreed on the terms of settlement and Region Resources is expected to fully settle the sum claimed by instalments, the last of which is payable in June 2002.

1B. CLAIM BY MULPHA TRADING SDN BHD AGAINST REGION RESOURCES SDN BHD FOR THE SUM OF RM1,008,079.61

The claimant, Mulpha Trading Sdn Bhd ("MTSB"), served a winding up notice dated 30 January 2002 under section 218(1)(e) of the Companies Act 1965 on Region Resources on 31 January 2002, claiming the sum of RM1,008,079.61 for goods sold and delivered and services rendered.

Both parties have agreed in principle on terms of settlement by Region Resources and the settlement proposal is pending finalization.

2. KUALA LUMPUR HIGH COURT ORIGINATING SUMMONS NO. D1-24-294-2001 MRCB V JURANAS SDN BHD

Juranas Sdn Bhd ("Juranas") is claiming against MRCB the sum of RM6,000,000.00 alleged as agreed commission fees for the Skudai Army Camp Project. Juranas had issued a winding up notice dated 8 October 2001 pursuant to section 218(1)(e) of the Companies Act 1965 demanding such sum. MRCB is disputing the alleged claim by Juranas and had vide the abovementioned suit sought an injunction to prevent Juranas from presenting a winding up petition against MRCB.

The interim order for ex-parte injunction sought by MRCB was granted on 31 October 2001. At the last hearing of the suit on 19 November 2001, Juranas had given an undertaking to the High Court not to present any winding up petition against MRCB until the disposal of the suit. The matter was fixed for decision on 28 February 2002. The Court decided on 28 February 2002 to grant the injunction against Juranas presenting a winding up petition against MRCB.

The Directors of MRCB are of the opinion that there are reasonable grounds of defence in this matter.

3. CLAIMS BY JURANAS AGAINST MRCB GROUP FOR THE FURTHER SUM OF RM8,727,494.00

By a letter dated 16 July 2001, Juranas Sdn Bhd has indicated that it has further claims against the MRCB Group in the sum of RM8,727,494.00 comprising the following:-

- (i) a claim for the sum of RM745,427.50 as consultant's fees and reimbursables, and other compensation for loss of profits and damages for wrongful termination of services in relation to Seri-Ipoh Lumut Iskandar Expressway Sdn Bhd;
- (ii) a claim for the sum of RM157,966.50 as consultant's fees and reimbursables and other compensation for loss of profits and damages for wrongful termination of services in relation to Seri Iskandar Development Sdn Bhd; and
- (iii) a claim against MRCB for the sum RM7,824,100.00 as management fees and reimbursables and other compensation for loss of profits and damages for wrongful termination of services in relation to Kelantan Forest Replantation Project.

The Directors of MRCB are disputing the abovementioned claims and are of the opinion that there are reasonable grounds of defence.

4. HIGH COURT SHAH ALAM WRIT SUMMONS NO. MT5-22-846-2001 INXCEL PROPERTIES SDN BHD (FORMERLY KNOWN AS PERSADA WILAYAH SDN BHD) ("INXCEL") V MRCB

In this matter, MRCB has received a letter of demand dated 10 October 2001 from Inxcel claiming the sum of RM4,500,000.00 as damages for breach of contract. A Writ of Summons dated 10 November 2001 in respect of the claim was served on MRCB on

24 January 2002. MRCB entered appearance on 31 January 2002 and its defence was filed on 14 February 2002.

MRCB is disputing the claim and the Directors of MRCB are of the opinion that there are reasonable grounds of defence in this claim.

5. **KUALA LUMPUR HIGH COURT SUIT NO. D4(D6)-24-294-1992 MAFIRA HOLDINGS SDN BHD V ZEN CONCRETE INDUSTRIES SDN BHD & 2 ORS**

The plaintiff being Mafira Holdings Sdn Bhd ("Mafira") and the first defendant being Perak State Development Corporation ("PSDC") were the original shareholders of Zen Concrete Industries Sdn Bhd ("Zen Concrete"). Pursuant to a dispute pertaining to a joint venture agreement between them, Mafira obtained an injunction against *inter alia* Gopeng Berhad ("GB") restraining GB from acquiring the shares in Zen Concrete from PSDC pending settlement of all the disputes between Mafira and PSDC by way of arbitration. By an arbitral award made on 13 March 1995, the claims of Mafira were dismissed.

In this suit, GB has filed a claim for damages in the sum of RM996,953.71 together with interests and costs suffered as a result of the abovesaid interim injunction order. Mafira disputes such claim. GB's application for assessment of damages was fixed for hearing on 6 March 2002. After the hearing on 6 March 2002, the Court has fixed 23 April 2002 for decision.

The directors of MRCB are of the opinion that Mafira has a reasonable defence in the matter.

6. **SHAH ALAM HIGH COURT SUIT NO. MT4-22-240-2000 LEE CHEE THING V MRCB CONSTRUCTION SDN BHD (FORMERLY KNOWN AS SPKT BINAAN SDN BHD) & MOHD. ZAMRI MOHD YUSOFF**

In this matter, the plaintiff is a professional engineer as well as a developer of several development projects. He is also a director of a company known as Rich Annexe Sdn Bhd which is the developer of a 12-storey condominium known as "Mutiara Sentul". MRCB Construction Sdn Bhd ("MRCB Construction") is the main contractor for Mutiara Sentul. The second defendant, Mohd. Zamri Mohd Yusoff ("Zamri") is the senior manager of MRCB Construction.

The plaintiff is suing MRCB Construction and Zamri for defamation or libel based on the allegation that Zamri had written libelous statements in July 2000 in a letter addressed to the plaintiff which was published to other third persons. The plaintiff's claim is for the sum of RM2,000,000.00 in damages together with aggravated damages and costs. MRCB Construction has filed its defence and disputes the alleged claim on the basis of *inter alia* qualified privilege and justification.

Initially, MRCB Construction counterclaimed against the plaintiff the sum of RM2,845,196.51 as outstanding sums due for work done under interim building certificates for the said Mutiara Sentul project. MRCB Construction has since then obtained an order from the High Court on 15 October 2001 to withdraw such counterclaim from the abovementioned suit. MRCB Construction has made a claim under the said interim building certificates to arbitration for resolution.

The matter has yet to be fixed for trial, and the plaintiff's application for pre-trial case management which was filed on 29 November 2000 is still pending settlement. The Directors of MRCB are of the opinion that MRCB Construction has a reasonable defence against the claim and allegations made by the plaintiff.

7. **KUALA LUMPUR HIGH COURT WINDING UP NO. D2-28-680-2001 CHAN KAM SWEE CONSTRUCTION SDN BHD ("CKS CONSTRUCTION") V MRCB CONSTRUCTION**

CKS Construction had issued a winding up notice dated 7 March 2001 pursuant to section 218(1)(e) of the Companies Act 1965 against MRCB Construction in respect of the sum of RM1,262,953.24 being sums due and owing to them for earthworks carried out by them as MRCB Construction's subcontractor for the Precinct 10 Putrajaya project.

On 13 July 2001, CKS Construction presented a winding up petition against MRCB Construction in the High Court and served the same on MRCB Construction on 3 August 2001. The hearing date of this petition which was fixed for 11 October 2001 has now been adjourned to 28 March 2002. In the meantime, the case has been settled and both parties have executed a settlement agreement on 8 February 2002.

8. **CLAIM BY HT MALTEC CONSULTANTS SDN BHD AGAINST SERI IPOH-LUMUT EXPRESSWAY SDN BHD FOR THE SUM OF RM10,092,800.00**

By a letter of demand dated 2 August 2001, HT Maltec Consultants Sdn Bhd ("Maltec") has claimed against Seri Ipoh-Lumut Expressway Sdn Bhd ("Silex") the sum of RM10,092,080.00 owing by Silex to Maltec pursuant to a consultancy agreement dated 27 October 1999. Maltec has stated in the said letter of demand that it will refer the matter to arbitration in the event of non-payment of the said outstanding sum. Silex disputes any such liability pertaining to the said outstanding sum and the matter is now pending a referral to arbitration by Maltec.

The Directors of MRCB are of the opinion that there are reasonable grounds of defence in this matter.

9. **KUALA LUMPUR HIGH COURT (WINDING UP NO. D1-28-583-2000) RHB BANK BERHAD V ZAFRAN HOLDINGS SDN BHD, MRCB AS A SUPPORTING CREDITOR**

In this matter, MRCB agreed with 5 individuals, being Jamalluddin Mahmud, Mariam Abdul Aziz, Diba Jamalluddin Mahmud, Amir Jamalluddin Mahmud and Zaid Jamalluddin Mahmud for the purchase of 80% of the equity of Zafran Holdings Sdn Bhd ("Zafran Holdings") for the sum of RM1,539,353.50 on the condition that Zafran Holdings would acquire a land known as HS(D) 83713-83727, Mukim Ampang, Daerah Wilayah Persekutuan ("the Land"). MRCB made advances to Zafran Holdings for the purchase of the Land in the sum of RM2,889,873.50.

A petition to wind up Zafran Holdings was filed by RHB Bank Berhad on 11 July 2000. MRCB has filed a Notice of Intention to Appear in Support of the said Petition on 15 September 2000. At the last hearing for the winding-up petition filed by RHB Bank Berhad on 22 November 2001, the High Court postponed the hearing for such petition until further notice. MRCB has instructed its solicitors to institute an action against the abovenamed 5 individuals, pending the hearing of the said winding up petition, to claim the refund of the purchase consideration together with interest accruing in the sum of RM1,086,937.70 as at 26 April 2000. The sealed copy of the Writ of Summons was extracted from the Court on 21 February 2002 and is in the process of service on the defendants.

The Directors of MRCB are of the opinion that it has merit and a reasonable chance of success in its claim against the abovenamed 5 individuals. However, the directors of MRCB are unable to opine on the petition for winding up of Zafran Holdings filed by RHB Bank.

10. **KUALA LUMPUR HIGH COURT CIVIL SUIT NO. D7-22-1919-2000 MRCB V MOHD RAZI BIN SHAHADAK & 2 ORS**

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"). MRCB has filed a claim against them to recover the total sum of RM6,673,140.00 comprising as follows:-

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

MRCB filed an application for summary judgment against the defendants and the matter was fixed for mention on 27 December 2001. On the date of mention, MRCB sought to file an affidavit in reply and the Court granted the request. Since then, MRCB had withdrawn its application for summary judgement because there was in fact a triable issue. The Court has yet to fix a new date for hearing the case.

The Directors of MRCB are of the opinion that it has merit and a reasonable chance of success in its claim.

11. **SHAH ALAM HIGH COURT WINDING UP NO. 28-90-2001 MRCB V CSK VENTURES SDN BHD**

Vide a suit bearing number Kuala Lumpur High Court Civil Suit No. D3-22-3341-1998 filed by MRCB against CSK Ventures Sdn Bhd ("CSK"), MRCB sued CSK for breaching the conditions precedent under a Share Sale and Purchase Agreement made between them whereby MRCB was to acquire the shares in a company known as Galian Bersama Sdn Bhd. MRCB obtained an order for summary judgment against CSK for the sum of RM6,000,000.00 together with interest at the rate of 12% per annum from 2 June 1998.

MRCB issued a winding up notice under section 218(1)(e) of the Companies Act 1965 against CSK on 4 October 1999 for failure to settle the judgment sum. On 4 May 2001, MRCB presented a petition for the winding up of CSK to the High Court. The said petition for winding up of CSK was heard on 14 January 2002. However, MRCB has discovered that CSK was already wound up prior to the hearing of the petition. MRCB has therefore withdrawn its petition for winding up and is now proceeding to lodge a proof of debt with the Official Assignee.

The Directors of MRCB are of the opinion that it has merit and a reasonable chance of success in its claim.

12. **CLAIM BY MRCB CONSTRUCTION AGAINST RICH ANNEXE SDN BHD ("RICH ANNEXE) FOR THE SUM OF RM2,845,196.51**

Rich Annexe Sdn Bhd ("Rich Annexe") is the developer of a 12-storey condominium project known as Mutiara Sentul. MRCB Construction is its main contractor for the said project. MRCB Construction is claiming the sum of RM2,845,196.51 as outstanding due for work done pursuant to interim building certificates for the said project. MRCB Construction served a winding-up notice pursuant to section 218(1)(e) of the Companies Act 1965 on Rich Annexe on 21 November 2001. On 5 March 2002, the Court granted an injunction against MRCB Construction from filing a winding up petition against Rich Annexe.

The Directors of MRCB are of the opinion that it has merit and a reasonable chance of success in its claim.

13. **SHAH ALAM HIGH COURT WRIT SUMMONS NO. MT5-21-200-2001
MAJLIS BANDARAYA SHAH ALAM V MRCB SELBORN CORPORATION
SDN BHD**

Majlis Bandaraya Shah Alam ("MBSA") served a Writ of Summons dated 1 November 2001 on MRCB Selborn Corporation Sdn Bhd ("MSCSB") on 1 February 2002, claiming arrears of assessment tax totalling RM2,208,101.20 due and owing by MSCSB. Appearance was entered by MSCSB on 8 February 2002 and defence will be filed.

In the meantime, MSCSB is negotiating an amicable settlement of the claim with MBSA.

2.2 Sepang Power

Save as disclosed below, Sepang Power is not engaged in any material litigation, claims and arbitration either as plaintiff or defendant and the directors of Sepang Power are not aware of any proceedings pending or threatened against Sepang Power or of any facts likely to give rise to any proceedings which might materially affect the position or business of Sepang Power.

1. The BPIMB Loan has matured on 8 February 2002. Sepang Power has applied for an extension of the BPIMB Loan. The extension is under negotiation. If the extension is not granted, BPIMB can request repayment of the BPIMB Loan.

3. MATERIAL CONTRACTS

3.1 MRCB Group

Save as disclosed below, there are no material contracts, not being contracts entered into in the ordinary course of business which have been entered into by MRCB and/or its subsidiary companies within the two (2) years preceding the date of this Circular :-

1. Memorandum of Understanding dated 26 May 2000 between MRCB Property Development Sdn Bhd and (1) Suedy Suwendy (Passport No: A337056), (2) Suwendy (Passport No: A885321), (3) Iskandar Kadry bin Abdul Kadir (Passport No: 4890296-B), (4) Dewi Suwendy (Passport No: B008289), (5) Adil (Singaporean IC No: 2194842-B), (6) Rosaini binti Haji Abdul Latif (Passport No: 1296733-B), (7) Saw Kheng Hoe (Passport No: 5572223-B) (collectively called "the Vendors") for the proposed acquisition of the entire issued and paid up capital of Taman Ratu Sdn Bhd for the purchase price of up to RM30,000,000.00 in cash, subject to due diligence. Pursuant to the said MOU, the parties entered into a Sale and Purchase Agreement dated 2 January 2001 for the sale and purchase of 24,000,006 fully paid ordinary shares of RM1.00 each representing the Vendors' entire shareholding in Taman Ratu Sdn Bhd for a total purchase consideration of RM15.417 million payable in cash in five payments, the last of which is payable within 6 months of date of receipt by MRCB Property Development Sdn Bhd of the approval of the Foreign Investment Committee. The approval of the Foreign Investment Committee was obtained on 27 April 2001. However, MRCB Property Development Sdn Bhd rescinded the said Sale and Purchase Agreement on 14 March 2002 and is seeking a refund of approximately RM6.0 million paid to the Vendors because the Vendors failed to fulfill some of the conditions precedent set out in the said Sale and Purchase Agreement.

2. A Share Sale Agreement dated 21 August 2000 between MRCB and Bank Industri & Teknologi Malaysia Berhad ("BIT") to acquire 5,100,000 ordinary shares of RM1.00 each or 59.6% equity interest in Sibexlink Sdn Bhd for a cash consideration of RM6,630,000.00. Pursuant to this Share Sale Agreement, MRCB paid 10% of the consideration by way of deposit, the balance being due on completion date. By a Supplemental Agreement dated 28 May 2001 between the parties, BIT agreed to extend the completion date to 30 April 2001. By a Further Supplemental Agreement dated 6 July 2001 between the parties, BIT agreed to further extend the completion date to 1 December 2001.
3. Shareholders' Agreement dated 25 October 2000 between MRCB, Sepang Power ("SPSB") and KDEB, whereby SPSB is to carry on the business of developing the Sepang Project. The initial issued and paid up capital of RM1 million in SPSB is to be held by MRCB and KDEB in the proportions of 70% and 30% respectively. The Shareholders' Agreement sets out the terms of the relationship inter se between MRCB and KDEB as shareholders of SPSB and the manner by which the activities of SPSB is to be regulated.
4. Share Sale Agreement dated 15 November 2000 between Webvision Inc and MRCB whereby MRCB agreed to acquire 202,500 ordinary shares of RM1.00 each or 81% of the equity interest in Webvision Sdn Bhd for a total consideration of RM202,500.00. Pursuant to the Share Sale Agreement, the parties entered into a Shareholders' Agreement of the same date wherein parties agreed with each other that their relationship inter se as shareholders of Webvision Sdn Bhd be regulated in accordance with the stipulations, terms and conditions contained therein. The parties also entered into a Webvision Agency License Agreement of the same date whereby in consideration of Webvision Inc granting MRCB the exclusive right to distribute, sell or license the program and to establish an unlimited quantity of Webvision Powered IDC in the territory, MRCB will pay Webvision Inc such Territory Agency Fees of an annual minimum sum of USD\$2.5 million for a period of five (5) years together with 5% of the Net Revenue of Sales, Annual purchase and resale of license volume of at least USD\$1.0 million of Webvision products and services.
5. Joint Venture Agreement dated 18 December 2000 between MRCB, Amstek Corporation Sdn Bhd ("Amstek") and Dewan Technologies Sdn Bhd ("Dewan") for the purpose of developing and implementing a portal web-site to be known as "Halal dotcom" which will provide on-line services, consultancy and solution services to "halal" products. Pursuant to the said Joint Venture Agreement, Ikhwan Asia Sdn Bhd ("IASB") had been identified as the joint venture vehicle to implement the said project. Accordingly, MRCB will subscribe to 1.6 million ordinary shares of RM1.00 each representing 80% equity interest in IASB. Amstek and Dewan shall respectively subscribe for 200,000 ordinary shares of RM1.00 each in IASB representing 10% of the equity interest.
6. Letter dated 9 March 2001 from the EPU of the Prime Minister's Department of the Government of Malaysia wherein Sepang Power was approved to undertake the development of the 710MW Power Station at Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor. The said letter stipulated, amongst other terms, the tariffs and the commercial operation dates of the PPA.
7. A conditional Agreement dated 22 October 2001 between MRCB, Sistem Televisyen Malaysia Berhad ("TV3") and Profitune Berhad ("Profitune"), a wholly-owned subsidiary of MRCB, in respect of the parties' mutual intention and obligation to restructure their respective businesses and indebtedness to their respective lenders.
8. A conditional Share Subscription Agreement ("SSA") dated 22 October 2001 between MRCB and Profitune wherein MRCB agreed to sell and Profitune agreed to purchase 94,035,540 ordinary shares of RM1.00 each representing approximately 43.5% of the issued and paid up capital of The New Straits Times Press (Malaysia) Berhad ("NSTP")

("The Sale Shares") for the total purchase consideration of RM338,200,000.00 or RM3.60 per NSTP share. The purchase consideration is to be satisfied by Profitune as follows:-

- (a) the issuance of RM182,700,000.00 nominal value of ICULS;
- (b) the issue at an issue price of RM1.10 per share of 141,300,000 new ordinary shares of RM1.00 each in Profitune credited as fully paid-up; and
- (c) the grant of the proposed put option(s) in favour of the scheme creditors of MRCB.

Subsequent to the SSA, on 21 January 2002, the Vendor entered into a Supplemental Share Sale Agreement ("Supplemental SSA") with the Purchaser for the proposed transfer of the Sale Shares to the Purchaser. The consideration for the sale, purchase and transfer of the Sale Shares was changed to the aggregate of RM357,335,052 or RM3.80 per share based on a willing buyer willing seller basis and to be satisfied as follows:-

- (a) the issuance of RM180.0 million nominal amount of Newco ICULS in accordance with the terms and conditions more specifically set out in the Schedule 1 of the SSA without any payment on the part of MRCB;
- (b) the issuance at an issue price of RM1.10 per share of 161,213,684 new ordinary shares of RM1.00 each in Newco ranking *pari passu* in all respects with the existing issued shares in Newco as at the date of issue and allotment and credited as fully paid-up and free from encumbrances to MRCB; and
- (c) the grant of the proposed put option(s) by Newco in favour of the scheme creditors of MRCB, the performance of which is to be secured by a pledge given by Newco over 47,368,421 NSTP shares comprising part of the Sale Shares and totaling 21.9% of the entire issued and paid up capital of NSTP.

9. A conditional Share Subscription Agreement dated 22 October 2001 between MRCB and Profitune wherein MRCB agreed to subscribe for 77,300,000 ordinary shares of RM1.00 each in Profitune at the subscription price of RM1.10 per share or a total subscription price of RM85,030,000.00.
10. Share Sale Agreement dated 23 November 2001 between MRCB and Tenaga Nasional Berhad ("TNB") whereby MRCB agreed to dispose to TNB its entire 70% equity interest in Sepang Power Sdn Bhd for cash consideration of RM115,000,000.00, the initial payment of 10% of the consideration upon execution of the said Agreement and the balance 90% of the consideration being due at completion.
11. Share Sale Agreement dated 9 February 2002 between MRCB and Tenaga Nasional Berhad ("TNB") whereby MRCB agrees to dispose to TNB its entire 20% equity interest in Fibrecomm Network (M) Sdn Bhd for cash consideration of RM22,000,000.00, the initial payment of RM1,500,000.00 upon execution of the said Agreement and the balance of the consideration being due at completion.
12. A conditional Sale and Purchase Agreement ("SPA") was executed on 20 March 2002 between MRCB and Utama Banking Group Berhad ("UBG") in relation to the disposal of MRCB's 22.68% equity interest in Rashid Hussain Berhad ("RHB") comprising 105,127,000 ordinary shares of RM1.00 each in RHB ("RHB Sale Shares") to UBG for a total cash consideration of RM504,609,600 or RM4.80 per RHB Sale Share (the "Consideration"). A deposit of RM50,460,960 ("Deposit") has already been paid, and the balance Consideration is payable at completion. MRCB has obtained the approval of the Minister of Finance for its proposed sale of the RHB Sale Shares to UBG. Apart from the approval of the Securities Commission, the

Foreign Investment Committee, MRCB's shareholders, UBG's shareholders and MRCB's lenders, the SPA is also conditional upon completion of the sale and purchase agreement between Cahya Mata Sarawak Berhad, UBG, RHB and RHB Bank Berhad, in relation to the acquisition by RHB Bank of the entire issued and paid up share capital of Bank Utama (Malaysia) Berhad from UBG. All conditions precedent must be fulfilled within 6 months of the date of the SPA, which can be automatically extended by another 2 months or such other period as the parties may agree. The Deposit is refundable together with 8% p.a. interest thereon if the SPA lapses due to unfulfilled conditions precedent, other than UBG's shareholders approval.

3.2 Sepang Power

Sepang Power has not entered into any material contracts, not being contracts entered in the ordinary course of business, within the two (2) years immediately preceding the date of this Circular.

4. CONSENT

Arab-Malaysian and Alliance Merchant have given and have not subsequently withdrawn their written consent to the inclusion in this Circular of their names, in the form and context in which they appear.

Messrs PricewaterhouseCoopers has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and the letter on the consolidated proforma balance sheet of MRCB as at 31 August 2001 in the form and context in which they appear.

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company following the publication of this Circular from Mondays to Fridays (except public holidays) during normal business hours up to and including the date of the EGM :-

- (i) Memorandum and Articles of Association of MRCB and Sepang Power;
- (ii) Audited consolidated accounts of MRCB for the past two (2) financial years ended 31 August 2001 and the latest unaudited results for the 6 months period ended 28 February 2002;
- (iii) Audited accounts of Sepang Power for the past two (2) financial years ended 31 August 2001 and the latest unaudited results for the 6 months period ended 28 February 2002;
- (iv) The proforma consolidated balance sheet of MRCB as at 31 August 2001 and the accountant's letter thereon;
- (v) The relevant cause papers in respect of the material litigation referred to in section (2) above;
- (vi) The material contracts referred to in section (3) above;
- (vii) The letters of consent referred to in section (4) above; and
- (viii) The SPA for the Proposed Disposal.



MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No: 7994-D)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of MRCB (the "Company") will be held at Dewan Perdana, Grand BlueWave Hotel, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor on Monday, 15 April 2002 at 10.00 a.m. to consider and, if thought fit, pass the following resolution :-

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF MALAYSIAN RESOURCES CORPORATION BERHAD'S ENTIRE 70% EQUITY INTEREST IN SEPANG POWER SDN BHD, COMPRISING 700,000 ORDINARY SHARES OF RM1.00 EACH TO TENAGA NASIONAL BERHAD FOR A CASH CONSIDERATION OF RM115,000,000

"THAT subject to the requisite approvals being obtained, approval be and is hereby given for Malaysian Resources Corporation Berhad. ("MRCB" or "the Company") to dispose of 700,000 ordinary shares of RM1.00 each representing 70% equity interest in Sepang Power Sdn Bhd ("Sepang Power"), a subsidiary of the Company, to Tenaga Nasional Berhad to be satisfied fully by a cash consideration of RM115,000,000 in accordance with the terms and conditions as stipulated in the conditional Agreement For Sale and Purchase of Shares dated 23 November 2001 ("Proposed Disposal"), AND THAT any one Director of the Company, be and is hereby authorised to do all such deeds, acts and things and execute, sign and deliver all documents for and on behalf of the Company as he may consider necessary or expedient to give effect to and implement the Proposed Disposal with full power to assent to any condition, modification, variation as may be imposed by the relevant authorities."

By Order of the Board

Mohd Noor Rahim Yahaya (MAICSA 0866820)

Yuslizal bin Monek (MAICSA 7003822)

Company Secretaries

Shah Alam

28 March 2002

Notes :-

- 1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his/her stead. A proxy need not be a member of the Company.*
- 2. The Proxy Form must be signed by the appointor 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 an officer on behalf of the corporation.*
- 3. The instrument appointing the proxy must be deposited at registered office of the Company at Level 10, Menara MRCB, No 2 Jalan Majlis 14/10, Seksyen 14, 40000 Shah Alam, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

MRCB

MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No: 7994-D)
(Incorporated in Malaysia)

No. of shares held

FORM OF PROXY

I/We

(Name in Block letters)

of

(Full address)

being (a) member(s) of **Malaysian Resources Corporation Berhad** ("the Company"), hereby appoint *the Chairman of the meeting or

of

or failing *him/her

of

as *my/our proxy to vote for *me/us and on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Dewan Perdana, Grand BlueWave Hotel, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor on Monday, 15 April 2002 at 10.00 a.m. or at any adjournment thereof.

Please indicate the manner in which you wish your votes should be cast with an "X" in the appropriate spaces below. Unless voting instructions are specified herein, the proxy will vote or abstain from voting as he/she thinks fit.

	FOR	AGAINST
ORDINARY RESOLUTION		

Signature (If shareholder is a corporation, this part should be executed under seal)

Dated this day of

Notes :-

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative) to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. The Proxy Form must be signed by the appointor 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 an officer on behalf of the corporation.
3. The instrument appointing the proxy must be deposited at registered office of the Company at Level 10, Menara MRCB, No 2 Jalan Majlis 14/10, Seksyen 14, 40000 Shah Alam, Selangor not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
4. Any alteration to this form must be initialed by the person(s) who signed it.

*Delete whichever is not applicable

