

MALAYSIAN RESOURCES CORPORATION BERHAD (“MRCB” OR “COMPANY”)

MEMORANDUM OF UNDERSTANDING ON THE PROPOSED MERGER BETWEEN MRCB AND IJM LAND BERHAD (“IJM LAND”) BY WAY OF A MEMBERS’ SCHEME OF ARRANGEMENT UNDER SECTION 176 OF THE COMPANIES ACT, 1965 VIA A NEWLY INCORPORATED COMPANY (“PROPOSED MERGER”)

1. INTRODUCTION

On behalf of the Company, RHB Investment Bank Berhad (“**RHB Investment Bank**”) and Newfields Advisors Sdn Bhd (“**Newfields Advisors**”) are pleased to announce that the Company has today entered into a memorandum of understanding (“**MOU**”) with IJM Land with respect to the Proposed Merger.

Pursuant to the MOU, the parties have agreed to negotiate in good faith the terms of a definitive merger agreement for the Proposed Merger (“**Definitive Agreement**”) with the aim of entering into the Definitive Agreement within three (3) weeks from the date of the MOU or such other date as the parties may agree in writing, failing which the MOU will cease to have any further effect.

It is the intention of both parties that the Proposed Merger shall be subject to such terms and conditions of the Definitive Agreement.

2. BACKGROUND INFORMATION ON COMPANIES INVOLVED IN THE PROPOSED MERGER

2.1 Information On MRCB

MRCB was incorporated in Malaysia as a private limited company under the Companies Act, 1965 (“**Act**”) on 21 August 1968 under the name of Perak Carbide Corporation Sdn Bhd. Subsequently, MRCB was listed on the stock exchange in Malaysia on 22 March 1971 and is presently listed on the Main Board (now known as Main Market) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”). On 12 October 1981, MRCB assumed its present name.

As at 30 September 2010, MRCB has an authorised share capital of RM2.0 billion comprising 2.0 billion ordinary shares of RM1.00 each (“**Shares**”), of which 1.380 billion Shares have been issued and credited as fully paid-up.

MRCB is principally an investment holding company. MRCB also engages in construction related activities, infrastructure, property development and investment and provision of management services to its subsidiaries. MRCB’s subsidiaries, associated companies and jointly-controlled companies are principally involved in property development and investment, building services, environmental engineering, infrastructure and engineering and construction related activities.

2.2 Information On IJM Land

IJM Land was incorporated in Malaysia as a private limited company under the Act on 29 September 1989 under the name of Econstates Sdn Bhd. On 28 September 1990, it was converted to a public company and assumed the name of Econstates Berhad. On 19 March 2004, its name was changed to RB Land Holdings Berhad and was subsequently changed to its present name on 19 June 2008. IJM Land was listed on the Main Board (now known as Main Market) of Bursa Securities on 19 December 1991.

The principal activity of IJM Land is investment holding whilst its subsidiaries are principally involved in property development, construction, hotel operations and investment holding.

(Source : Abridged Prospectus dated 19 August 2008 issued by IJM Land and 2010 Annual Report of IJM Land)

As at 30 September 2010, IJM Land has an authorised share capital of RM2 billion comprising 2 billion Shares, of which 1.108 billion Shares have been issued and credited as fully paid-up. IJM Land also has 222.560 million Warrants 2008/2013 and RM400.0 million nominal value of 10-year 3% coupon redeemable convertible unsecured loan stocks (“**RCULS**”) outstanding as at 30 September 2010. *(Source : 2010 Annual Report of IJM Land and public announcements made by IJM Land)*

3. SALIENT TERMS OF THE MOU

The salient terms of the MOU are as follows:-

3.1 Terms Of The Proposed Merger

3.1.1 Scheme Of Arrangement

The Proposed Merger will be implemented through a scheme of arrangement under Section 176 of the Act. For the purpose of the scheme of arrangement, a newly incorporated company will be formed (“**Newco**”) to facilitate the Proposed Merger.

3.1.2 Exchange Of Securities

Shares in IJM Land and MRCB will be exchanged for securities in Newco or a combination of securities in Newco and cash. The exchange will be determined based on RM3.65 per Share in IJM Land (“**IJM Land Share**”) and RM2.30 per Share in MRCB (“**MRCB Share**”).

The exchange will also apply to IJM Land Shares to be issued from convertible securities and MRCB Shares to be issued for the exercise of options granted or to be granted pursuant to MRCB’s Employee Share Option Scheme 2007.

The Proposed Merger will include a scheme for the warrant holders of IJM Land in compliance with the terms of its constituting deed poll.

3.1.3 Listing Status

Newco is to be admitted to the Official List of Bursa Securities upon completion of the Proposed Merger, in place of IJM Land and MRCB.

3.1.4 Approvals Required

The Proposed Merger is subject to the following being obtained:-

- (i) approval of the Board of Directors of IJM Land and MRCB;
- (ii) approval of the shareholders of IJM Land and MRCB at their respective Court Convened Meetings;
- (iii) approval of the warrant holders of IJM Land;
- (iv) approval of the relevant authorities including the Securities Commission and Bursa Securities;
- (v) sanction of the High Court of Malaya for the Proposed Merger;
- (vi) approval of creditors and lenders of IJM Land and MRCB; if required; and

- (vii) approvals, waivers or consents of any other relevant authorities or persons, if required.

3.2 Merger Committee

To facilitate the negotiations, the parties will immediately set up a merger committee consisting of:-

- (i) key representatives from the management of each party;
- (ii) financial advisors appointed by the parties for the Proposed Merger;
- (iii) legal advisors appointed by the parties for the Proposed Merger; and
- (iv) such other participants as the merger committee deems appropriate.

3.3 No Other Negotiations

From the date of the MOU and for a period of 3 weeks thereafter, or such other period as the parties may agree in writing, the parties will not conduct negotiations relating to a merger with any other third party or the sale of any other respective businesses (other than in the ordinary course of business) to any third party.

3.4 Nature Of MOU

- (i) Except for item 3.3 of this announcement and the confidentiality clause as set out in the MOU, neither party intends that the understandings contained in the MOU to be binding or to represent their final agreement.
- (ii) The understandings expressed in the MOU are subject to, and conditional upon the negotiation and execution of the Definitive Agreement.
- (iii) The parties do intend to use their best efforts to reach an agreement on the Definitive Agreement.

4. BASIS OF DETERMINING THE EXCHANGE PRICE FOR MRCB SHARES AND IJM LAND SHARES

The basis of determining the exchange price for the MRCB Shares and IJM Land Shares are as follows:-

(i) MRCB Shares

The exchange price of RM2.30 per MRCB Share was arrived at after taking into consideration the following:-

- (a) a premium of 10.2% to the 5-day volume weighted average market price (“**VWAMP**”) of MRCB Shares up to and including 19 November 2010, being the last full trading day prior to the suspension in the trading of MRCB Shares for purposes of this announcement, of RM2.0880;
- (b) the audited consolidated net assets (“**NA**”) per MRCB Share as at 31 December 2009 of approximately RM0.74, representing a price-to-book ratio (“**PBR**”) of approximately 3.11 times;
- (c) the unaudited consolidated NA per MRCB Share as at 30 September 2010 of approximately RM0.88, representing a PBR of approximately 2.61 times; and

- (d) the audited consolidated net earnings per MRCB Share for the financial year ended (“FYE”) 31 December 2009 of approximately RM0.04, representing a price-to-earnings ratio (“PER”) of approximately 60.5 times.

(ii) IJM Land Shares

The exchange price of RM3.65 per IJM Land Share was arrived at after taking into consideration the following:-

- (a) a premium of 27.5% to the 5-day VWAMP of IJM Land Shares up to and including 19 November 2010, being the last full trading day prior to the suspension in the trading of IJM Land Shares for purposes of this announcement, of RM2.8636;
- (b) the audited consolidated NA per IJM Land Share as at 31 March 2010 of approximately RM1.46, representing a PBR of approximately 2.50 times;
- (c) the unaudited consolidated NA per IJM Land Share as at 30 June 2010 of approximately RM1.47, representing a PBR of approximately 2.48 times; and
- (d) the audited consolidated net earnings per IJM Land Share for the FYE 31 March 2010 of approximately RM0.10, representing a PER of approximately 37.1 times.

5. RATIONALE FOR THE PROPOSED MERGER

The Proposed Merger would be a merger between two synergistic and complementary property businesses given the different strengths of MRCB and IJM Land in the property market segments. Presently, the property development activities of MRCB are mostly in the commercial sector and are heavily concentrated in the Klang Valley, notably MRCB’s flagship project, KL Sentral which has a gross development value of over RM12 billion whereas IJM Land’s strength lies in township and residential development with projects in the Klang Valley, Penang, Johor, Negeri Sembilan, Sabah and Sarawak.

Notable projects currently undertaken and/or to be undertaken by IJM Land include the RM6.5 billion “The Light” international waterfront development project covering an area of 152 acres on Penang Island’s eastern coastline and the Canal City development in Selangor which is a 50:50 joint-venture with Kumpulan Europlus Berhad to develop part of the RM4.5 billion Canal City development project in Kuala Langat, Selangor. (Source: www.ijmland.com.my and public announcements made by IJM Land).

In view of this, the merged group can only stand to benefit from the immediate enhancement of the property development and investment portfolio resulting from the Proposed Merger with higher sustainable earnings base for the merged group moving forward.

If implemented, the Proposed Merger would result in the merged group becoming one of the leading listed property development companies in Malaysia with a significantly larger landbank and increased geographical presence. It is expected that the merged group will have a combined landbank of over 9,000 acres with presence in the Klang Valley, Penang, Johor, Perak, Negeri Sembilan, Sabah and Sarawak.

The merged group will also be well-placed to pursue strategies that can propel its future growth on the back of a combined net assets in excess of RM3.0 billion. With the significant increase in size, the merged group will be able to further strengthen its market leadership in the commercial and residential segments of the property market and compete more effectively in both the local and international markets.

In addition, the Proposed Merger will also provide an opportunity for the merged entity to pool together the skills, experience, competencies and in-depth knowledge of the management teams of MRCB and IJM Land respectively. This in turn will allow the merged entity to benefit from better project management practices which is expected to give rise to improved operational efficiencies and economies of scale. By leveraging on each other's core competencies, over time, the value of the merged entity can be further enhanced through the adoption of best practices currently being practised by MRCB and IJM Land respectively.

With the Proposed Merger, both the shareholders of MRCB and IJM Land will be able to participate in the future prospects of a stronger and larger property player with opportunities to further enhance the value for the shareholders of MRCB and IJM Land respectively. Further, it is envisaged that the enlarged share base and improved liquidity will enhance the merged group's appeal to investors, thereby creating a larger following amongst institutional as well as international investors.

6. EFFECTS OF THE PROPOSED MERGER

The effects of the Proposed Merger can only be determined upon finalisation of the terms of the Proposed Merger.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

7.1 Director's Interest

The following Directors of the Company are deemed interested in the Proposed Merger by virtue of them being persons connected with Employees Provident Fund Board ("EPF"):-

- (i) Y. Bhg. Tan Sri Dato' Azlan Zainol, the non-executive Chairman of MRCB, is currently the Chief Executive Officer ("CEO") of EPF; and
- (ii) Shahril Ridza Ridzuan, a non-executive director of MRCB, is currently the Deputy CEO (Investment Division) of EPF.

Accordingly, Y. Bhg. Tan Sri Dato' Azlan Zainol and Shahril Ridza Ridzuan (to be collectively referred to as "**Interested Directors**") have abstained and will continue to abstain from deliberating and voting at the Board meetings of the Company on the Proposed Merger.

7.2 Major Shareholder's Interest

EPF is a common major shareholder of MRCB and IJM Land, and is the largest shareholder of MRCB. Accordingly, EPF is deemed interested in the Proposed Merger.

Save as disclosed above, none of the Directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Proposed Merger, save for their respective entitlements as shareholders under the Proposed Merger.

8. DIRECTORS' STATEMENT

The Board (save for the Interested Directors) is of the opinion that the Proposed Merger brings value proposition to MRCB and accordingly approved the signing of the MOU for the Company to further review and conclude the merger terms that if implemented, will be in the best and long-term interest of MRCB.

9. ADVISERS AND INDEPENDENT ADVISER ("IA")

RHB Investment Bank and Newfields Advisors have been appointed as Joint Advisers to both the Company and IJM Land for the Proposed Merger.

An IA will be appointed by the Company for the Proposed Merger prior to the terms of the Proposed Merger being finalised.

10. DOCUMENT AVAILABLE FOR INSPECTION

The MOU will be available for inspection at the registered office of MRCB at Level 21, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, 50470 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

A detailed announcement on the Proposed Merger will be made upon finalisation of the terms and conditions of the Proposed Merger and execution of the Definitive Agreement.

This announcement is dated 23 November 2010.