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MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No: 7994-D)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

- (I) **PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO FIFTEEN PERCENT (15%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB") FOR ELIGIBLE EMPLOYEES OF MRCB AND ITS SUBSIDIARY COMPANIES ("PROPOSED ESOS")**
- (II) **PROPOSED GRANT OF OPTIONS TO EN. SHAHRIL RIDZA RIDZUAN, THE GROUP MANAGING DIRECTOR OF MRCB TO SUBSCRIBE FOR UP TO 2,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN MRCB PURSUANT TO THE PROPOSED ESOS**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser for Part I above



PUBLIC INVESTMENT BANK BERHAD (20027-W)

*(Formerly known as PB Securities Sdn Bhd)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
(Wholly-Owned Subsidiary of Public Bank Berhad)*

The Notice of Extraordinary General Meeting ("EGM") of the Company to be convened and held at Ballroom A & B, Level 6, Hilton Kuala Lumpur, 3, Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 29 May 2007 at 10.30 a.m. or immediately following the conclusion or adjournment (as the case may be) of the Thirty-Sixth Annual General Meeting of the Company, whichever is later, which will be held at the same venue and on the same day at 10.00 a.m., together with the Form of Proxy are enclosed in this Circular. You are advised to refer to the notice of EGM and the accompanying Form of Proxy.

The Form of Proxy must be completed and lodged at the Share Registrar, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi-Purpose, Capital Square, 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur not less than forty-eight (48) hours before the time stipulated for holding the EGM or any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 14 May 2007

DEFINITIONS

Except where otherwise stated and unless the context requires otherwise, the following words and abbreviations shall have the following meaning:

| | |
|--|---|
| Act | : Companies Act, 1965 as amended from time to time, and any re-enactment thereof, including all regulations issued thereunder |
| AGM | : Annual General Meeting |
| Articles | : Articles of Association of MRCB as amended from time to time |
| Board | : Board of Directors of MRCB |
| Bursa Securities | : Bursa Malaysia Securities Berhad (Company No. 635998-W) |
| Bye-Laws | : The rules, terms and conditions of the Scheme (as may be amended, varied or supplemented from time to time in accordance with Bye-Law 17) |
| Date of Offer | : The date of the letter containing an Offer made to an Eligible Employee to participate in the Scheme by the ESOS Committee, irrespective of the date the Offer is actually received by the Eligible Employee |
| Directors | : The Directors of MRCB |
| Director in Executive Capacity | : A natural person who holds a directorship in an executive capacity in any company within the MRCB Group and is on the payroll of that company |
| Effective Date | : The date of full compliance by the Company with all relevant requirements in the Listing Requirements for implementation of the Scheme which shall be evidenced by the letter of confirmation submitted by the Adviser to Bursa Securities as stated in Bye-Law 4.2 |
| EGM | : Extraordinary General Meeting |
| Eligible Employee | : An Employee (including an Eligible Director) of any corporation within the MRCB Group who meets the criteria of eligibility for participation in the Scheme in accordance with the provisions of Bye-Law 5 |
| Eligible Director or Interested Director | : Any Director in Executive Capacity of any corporation within the MRCB Group who meets the criteria of eligibility for participation in Scheme as set out in Bye-Law 5.2 |
| Employee | : A natural person who is employed by and on the payroll of any company within the MRCB Group. Employee shall include Executive Director |
| Entitlement Date | : The date as at the close of business on which shareholders' names must appear on MRCB's Record of Depositors in order to participate in any dividends, rights, bonus, issue, allotments or any other distributions |
| ESOS | : Employees' Share Option Scheme, which will only be implemented after the completion of the Existing ESOS |
| ESOS Committee | : The committee comprising such persons as may be appointed by the Board, in accordance with the provisions of Bye-Law 2 to administer the Scheme |

DEFINITIONS (Cont'd)

| | |
|------------------------------|---|
| Existing ESOS | : The existing ESOS which was established by MRCB on 5 September 2002 for a duration of 5 years and expiring on 4 September 2007 |
| Grantee | : An Eligible Employee who has accepted an Offer or any part thereof in accordance with the terms of the Bye-Laws hereof, and who continues to hold an Option which is capable of being exercised in whole or in part |
| Group Managing Director | : The Group Managing Director of the Company, En. Shahril Ridza Ridzuan |
| Listing Requirements | : Listing Requirements of Bursa Securities |
| LPD | : Latest practicable date prior to the printing of this Circular |
| Major Shareholders | <p>: A person who has an interest or interests in one or more voting shares in a company and the nominal amount of those shares, or the aggregate of the nominal amounts of that shares, or the aggregate of the nominal amounts of those shares, is:</p> <p>(a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or</p> <p>(b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder in the company.</p> <p>For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Act</p> |
| Market Day | : Any day between Monday and Friday, both days inclusive which is not a market holiday or public holiday and on which Bursa Securities is open for trading of securities |
| Maximum Allowable Allocation | : The maximum aggregate number of Option Shares in respect of which Offers may be made to Eligible Employees as provided in Bye-Law 8 hereof |
| MRCB or Company | : Malaysian Resources Corporation Berhad (Company No. 7994-D) |
| MRCB Group or Group | : MRCB and its subsidiary companies (whether or not dormant), collectively |
| MRCB Share(s) or Share(s) | : Ordinary shares of RM1.00 each in MRCB |
| NA | : Net assets |
| Offer | : An offer made by the ESOS Committee in accordance with the provisions or in the manner indicated in Bye-Law 6 to an Eligible Employee to participate in the Scheme |
| Offer Period | : The period commencing from the Date of Offer, or such later date as determined by the Committee, and expiring on the Date of Expiry of the Scheme as provided in Bye-Law 11. In the event that the duration of the Scheme shall be extended, the Date of Expiry of the Scheme shall be the extended Date of Expiry |
| Option(s) | : The right of a Grantee to subscribe for new Shares pursuant to the contract constituted by acceptance by the Grantee in the manner indicated in Bye-Law 7 of any Offer made in accordance with the terms of the Scheme and where the context so requires, means any part of the Option as shall remain unexercised |

DEFINITIONS (*Cont'd*)

| | |
|---------------------------|--|
| PIVB or Adviser | : Public Investment Bank Berhad (Company No. 20027-W) (<i>formerly known as PB Securities Sdn Bhd</i>) |
| Option Period | : In respect of an Option, a period commencing from the Date of Offer as set out in Bye-Law 7 and until the date of expiry of the Scheme as set out in Bye-Law 4.2. In the event that the duration of the Scheme shall be extended, the date of expiry of the Scheme shall be the extended date of expiry |
| Option Price | : In respect of an Option, the price at which the Grantee shall be entitled to subscribe for each new Share as set out in Bye-Law 9 |
| Option Shares | : In respect of an Option, the underlying Shares comprised in the Option which will be allotted to the Grantee upon his exercise of the Option in accordance with these Bye-Laws |
| Prescribed Percentage | : Fifteen percent (15%) (or such higher maximum percentage as may from time to time be permitted by the relevant authorities and approved by ordinary resolution of the members of MRCB) of MRCB's issued and paid-up ordinary share capital at any point in time during the tenure of the Scheme |
| Proposals | : Proposed ESOS and Proposed Grant of Options, collectively |
| Proposed Grant of Options | : Proposed grant of Options to the Eligible Director for up to a maximum of 2,000,000 new MRCB Shares under the Proposed ESOS |
| Proposed ESOS | : Proposed establishment of an ESOS for the grant of Options to Eligible Employees of MRCB Group to subscribe for new MRCB Shares according to the terms set out herein |
| RM and sen | : Ringgit Malaysia and sen, respectively |
| Scheme | : The employees' share option scheme for the granting of Options to Eligible Employees of the MRCB Group wherein the maximum number of Shares to be offered under the Scheme shall not exceed the Prescribed Percentage subject to the terms and conditions set out in these Bye-Laws, and such Scheme to be known as "Malaysian Resources Corporation Berhad Employees' Share Option Scheme 2007" |
| Senior Management | Persons holding senior managerial positions (other than Eligible Directors) who are prescribed as Senior Management by the ESOS Committee from time to time for the purpose of Bye-Law 8.2(a), whether by virtue of that person being holding a certain position, being of a level of employment scale or otherwise identified by name |

Unless otherwise stated, the following definitions shall apply throughout this Circular.

Word denoting the singular shall, where applicable, include the plural and vice-versa. Word denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice-versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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

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MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No: 7994-D)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

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

14 May 2007

Board of Directors:

Datuk Azlan Zainol (*Chairman*)
Shahril Ridza Ridzuan (*Group Managing Director*)
Dato' Ahmad Ibnihajar (*Independent Director*)
Abdul Rahman Ahmad (*Non-Independent Non-Executive Director*)
Dato' Dr. Mohd Shahari Ahmad Jabar (*Independent Director*)
Dr. Roslan A Ghaffar (*Non-Independent Non-Executive Director*)
Ahmad Zaki Zahid (*Independent Director*)
Mohamad Lotfy Mohamad Noh (*Non-Independent Non-Executive Director*)

To: The Shareholders of MRCB

Dear Sir/Madam,

- (I) **PROPOSED ESOS INVOLVING UP TO FIFTEEN PERCENT (15%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL**
 - (II) **PROPOSED GRANT OF OPTIONS TO EN. SHAHRIL RIDZA RIDZUAN**
-

1. INTRODUCTION

On 11 May 2007, PIVB had, on behalf of the Board of MRCB announced that the Company proposes to undertake the following proposals:

- (i) the Proposed ESOS; and
- (ii) the Proposed Grant of Options.

Pursuant to paragraph 8.21(c) of the Listing Requirements, MRCB will not implement the Proposed ESOS until the expiry of the Existing ESOS.

The purpose of this Circular is to provide you with details of the Proposals and to seek your approval for the resolutions in relation to the Proposals to be tabled at the forthcoming EGM of the Company to be held at Ballroom A & B, Level 6, Hilton Kuala Lumpur, 3, Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 29 May 2007 at 10.30 a.m. or immediately following the conclusion or adjournment (as the case may be) of the Thirty-Sixth AGM of the Company, whichever is later, which will be held at the same venue and on the same day at 10.00a.m. A notice of the EGM together with the Form of Proxy are enclosed in this Circular.

You are advised to read and carefully consider the contents of this Circular before voting on the resolutions pertaining to the Proposals at the forthcoming EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed ESOS

The Proposed ESOS involves the granting of Options to Eligible Employees to subscribe for new MRCB Shares, subject to the terms and conditions of the Bye-Laws of the Proposed ESOS. The Proposed ESOS will be implemented only after the expiry of the Existing ESOS.

The salient features of the Proposed ESOS, details of which are contained in the ESOS Bye-Laws, as set out in Appendix I, are as follows:

2.1.1 Maximum number of MRCB Shares available under the Scheme

In compliance with paragraph 6.30B(1) of the Listing Requirements, the maximum number of new Shares which may be allotted pursuant to the exercise of Options granted under the Scheme shall not in aggregate exceed the Prescribed Percentage.

2.1.2 Duration of the Scheme

The Scheme shall be in force for a period of five (5) years from the Effective Date, which is the date of the confirmation letter submitted by the Adviser to Bursa Securities confirming that the Company:

- (a) has fulfilled all conditions of approval for the Scheme and that the Bye-Laws do not contravene the requirements relating to share schemes for employees as set out under the Listing Requirements; and
- (b) has obtained other relevant approvals for the Scheme and has fulfilled all conditions imposed thereon.

However, the duration of the Scheme may be extended by the Board from time to time, upon the recommendation of the ESOS Committee and without the Company's shareholders approval in general meeting, subject to an aggregate duration of ten (10) years from the Effective Date or such other duration as may from time to time be permitted by the relevant authorities. In the event the Scheme is extended and implemented in accordance with the terms of these Bye-Laws, the ESOS Committee shall inform the Employees and Directors in Executive Capacity of the MRCB Group of such extension.

2.1.3 Eligibility

An Employee of any corporation within the MRCB Group shall be eligible to participate in the Scheme, if, at the Date of Offer, the Employee:

- (a) has attained the age of eighteen (18) years;
- (b) is a confirmed employee on the payroll of a corporation within the MRCB Group; and
- (c) has been employed by one (1) or more corporations within the MRCB Group for at least six (6) calendar months.

A Director in Executive Capacity of a corporation within the MRCB Group shall also be eligible to participate in the Scheme, if, at the Date of Offer, such Director in Executive Capacity:

- (a) has attained the age of eighteen (18) years; and
- (b) has been appointed as a director in executive capacity of one (1) or more corporations within the MRCB Group for at least one (1) year, including any period that such Director in Executive Capacity was an employee (but not a director in executive capacity).

2.1.4 Basis of Allocation and Maximum Allowable Allocation

The aggregate number of Option Shares to be offered to an Eligible Employee under the Scheme shall be determined at the discretion of the ESOS Committee after taking into consideration, *inter-alia*, his length of service, employee grading, individual performance rating as determined by the Company and/or his potential contribution and/or such other factors as the ESOS Committee may deem fit. The criteria and policy for participation in the Scheme and allocation of Shares to the Eligible Employees will be determined at the discretion of the ESOS Committee from time to time provided that:

- (a) the aggregate Option Shares which are offered to Eligible Directors and the Senior Management of the MRCB Group shall not exceed fifty percent (50%) of the Prescribed Percentage; and
- (b) the aggregate Option Shares which are offered to any Eligible Employee who, either singly or collectively through persons connected to him holds twenty percent (20%) or more in the issued and paid up ordinary share capital of the Company, shall not exceed ten percent (10%) of the Prescribed Percentage.

As disclosed in the Schedule annexed to Bye-Law 4, the Maximum Allowable Allocation is as follows:

| Category | Grade | Maximum Allowable Allocation that may be allotted to each Eligible Employee |
|--|-------|---|
| | | Number of Option Shares |
| Group Managing Director | - | 2,000,000 |
| Vice President | 9 | 500,000 |
| | 8 | 500,000 |
| Management | 7 | 350,000 |
| | 6 | 275,000 |
| | 5 | 200,000 |
| Executive | 4 | 130,000 |
| | 3 | 110,000 |
| Non-Executive | 2 | 70,000 |
| | 1 | 50,000 |
| Non-Executive (Auxillary Police and Security Personnel) | D | 50,000 |
| | C | 50,000 |
| | B | 20,000 |
| | A | 20,000 |

2.1.5 Offer and Acceptance of Offer

The ESOS Committee may at its absolute discretion at any time and from time to time as it shall deem fit during the duration of the Scheme make one or more Offers to any Eligible Employee whom the ESOS Committee may select, based on the criteria of allocation set out in Bye-Law 8, to subscribe for new Shares in accordance with the terms of the Scheme.

The ESOS Committee will in its Offer letter state *inter-alia* the number of Option Shares offered, the Option Price, the closing date for accepting the Offer and other terms and conditions relating to the Offer and the Option.

No Offer shall be made to any Director in Executive Capacity unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.

An Offer shall be valid for acceptance within a period of fourteen (14) calendar days from the Date of Offer or such longer period as may be determined by the ESOS Committee on a case to case basis at its discretion. Acceptance of the Offer by a Eligible Employee must be made by written notice to the ESOS Committee within the Offer Period and in such form and manner as prescribed by the ESOS Committee from time to time.

Acceptance of the Offer by the Eligible Employee shall be accompanied by a non-refundable payment to the Company of either a sum of Ringgit Malaysia One (RM1.00) only per Offer, irrespective of the number of Shares available for subscription relating to the Offer or such amount of payment as may be determined at the sole discretion of the ESOS Committee as a non-refundable consideration for the Option. The date of receipt of the written notice of acceptance and the requisite payment shall constitute the date of acceptance.

2.1.6 Determination of Option Price

Subject to such adjustments in accordance with Bye-Law 16, the Option Price shall be either at a premium or at a discount to the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer. In the event that the Option Price is determined at a discount to the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer, it will be subject to a discount of not more than ten (10%) percent or within any other limit allowed by the relevant authorities from time to time (the discount to be applied shall be decided by the ESOS Committee at its discretion) but shall in no event be less than the par value of the Shares.

2.1.7 Exercise of Option

The Option granted to a Grantee is only exercisable by the Grantee during the Option Period by the Grantee whilst he is employed by a corporation within the MRCB Group subject to the provision contained in Bye-Law 18. The Option is personal to the Grantee and cannot be assigned, transferred, charged or otherwise disposed of in any manner whatsoever save as provided for in Bye-Law 18.

2.1.8 Rights attaching to the new MRCB Shares

The new MRCB Shares to be allotted and issued pursuant and upon the exercise of Options under the Scheme will upon allotment and issue rank *pari passu* in all respects with the then existing issued and paid up MRCB Shares provided that such new Shares shall not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (being the date as at the close of business on which shareholders must be registered or recorded in the register of members or record of depositors in order to be entitled to any dividends, rights, allotments or other distribution) of which is prior to the date of allotment of the new MRCB Shares arising from the exercise of the Options and will be subject to all of the provisions of the Articles relating to its allotment, issue, transfer, transmission and otherwise.

2.1.9 Termination of the Scheme

The Board may, upon the recommendation of the ESOS Committee, terminate the Scheme at any time during the Scheme provided always that prior to the termination of the Scheme, MRCB satisfies the following conditions:

- (a) that the consent from the Company's shareholders at a general meeting has been obtained wherein at least a majority of the shareholders present must have voted in favour of the termination; and
- (b) that the written consents from all Grantees who have yet to exercise their Options either in part or in whole have been obtained.

2.2 Fractional entitlements

In determining the employees' entitlement to the Proposed ESOS, fractional entitlements of the new MRCB Shares shall be dealt with in such manner as the ESOS Committee shall in their absolute discretion think expedient and in the best interests of the Company.

2.3 Proposed Grant of Options

Your Company proposes to offer and grant the Group Managing Director Options to subscribe for new MRCB Shares and to allot and issue from time to time up to a maximum 2,000,000 new MRCB Shares to him subject to such terms and conditions and/or any adjustments which may be made in accordance with the provision of the Bye-Laws of the Scheme.

3. UTILISATION OF PROCEEDS

Future proceeds to be received by MRCB from the exercise of the Options, the quantum of which is dependent upon the actual number of Options exercised and the Option Price are to be utilised for the working capital requirements of the MRCB Group. The estimated expenses for the Proposals are approximately RM300,000.

4. RATIONALE FOR THE PROPOSALS

4.1 The Proposed ESOS

- (a) To reward and retain the employees of the MRCB Group whose service are vital to the MRCB Group's operations, continued growth and future expansion;
- (b) To instil a sense of loyalty and dedication amongst the MRCB Group's employees;
- (c) To provide the employees with the opportunity to participate directly in the equity growth of the Company; and
- (d) To provide an incentive for the employees to participate actively in the operations of the MRCB Group and encourage them to strive for a higher level of productivity and performance.

4.2 Proposed Grant of Options

The Proposed Grant of Options is necessary to enable the Company to offer and grant Options to En. Shahril Ridza Ridzuan pursuant to the Proposed ESOS, in recognition of his contribution and commitment to the development and success of the MRCB Group. It is also designed to provide an incentive to him without adversely affecting the cash flow of MRCB.

5. EFFECTS OF THE PROPOSALS

5.1 Share Capital

The granting of Options under the Scheme will not have an immediate effect on the existing issued and paid up share capital of MRCB. However, the issued and paid-up share capital of MRCB will increase progressively depending on the number of new MRCB Shares to be issued pursuant to the exercise of the Options to be granted under the Scheme, up to fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time during the duration of the Scheme.

Assuming the full exercise of Options under the Scheme, the effects of the Scheme on the issued and paid-up share capital of the Company (based on its existing issued and paid-up share capital as at 26 March 2007) are as follows:

| | No of MRCB Shares ('000) | Share Capital RM'000 |
|---|-----------------------------|-------------------------|
| Existing as at 26 March 2007 | 803,069 | 803,069 |
| To be issued pursuant to the Proposed ESOS [^] | 120,460 | 120,460 |
| Enlarged issued and paid-up share capital | 923,529 | 923,529 |
| | | |

Note:

[^] Assuming that the aggregate new MRCB Shares to be issued pursuant to the exercise of the Options amount to fifteen percent (15%) of the issued and paid-up share capital of the Company as at 26 March 2007.

5.2 NA and Earnings

Under the new Financial Reporting Standard No. 2 on Share-Based Payment ("FRS 2"), the fair value of employee services received in exchange for the grant of the options shall be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each option granted at the grant date and the number of options vested by each vesting date, with a corresponding increase in equity.

During the vesting period, without taking into account earnings that may be derived from the utilisation of the proceeds from the share issue, both the expense recognised and the potential shares to be issued under the ESOS will reduce the consolidated earnings per share of MRCB.

When the Options are exercised, the NA of the MRCB Group will be increased by the amount of cash received from the subscription for the new MRCB Shares. On a per share basis, the effect is accretive if the subscription price is above the NA per Share but dilutive otherwise.

When implementing the Proposed ESOS, the Board will take into consideration the impact of the FRS 2 on the consolidated earnings and NA of the MRCB Group. It is the intention of the Board to minimise the impact of the Proposed ESOS on the financial position of the MRCB Group.

5.3 Major Shareholdings

The Proposed ESOS is not expected to have an immediate effect on the major shareholder's shareholdings in MRCB. Any potential effect on the major shareholder's shareholdings would depend on the number of new MRCB Shares issued pursuant to the exercise of Options granted at the relevant point in time.

Set out below are the proforma effects of the Proposed ESOS on the shareholdings of the major shareholder of MRCB as 26 March 2007:-

| Major shareholder | Existing as at 26 March 2007 | | | | After the Proposed ESOS and assuming full exercise of the Options granted ^(a) | | | |
|--------------------------------|------------------------------|-------|--------------------|---|--|-------|--------------------|---|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of Shares '000 | % | No. of Shares '000 | % | No. of Shares '000 | % | No. of Shares '000 | % |
| Employees Provident Fund Board | 218,245 | 27.18 | - | - | 218,245 | 23.63 | - | - |

Note:

(a) Assuming that the aggregate new MRCB Shares to be issued pursuant to the exercise of the Options amount to fifteen percent (15%) of the issued and paid-up share capital of the Company as at 26 March 2007

5.4 Dividends

The Scheme is not expected to have any material effect on the dividend policy of the Company. Any future dividends to be declared would, amongst others, depend on the profitability, cash flow position and the funding requirements of the MRCB Group.

5.5 Gearing

The Proposed ESOS is not expected to have any immediate effect on the Group's gearing level, until such time when the Options are exercised. The potential effect on the consolidated gearing of MRCB in the future would depend on factors such as the number of Options granted and exercised at any point in time, the Option Price of the Options as well as the utilisation of the proceeds arising from the exercise of the Options, as well as the potential effect on the future earnings of the Group arising from the adoption of the new FRS 2 as referred to in item 5.2 above.

6. HISTORICAL SHARE PRICES

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

| | Highest RM | Lowest RM |
|-------------|---------------|--------------|
| 2006 | | |
| April | 0.725 | 0.585 |
| May | 1.01 | 0.625 |
| June | 0.805 | 0.580 |
| July | 0.820 | 0.650 |
| August | 0.775 | 0.705 |
| September | 0.785 | 0.710 |
| October | 0.855 | 0.760 |
| November | 0.985 | 0.815 |
| December | 1.10 | 0.880 |

2007

| | | |
|----------|------|------|
| January | 1.41 | 1.02 |
| February | 2.27 | 1.36 |
| March | 2.40 | 1.29 |

The last transacted price of MRCB Shares on Bursa Securities on 4 May 2007, being the closing market price prior to the announcement of the Proposals 2.40

The last transacted price of MRCB Shares on Bursa Securities on the LPD 2.25

(Source: Bloomberg)

7. APPROVALS REQUIRED

The Proposals are subject to the approvals being obtained from the following:

- (a) Bursa Securities for the listing of and quotation for the new MRCB Shares to be issued pursuant to the exercise of Options granted under the Scheme;
- (b) the shareholders of MRCB for the Proposals, at the forthcoming EGM to be convened; and
- (c) any other relevant authorities, if required.

8. DIRECTORS' RECOMMENDATIONS

After having considered all aspects of the Proposals, your Board (save for the Interested Director) is of the opinion that the Proposals are fair and reasonable and are in the best interests of the Company. Accordingly, your Board (save for the Interested Director) recommends that you vote in favour of the ordinary resolutions on the Proposals which will be tabled at the Company's forthcoming EGM to be convened.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

The Group Managing Director will be entitled to participate in the Proposals and therefore is deemed interested in the proposed allocation of Options to him. Accordingly he will abstain from all deliberations and voting in respect of the Proposals at the Board meeting of MRCB. He will also abstain from voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM to be convened.

The Interested Director will undertake to ensure that all person(s) connected to him will abstain from voting in respect of such persons' direct and/or indirect shareholdings in MRCB on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM to be convened.

Save as disclosed above, none of the other Directors and/or major shareholders of MRCB or person(s) connected to them are interested in the Proposals.

10. OUTSTANDING CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and those disclosed below, there is no other corporate exercise, which have been announced but yet to be completed by the Company as at the date of this Circular:

- (a) The Company had on 1 December 2006 obtained the shareholders' approval to enable Landas Utama Sdn. Bhd., a wholly owned subsidiary, to dispose off its entire 24.93% equity interest in UDA Holdings Berhad ("UDA") via a Proposed Selective Capital Repayment ("SCR") exercise by UDA at a cash consideration of RM3.00 per share totaling RM264.0 million.

The Proposed SCR is still pending completion.

- (b) The Company had on 28 December 2006 entered into a Joint Venture and Shareholders Agreement ("JVSA") with CapitaLand (M) Investment Pte. Ltd. and Quill Construction Sdn. Bhd. ("Quill Construction") to set up based on a 51:39:10 ratio, a shareholding joint venture company named Prema Bonanza Sdn. Bhd. ("PBSB"). The principal activity of PBSB is that of property development.

PBSB had on the same day entered into a Sale and Purchase Agreement with Kuala Lumpur Sentral Sdn. Bhd. ("KLSSB"), a subsidiary of the Company, to acquire a piece of land ("Lot D") measuring approximately 9,504 square meters for a cash consideration of RM140.0 million for the purpose of developing into middle and high-end residential/service apartments.

On the 2nd March 2007, Quill Construction with the agreement of the Company and Capitaland (M) Investments Pte. Ltd. novated its rights and obligations in the Joint Venture and Shareholders Agreement to its related company, Quill Residences Sdn Bhd.

The subscription of shares under the JVSA and the acquisition of Lot D from KLSSB received the approvals from the Foreign Investment Committee on 21 March 2007.

11. INTER-CONDITIONALITY

Save for the Proposed Grant of Options being conditional upon the Proposed ESOS, the Proposals are not conditional upon any other corporate exercise.

12. ESTIMATED TIME FRAME FOR COMPLETION

The Proposed ESOS is expected to be implemented by the fourth quarter of 2007.

13. EGM

An EGM, the notice of which is enclosed with this Circular, will be held at Ballroom A & B, Level 6, Hilton Kuala Lumpur, 3, Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 29 May 2007 at 10.30 a.m. or immediately following the conclusion or adjournment (as the case may be) of the Thirty-Sixth AGM of the Company, whichever is later, which will be held at the same venue and on the same day at 10.00 a.m., for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you should complete and return the enclosed Form of Proxy in accordance with the instructions therein as soon as possible and in any event, so as to arrive at the Company's share registrar, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi-Purpose, Capital Square, 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not later than forty-eight (48) hours before the time set for holding the EGM. The lodging of the Form of Proxy will not, however, preclude you from attending and voting in person at the EGM, should you subsequently wish to do so.

14. FURTHER INFORMATION

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

Yours faithfully,
On behalf of the Board of Directors
Malaysian Resources Corporation Berhad

Datuk Azlan Zainol
Chairman

DRAFT BYE-LAWS OF THE PROPOSED ESOS**1. DEFINITIONS**

1.1 Except where the context otherwise requires, the following expressions in these Bye-Laws shall have the following meaning:

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| “Act” | : Companies Act, 1965 as amended from time to time, and any re-enactment thereof, including all regulations issued thereunder. |
| “Adviser” | : A licensed investment bank appointed to advise the Company on the Scheme. |
| “Articles” | : Articles of Association of the Company as amended from time to time. |
| “Board” | : Board of Directors of the Company. |
| “Bursa Depository” | : Bursa Malaysia Depository Sdn Bhd (formerly known as Malaysian Central Depository Sdn Bhd) (165570-W). |
| “Bursa Securities” | : Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad (635998-W)) |
| “Bye-Laws” | : These Bye-Laws of the Scheme (as may be amended, varied or supplemented from time to time in accordance with these Bye-Laws). |
| “CDS” | : Central Depository System. |
| “CDS Account” | : The account established by Bursa Depository for a depositor for the recording of deposits of securities and dealings in such securities by that depositor. |
| “Central Depositories Act” | : The Securities Industry (Central Depository) Act 1991. |
| “Date of Offer” | : The date of the letter containing an Offer made to an Eligible Employee to participate in the Scheme by the ESOS Committee, irrespective of the date the Offer is actually received by the Eligible Employee. |
| “Director in Executive Capacity” | : A natural person who holds a directorship in an executive capacity in any company within the MRCB Group and is on the payroll of that company. |
| “Directors” | : The directors of the Company. |
| “Disciplinary Proceedings” | : Proceedings instituted by the Company (or any other member of the Group, as the case may be) against a Grantee or an Eligible Employee employed by the Company (or by that member, as the case may be) for any alleged misbehaviour, misconduct, non-performance and/or any other act of the Grantee's or Eligible Employee's deemed to be unacceptable by the Company (or by that member, as the case may be) in the course of that Grantee's or Eligible Employee's employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Grantee or Eligible Employee. |
| “Duration of the Scheme” | : The duration of the Scheme as defined in Bye-Law 4.2 and includes any extension or renewal thereof. |

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| “Effective Date” | : The date of full compliance by the Company with all relevant requirements in the Listing Requirements for implementation of the Scheme which shall be evidenced by the letter of confirmation submitted by the Adviser to Bursa Securities as stated in Bye-Law 4.2. |
| “Eligible Employee” | : An Employee (including an Eligible Director) of any corporation within the MRCB Group who meets the criteria of eligibility for participation in the Scheme in accordance with the provisions of Bye-Law 5. |
| “Eligible Director” | : Any Director in Executive Capacity of any corporation within the MRCB Group who meets the criteria of eligibility for participation in Scheme as set out in Bye-Law 5.2. |
| “Employee” | : A natural person who is employed by and on the payroll of any company within the MRCB Group. Employee shall include Director in Executive Capacity and Group Managing Director. |
| “ESOS Committee” | : The committee comprising such persons as may be appointed by the Board, in accordance with the provisions of Bye-Law 2 to administer the Scheme. |
| “Government” | : The Government of Malaysia. |
| “Grantee” | : An Eligible Employee who has accepted an Offer or any part thereof in accordance with the terms of the Bye-Laws hereof, and who continues to hold an Option which is capable of being exercised in whole or in part. |
| “Group Managing Director” | : The Group Managing Director of the Company, Encik Shahril Ridza Ridzuan. |
| “Listing Requirements” | : The Listing Requirements of Bursa Securities. |
| “Market Day” | : Any day between Monday and Friday, both days inclusive which is not a market holiday or public holiday and on which Bursa Securities is open for trading of securities. |
| “Maximum Allowable Allocation” | : The maximum aggregate number of Option Shares in respect of which Offers may be made to Eligible Employees as provided in Bye-Law 8 hereof. |
| “MRCB” or the “Company” | : Malaysian Resources Corporation Berhad (7994-D). |
| “MRCB Group” or the “Group” | : MRCB and its subsidiaries (whether or not dormant) as defined in Section 5 of the Act and which are at any time and from time to time nominated by the ESOS Committee to be corporations participating in the Scheme in accordance with Bye-Laws 5.5 and 5.6.. |
| “Offer” | : An offer made by the ESOS Committee in accordance with the provisions or in the manner indicated in Bye-Law 6 to an Eligible Employee to participate in the Scheme. |
| “Option(s)” | : The right of a Grantee to subscribe for new Shares pursuant to the contract constituted by acceptance by the Grantee in the manner indicated in Bye-Law 7 of any Offer made in accordance with the terms of the Scheme and where the context so requires, means any part of the Option as shall remain unexercised. |

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| “Option Period” | : In respect of an Option, a period commencing from the Date of Offer as set out in Bye-Law 7 and until the date of expiry of the Scheme as set out in Bye-Law 4.2. In the event that the duration of the Scheme shall be extended, the date of expiry of the Scheme shall be the extended date of expiry. |
| “Option Price” | : In respect of an Option, the price at which the Grantee shall be entitled to subscribe for each new Share as set out in Bye-Law 9. |
| “Option Shares” | : In respect of an Option, the underlying Shares comprised in the Option which will be allotted to the Grantee upon his exercise of the Option in accordance with these Bye-Laws. |
| “Prescribed Percentage” | : Fifteen percent (15%) (or such higher maximum percentage as may from time to time be permitted by the relevant authorities and approved by ordinary resolution of the members of MRCB) of MRCB’s issued and paid-up ordinary share capital at any point in time during the tenure of the Scheme. |
| “Scheme” | : The employees’ share option scheme for the granting of Options to Eligible Employees of the MRCB Group wherein the maximum number of Shares to be offered under the Scheme shall not exceed the Prescribed Percentage subject to the terms and conditions set out in these Bye-Laws, and such Scheme to be known as “Malaysian Resources Corporation Berhad Employees’ Share Option Scheme 2007”. |
| “Senior Management” | : Persons holding senior managerial positions (other than Eligible Directors) who are prescribed as Senior Management by the ESOS Committee from time to time for the purpose of Bye-Law 8.2(a), whether by virtue of that person being holding a certain position, being of a level of employment scale or otherwise identified by name. |
| “RM” and “sen” | : Ringgit Malaysia and sen respectively. |
| “SC” | : Securities Commission. |
| “Share(s)” | : Ordinary share(s) of RM1.00 each in MRCB |

1.2 In these Bye-Laws :

- (a) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and the Listing Requirements, policies and/or guidelines of Bursa Securities and the SC (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and the SC);
- (b) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these Bye-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiration of the Option Period and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (c) words importing the singular meaning where the context so admits include the plural meaning and vice versa;
- (d) words of the masculine gender include the feminine gender and such words shall be construed interchangeably in that manner;

- (e) any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee may be exercised at the ESOS Committee's discretion and shall not be under any obligation to give any reasons therefore except as may be required by the relevant authorities;
- (f) the headings in these Bye-Laws are for convenience only and shall not be taken into account in the interpretation of these Bye-Laws; and
- (g) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day PROVIDED ALWAYS THAT if such date shall fall beyond the duration of the Scheme, then the stipulated day shall be taken to be the preceding Market Day.

2. ADMINISTRATION

- 2.1 The Scheme shall be administered by an ESOS Committee consisting of such persons duly appointed by the Board from time to time. The Board shall have the absolute discretion as it deems fit from time to time and at any time to revoke and/or rescind the appointment of any member of the ESOS Committee and/or appoint additional or replacement members to the ESOS Committee.
- 2.2 The ESOS Committee shall administer the Scheme in such manner as it shall in its absolute discretion deem fit and with such powers and duties as are conferred upon it by the Board including the powers to –
 - (a) subject to the provisions of the Scheme, construe and interpret the Scheme and Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to implement, expedite and make the Scheme fully effective; and
 - (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company; and
 - (c) meet together for the despatch of business, adjourn or otherwise regulate its meetings as it thinks fit.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 3.1 In compliance with paragraph 6.30B(1) of the Listing Requirements, the maximum number of new Shares which may be allotted pursuant to the exercise of Options granted under the Scheme shall not in aggregate exceed the Prescribed Percentage.
- 3.2 Notwithstanding the provision of Bye-Law 3.1 and any other provision herein contained, in the event the number of new Shares to be allotted under the Scheme exceeds the Prescribed Percentage as a result of the Company reducing its issued and paid-up ordinary share capital (e.g. by virtue of the Company purchasing its own Shares in accordance with the provisions of Section 67A of the Act), then all Options granted prior to the reduction of the issued and paid-up ordinary share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme as if that reduction had not occurred.

However, the ESOS Committee shall not make any further Offers until the maximum number of new Shares available for allotment under the Scheme falls below the Prescribed Percentage.
- 3.3 The Company will during the existence of the Scheme, make available sufficient number of new Shares in the un-issued ordinary share capital of the Company to satisfy all outstanding Options which may be exercisable from time to time.

4. DURATION AND TERMINATION OF THE SCHEME

4.1 The implementation of the Scheme shall be subject to the receipt by the Company of the following approvals and the fulfillment of any conditions attached thereto –

- (a) shareholders of the Company in general meeting;
- (b) Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of Options under the Scheme; and
- (c) any other relevant authorities whose approvals are necessary in respect of the Scheme.

4.2 The Scheme shall be in force for a period of five (5) years from the Effective Date, which is the date of the confirmation letter submitted by the Adviser to Bursa Securities confirming that the Company –

- (a) has fulfilled all conditions of approval for the Scheme and that the Bye-Laws do not contravene the requirements relating to share schemes for employees as set out under the Listing Requirements; and
- (b) has obtained other relevant approvals for the Scheme and has fulfilled all conditions imposed thereon.

However, the duration of the Scheme may be extended by the Board from time to time, upon the recommendation of the ESOS Committee and without the Company's shareholders approval in general meeting, subject to an aggregate duration of ten (10) years from the Effective Date or such longer duration as may from time to time be permitted by the relevant authorities. In the event the Scheme is extended and implemented in accordance with the terms of these Bye-Laws, the ESOS Committee shall inform the Employees and Directors in Executive Capacity of the MRCB Group of such extension.

4.3 The Board may, upon the recommendation of the ESOS Committee, terminate the Scheme at any time during the continuance of the Scheme PROVIDED ALWAYS THAT prior to the termination of the Scheme, the following conditions must have been satisfied by the Company:

- (a) that the consent from the Company's shareholders at a general meeting has been obtained wherein at least a majority of the shareholders present must have voted in favour of the termination; and
- (b) that the written consents from all Grantees who have yet to exercise their Options either in part or in whole have been obtained.

4.4 The Scheme shall be terminated on the date of receipt of the last of the consents mentioned in Bye-Law 4.3 above. Upon the termination of the Scheme –

- (a) no further Offers shall be made by the ESOS Committee;
- (b) all Offers which have yet to be accepted shall lapse and become incapable of acceptance; and
- (c) all unexercised Options shall automatically lapse and shall become null and void.

5. ELIGIBILITY

- 5.1 An Employee of any corporation within the MRCB Group shall be eligible to participate in the Scheme, if, at the Date of Offer, the Employee –
- (a) has attained the age of eighteen (18) years;
 - (b) is a confirmed employee on the payroll of a corporation within the MRCB Group; and
 - (c) has been employed by one (1) or more corporations within the MRCB Group for at least six (6) calendar months.
- 5.2 A Director in Executive Capacity of a corporation within the MRCB Group shall also be eligible to participate in the Scheme, if, at the Date of Offer, such Director in Executive Capacity –
- (a) has attained the age of eighteen (18) years; and
 - (b) has been appointed as a director in an executive capacity of one (1) or more corporations within the MRCB Group for at least one (1) year, including any period that such Director in Executive Capacity was an employee (but not a director in an executive capacity).
- A Director in Executive Capacity of the Company shall only be eligible to participate in the Scheme if the allotment of Shares to him pursuant to the Scheme has been approved by the shareholders of the Company in general meeting.
- 5.3 In the case of any Employee employed on fixed term contract of service basis, he shall be eligible to participate in the Scheme if he meets the criteria referred to in Bye-Law 5.1 above, and also the period of contract in respect of which he is then employed is for a minimum of two (2) years irrespective of the period remaining unexpired under such contract. Notwithstanding the aforesaid, the eligibility of such an Employee (employed on fixed term contract of service basis) to participate in the Scheme shall be at the sole discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. The ESOS Committee shall not be under any obligation to give any reasons for its decision.
- 5.4 Eligibility under the Scheme does not confer on an Eligible Employee a claim or right of whatsoever nature to participate in or any rights whatsoever under the Scheme. The selection of any Eligible Employee to participate in the Scheme shall be at the sole discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. The ESOS Committee shall not be under any obligation to give any reasons for its decision.
- 5.5 An Eligible Employee does not acquire or have any right over or in connection with Options or the Option Shares comprised therein unless an Offer has been made by the ESOS Committee to the Eligible Employee and the Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Scheme.
- 5.6 Each Director in Executive Capacity can only be made Offers up to his Maximum Allowable Allocation irrespective of his sitting on more than one (1) board of directors. In addition, Directors in Executive Capacity shall only be eligible to participate in the Scheme if he is holding a full time executive position.

6. OFFER

- 6.1 The ESOS Committee may at its absolute discretion at any time and from time to time as it shall deem fit during the duration of the Scheme make one or more Offers to any Eligible Employee whom the ESOS Committee may select, based on the criteria of allocation set out in Bye-Law 8, to subscribe for new Shares in accordance with the terms of the Scheme.
- 6.2 The number of Option Shares which may be Offered to any Eligible Employee shall, subject to the basis of determining the number of Option Shares to be Offered as set out in Bye-Law 8, be at the absolute discretion of the ESOS Committee provided that:
- (a) no Offer shall be made to an Eligible Employee which, if accepted, would result in the number of Option Shares comprised in all Options granted to the Eligible Employee (including, for this purpose, all Option Shares that have been exercised) exceeding his Maximum Allowable Allocation as set out in Bye-Law 8; and
 - (b) the number of Option Shares comprised in the Offer shall not be less than one hundred (100) Option Shares.
- 6.3 Each Offer shall be made in writing to an Eligible Employee and is personal to the Eligible Employee and cannot be assigned, transferred, encumbered or otherwise disposed of in any other manner whatsoever.
- 6.4 The ESOS Committee will in its Offer letter state *inter-alia* the number of Option Shares offered, the Option Price, the closing date for accepting the Offer and other terms and conditions relating to the Offer and the Option.
- 6.5 No Offer shall be made to any Director in Executive Capacity unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.
- 6.6 Without prejudice to Bye-Law 2, in the event of an error on the part of the Company in stating any of the particulars referred to in Bye-Law 6.4, the following provisions shall apply:
- (a) within one (1) month after discovery of the error, the Company shall issue a supplemental letter of Offer, stating the correct particulars referred to in Bye-Law 6.4;
 - (b) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental letter of Offer shall remain as the Option Price as per the original letter of Offer; and
 - (c) in the event that the error relates to the Option Price, the Option Price applicable in the supplemental letter of Offer shall be the Option Price applicable as at the date of the original letter of Offer, save and except with respect to any Options which have already been exercised as at the date of issue of the supplemental letter of Offer.
- 6.7 After each adjustment following an alteration of the share capital of the Company as stipulated in Bye-Law 16, upon the return by a Grantee of the original letter of Offer to the Company, that letter of Offer shall be amended or a new letter of Offer shall be issued within one (1) month from the date of return of the original letter of Offer, to reflect the adjustment made to the number of Options granted to the Grantee and/or to the Option Price.

7. ACCEPTANCE OF THE OFFER

- 7.1 An Offer shall be valid for acceptance within a period of fourteen (14) calendar days from the Date of Offer or such longer period as may be determined by the ESOS Committee on a case to case basis at its discretion ("Offer Period"). Acceptance of the Offer by an Eligible Employee must be made by written notice to the ESOS Committee within the Offer Period and in such form and manner as prescribed by the ESOS Committee from time to time.
- 7.2 Acceptance of the Offer by the Eligible Employee shall be accompanied by a non-refundable payment to the Company of either a sum of Ringgit Malaysia One (RM1.00) only per Offer, irrespective of the number of Shares available for subscription relating to the Offer or such amount of payment as may be determined at the sole discretion of the ESOS Committee as a non-refundable consideration for the Option. The date of receipt of the written notice of acceptance and the requisite payment shall constitute the date of acceptance.
- 7.3 In the event an Eligible Employee fails to accept the Offer within the Offer Period, the Offer shall be deemed rejected by the Eligible Employee and shall be null and void and of no further effect (unless extended at any time and from time to time by the ESOS Committee), and the Option Shares comprised in such Offer may, at the sole discretion of the ESOS Committee, be Offered to other Eligible Employees.

8. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOCATION

- 8.1 The ESOS Committee has the discretion to determine the allocation criteria of the Option Shares to one (1) or more Eligible Employees from time to time.
- 8.2 The aggregate number of Option Shares to be Offered to an Eligible Employee under the Scheme shall be determined at the discretion of the ESOS Committee after taking into consideration, *inter-alia*, his length of service, employee grading, individual performance rating as determined by the Company and/or his potential contribution and/or such other factors as the ESOS Committee may deem fit. The criteria and policy for participation in the Scheme and allocation of Shares to the Eligible Employees will be determined at the discretion of the ESOS Committee from time to time PROVIDED THAT –
 - (a) the aggregate Option Shares which are Offered to Eligible Directors and the Senior Management of the MRCB Group shall not exceed fifty percent (50%) of the Prescribed Percentage; and
 - (b) the aggregate Option Shares which are Offered to any Eligible Employee who, either singly or collectively through persons connected to him holds twenty percent (20%) or more in the issued and paid up ordinary share capital of the Company, shall not exceed ten percent (10%) of the Prescribed Percentage.

In these Bye-Laws, "persons connected" has the same meaning as defined under the Listing Requirements.

- 8.3
 - (a) In the event that an Eligible Employee is promoted during the duration of the Scheme, he may be Offered additional Option Shares at the absolute discretion of the ESOS Committee subject to the Maximum Allowable Allocation under his promoted category.
 - (b) In the event that an Eligible Employee is moved to a lower category, the following provisions shall apply:
 - (i) his Maximum Allowable Allocation shall be reduced in accordance with the scale provided in Bye-Law 8.2;

- (ii) in the event that the total number of Option Shares in respect of the Options which have been accepted by him up to the date he is moved to the lower category is greater than his Maximum Allowable Allocation under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently moved to a higher category so that his Maximum Allowable Allocation is increased to an amount greater than the total number of Option Shares in respect of the Options which have already been accepted by him; and
 - (iii) in the event that the total number of Option Shares in respect of the Options which have been accepted by him up to the date he is moved to the lower category is less than his Maximum Allowable Allocation under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and, subject to Bye-Law 8.4, to be offered further Options up to his Maximum Allowable Allocation under such lower category.
- 8.4 Notwithstanding any of the provisions in these Bye-Laws, the ESOS Committee shall be under no obligation to Offer any Option Shares or a specific number to the Eligible Employee and shall have the discretion to determine and change any criteria or basis of making the Offers from time to time.
- 8.5 The Schedule annexed hereto sets out the Maximum Allowable Allocation for each category of Eligible Employee.

Notwithstanding the foregoing, the ESOS Committee shall have the discretion to introduce new categories and determine the Maximum Allowable Allocation for such new categories.

9. DETERMINATION OF OPTION PRICE

- 9.1 Subject to such adjustments in accordance with Bye-Law 16 herein, the Option Price at which the Grantee is entitled to subscribe for each new Share under an Option shall be either at a premium or at a discount to the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer. In the event that the Option Price is determined at a discount to the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer, it will be subject to a discount of not more than ten (10%) percent or within any other limit allowed by the relevant authorities from time to time (the discount to be applied shall be decided by the ESOS Committee at its discretion), but shall in no event be less than the par value of the Shares.

10. EXERCISE OF OPTION

- 10.1 The Option granted to a Grantee is only exercisable by the Grantee during the Option Period by the Grantee whilst he is employed by a corporation within the MRCB Group subject to the provision contained in Bye-Law 18.
- 10.2 The Option is personal to the Grantee and cannot be assigned, transferred, charged or otherwise disposed of in any manner whatsoever save as provided for in Bye-Law 18.
- 10.3 Subject to Bye-Laws 4.3, 10.4 to 10.5, 11, 12 and 18, an Option granted under the Scheme shall be capable of being exercised at anytime during the Option Period in the manner which the ESOS Committee shall, in its discretion, decide and which shall be specified in the Offer letter.
- 10.4 The Grantee shall notify the Company in writing of his intention to exercise the Option in such form as may be prescribed by the ESOS Committee. Subject to the terms and conditions set out in the Offer letter, the Option may be exercised in respect of all or part of the Option Shares which are the subject of the Option, such part being not less than one hundred (100) Shares and in multiples of one hundred (100) Shares. Any partial exercise of the Option shall

not preclude a Grantee from exercising the Option as to the balance of the Option Shares comprised in such Option at any time in the future but within the Option Period.

- 10.5 Every notice to exercise the Option shall be accompanied by a remittance (calculated in accordance with Bye-Law 9) for the full amount of subscription monies in relation to the number of Option Shares in respect of which the Option is being exercised and the Grantee shall provide the ESOS Committee with his CDS Account details. The Company shall within eight (8) Market Days or such other period as may be prescribed by Bursa Securities, of the receipt of such notice and remittance from the Grantee, allot the relevant number of new Shares, despatch notices of allotment to the Grantee and submit an application to Bursa Securities for listing of and quotation for the new Shares so allotted on the Official List of Bursa Securities, subject to the provisions of the Articles and the rules of the Bursa Depository. The new Shares to be allotted pursuant to the exercise of the Options will be credited into the CDS Account of the Grantee or his nominee and no physical share certificate will be issued.
- 10.6 Notwithstanding anything to the contrary contained in these Bye-Laws, the ESOS Committee shall have the discretion by notice in writing to any Grantee who is being subjected to any Disciplinary Proceeding to suspend his rights to exercise his Option pending the outcome of such Disciplinary Proceeding. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as it shall deem appropriate in its discretion, on the right of exercise of the Option having regard to the nature of the charges made or brought against such Grantee, provided always that –
- (a) in the event such Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceeding at the end of its proceedings, the ESOS Committee shall reinstate the rights of such Grantee to exercise his Option as if such Disciplinary Proceeding had not been instituted in the first place;
 - (b) in the event the Disciplinary Proceeding resulted in a recommendation for the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and be of no further force and effect upon the Grantee being served the notice of the dismissal or termination of service notwithstanding that such recommendation may be subsequently challenged (successfully or otherwise) by the Grantee in any other forum; and
 - (c) in the event such Grantee is found guilty but is not dismissed or terminated, the ESOS Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.
- 10.7 All Options to the extent that they have not been exercised upon the expiry of the Option Period shall lapse and have no further effect.
- 10.8 Every Option shall be subjected to the condition that no new Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

11. TAKEOVER

- 11.1 Notwithstanding Bye-Law 10.3 hereof, in the event of a takeover offer being made for the Company by a general offer or otherwise and such offer becoming or being declared unconditional, the Grantee shall be entitled to exercise in whole or in part any Option as yet unexercised within six (6) calendar months from the date on which such offer becomes or is declared unconditional. After the expiry of the said period of six (6) calendar months, the Grantee may exercise his unexercised or partially unexercised Options within the relevant Option Period set out in Bye-Law 10.3 hereof.

- 11.2 In addition, in the event any person becomes entitled or bound to exercise rights of compulsory acquisition of the Shares under the provisions of the Act and gives notice to the Grantee that he intends to exercise such rights on a specified date, the Grantee shall be entitled to exercise in whole or in part any of the unexercised Options to which he is entitled until the expiry of such specified date. Upon the expiry of the specified date, all unexercised Options shall automatically lapse and shall thereafter be null and void and of no effect.

12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC

- 12.1 Notwithstanding Bye-Law 10.3, in the event the court sanctions a compromise or arrangement between the Company and/or its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other company or companies under the provisions of the Act, each Grantee shall be entitled to exercise in whole or in part any unexercised Option to which he is entitled at any time and from time to time during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending on a date six (6) months thereafter. Upon the expiry of the specified date, any unexercised Options shall lapse and become null and void and of no effect.

13. RIGHTS ATTACHING TO THE NEW SHARES

- 13.1 The new Shares to be allotted and issued pursuant and upon the exercise of Options under the Scheme will upon allotment and issue rank *pari passu* in all respects with the then existing issued and paid up Shares in the Company provided that such new Shares shall not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (being the date as at the close of business on which shareholders must be registered or recorded in the register of members or record of depositors in order to be entitled to any dividends, rights, allotments or other distribution) of which is prior to the date of allotment of the new Shares arising from the exercise of the Options and will be subject to all of the provisions of the Articles relating to its allotment, issue, transfer, transmission and otherwise.

14. LISTING OF AND QUOTATION FOR THE NEW SHARES

- 14.1 The new Shares to be allotted and issued to the Grantees will not be listed or quoted on the Official List of Bursa Securities until the Option is exercised in accordance with Bye-Law 10 above whereupon the Company shall within eight (8) Market Days or such other period as may be prescribed by Bursa Securities, from the date of receipt of the notice referred to in Bye-Law 10.4 and the remittance for the full amount of the subscription monies for the new Shares referred to in Bye-Law 10.5, make the necessary application to Bursa Securities for the listing of and quotation for the new Shares on the Official List of Bursa Securities and use its best endeavours to obtain such approval unless a blanket approval for the listing of and quotation for the new Shares arising from the Scheme has already been obtained. The ESOS Committee, the Board and the Company shall not under any circumstances and for any reason whatsoever be held liable for any costs, expenses, charges, losses and damages whatsoever and howsoever arising in any event relating to the delay on the part of the Company in allotting and issuing new Shares or in applying for Bursa Securities' permission for the listing of and quotation for such new Shares.

15. NO RETENTION PERIOD

- 15.1 The new Shares to be allotted and issued to the Grantees pursuant to and upon the exercise of the Options will not be subject to any retention period or restriction of transfer, disposal and/or assignment, save as specifically stated in the Articles, as may be amended from time to time. All Grantees should note that new Shares are intended for them to hold as investments for long term yield rather than for realisation to yield immediate profit.

16. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

16.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalization issue, consolidation or subdivision of Shares or reduction of capital or any other variation of capital:

- (a)
 - (i) the number of Option Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option; and/or
 - (ii) the number of Option Shares comprised in an Offer made to an Eligible Employee which is open for acceptance during the Offer Period; and/or
- (b) the Option Price

shall be adjusted in such manner as the external auditors and/or the Adviser of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the ESOS Committee, confirm in writing to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

- (1) no adjustment to the Option Price shall be made which would result in the new Option Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Option Price payable shall be the par value of the new Shares;
- (2) upon any adjustment being made pursuant to this Bye-Law, the ESOS Committee shall within Thirty (30) days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of new Option Shares thereafter to be issued on the exercise of the Option; and
- (3) in determining a Grantee's entitlement to subscribe for new Option Shares, any fractional entitlement will be disregarded.

Any adjustments to the Option Price and/or the number of new Option Shares comprised in the Options so far as unexercised other than bonus issue, must be confirmed in writing by the external auditors or the Adviser of the Company.

16.2 In addition to Bye-Law 16.1 and not in derogation thereof, the Option Price and the number of new Option Shares relating to the Options so far as unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with the external auditors or the Adviser of the Company:

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Option Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value and the additional number of Option Shares comprised in the Options which a Grantee may be entitled to be issued with shall be calculated in accordance with the following formula:

$$\text{Additional number of Shares} = T \times \left[\frac{\text{Former Par Value}}{\text{Revised Par Value}} \right] - T$$

Where

T = Existing number of Option Shares relating to the Options so far as unexercised

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective (being the date where Shares are traded on Bursa Securities at the new par value) or such period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of Shares to ordinary shareholders credited as fully paid-up, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the additional number of new Option Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left\{ T \times \left[\frac{A + B}{A} \right] \right\} - T$$

Where

A = The aggregate number of issued and paid-up Shares immediately before such capitalization issue

B = The aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders credited as fully paid-up by way of capitalisation of profit or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund)

T = As T above

Such adjustment will be effective from the commencement of the Market Day immediately following the books closure date from such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
 - (ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
 - (iii) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in respect of each such case, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

and in respect of each such case referred to in Bye-Law 16.2(c)(ii) hereof, the number of additional new Option Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left\{ T \times \left[\frac{C}{C - D} \right] \right\} - T$$

Where

T = As T above

C = The current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation

D = (i) In the case of an offer or invitation to acquire or subscribe for Shares under Bye-Law 16.2(c)(ii) above or for securities convertible into or with rights to acquire of subscribe for Shares under Bye-Law 16.2(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or

(ii) In the case of any other transaction falling within Bye-Law 16.2(c) hereof, the fair market value as determined (with concurrence of the external auditors) by the Adviser of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of definition (i) of D above, the “value of rights attributable to one (1) Share” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

Where

C = As C above

E = The subscription price for one (1) additional Share under the terms of offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares

F = The number of Shares which is a necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or rights to acquire or subscribe for Shares

For the purpose of Bye-Law 16.2(c) hereof, “Capital Distribution” shall (without prejudice to the generality of that expression) include distribution in cash or specie or by way of issue of Shares [not falling under Bye-Law 16.2(b) hereof] or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund).

Any dividend charged or provided for in the accounts of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated financial statements of the Company.

Such adjustment will be effective from the commencement of the Market Day immediately following the books closure date for such issue.

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in Bye-Law 16.2(b) above and also makes any offer or invitation to its ordinary shareholders as provided in Bye-Law 16.2(c)(ii) or (iii) above and the record date for the purpose of the allotment is also the books closure date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in Bye-Law 16.2(b) above and also makes any offer or invitation to its ordinary shareholders as provided in Bye-Law 16.2(c)(ii) above and the record date for the purpose of the allotment is also the record date for the purpose of the offer or invitation, the number of additional new Option Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[\frac{T \times (G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where

| | | |
|----|---|--|
| G | = | The aggregate number of issued and fully paid-up Shares on the books closure date |
| C | = | As C above |
| H | = | The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under any offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares as the case may be |
| H* | = | The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights |
| I | = | The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be |
| I* | = | The subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Share |
| B | = | As B above |
| T | = | As T above |

Such adjustment will be effective from the commencement of the Market Day immediately following the books closure date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in Bye-Law 16.2(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for ordinary shareholders as provided in Bye-Law 16.2(c)(iii) above, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional new Option Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[\frac{T \times (G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where

G = As G above

C = As C above

H = As H above

H* = As H* above

I = As I above

I* = As I* above

J = The aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders

K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share

T = As T above

Such adjustment will be effective from the commencement of the Market Day immediately following the books closure date for such issue.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in Bye-Law 16.2(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in Bye-Law 16.2(c)(ii) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in Bye-Law 16.2(c)(iii) above, and the books closure date for the purpose of the allotment is also the books closure date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional new Option Shares relating to the Options to be issued shall be calculated as follows:

$$\text{Additional number of Shares} = \left[\frac{T \times (G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where

G = As G above

C = As C above

H = As H above

H* = As H* above

I = As I above

I* = As I* above

J = As J above

T = As T above

K = As K above

B = As B above

Such adjustment will be effective from the commencement of the Market Day immediately following the books closure date for such issue.

- (g) If and whenever [otherwise than pursuant to a rights issue available to all ordinary shareholders and requiring an adjustment under Bye-Law 16.2(c)(ii), (c)(iii), (d), (e) or (f) above], the Company shall issue either any Shares or any securities convertible into Shares or any rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) in less than 90% of the Average Price for one (1) Share (as defined below) or as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

Where

L = The number of Shares in issue at the close of business on the Market Day immediately preceding the date on which relevant adjustment becomes effective

M = The number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses)

N = The aggregate number of Shares so issued or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights

For the purpose of Bye-Law 16.2(g), the “Total Effective Consideration” shall be determined by the Board with the concurrence of the external auditors and/or the Adviser of the Company for the time being and shall be:

- (i) In the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full of such Shares; or
- (ii) In the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) In the case of the issue by the Company of securities with rights to acquire of subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commission, discount or expenses paid, allowed or incurred in connection with the issue thereof, and the “Total Effective Considerations per Share” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of Bye-Law 16.2(g), the “Average Price” of a Share shall be the average price of one (1) Share as derived from the last dealt prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Such adjustment will be calculated from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or on the Market Day immediately following the date on which the Company determines the offer price of such Shares. Such adjustment will be effective from the commencement of the Market Day immediately following the completion of such issue.

16.3 The provision of this Bye-Law shall not apply where the alteration in the capital structure of the Company arises from:

- (a) the issue of securities as consideration for an acquisition;
- (b) a special issue of new Shares to Bumiputera parties approved by the Ministry of International Trade and Industry, Malaysia and/or other Government authorities to comply with the Government policy on Bumiputera capital participation;
- (c) a private placement or restricted issue of new Shares by the Company;
- (d) a share buy-back arrangement by the Company pursuant to the Section 67A of the Act;
- (e) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to new Shares or upon exercise of any other rights including warrants (if any) issued by the Company; and
- (f) an issue of new Option Shares upon the exercise of Options pursuant to the Scheme.

16.4 Upon any adjustment being made, the ESOS Committee shall give notice in writing within thirty (30) days from the date of adjustment to the Grantee, or his legal or personal representatives where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

16.5 The following provisions shall apply in relation to an adjustment which is made pursuant to Bye-Law 16.1:

- (a) any adjustment to the Option Price shall be rounded up to the nearest one (1) sen and in no event shall the Option Price be reduced to an amount which is below the par value of Shares; and
- (b) in determining a Grantee's entitlement to subscribe for Option Shares, any fractional entitlements will be disregarded.

17. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

17.1 Subject to compliance with the requirements of Bursa Securities and any other relevant authorities, the Board shall have the power at any time and from time to time by resolution and at the recommendation of the ESOS Committee, to amend and/or modify all or any of the provisions of these Bye-Laws. The approval of the Company's shareholders in a general meeting is not required in respect of modifications and/or amendments to these Bye-Laws provided that no such amendment and/or modification shall be made –

- (a) which would prejudice any right which have accrued to any Grantee without his consent; or
- (b) which would increase the number of new Shares under the Scheme beyond the maximum permitted by the relevant authorities; or
- (c) which would provide a material advantage to any particular Grantee or group of Grantees or all Grantees in respect of matters prescribed under Appendix 6F of the Listing Requirements without the prior approval of the shareholders of the Company in general meeting.

17.2 Upon amending and/or modifying all or any of the provisions of the Scheme, the Company shall submit to Bursa Securities a letter confirming that the said amendment and/or modification does not contravene any of the provisions of the Listing Requirements on the employees' shares option scheme and the rules of Bursa Depository no later than five (5) Market Date after the effective date of the said amendment and/or modification.

18. TERMINATION OF THE OPTION AND OFFERS

18.1 Any Offer that has not yet been accepted in the manner set out in Bye-Law 7 and any Option which has not yet been exercised, shall terminate and cease to be valid and exercisable –

- (a) in the event of the demise of the Eligible Employee or Grantee, upon the expiry of the Option Period;
- (b) in the event of the Eligible Employee or Grantee ceasing to be an employee of any corporation within the MRCB Group, due to termination of employment by the Eligible Employee or Grantee, six (6) months after the date of termination of the Eligible Employee's or Grantee's employment;
- (c) in the event of the Eligible Employee or Grantee ceasing to be an employee of any corporation within the MRCB Group, due to termination of employment by the employer of the Eligible Employee or Grantee, immediately upon the date of cessation or termination of employment;
- (d) in the event of the Eligible Employee or Grantee ceasing to be an employee of any corporation within the MRCB Group, for any reason other than as stated in paragraphs (b) or (c) above, six (6) months after the date of termination of the Eligible Employee's or Grantee's employment;

- (e) in the event, where an Eligible Employee or a Grantee is currently employed by a subsidiary of the Company within the MRCB Group, six (6) months after that corporation ceasing for any reason to be a subsidiary of the Company;
 - (f) in the event of the winding up or liquidation of the Company, in which event the Option shall be automatically terminated on the following date:
 - (i) in the case of a voluntary winding up:
 - (aa) the date on which a provisional liquidator is appointed by the Company; or
 - (bb) the date on which the shareholders of the Company pass a resolution to voluntarily wind-up the Company; or
 - (ii) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; and
 - (g) in the event of the termination of the Scheme pursuant to Bye-Law 4.
- 18.2 A Grantee may apply in writing to the ESOS Committee to be allowed to continue to hold and to exercise Options held by him upon termination of employment with the MRCB Group, in the following circumstances:
- (a) retirement upon or after attaining normal retiring age set by the Company from time to time; or
 - (b) retirement before attaining the normal retirement age set by the Company from time to time with the consent of his employer; or
 - (c) any other circumstances as may be determined by the ESOS Committee from time to time.
- 18.3 Applications under Bye-Law 18.2 shall be made before the Grantee's last day of employment. The Grantee may exercise the Options at any time before his last day of employment subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee before the Grantee's last day of employment, any unexercised Options held by the Grantee on his last day of employment shall be automatically terminated.
- 18.4 The ESOS Committee shall consider applications under Bye-Law 18.2 on a case by case basis and may at its discretion approve or reject any application in whole or in part without giving any reasons therefore and may impose any terms and conditions in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval as follows:
- (a) in respect of applications under Bye-Law 18.2(a) and (b):
 - (i) within such period as may be determined by the ESOS Committee, which shall not exceed the Option Period, if the Grantee's employment with MRCB Group has been for a continuous period of ten (10) years or more; or
 - (ii) within such period as may be determined by the ESOS Committee, which shall not exceed six (6) months from the Grantee's last day of employment if the Grantee's employment with MRCB Group has been for a period of less than ten (10) years; or

- (b) in respect of applications under Bye-Law 18.2(c), within the period so approved by the ESOS Committee;

and subject to the provisions of Bye-Law 10. Any Options in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of Bye-Law 18.3 or on the date of the ESOS Committee's decision, whichever is the later.

- 18.5 In the event that the ESOS Committee receives an application under Bye-Law 18.2 after the expiry of the period stipulated under Bye-Law 18.3, the ESOS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the ESOS Committee's discretion and powers under Bye-Law 18.4. In the event that the ESOS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the unexercised Options which are the subject of the approval to the Grantee and such Options offered, if accepted by the Grantee shall be exercisable:

- (a) only within the period stipulated in Bye-Law 18.4;
- (b) in accordance with the provisions of Bye-Law 4 as applicable in respect of such terminated Options; and
- (c) at the Subscription Price applicable in respect of such terminated Options.

- 18.6 The provisions of Bye-Law 18.5 constitute exceptions to the provisions of Bye-Law 5 and Bye-Law 9.1.

- 18.7 Notwithstanding the foregoing provisions regarding termination of the Option, the ESOS Committee may at its discretion allow the Option to be exercised by the Grantee (or such other person or persons as the Committee may specify) in respect of all or some of the Option Shares comprised in the Option remaining unexercised within such period as the ESOS Committee may allow and subject to such terms as the ESOS Committee may specify, provided that no such extended period for exercise shall exceed the duration of the Scheme.

- 18.8 For avoidance of doubt, the transfer of a Grantee from one corporation within the MRCB Group to any subsidiary of the Company shall not affect the Offers made to him or the Options held by him.

19. LIQUIDATION OF THE COMPANY

- 19.1 In the event of the winding-up of the Company, all unexercised or partially unexercised Options shall automatically lapse and be null and void and of no further effect upon the commencement of winding-up of the Company.

20. DISPUTES

- 20.1 In case of any dispute or difference between the ESOS Committee and/or the Board and/or the Company and an Eligible Employee and/or a Grantee as to any of the provisions contained in these Bye-Laws, the Offer, the Option and/or any term or condition therein, or the breach, termination or invalidity thereof, the ESOS Committee shall determine such dispute or difference by a decision given to the Eligible Employee and/or Grantee. The said decision shall be final and binding on the parties unless the Eligible Employee and/or Grantee within fourteen (14) calendar days of the receipt of the decision, by a notice to the ESOS Committee, disputes the same in which case such dispute or difference shall be referred to the decision of the external auditors for the time being of the Company, acting as experts and not as arbitrators, whose decision which is subject to the approval of the ESOS Committee, shall be final and binding on all parties and in all respects. Under no circumstances shall a dispute or difference be brought to a court of law.

21. NO COMPENSATION

21.1 No Eligible Employee and/or Grantee shall bring any claim of whatsoever nature against the Board, the ESOS Committee, the Company and any corporation within the MRCB Group or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his right to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Bye-Laws, or as may be amended from time to time.

21.2 No Eligible Employee and/or Grantee shall be entitled to any compensation for damages arising from the termination of any Option(s) or termination of this Scheme pursuant to the provisions of these Bye-Laws. Notwithstanding any provisions of these Bye-Laws –

- (a) **this Scheme shall not form part of any contract of employment between the Company or any company of the group and any employee or Director of the Company or any corporation within the MRCB Group; and**

The rights of any Employee or Director in Executive Capacity under the terms of his office and/or employment with the Company or any corporation within the MRCB Group shall not be affected by his participation in the Scheme, nor shall such participation or the Offer or consideration for the Offer afford such Employee or Director in Executive Capacity any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;

- (b) this Scheme shall not confer on any person any legal or equitable rights or rights under any other theory of law (other than those constituting the Options themselves) against the Board, the ESOS Committee, the Company and any corporation within the MRCB Group directly or indirectly or give rise to any cause of action at law or in equity or under any other theory of law against the Board, the ESOS Committee, the Company and any corporation within the MRCB Group;
- (c) no Grantee or his legal or personal representatives shall bring any claim, action or proceedings against the Board, the ESOS Committee, the Company and any corporation within the MRCB Group or any other party for compensation, loss or damages whatsoever arising from the suspension of his rights to exercise his Options or his Options ceasing to be valid pursuant to the provisions of these Bye-Laws; and
- (d) the sole right of a Grantee or legal or personal representative thereof, under these Bye-Laws shall be limited to the consideration paid by the Grantee for the Option and the Board, the ESOS Committee, the Company and any corporation within the MRCB Group or any other party shall in no event be liable to the Grantee or legal or personal representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damages, including without limitation on lost profits or savings, directly or indirectly arising from the breach or performance of these Bye-Laws or any loss suffered by reason of any change in the price of Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if the Board, the ESOS Committee, the Company and any corporation within the MRCB Group or any other party has been advised of the possibility of such damages and even if the limited remedy provided for is found to fail of essential purpose.

22. INSPECTION OF THE AUDITED ACCOUNTS

22.1 Subject to the Articles of the Company, all Grantees shall be entitled to inspect the latest available published audited accounts of the Company on any Market Day during the normal working hours of the Company at the registered office of the Company.

23. TAXES

- 23.1 All taxes (including income tax), if any, arising from the granting of the Options to the Grantee under the Scheme shall be borne by the Grantee.

24. COST AND EXPENSES

- 24.1 All fees, cost and expenses incurred in relation to the preparation of the Scheme including but not limited to the costs and expenses relating to the allotment, issue and listing of the new Shares pursuant to the exercise of any Option shall be borne by the Company.

25. DISCLAIMER OF LIABILITY

- 25.1 Notwithstanding any provisions contained herein and subject to the Act, the Board, the ESOS Committee; the Company and any corporation within the MRCB Group shall not under any circumstances be held liable to any person for any costs, charges, losses, expenses, damages and liabilities whatsoever and howsoever arising in any event, including but not limited to the following:
- (a) the Company's delay in allotting and issuing the new Shares to be allotted and issued pursuant to the exercise of Options; and/or
 - (b) the Company's delay in applying for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options on the Official List of Bursa Securities; and/or
 - (c) failure of any of the new Shares to be listed on the Official List of Bursa Securities; and/or
 - (d) any delay in the receipt or non-receipt by the Company of the notice to exercise the Options; and/or
 - (e) any errors in any Offers made to the Eligible Employee.

26. NOTICES

- 26.1 Any notice required to be given to an Eligible Employee and/or Grantee shall be in writing and shall be in the first instance be collected in person by the Eligible Employee and/or Grantee within seven (7) calendar days of a general notice being placed in one or more conspicuous place(s) at the workplace of the corporations within the MRCB Group requesting all Eligible Employees and/or Grantees to collect the said notice during normal working hours from the Human Resource Department of the Company or such other designated person as shall be stipulated in the general notice.
- 26.2 In the event the said notice is not collected within the specified period of time, the said notice shall be sent to the Eligible Employee and/or Grantee by ordinary post to the latest postal address held by the Company in respect of that Eligible Employee and/or Grantee and any such notice shall be deemed to have been delivered four (4) calendar days after the date it is posted and in proving delivery it shall be sufficient to prove that such a letter was properly stamped, addressed and placed in the post.

27. SCHEME NOT A TERM OF EMPLOYMENT

- 27.1 The Scheme does not form part, nor shall it in any way be construed as part of the terms and conditions of employment or appointment of an Eligible Employee with any corporation within the MRCB Group.

28. ARTICLES

- 28.1 The provisions of these Bye-Laws shall be subject to the Articles and in the event of a conflict between the provisions of these Bye-Laws and the Articles, the provisions of the Articles shall prevail.

29. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEME

- 29.1 Subject to the approval of the relevant authorities and compliance with the requirements of the relevant authorities, the Company may establish a new employees' share option scheme after the expiry of the current Scheme or upon termination of the current Scheme.

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SCHEDULE

Maximum Allowable Allocation

| CATEGORY | GRADE | Maximum Allowable Allocation that may be allotted to each Eligible Employee |
|--|-------|---|
| | | Number of Option Shares |
| Group Managing Director | – | 2,000,000 |
| Vice President | 9 | 500,000 |
| | 8 | 500,000 |
| Management | 7 | 350,000 |
| | 6 | 275,000 |
| | 5 | 200,000 |
| Executive | 4 | 130,000 |
| | 3 | 110,000 |
| Non-Executive | 2 | 70,000 |
| | 1 | 50,000 |
| Non-Executive (Auxillary Police and Security Personnel) | D | 50,000 |
| | C | 50,000 |
| | B | 20,000 |
| | A | 20,000 |

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FURTHER INFORMATION**1. RESPONSIBILITY STATEMENT**

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

2. CONSENT

PIVB has given and has not subsequently withdrawn its written consent to the inclusion of its name in the form and context in which it may appear in this Circular. Further, PIVB has confirmed that there is no conflict of interest in its role as the Adviser to MRCB in respect of the Proposed ESOS.

3. MATERIAL CONTRACTS

Save as disclosed below, the Board of MRCB is not aware of any material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by MRCB and/or its subsidiaries within the two (2) years immediately preceding the date of this Circular:-

- (i) Contract Document No: JKR/IP/CKUB/16 dated 24th March 2005 between Jabatan Kerja Raya Malaysia on behalf of the Government of Malaysia and Konsortium MRCB, Gabungan Kesturi Sdn Bhd (563868-A) and HSS Projects Sdn Bhd (163875-P) ("Konsortium") for the upgrading of Federal Routes from Sabak Bernam to Changkat Jering, Pakej A – Jambatan Sg. Bernam dan Jalan Tuju ("the Project"), where the Konsortium has been awarded the Project for the total cost of RM67,080,800.75.
- (ii) Sale and Purchase Agreement dated 19th May 2005 between Kuala Lumpur Sentral Sdn Bhd ("KLSSB") (322688-X) and United Engineers (Malaysia) Berhad (now known as UEM Group Berhad) ("UEM") (6551-K), whereby KLSSB agreed to sell to UEM a piece of land and deck at Parcel A held under Geran 46225, Lot 77, Section 70, District of Kuala Lumpur, State of Wilayah Persekutuan measuring approximately 4,624 sq metres together with deck structure for the consideration of RM54 million. The Sale and Purchase Agreement was supplemented by a Supplemental Agreement dated 26th July 2005. The Sale and Purchase Agreement was completed on 3rd January 2007.
- (iii) Subscription Agreement dated 1st June 2005 between Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("Kesturi") (539274-U), MRCB and Ekovest Berhad (132493-D) for redeemable preference shares ("RPS") in Kesturi, whereby MRCB agreed to subscribe up to RM58.5 million Kesturi RPS comprising of 585 RPS at an issue price of RM100,000.00 each. MRCB has yet to fully subscribe for Kesturi RPS.
- (iv) Sale and Purchase Agreement dated 2nd December 2005 between KLSSB and Quill Realty Sdn Bhd (QRSB") (714906-M), whereby KLSSB agreed to sell to QRSB a piece of land and deck at Parcel D held under Geran 46225, Lot 77, Section 70, District of Kuala Lumpur, State of Wilayah Persekutuan measuring approximately 5,524 sq metres together with deck structure for a consideration of RM57.5 million. The Sale and Purchase Agreement was completed on 13th December 2006.

- (v) Letter of Award dated 5 September 2006 from Al-Fattan Properties (L.L.C) to Al Fattan MRCB Construction Co. LLC. (a joint venture company formed by Musabeh Rashid Al-Fattan and MRCB Engineering Sdn Bhd (81777-T) ("MRCB Engineering") for the construction of:
 - (a) Office Building on Plot No.BBA (382-157), Marsa Dubai for Major General Musabeh Rashid Al-Fattan; and
 - (b) Hotel and Residences/Jumeirah Palm Crescent on Plot C40, Dubai for Major General Musabeh Rashid Al Fattan at the respective estimated price of Arab Emirates Dirham ("AED") 50,000,000 and AED 340,000,000.
- (vi) Sale and Purchase Agreement dated 20 September 2006 (the "SPA 1") between MRCB Selborn Corporation Sdn Bhd (207763-M) as the vendor and Bank Kerjasama Rakyat Malaysia Berhad as the purchaser of Menara MRCB, Shah Alam at the purchase price of RM70,000,000.00. The SPA 1 was duly completed on 26 December 2006.
- (vii) Sale and Purchase Agreement dated 1 December 2006 (the "SPA 2") between KLSSB as the proprietor, MRCB as the vendor and Lembaga Kumpulan Wang Simpanan Pekerja as the purchaser of Block 1A, KL Sentral for the purchase price of RM80,036,250.00. The FIC approval has been obtained and is now pending completion of the SPA 2.
- (viii) Sale and Purchase Agreement dated 11 December 2006 (the "SPA 3") between KLSSB as the proprietor, MRCB as the developer and Suruhanjaya Syarikat Malaysia as the purchaser for the 31 Storey Office Building identified as "Tower C" at KL Sentral for the purchase price of RM147,500,000.00. The FIC approval has been obtained and the SPA 3 is now pending completion.
- (ix) Joint Venture and Shareholder's Agreement dated 28 December 2006 (the "JVSA") between MRCB, Capitaland (M) Investments Pte. Ltd ("CIPL"), Quill Construction Sdn Bhd and Prema Bonanza Sdn. Bhd. ("Prema Bonanza") for the project to develop service apartments on Lot D, KL Sentral.

 On the 2nd March 2007, Quill Construction with the agreement of the Company and CIPL. novated its rights and obligations in the JVSA to its related company, Quill Residences Sdn Bhd.

 The subscription of shares under the JVSA and the acquisition of Lot D from KLSSB received the approvals from the Foreign Investment Committee on 21 March 2007. The JVSA is pending completion.
- (x) Sale and Purchase Agreement dated 28 December 2006 between KLSSB as the vendor and Prema Bonanza as the purchaser of Lot D, KL Sentral for the purchase price of RM140,000,000.00. The acquisition of Lot D from KLSSB received the approval from the Foreign Investment Committee on 21 March 2007. The Sale and Purchase Agreement is pending completion.
- (xi) Sale and Purchase Agreement dated 12 March 2007 (the "SPA 4") between KLSSB as the proprietor, MRCB as the developer and Pesuruhjaya Persekutuan & the Malaysian Industrial Development Authority both as the purchaser for the building identified as "Tower B" at KL Sentral for the purchase price of RM148,575,000.00. The SPA 4 is pending completion.
- (xii) Letter of Intent dated 15 January 2007 from Tenaga Malaysia Berhad ("TNB") to a consortium formed by Malaysian Resources Corporation Berhad ("MRCB") as leader of the consortium, HG Corporation Sdn Bhd, IsoPlas Resources Sdn Bhd and KOP Construction Services (M) Sdn Bhd for the "Supply, Erect & Commissioning of 275kV Double Circuit Transmission Line/Cable (Hybrid) from Pantai Substation to Salak South Substation & 275kV Salak South Substation" for a contract price of RM282,000,000.00.
- (xiii) Master Definitions Agreement dated 22 March 2007 between KLSSB in its capacity as a partner to the Musharakah Venture, Issuer, the Project Manager and Chargor and HSBC Bank Malaysia Berhad (127776-V) and Kuwait Finance House (Malaysia) Berhad (672174-T) collectively in their capacities as the Joint Lead Managers and Kuwait Finance House

(Malaysia) Berhad (672174-T) as the Facility Agent and Put Writer And Malaysian Trustees Berhad (21666-V) as Trustee and Security Trustee wherein the Issuer proposes to issue serial Sukuk of up to RM720,000,000.00 in nominal value in accordance with the Syariah principle of Musharakah and the following documents all dated 22 March 2007 were simultaneously executed by the parties concerned for the completion of the Musharakah Venture where the project lands as defined in the documents would be purchased from KLSSB for up to RM720,000,000.00 and sale of the said project lands to the Musharakah Venture:

- (i) Accounts Agreement;
- (ii) Musharakah Agreement;
- (iii) Investment Agreement;
- (iv) Trust Deed;
- (v) Declaration of Trust;
- (vi) Put Option Agreement;
- (vii) Purchase Undertaking;
- (viii) Management Agreement;
- (ix) Security Deed; and
- (x) Charge.

4. MATERIAL LITIGATION

Save as disclosed below, neither MRCB nor its subsidiaries is engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and as at the date of this Circular the Board of MRCB is not aware of any proceedings, pending or threatened, against MRCB and/or its subsidiaries or of any facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of MRCB and/or its subsidiaries:-

A summary of all material litigation, claims or arbitration involving MRCB and/or its subsidiaries up to 26 March 2007 are as follows:

(i) High Court Of Malaya At Shah Alam, Civil Suit MT5-22-846-2001, Inxcel Properties Sdn Bhd v MRCB

In this matter, the plaintiff claimed breach of contract on the part of the Company in relation to a parcel of land which the plaintiff alleges should have been sold by the Company to the plaintiff, via a sale and purchase agreement which (the plaintiff alleges) ought to have been executed by the Company, but was not. The plaintiff claimed that it had relied on the Company's representations that the terms of the transaction had been finalised, even though the sale and purchase agreement was not, eventually, executed. Consequently, the plaintiff claimed for RM4.5 million as loss of profits, and other damages for losses suffered due to its alleged reliance on the Company's alleged representations. The court has fixed the hearing of this case on 20 to 22 August 2007.

The Company disputes the plaintiff's claim. The Directors of the Company are of the opinion that the Company has reasonable grounds of defence against the plaintiff's claim.

(ii) Claim by HT Maltec Consultants Against Seri Ipoh-Lumut Expressway Sdn Bhd For The Sum Of RM19,318,796.00 And Other Damages To Be Assessed

By a letter of demand dated 2 August 2001, HT Maltec Consultants Sdn Bhd ("Maltec") had claimed against Seri Ipoh-Lumut Expressway Sdn Bhd ("Silex") a lump sum of RM19,318,796.00 which it alleges is owing by Silex to Maltec pursuant to a consultancy agreement dated 27 October 1999, which Maltec claims Silex had wrongfully terminated. Silex disputes any such liability pertaining to the said outstanding sum and the matter has been referred to arbitration. The last witness was called on 23 January 2007 and the arbitration is now pending submission by the respective solicitors.

The Directors of the Company are of the opinion that Silex has reasonable grounds of defence in this matter.

(iii) High Court Of Malaya At Kuala Lumpur, Civil Suit D7-22-1919-2000, MRCB v Mohd Razi Bin Shahadak And Two Others

The first two defendants, Mohd Razi bin Shahadak and Mohd. Zuhdi bin Muda, are shareholders and directors of the third defendant, ST Industrial Clay Sdn Bhd (“STI Clay”). The Company had on 12 October 2000 filed a claim against them to recover:

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

The parties have completed the case management and the case is now set for trial from 25 February 2008 to 27 February 2008.

The Directors of the Company are of the opinion that the Company’s claim has merit and a reasonable chance of success.

(iv) High Court Of Sabah And Sarawak In The Federal Territory Of Labuan, Civil Suit L22-05-2002, Syarikat Dayausaha Bumiputra-Putra Entrepreneur JV (Suing As A Firm) v MRCB Engineering Sdn Bhd And MRCB

In this matter, the plaintiff claimed that MRCB Engineering, a subsidiary of the Company, and the Company had wrongfully terminated a sub-contract that had been awarded to the plaintiff in connection with the construction of a college in Labuan. Consequently, the plaintiff claimed for total damages of approximately RM16.6 million. On 24 April 2002, the defendants had filed applications to strike-out and for a stay of proceedings. These 2 applications were dismissed by the court on 21 January 2003. A notice of appeal was filed by the 2 defendants on 28 January 2003. The court has vide letter dated 6 October 2006 informed it will fixed a date for hearing on 9 February 2007. However, the court has subsequently notified that the hearing date on 9 February 2007 was to be vacated to another date yet to be fixed by the court.

MRCB Engineering and the Company dispute the plaintiff’s claim. The Directors of the Company believe that there are reasonable grounds of defence against the plaintiff’s claim.

(v) High Court Of Malaya At Kuala Lumpur, Civil Suit D2-22-648-2003, MRCB Property Development Sdn Bhd v Suedy Suwendy And Six Others

MRCB Property Development Sdn Bhd (“MPD”), a wholly owned subsidiary of MRCB, had entered into a Share Sale Agreement dated 2 January 2001 (“SSA”) with the defendants whereby MPD had agreed to purchase 24,000,006 fully paid ordinary shares of RM1.00 each representing the defendants’ entire shareholding in Taman Ratu Sdn Bhd and also representing 100% of the issued and paid-up capital of TRSB, for a total purchase consideration not exceeding RM15,417,000.00.

MPD alleged that the conditions precedent to the SSA have not been fulfilled and demanded a refund of RM6,000,000.00, plus interest and costs, being the monies already paid by MPD under the terms of the SSA. Service out of jurisdiction on the foreign defendants is pending, after the court granted MPD’s application to do so on 28 May 2003. In the meantime, summary judgment was entered against the 1st, 3rd, 6th and 7th defendants on 18 November 2005. The appeal of these defendants against the summary judgment was allowed on 16 August 2006. The matter will be filed for Case Management.

The Directors of the Company are of the opinion that MPD has reasonable grounds of success in its claim.

(vi) High Court Of Malaya At Shah Alam, Civil Suit MT3-22-69-2004, Kota Francais (M) Sdn Bhd v MRCB Selborn Corporation Sdn Bhd

A writ of summons was served on MRCB Selborn Corporation Sdn Bhd ("MSCSB") by the plaintiff on 8 March 2004, claiming (among others) RM27,300,000.00, damages, cost, interest and declarations, due to an alleged wrongful termination by MSCSB of a memorandum of agreement between MSCSB and the plaintiff. MSCSB had on 15 March 2003 filed a memorandum of appearance, and its defence was filed on 30 March 2004. The matter is fixed for Case Management on 23 July 2007.

The Directors of the Company are of the opinion that MSCSB has reasonable grounds of defence to the plaintiff's claim.

(vii) Arbitration On A Claim For Breach Of Contract Between KLSSB And Express Rail Link Sdn Bhd

KLSSB alleges that Express Rail Link Sdn Bhd ("ERL") had breached an interface agreement entered into between KLSSB and ERL, and is claiming damages amounting to approximately RM8,700,000.00. ERL has counterclaimed for damages amounting to approximately RM11,400,000.00. KLSSB's claim in arbitration commenced on 2 February 2005. The arbitration has been fixed for hearing from 3 April 2007 to 6 April 2007.

The Directors of the Company are of the opinion that KLSSB's claim has merit, and that it has reasonable grounds of defence against the counterclaim.

(viii) Arbitration On A Dispute Pertaining To Supply Of Chilled Water Between Semasa Sentral Sdn Bhd And ERL

Semasa Sentral Sdn Bhd ("SSSB") and ERL are disputing the price charged in respect of chilled water supplied by SSSB to ERL. Both parties have agreed to refer the matter to arbitration to determine the rate of the price that should be payable for the chilled water supply. The arbitration has now been fixed for hearing from 3 September 2007 to 6 September 2007, 10 September 2007 and from 17 September 2007 to 20 September 2007.

The Directors of the Company are of the opinion that SSSB's claim has merits and a reasonable chance of success.

(ix) High Court Of Malaya At Shah Alam, Civil Suit, MT4-22-495-2004, Intelligent Essence Sdn Bhd v TT Dotcom Sdn Bhd And KLSSB

TT Dotcom Sdn Bhd ("TDSB") had claimed against Intelligent Essence Sdn Bhd ("IESB") for a sum of RM939,331.96 being payment for telecommunication services rendered. IESB then filed a counterclaim against TDSB as the first defendant for a sum of RM446,987.78 and KLSSB as the second defendant for a sum of RM1,319,239.00 being loss of profits for wrongful termination of contract, and RM108,872.02 being the unpaid telecommunication services. KLSSB had then counterclaimed against IESB inter alia for loss of profits amounting to RM42,500,000.00. The court has fixed hearing for Case Management on 14 April 2007.

The Directors of the Company are of the opinion that KLSSB has reasonable grounds of defence to the plaintiff's claim.

5. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of MRCB during normal business hours from Mondays to Fridays (excluding public holidays) from the date of this Circular up to and including the date of the EGM:-

- (i) the Memorandum and Articles of Association of MRCB;
- (ii) the letter of consent referred to in section 2 above;
- (iii) the material contracts referred to in section 3 above;

- (iv) the relevant cause papers in respect of the material litigations referred to in Section 4 above;
- (v) the draft Bye-Laws of the Proposed ESOS as referred to in Appendix 1 of this Circular; and
- (vi) the audited consolidated financial statements of the MRCB Group for the past two (2) financial years ended 31 December 2006.



MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No: 7994-D)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Malaysian Resources Corporation Berhad ("MRCB" or "Company") will be held at Ballroom A & B, Level 6, Hilton Kuala Lumpur, 3, Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 29 May 2007 at 10.30 a.m. or immediately following the conclusion or adjournment (as the case may be) of the Thirty-Sixth Annual General Meeting of the Company, whichever is later, which will be held at the same venue and on the same day at 10.00 a.m., for the purpose of considering and, if thought fit, to pass with or without any modification the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME

"**THAT**, subject to the approval of all the relevant authorities, including but not limited to, the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the new ordinary shares of the Company to be issued hereunder, the Board of Directors of the Company be and is hereby authorised to:-

- (i) establish and administer an Employees' Share Option Scheme ("ESOS") for the benefit of eligible employees of the Company and its subsidiaries in accordance with the provisions of the Bye-Laws of the ESOS as set out in **Appendix I** of the Circular to Shareholders of the Company dated 14 May 2007 ("Circular") and to give effect to the ESOS with full power to assent to any condition, variation, modification and/or amendment as may be required by the relevant authorities;
- (ii) make the necessary applications and do all things necessary at the appropriate time or times to Bursa Securities for the listing of and quotation for the new ordinary shares of the Company which may from time to time be allotted and issued pursuant to the ESOS;
- (iii) allot and issue from time to time such number of ordinary shares of the Company as may be required to be issued pursuant to the exercise of the options under the ESOS provided that the aggregate number of new ordinary shares of the Company to be allotted and issued pursuant to this resolution shall not exceed an aggregate of fifteen percent (15%) of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS and such new ordinary shares of the Company issued shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and fully paid-up ordinary shares of the Company except that they will not be entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new ordinary shares of the Company pursuant to the ESOS;
- (iv) modify and/or amend the ESOS from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Bye-Laws of the ESOS relating to modifications and/or amendments and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the ESOS; and
- (v) extend the ESOS, if the Board of Directors of MRCB deems fit, for up to a maximum period of an additional five (5) years ("ESOS Extension") and that the Board of Directors be and are hereby authorised to implement the ESOS Extension AND THAT the Bye-Laws of the ESOS of MRCB as set out in **Appendix 1** of the Circular which is in compliance with the Listing Requirements of Bursa Securities be hereby approved."

ORDINARY RESOLUTION 2

PROPOSED GRANTING OF OPTIONS TO EN. SHAHRIL RIDZA RIDZUAN

“**THAT**, subject to the passing of Ordinary Resolution 1 above, the Board of Directors of the Company be and is hereby authorised at any time and from time to time to offer and to grant to En Shahril Ridza Ridzuan, the Group Managing Director of the Company, new options to subscribe for up to a maximum of 2,000,000 new ordinary shares of the Company under the ESOS subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provision of the Bye-Laws of the ESOS.”

By order of the Board

Mohd Noor Rahim Yahaya

MAICSA No: 0866820

Company Secretary

Kuala Lumpur

14 May 2007

Notes: -

- 1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (or in the case of a corporation, to appoint a representative) to attend and vote in its place. A proxy need not be a member of the Company.*
- 2. The form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, it shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.*
- 3. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi-Purpose, Capital Square, 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.*



MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No: 7994-D)
(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

I/We[NRIC No:]
(Full name in block letters)

of
(Full address)

.....being a member/

members of **MALAYSIAN RESOURCES CORPORATION BERHAD** (Company No. 7994-D), do hereby

appoint
(Full name in block letters)

[NRIC No.]of
(Full address)

or failing him/her
(Full name in block letters)

[NRIC No.] of
(Full address)

as *my/our proxy to attend and to vote for me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Ballroom A & B, Level 6, Hilton Kuala Lumpur, 3, Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 29 May 2007 at 10.30 a.m. or immediately following the conclusion or adjournment (as the case may be) of the Thirty-Sixth Annual General Meeting of the Company, whichever is later, which will be held at the same venue and on the same day at 10.00 a.m., and at any adjournment thereof. My/our proxy is to vote as indicated below:

| No. | ORDINARY RESOLUTION | FOR | AGAINST |
|-----|---|-----|---------|
| 1. | Proposed Establishment of an Employees' Share Option Scheme | | |
| 2. | Proposed Granting of Options to En Shahril Ridza Ridzuan | | |

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

| | |
|-----------------------|--|
| Number of shares held | |
|-----------------------|--|

Dated this _____ day _____ 2007

Signature / Common Seal

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (or in the case of a corporation, to appoint a representative) to attend and vote in its place. A proxy need not be a member of the Company.
2. The form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, it shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.
3. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 26, Menara Multi-Purpose, Capital Square, 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for the holding of the meeting or any adjournment thereof.

