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This Independent Advice Circular should be read together with the Circular to the shareholders issued by MRCB on 31 January 2003.

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MALAYSIAN RESOURCES CORPORATION BERHAD

(COMPANY NO: 7994-D)

(Incorporated in Malaysia)

INDEPENDENT ADVICE CIRCULAR TO THE INDEPENDENT DIRECTORS AND MINORITY SHAREHOLDERS OF MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB") IN RELATION TO THE:-

- **PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN SISTEM TELEVISYEN MALAYSIA BERHAD ("TV3") BY NEWCO (AS DEFINED HEREIN) FROM MRCB, TV3 MINORITY AND TV3 SCHEME CREDITORS (AS DEFINED HEREIN) FOR A TOTAL CONSIDERATION OF RM291,738,629 TO BE SATISFIED BY THE ISSUANCE OF THE RIGHTS TO ALLOTMENT OF 265,216,935 NEW ORDINARY SHARES OF RM1.00 EACH IN NEWCO AT AN ISSUE PRICE OF RM1.10 PER SHARE; AND**
- **PROPOSED ACQUISITION OF RIGHTS TO ALLOTMENT OF 234,464,026 NEW ORDINARY SHARES OF RM1.00 EACH IN NEWCO ("NEWCO SHARES") (REPRESENTING ALL RIGHTS TO ALLOTMENT OF NEWCO SHARES NOT ALREADY OWNED BY MRCB) FROM TV3 MINORITY AND TV3 SCHEME CREDITORS BY MRCB FOR A TOTAL CONSIDERATION OF RM257,910,429 TO BE SATISFIED BY THE ISSUANCE OF 177,869,261 NEW ORDINARY SHARES OF RM1.00 EACH IN MRCB AT AN ISSUE PRICE OF RM1.45 PER SHARE**

WHICH FORM PART OF THE CORPORATE PROPOSALS (DEFINED HEREIN)

Independent Adviser



ALLIANCE MERCHANT BANK

Alliance Merchant Bank Berhad (21605-D)

This Independent Advice Circular is dated 17 February 2003

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Act	: Companies Act, 1965
Alliance Merchant	: Alliance Merchant Bank Berhad (21605-D)
AmMerchant Bank	: AmMerchant Bank Berhad (<i>formerly known as Arab-Malaysian Merchant Bank Berhad</i>) (23742-V)
Bonds	: RM125,000,000 nominal amount of bonds at the issue price of RM87,500,000 or 70% of the nominal amount of the bonds to be issued pursuant to the Proposed Bonds with Warrants Issue
BSPSB	: Booty Studio Productions Sdn Bhd (202063-H), a subsidiary of TV3
Business Day	: A day on which the KLSE is open for the trading of securities
CESB	: Cineart Enterprises Sdn Bhd (272025-V), a wholly-owned subsidiary of TV3
CFSB	: Cosmo Focus Sdn Bhd (324037-W), a wholly-owned subsidiary of TV3
Code	: The Malaysian Code on Take-overs and Mergers, 1998
Directors	: Board of Directors
DSSAJ	: Dato' Seri Syed Anwar Jamalullail
EGM	: Extraordinary General Meeting
EPF	: Employees Provident Fund Board
EPS	: Earnings per share
ESOS	: The employees' share option scheme of up to 10% of the issued and paid-up share capital of MRCB, approved by members of MRCB on 12 August 2002. The maximum number of shares to be issued pursuant to the employees' share option scheme is 97,654,949 MRCB Shares. The number of MRCB Shares in respect of the ESOS options granted but unexercised are 36,520,000 as at 31 December 2002
FIC	: Foreign Investment Committee
GAMA	: Gama Media International (BVI) Ltd (Incorporated in the British Virgin Islands), a wholly-owned subsidiary of TV3
GBSB	: Grand Brilliance Sdn Bhd (283764-W), a wholly-owned subsidiary of TV3
High Court or Court	: The High Court of Malaya

DEFINITIONS (*cont'd*)

ICULS	: Irredeemable Convertible Unsecured Loan Stocks (RM180.0 million nominal amount of ICULS will be issued by Newco at a coupon rate of 2% per annum for a tenure of 5 years from the date of issue of the ICULS, conversion of which may take place from 2 nd anniversary from the date of issue)
KLSE	: Kuala Lumpur Stock Exchange
MESB	: Mercury Entertainment (M) Sdn Bhd (290179-K), a subsidiary of TV3
MRCB	: Malaysian Resources Corporation Berhad (7994-D)
MRCB Consideration Shares	: New ordinary shares of RM1.00 each to be issued by MRCB at an issue price of RM1.45 per share as purchase consideration pursuant to the Proposed Acquisition of Newco. A total of 177,869,261 MRCB Consideration Shares will be issued
MRCB Debt Settlement	: The proposed debt settlement of RM465 million in extended facilities between MRCB and MRCB Lenders which was completed on 31 December 2002
MRCB Existing Shares	: Ordinary shares of RM1.00 each in MRCB in issue prior to the MRCB Voting Record Time, which as at 31 December 2002 amounted to 976,549,499 ordinary shares of RM1.00 each
MRCB Group	: MRCB and its subsidiaries, collectively
MRCB Hearing Record Time	: 5.00 p.m. on the date which is the fourth Business Day immediately preceding the day on which the order of the High Court confirming the Proposed Demerger under Section 64 of the Companies Act, 1965 is made
MRCB Lenders	: Lenders of MRCB that participated in the MRCB Debt Settlement, the aggregate debt of which was RM465 million which was secured on MRCB's holding of ordinary shares in RHB, NSTP and TV3. The Lenders were Bayerische Landesbank Girozentrale, Public Bank Berhad, Southern Bank Berhad, Bumiputra-Commerce Bank Berhad, EON Bank Berhad, Overseas Chinese Banking Corporation Limited (Labuan Branch), Bank Kerjasama Rakyat Malaysia Berhad and Bumiputra-Commerce Bank (Labuan) Limited
MRCB Minority	: Shareholders of MRCB collectively excluding Realmild
MRCB Shares	: Ordinary shares of RM1.00 each in MRCB

DEFINITIONS (*cont'd*)

MRCB Specified Shares	: Collectively:
	(i) MRCB Existing Shares;
	(ii) MRCB Consideration Shares;
	(iii) the placement shares, namely all the ordinary shares in the capital of MRCB to be allotted and issued on or after the MRCB Voting Record Time and prior to the MRCB Hearing Record Time pursuant to the Proposed Private Placement, including all amendments, variations and extensions thereof; and
	(iv) the ESOS shares, namely all the ordinary shares in the capital of MRCB to be allotted and issued on or after the MRCB Voting Record Time and prior to the MRCB Hearing Record Time pursuant to the exercise of any option granted pursuant to the ESOS.

For illustrative purposes, assuming a maximum of 60,000,000 MRCB Shares are issued pursuant to the Proposed Private Placement and 36,520,000 MRCB Shares are issued pursuant to the exercise of the ESOS options prior to the Proposed Acquisition of Newco, MRCB's enlarged share capital will be RM1,250,938,760 comprising 1,250,938,760 ordinary shares of RM1.00 each.

The maximum number of MRCB Shares that can be issued pursuant to the Proposed Private Placement is 97,654,949 MRCB Shares. Currently, the number of MRCB Shares in respect of the ESOS options granted but unexercised is 36,520,000. The Directors of MRCB will not grant any further ESOS options prior to the Proposed Demerger, hence the maximum number of MRCB Shares in respect of the ESOS options that could be exercised would be 36,520,000. Further, the Directors of MRCB have undertaken not to issue more than 60,000,000 MRCB Shares (should the Proposed Private Placement be implemented prior to the Proposed Demerger) notwithstanding SC's approval for up to 97,654,949 MRCB Shares pursuant to the Proposed Private Placement.

MRCB Voting Record Time	: 5.00 p.m. on the fourth Business Day immediately preceding the date of the EGM of MRCB which approves the Proposed Demerger
Newco	: Media Prima Berhad (formerly known as Profitune Berhad) (532975-A)
Newco Shares	: Ordinary shares of RM1.00 each in Newco
Novated Unsecured Lenders	: Financial institutions being lenders to TV3 Scheme Subsidiaries that have been granted corporate guarantees by TV3 of which the debts of approximately RM141.1 million (as at 31 August 2000) owing to them will be novated to TV3
NSTP	: The New Straits Times Press (Malaysia) Berhad (4485-H), an associated company of MRCB of which MRCB holds 94,035,540 ordinary shares of RM1.00 each representing 43.5% equity interest
NSTP Shares	: Ordinary shares of RM1.00 each in NSTP
NTA	: Net tangible assets

DEFINITIONS (*cont'd*)

Option Creditors	:	TV3 Scheme Creditors with outstanding debts owing to them of RM2,000,000 or more each
Option Shares	:	New Newco Shares to be received by Option Creditors pursuant to the Proposed Demerger which are the subject of the Proposed Realmild Put and Call Option, the exact number of which shall be determined following the proof of debt exercise which is expected to be completed by March 2003. The Option Shares are estimated to be up to 63,411,575 new Newco Shares
Ordinary Share	:	Ordinary share with a par value of RM1.00 each unless otherwise stated
P&L	:	Profit and Loss
Placee	:	Gabungan Kesturi Sdn Bhd (553868-A)
Proposed Private Placement	:	Proposed private placement of up to 10% of the existing issued and paid-up share capital of MRCB to prospective investors for cash, approved by the Securities Commission by letter dated 9 August 2002. The issue price has not yet been determined
Proposed Transfer of IT Companies	:	Proposed transfer of MRCB's entire shareholdings in MRCB Multimedia Consortium Sdn Bhd (443715 A) and MRCB Software Vision Sdn Bhd (531914 T), to Newco. The Proposed Transfer of IT Companies was originally part of the Corporate Proposals as announced on 8 October 2001 but was subsequently removed on 26 November 2002
RHB Disposal	:	Disposal by MRCB of 105,127,000 ordinary shares of RM1.00 each, representing 22.68% equity interest in RHB to UBG for a total cash consideration of RM504.6 million. The disposal was completed on 31 December 2002
Realmild	:	Realmild (M) Sdn Bhd (219269-W)
RHB	:	Rashid Hussain Berhad (163211-V)
ROS	:	Restricted Offer(s) for Sale
RULS	:	Redeemable Unsecured Loan Stocks (Up to RM89.4 million nominal amount of RULS will be issued by TV3 at a coupon rate of 4.5% per annum. The RULS shall be redeemed at the end of the 3 rd , 4 th and 5 th year from the date of issue)
SC	:	Securities Commission
Share Subscription Agreement	:	The agreement dated 22 October 2001 entered into between MRCB and Newco, pursuant to the Proposed Restricted Issue, on the subscription of 77,300,000 new Newco Shares by MRCB at an issue price of RM1.10 per share. The consideration amounting to RM85,030,000 will be satisfied by cash

DEFINITIONS (*cont'd*)

Share Sale Agreement	: The agreement dated 22 October 2001 entered into between Newco and MRCB on the transfer of all NSTP Shares held by MRCB to Newco pursuant to the Proposed Transfer of NSTP. The agreement was amended by supplemental agreements dated 21 January 2002 and 26 November 2002
Telekom	: Telekom Malaysia Berhad (128740-P)
TV3	: Sistem Televisyen Malaysia Berhad (T-106645), an associated company (84,570,500 ordinary shares of RM1.00 each, representing 49.65% equity interest) of MRCB
TV3 Effective Date	: The day on which the Proposed TV3 Scheme of Arrangement becomes effective i.e., the day when all the conditions precedent for the Proposed TV3 Scheme of Arrangement is fulfilled. Details are set out in Appendix XIV of the Circular to the shareholders of MRCB dated 31 January 2003
TV3 Group	: TV3 and its subsidiaries.
TV3 Minority	: All shareholders of TV3 excluding MRCB and TV3 Scheme Creditors as at TV3 Effective Date
TV3 Scheme Creditors	: TV3 Unsecured Lenders, Novated Unsecured Lenders, TV3 Unsecured Creditors
TV3 Scheme Shares	: 68,127,204 TV3 Shares held by MRCB and TV3 Minority (after the Proposed TV3 Capital Reconstruction) and the rights to allotment of 223,611,425 TV3 Shares to TV3 Scheme Creditors pursuant to the Proposed TV3 Restructuring Scheme
TV3 Scheme Subsidiaries	: Subsidiaries of TV3 that participate in the Proposed TV3 Scheme of Arrangement namely BPSB, CESB, CFSB, GAMA, GBSB and MESB
TV3 Shares	: Ordinary shares of RM1.00 each in TV3
TV3 Unsecured Creditors	: Trade creditors and other creditors of TV3 excluding secured lenders, hire purchase/lease creditors, preferential creditors as defined under Section 292 of the Act and creditors of TV3 with outstanding debt owing to each of them of RM50,000 and less
TV3 Unsecured Lenders	: Financial institutions being lenders to TV3 but not secured with any security
UBG	: Utama Banking Group Berhad
Warrants	: 115,000,000 detachable warrants at an issue price of RM0.10 per warrant to be issued pursuant to the Proposed Bonds with Warrants Issue

DEFINITIONS (*cont'd*)

CORPORATE PROPOSALS

- Proposed Acquisition of TV3 : The proposed acquisition of 100% equity interest in TV3 by Newco from MRCB, TV3 Minority and TV3 Scheme Creditors for a total consideration of RM291,738,629 to be satisfied by the issuance of the rights to allotment of 265,216,935 new Newco Shares at an issue price of RM1.10 per share, pursuant to the Proposed TV3 Scheme of Arrangement
- Proposed Acquisition of Newco : Proposed acquisition of rights to allotment of 234,464,026 new Newco Shares (representing all rights to allotment of Newco Shares not already owned by MRCB) from TV3 Minority and TV3 Scheme Creditors by MRCB for a total consideration of RM257,910,429 to be satisfied by the issuance of 177,869,261 new MRCB Shares at an issue price of RM1.45 per share, pursuant to the Proposed TV3 Scheme of Arrangement
- Proposed Bonds with Warrants Issue : Proposed issuance of RM125,000,000 nominal amount of Bonds at the issue price of RM87,500,000 or 70% of the nominal amount of the Bonds with 115,000,000 detachable Warrants at an issue price of RM0.10 per Warrant by Newco to the Placee
- Proposed Corporate Restructuring Scheme / Corporate Proposals : Collectively, the Proposed TV3 Scheme of Arrangement, Proposed Transfer of NSTP, Proposed Fund Raising, Proposed Demerger, Proposed Transfer of Listing, Proposed Realmild Put and Call Options, Proposed ROS and Proposed Exemption from Mandatory Offer.

Where the context requires, reference to the Proposed Corporate Restructuring Scheme or the Corporate Proposals is a reference to the same as announced on 8 October 2001, which had included the Proposed Transfer of IT Companies (removed on 26 November 2002) and MRCB Debt Settlement (completed on 31 December 2002).

- Proposed Demerger : Proposed demerger of MRCB and Newco, to be effected by a distribution in specie of up to 542,499,703 Newco Shares (representing the entire share capital of Newco) on the basis of one point three (1.3) Newco Shares for every three (3) then existing MRCB Shares, which will be fully satisfied by a proposed capital reduction of 33⅓ sen for each of the then existing ordinary share of RM1.00 each in the capital of MRCB to be followed by a capital consolidation of three(3) ordinary shares of RM0.66⅔ each into one(1) ordinary share of RM2.00 each and thereafter divided into two(2) ordinary shares of RM1.00 each in MRCB as well as the cancellation of the entire share premium account.

For illustration purposes, assuming no ordinary shares of MRCB are issued pursuant to the Proposed Private Placement and exercise of ESOS options, MRCB's enlarged share capital (prior to the Proposed Demerger) will be RM1,154,418,760 comprising 1,154,418,760 ordinary shares of RM1.00 each. The resultant issued and paid-up share capital of MRCB after the Proposed Demerger would be RM769,612,507 comprising 769,612,507 ordinary shares of RM1.00 each.

DEFINITIONS (*cont'd*)

Proposed Exemption from Mandatory Offer	: Proposed exemption for Newco from having to undertake a mandatory offer in respect of the remaining 122,123,964 NSTP Shares not owned by Newco following the Proposed Transfer of NSTP, representing 56.5% of the issued and paid-up share capital of NSTP as at 31 December 2002. Pursuant to the ongoing employees' share option scheme of NSTP, the number of NSTP Shares in respect of the options granted but unexercised, are 1,009,000 with an exercise price of RM2.88 per share and 374,000 with an exercise price of RM6.95 per share. The SC has, vide its letter dated 9 October 2002, has approved the Proposed Exemption from Mandatory Offer.
Proposed Fund Raising	: Proposed Restricted Issue and Proposed Bonds with Warrants Issue collectively
Proposed Put Option	: The put option proposed to be written by Newco in favour of MRCB Lenders whereby the ICULS may be put to Newco at RM1.00 per RM1.00 nominal amount of the ICULS. The Proposed Put Option forms part of the consideration for the Proposed Transfer of NSTP. Following the MRCB Debt Settlement, MRCB will not require Newco to grant put option(s) to the MRCB Lenders
Proposed Restricted Issue	: Proposed restricted issue of 77,300,000 new Newco Shares to MRCB at an issue price of RM1.10 per share for a total cash consideration of RM85,030,000
Proposed Realmild Put and Call Options	: A proposal by Realmild to enter into a put and a call option with each of the Option Creditors in respect of up to 63,411,575 Option Shares (representing 11.7% of the share capital of Newco after the Proposed Demerger, as defined herein) received by the Option Creditors pursuant to the Proposed Demerger at RM1.12 per Option Share, the exact number of which shall be determined following the final proof of debt exercise which is expected to be completed by March 2003. The Proposed Realmild Put and Call Options shall have a tenure of two (2) years from the date of issue of the Option Shares.
Proposed Reorganisation	: Collectively, the Proposed Acquisition of TV3 and Proposed Acquisition of Newco

DEFINITIONS (*cont'd*)

Proposed ROS	: Proposed restricted offers for sale of:- <ul style="list-style-type: none">(i) RM10,250,277 nominal amount of ICULS by MRCB and 10,250,277 Warrants by the Placee to TV3 Minority on the basis of RM1.00 nominal amount of ICULS and one (1) Warrant for each Newco Share held after the Proposed Demerger an offer price to be determined of not less than the intended issue prices for the ICULS of RM1.00 and Warrants RM0.10 respectively, with an additional RM4,750,000 nominal amount of ICULS and 4,750,000 Warrants to be made available for excess applications; and(ii) Up to RM137,964,928 nominal amount of ICULS by MRCB to all other shareholders of Newco other than the TV3 Minority and Realmild on the basis of RM1.00 nominal amount of ICULS for every three (3) Newco Shares held after the Proposed Demerger of MRCB and Newco an offer price to be determined of not less than the intended issue prices for the ICULS of RM1.00
Proposed Transfer of Listing	: The proposed transfer of TV3's listing status to Newco
Proposed Transfer of NSTP	: The proposed transfer of MRCB's entire 43.5% stake in NSTP to Newco for a total consideration of RM399,651,045 to be satisfied by the issuance of 199,682,768 new Newco Shares at an issue price of RM1.10 per share, RM180,000,000 nominal amount of ICULS and an undertaking to provide the Proposed Put Option
Proposed TV3 Capital Consolidation	: Following the Proposed TV3 Capital Reduction, the proposed consolidation of the issued and paid-up share capital of TV3 comprising 170,318,012 ordinary shares of RM0.40 each into 68,127,204 ordinary shares of RM1.00 each on the basis of five (5) ordinary shares of RM0.40 each into one (1) ordinary share of RM2.00 each and thereafter divided into two (2) ordinary shares of RM1.00 each
Proposed TV3 Capital Reconstruction	: The Proposed TV3 Capital Reduction, Proposed TV3 Capital Consolidation and Proposed TV3 Share Premium Account Reduction collectively, via a scheme of arrangement pursuant to Section 176 of the Act between TV3 and its shareholders
Proposed TV3 Capital Reduction	: The proposed reduction of TV3's existing issued and fully paid up share capital from RM170,318,012 comprising 170,318,012 ordinary shares of RM1.00 each to 170,318,012 ordinary shares of 40 sen each representing a capital reduction of 60 sen for every existing ordinary share of RM1.00 each pursuant to Section 64 of the Act
Proposed TV3 Restructuring Scheme	: The proposed restructuring scheme of TV3 involving the Proposed TV3 Capital Reconstruction and Proposed TV3 Debt Settlement
Proposed TV3 Debt Settlement	: The proposed debt settlement via a scheme of arrangement pursuant to Section 176 of the Act between TV3 and TV3 Scheme Creditors

DEFINITIONS (cont'd)

Proposed TV3 Scheme of Arrangement	: A scheme of arrangement which comprises 2 parts as follows:- The proposed scheme of arrangement pursuant to Section 176 of the Act between TV3 and its shareholders which comprises the Proposed TV3 Capital Reconstruction, Proposed Acquisition of TV3 and Proposed Acquisition of Newco; and The proposed scheme of arrangement pursuant to Section 176 of the Act between TV3 and TV3 Scheme Creditors which comprises the Proposed TV3 Debt Settlement, Proposed Acquisition of TV3 and Proposed Acquisition of Newco.
Proposed TV3 Share Premium Account Reduction	: The proposed reduction of the entire share premium account of TV3, which as at 31 August 2002 amounted to RM2.3 million

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ALLIANCE MERCHANT BANK BERHAD

(Company No: 21605-D)

(Incorporated in Malaysia)

Registered office:

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

17 February 2003

To: **The Independent Directors and Minority Shareholders of
Malaysian Resources Corporation Berhad**

Dear Sir/ Madam

MALAYSIAN RESOURCES CORPORATION BERHAD

• **Proposed Corporate Restructuring Scheme (“Corporate Proposals”)**

1. INTRODUCTION

On 8 October 2001, AmMerchant Bank made, on behalf of the Boards of MRCB and TV3, a joint announcement on the Corporate Proposals, and on 21 January 2002, 16 August 2002 and 26 November 2002, announced several revisions to the same. The Corporate Proposals for the MRCB Group and TV3 Group involve the following:-

- (i) Proposed TV3 Scheme of Arrangement comprising:-
 - (a) Proposed restructuring scheme of TV3 involving:-
 - Proposed capital reconstruction of TV3 including a proposed capital reduction, proposed capital consolidation and a proposed share premium account reduction; and
 - Proposed debt settlement between TV3 and its scheme creditors, including lenders to six (6) of TV3’s subsidiaries;
 - (b) Proposed acquisition of 100% equity interest in TV3 by Newco from MRCB, TV3 Minority and TV3 Scheme Creditors for a total consideration of RM291,738,629 to be satisfied by the issuance of the rights to allotment of 265,216,935 new ordinary shares of RM1.00 each in Newco at an issue price of RM1.10 per share (“Proposed Acquisition of TV3”); and
 - (c) Proposed acquisition of the rights to allotment of 234,464,026 ordinary shares of RM1.00 each in Newco (representing all rights to allotment of Newco Shares not already owned by MRCB) from TV3 Minority and TV3 Scheme Creditors by MRCB for a total consideration of RM257,910,429 to be satisfied by the issuance of 177,869,261 new ordinary shares of RM1.00 each in MRCB at an issue price of RM1.45 per share (“Proposed Acquisition of Newco”).

- (ii) Proposed transfer of MRCB's entire 43.5% stake in NSTP to Newco for a total consideration of RM399,651,045 to be satisfied by the issuance of 199,682,768 new ordinary shares of RM1.00 each in Newco at an issue price of RM1.10 per share, RM180,000,000 nominal amount of ICULS and an undertaking to provide the put option proposed to be written by Newco in favour of lenders of MRCB whereby the ICULS may be put to Newco ("Proposed Transfer of NSTP"). With the full settlement of the RM465 million owed to the MRCB Lenders pursuant to the MRCB Debt Settlement on 31 December 2002, MRCB will no longer require Newco to grant the put option(s) of ICULS to the MRCB Lenders;
- (iii) Proposed Fund Raising comprising:-
 - Proposed restricted issue of 77,300,000 new ordinary shares of RM1.00 each in Newco to MRCB at an issue price of RM1.10 per share for a total cash consideration of RM85,030,000; and
 - Proposed issuance of RM125,000,000 nominal value of Bonds with 115,000,000 detachable Warrants at an issue price of 70% of the nominal value of the Bonds and RM0.10 per Warrant by Newco to Gabungan Kesturi Sdn Bhd as placee ("Placee");
- (iv) Proposed demerger of MRCB and Newco to be effected by a distribution in specie by MRCB of up to 542,499,703 ordinary shares in Newco representing the entire share capital of Newco to the holders of the MRCB Specified Shares on the basis of 1.3 ordinary shares in Newco for every three (3) MRCB Specified Shares which will be fully satisfied by a proposed capital reduction and consolidation as well as a cancellation of the entire share premium account ("Proposed Demerger").
- (v) Proposed transfer of TV3's listing status to Newco ("Proposed Transfer of Listing");
- (vi) Proposed put and call option between Realmild and the Option Creditors in respect of up to 63,411,575 Option Shares to be received by the Option Creditors pursuant to the Proposed Demerger at RM1.12 per Option Share ("Proposed Realmild Put and Call Options");
- (vii) Proposed restricted offers for sale ("Proposed ROS") of:-
 - RM10,250,277 nominal amount of ICULS by MRCB and 10,250,277 Warrants by the Placee to the TV3 Minority (an additional of RM4,750,000 nominal amount of ICULS and 4,750,000 Warrants will be made available for excess applications) on the basis of RM1.00 nominal amount of ICULS and one (1) Warrant for each ordinary share held in Newco after the Proposed Demerger at offer prices to be determined of not less than the intended issue prices of the ICULS and Warrants; and
 - up to RM137,964,928 nominal amount of ICULS by MRCB to all shareholders of Newco other than the TV3 Minority and Realmild on the basis of RM1.00 nominal amount of ICULS for every three (3) ordinary shares of Newco held after the Proposed Demerger at an offer price to be determined of not less than the intended issue price of the ICULS; and
- (viii) Proposed exemption for Newco from having to undertake a mandatory offer for the remaining NSTP Shares not held by Newco following the Proposed Transfer of NSTP, which as at 31 December 2002 amounted to 122,123,964 NSTP Shares, representing 56.5% of the issued and paid-up share capital of NSTP.

(Collectively referred to as "Corporate Proposals")

On 22 October 2001, TV3 announced to the KLSE that it is an affected listed issuer in accordance with the requirements of the Practice Note No. 4/2001 ("PN4") of the Listing Requirements of the KLSE.

Following the completion of the RHB Disposal, MRCB has substantially resolved its corporate borrowings. The Corporate Proposals aim to resolve TV3's financial condition as an affected listed issuer under PN4 by restructuring its debts to a sustainable level that can be supported by its operations, and the rationalisation of MRCB's Group activities through a demerger exercise enabling MRCB and Newco to focus on their respective core activities. Clear sources for settlement of the debts owing to the TV3 Scheme Creditors are also identified.

Upon the completion of the Corporate Proposals, MRCB Group will be streamlined into two separate entities, namely MRCB and Newco. The Proposed Demerger will result in MRCB focusing on its core businesses, namely engineering, construction and property, whereas Newco will assume the integrated media and print businesses currently under MRCB i.e., TV3 and NSTP. TV3 will be delisted from the Official List of the Main Board of the KLSE and its listing status will be transferred to Newco.

As set out in Section 7.1 of the Circular to the shareholders of MRCB dated 31 January 2003, EPF is a direct major shareholder of MRCB, NSTP and TV3 and will also emerge as a shareholder of Newco with a direct equity interest of 3.3% pursuant to the Proposed Acquisition of TV3. Newco is presently 100% owned by MRCB. Accordingly, the Proposed Acquisition of TV3 and Proposed Acquisition of Newco are deemed related party transactions and in compliance with Part E, Paragraph 10.08 of the Listing Requirements of the KLSE, Alliance Merchant has been appointed by the independent directors of MRCB as the independent adviser to the independent directors and minority shareholders of MRCB on the Proposed Acquisition of TV3 and Proposed Acquisition of Newco.

By virtue of EPF being interested in the Proposed Acquisition of TV3 and Proposed Acquisition of Newco, EPF was to abstain from voting in the forthcoming EGM of MRCB to be convened to consider the Corporate Proposals. However, on 6 May 2002, MRCB had, on behalf of EPF, sought the approval from the KLSE to exempt EPF from having to abstain from voting at the EGM of MRCB. The approval from the KLSE on the said application was obtained vide its letter dated 30 August 2002.

The purpose of this Independent Advice Circular ("IAC") is to provide the independent directors and minority shareholders of MRCB with an independent evaluation of the Proposed Acquisition of TV3 and Proposed Acquisition of Newco and our recommendation in relation to the ordinary resolutions to give effect to the Proposed Acquisition of TV3 and Proposed Acquisition of Newco to be tabled at the forthcoming EGM or any adjournment thereof.

Alliance Merchant confirmed to the KLSE on 16 November 2001 and 28 November 2001 on its eligibility to act as the Independent Adviser.

MINORITY SHAREHOLDERS ARE ADVISED TO READ THIS IAC AND THE CIRCULAR TO SHAREHOLDERS OF MRCB DATED 31 JANUARY 2003, AND TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE CORPORATE PROPOSALS.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE CORPORATE PROPOSALS

2.1 PROPOSED TV3 RESTRUCTURING SCHEME

2.1.1 *Proposed TV3 Capital Reconstruction*

Pursuant to Section 64 of the Act, TV3 is proposing that the existing issued and paid-up share capital of TV3 of RM170,318,012 comprising 170,318,012 ordinary shares of RM1.00 each shall be reduced to RM68,127,204 comprising 170,318,012 ordinary shares of RM0.40 each. The reduction of RM0.60 for each existing ordinary share of RM1.00 each will give rise to a credit of RM102.2 million which will be utilised to reduce TV3 Group's accumulated losses as at 31 August 2002 from RM530.9 million to RM428.7 million.

Following the Proposed TV3 Capital Reduction, the issued and paid-up share capital of TV3 of RM68,127,204 comprising 170,318,012 ordinary shares of RM0.40 each is proposed to be consolidated on the basis of five (5) ordinary shares of RM0.40 each into one (1) ordinary share of RM2.00 each and thereafter divided into two (2) ordinary shares of RM1.00 each ("Proposed TV3 Capital Consolidation"). Upon completion of the Proposed TV3 Capital Reduction and Proposed TV3 Capital Consolidation, the issued and paid-up share capital of TV3 will be RM68,127,204 comprising 68,127,204 ordinary shares of RM1.00 each.

Fractions of a TV3 Share will not be allotted to the relevant holders but will be dealt with by the directors of TV3 in such manner as they may in their discretion deem fit.

As at the financial year ended 31 August 2002, TV3 has an audited share premium account of RM2.3 million. Pursuant to Section 60(2) of the Act, it is proposed that RM2.3 million, being the entire amount in the share premium account of TV3 as at 31 August 2002, be set off against the accumulated losses of TV3 as at 31 August 2002, reducing further the accumulated losses from RM428.7 million to RM426.4 million.

2.1.2 *Proposed TV3 Debt Settlement*

The Proposed TV3 Debt Settlement under Section 176 of the Act will involve TV3 and six (6) of its subsidiaries and is to be implemented under one (1) scheme of arrangement and compromise repayment in respect of amounts owing to TV3 Unsecured Lenders, Novated Unsecured Lenders and TV3 Unsecured Creditors (collectively known as TV3 Scheme Creditors) based on the cut-off date of 31 August 2000, which will cover an aggregate debt of RM644.9 million, details of which are set as follows:-

TV3 Scheme Creditors	Borrower	Total Outstanding RM'million	Total Outstanding RM'million
Unsecured Lenders	TV3		357.1
Novated Unsecured Lenders	GBSB	40.0	
	CFSB	0.4	
	MESB	29.4	
	BSPSB~	0.2	
	CESB	24.4	
	GAMA^	46.7	141.1
Unsecured Creditors*	TV3		#146.7
			644.9

^ converted from USD12,294,833 based on exchange rate of RM3.80:USD1.00

* excluding secured lenders, preferential creditors, hire purchase/lease creditors of TV3 and creditors of TV3 with amount outstanding of RM50,000 and below

~ The total debt outstanding represents 100% of the debt owed by BSPSB, as the entire sum is secured by a corporate guarantee from TV3

includes amounts owed in foreign currencies converted into RM based on the exchange rate of RM3.80: USD1.00

The first RM50,000 of outstanding debts to each of the TV3 Scheme Creditors, amounting to RM6.0 million will be settled in full in cash upon implementation of the Proposed TV3 Debt Settlement via the proceeds from the Proposed Restricted Issue and the Proposed Bonds with Warrants Issue.

Thereafter, TV3 proposes a debt waiver of 30% on the total debts outstanding, amounting to RM191.7 million, to all TV3 Scheme Creditors ("Proposed Debt Waiver"). After the Proposed Debt Waiver, the remaining debt of RM447.2 million is proposed to be settled as follows:-

- 30% or RM134.2 million will be settled in cash from the proceeds of the Proposed Restricted Issue and the Proposed Bonds with Warrants Issue ("Proposed Cash Settlement");
- 20% or RM89.4 million will be settled via the issuance of RM89.4 million nominal value of TV3 RULS on the basis of RM1.00 nominal value of TV3 RULS for every RM1.00 of the RM89.4 million remaining debt ("Proposed RULS Issue"); and
- 50% or RM223.6 million will be settled via the granting of rights to allotment of new TV3 Shares to be issued at par value on the basis of one (1) new TV3 Share for every RM1.00 of the RM223.6 million remaining debt ("Proposed Debt-Equity Swap").

The settlement for the TV3 Scheme Creditors is summarised as follows:-

	Amount owing to TV3 Scheme Creditors	Payment of first RM50,000	Proposed Debt Waiver	Outstanding amount after Proposed Debt Waiver	Proposed Cash Settlement	Proposed RULS Issue	Proposed Debt-Equity Swap
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Unsecured Lenders / Novated Unsecured Lenders	498.2	0.6	149.3	348.3	104.5	69.6	174.2
Unsecured Creditors	146.7	5.4	42.4	98.9	29.7	19.8	49.4
Total	644.9	6.0	191.7	447.2	134.2	89.4	223.6

The cut off date to determine the principal amount outstanding to the TV3 Scheme Creditors for the purpose of settlement under the Proposed TV3 Debt Settlement is 31 August 2000, being the date agreed upon with the TV3 Scheme Creditors for the purposes of the Proposed TV3 Debt Settlement. All interests accrued and serviced by TV3 and the TV3 Scheme Subsidiaries from 1 September 2000 until 30 June 2001 which amounts to RM26.8 million and other payments which have been paid by TV3 will not be recalled from the TV3 Scheme Creditors. All interests accrued/ accruing on the principal amount of the debts owed to:-

- TV3 Unsecured Lenders and Novated Unsecured Lenders commencing from 1 July 2001 onwards are proposed to be waived; and
- TV3 Unsecured Creditors commencing from 1 September 2000 onwards are proposed to be waived. TV3 has not accrued/serviced any interest to TV3 Unsecured Creditors since 1 September 2000.

The total interest waived may only be ascertained following the final proof of debt exercise, expected to be completed by March 2003, and would depend on the timing of the completion of the Corporate Proposals. The total interest accrued from 1 July 2001 up to 31 August 2002 which will be waived upon completion of the Corporate Proposals is RM42.3 million. Annual interest savings as a result of the interest waiver upon completion of the Corporate Proposals are estimated at approximately RM36.4 million per annum.

The 223,611,425 new TV3 Shares arising from the Proposed Debt-Equity Swap shall upon allotment and issue, rank pari passu in all respects with the existing TV3 Shares after the Proposed TV3 Capital Reconstruction except that they will not be entitled to any dividends, rights, allotments or other form of distribution that may be declared, made or paid prior to the date of allotment and issue of the new shares. The holders of the rights to allotment of the new TV3 Shares arising from the Proposed Debt-Equity Swap shall participate in the rest of the Corporate Proposals.

Fractions of a TV3 Share will not be allotted to the relevant TV3 Scheme Creditors but will be dealt with by the Directors of TV3 in such manner as they may in their discretion deem fit.

The issued and paid-up share capital of TV3 after the Proposed TV3 Debt Settlement will (upon issue of the shares from the rights to allotment of new TV3 Shares pursuant to the Proposed Debt-Equity Swap) increase from RM68,127,204 comprising 68,127,204 TV3 Shares to RM291,738,629 comprising 291,738,629 TV3 Shares. The Proposed Debt Waiver will give rise to a credit of RM191.7 million, which will be utilised to reduce the accumulated losses of TV3 as at 31 August 2002 from RM426.4 million to RM246.8 million (including an estimated RM12.1 million tax payable on the Proposed Debt Waiver).

2.2 PROPOSED REORGANISATION

2.2.1 Proposed Acquisition of TV3

Newco proposes to acquire 100% of the enlarged equity interest in TV3 after the Proposed TV3 Restructuring Scheme (comprising 68,127,204 TV3 Shares and rights to allotment of 223,611,425 new TV3 Shares totalling 291,738,629 TV3 Shares, which are collectively referred to as TV3 Scheme Shares herein) from the following parties:-

- (a) MRCB, which will hold 33,828,200 TV3 Shares representing approximately 11.6% of the enlarged share capital of TV3 after the Proposed TV3 Restructuring Scheme;
- (b) TV3 Minority, which will hold in aggregate 34,299,004 TV3 Shares representing approximately 11.8% of the enlarged share capital of TV3 after the Proposed TV3 Restructuring Scheme; and
- (c) TV3 Scheme Creditors, which will be entitled to the rights to allotment of 223,611,425 TV3 Shares representing approximately 76.6% of the enlarged share capital of TV3 after the Proposed TV3 Restructuring Scheme.

in exchange for the rights to allotment of 265,216,935 new Newco Shares at an issue price of RM1.10 per new Newco Share, credited as fully paid-up. Hence, for every 1.1 TV3 Scheme Share exchanged by the holders thereof, one (1) new Newco Share will be issued to them. This would amount to a total purchase consideration of RM291.7 million.

All TV3 Scheme Shares shall be transferred to Newco free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto excluding all dividends, rights and distribution declared, paid or made in respect thereof on or before the TV3 Effective Date.

All the TV3 Scheme Shares held by MRCB and TV3 Minority after the Proposed TV3 Capital Reconstruction, and the TV3 Scheme Shares to be allotted to the TV3 Scheme Creditors pursuant to the Proposed TV3 Debt Settlement as stated in Sections 2.1.1 and 2.1.2 above, will be transferred to in favour of Newco to facilitate the Proposed Acquisition of TV3.

No liabilities of TV3 will be assumed by Newco as a result of the Proposed Acquisition of TV3.

The new Newco Shares arising from the Proposed Acquisition of TV3 shall upon allotment and issue, rank *pari passu* in all respects with the existing Newco Shares except that they will not be entitled to any dividends, rights, allotments or other forms of distribution that may be declared, made or paid prior to the date of allotment and issue of the new Newco Shares. The holders of the new Newco Shares arising from the Proposed Acquisition of TV3 shall participate in the Proposed Acquisition of Newco.

The issued and paid-up share capital of Newco after the Proposed Acquisition of TV3 will (upon the issue of the new ordinary shares from the rights to allotment of TV3 Shares pursuant to the Proposed Debt-Equity Swap) increase from RM300,000 comprising 300,000 ordinary shares of RM1.00 each to RM265,516,935 comprising 265,516,935 Newco Shares.

2.2.1.1 Basis for Issue Price of new Newco Shares

The proposed issue price of new Newco Shares of RM1.10 was arrived at after taking into account the par value of Newco Shares of RM1.00 and a premium of 10 sen. The premium of 10 sen is arrived at after taking into consideration the creation of a reserve for Newco for future utilisation as permitted under Section 60 of the Act.

2.2.1.2 Information on TV3

TV3 was incorporated on 15 September 1983 in Malaysia under the Act. TV3 was listed on the Main Board of the KLSE on 25 April 1988. The principal activity of TV3 is commercial television broadcasting. The principal activities of the TV3 Group are commercial television broadcasting, sale of programme rights, sale of video, media revenue, sale of home shopping goods and other trading

inventories and the provision of production, event management and other industry related services. The principal activities of TV3's subsidiaries and associated companies are set out in Section 7 of Appendix II of the Circular to the shareholders of MRCB dated 31 January 2003.

The authorised share capital of TV3 is RM1,000,000,000 comprising 1,000,000,000 ordinary shares of RM1.00 each of which as at 31 December 2002, 170,318,012 ordinary shares of RM1.00 each have been issued and fully paid-up.

2.2.1.3 Information on Newco

Newco was incorporated on 27 November 2000 as a private limited company under the name of Profitune Sdn Bhd. Newco was acquired by MRCB on 15 December 2000. On 7 November 2001, it was converted into a public limited company under the name of Profitune Berhad. On 10 June 2002, Newco changed its name to its present name of Media Prima Berhad. As at 31 December 2002, it has an authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which 300,000 shares have been issued and fully paid-up and are held by MRCB. The directors of Newco are Abdul Rahman bin Ahmad and Shahril Ridza bin Ridzuan. Newco is currently a dormant company.

2.2.2 Proposed Acquisition of Newco

Subsequent to the Proposed Acquisition of TV3, MRCB proposes to acquire all the rights to allotment of new Newco Shares not held by MRCB (totalling 234,464,026 new Newco Shares representing 88.3% of the enlarged capital of Newco) at RM1.10 per Newco Share, for a total consideration of RM257.9 million, in exchange for 177,869,261 new MRCB Shares (23,654,486 new MRCB Shares to TV3 Minority and 154,214,775 new MRCB Shares to TV3 Scheme Creditors) at an issue price of RM1.45 per new MRCB Share credited as fully paid-up. Hence, for every right to allotment of 1.45 new Newco Shares renounced by those entitled thereto, 1.1 new MRCB Share will be issued to them.

No liabilities of Newco will be assumed by MRCB as a result of the Proposed Acquisition of Newco.

The rights to allotment of new Newco Shares shall be transferred to MRCB free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto.

The new MRCB Shares arising from the Proposed Acquisition of Newco shall upon allotment and issue, rank pari passu in all respects with the existing MRCB Shares except that they will not be entitled to any dividends, rights, allotments or other forms of distribution that may be declared, made or paid prior to the date of allotment and issue of the new MRCB Shares. The holders of new MRCB Shares arising from the Proposed Acquisition of Newco shall participate in the Proposed Demerger.

The issued and paid-up share capital of MRCB after the Proposed Acquisition of Newco will increase from RM976,549,499 comprising 976,549,499 ordinary shares of RM1.00 each as at 31 December 2002 to RM1,154,418,760 comprising 1,154,418,760 ordinary shares of RM1.00 each.

2.2.2.1 Basis for Issue Price of new MRCB ordinary shares

The proposed issue price of the new MRCB Shares of RM1.45 per share was arrived at after taking into consideration the 5-day weighted average price of MRCB Shares as traded on the KLSE ended 5 October 2001 (being the last day preceding the date of suspension of MRCB Shares prior to the announcement of the Corporate Proposals on 8 October 2001) of RM1.24. The proposed issue price of RM1.45 per new MRCB Share represents a premium of RM0.21 or 17% to the aforesaid market price.

2.2.2.2 Information on MRCB

MRCB was incorporated on 21 August 1968 in Malaysia as a private limited company under the Act. MRCB was converted to a public company on 28 June 1969. MRCB was listed on the Main Board of the KLSE on 22 March 1971. MRCB is principally an investment holding company. MRCB and its subsidiaries are principally engaged in the business of engineering, construction and property. The associated companies of MRCB are principally engaged in publishing and broadcasting. The principal

activities of the subsidiaries and associated companies of MRCB are set out in Section 7 of Appendix I of the Circular to the shareholders of MRCB dated 31 January 2003.

The authorised share capital of MRCB is RM2,000,000,000 comprising 2,000,000,000 ordinary shares of RM1.00 each of which as at 31 December 2002, 976,549,499 ordinary shares of RM1.00 each have been issued and fully paid-up.

2.3 Proposed Transfer of NSTP

Pursuant to the Proposed Transfer of NSTP, MRCB will transfer its entire shareholding of 94,035,540 ordinary shares of RM1.00 each ("NSTP Shares") representing 43.5% equity interest in NSTP for a transfer consideration of RM399,651,045 or RM4.25 per share to Newco. The consideration for the sale, purchase and transfer of the NSTP Shares of RM399,651,045 was based on a willing buyer-willing seller basis and to be satisfied as follows:-

- (a) the issuance of RM180.0 million nominal amount of ICULS in accordance with the terms and conditions as summarised in Section 2.3.5 of the Circular to the shareholders of MRCB dated 31 January 2003;
- (b) the issuance of 199,682,768 new Newco Shares at an issue price of RM1.10 per share; and
- (c) an undertaking from Newco to provide a put option of up to RM180.0 million nominal amount of ICULS to lenders of MRCB.

The NSTP Shares transferred to Newco pursuant to the Proposed Transfer of NSTP shall be acquired free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto excluding all dividends, rights and distribution declared, paid or made in respect thereof on or before the completion date of the Proposed Transfer of NSTP.

The new Newco Shares arising from the Proposed Transfer of NSTP shall upon allotment and issue, rank pari passu in all respects with the existing Newco Shares except that they will not be entitled to any dividends, rights, allotments or other forms of distribution that may be declared, made or paid prior to the date of allotment and issue of the new shares. MRCB, who will be holding new Newco Shares arising from the Proposed Transfer of NSTP, shall participate in the Proposed Demerger.

The completion of the Proposed Transfer of NSTP is conditional upon the fulfilment of the following conditions precedent:-

- approval from the SC, which was obtained on 14 October 2002. No specific conditions were imposed by the SC in respect of the Proposed Transfer of NSTP;
- approval from the KLSE, details of which are set out in Section 5 below;
- approval from the shareholders of Newco;
- approval from the shareholders of MRCB;
- consent from MRCB's Lenders (where required)
- all conditions precedent of the Corporate Proposals; and
- execution of documents, which include the trust deed for the ICULS, the agreements for the put-option granted to MRCB Lenders and the pledge/charge over the NSTP Shares to secure the put-option.

With the full settlement of the RM465 million owed to the MRCB Lenders under the MRCB Debt Settlement on 31 December 2002, MRCB will no longer require Newco to grant the put option(s) of ICULS to the MRCB Lenders.

Upon completion of the Proposed Transfer of NSTP, the issued and paid-up share capital of Newco will further increase from RM265,516,935 comprising 265,516,935 ordinary shares of RM1.00 each to RM465,199,703 comprising 465,199,703 ordinary shares of RM1.00 each.

2.3.1 Basis for the Transfer Consideration

The original cost of investment of MRCB in NSTP is RM711.3 million. The NSTP Shares were acquired between 25 June 1993 and 10 June 1998. Based on the audited consolidated balance sheet of MRCB as at 31 August 2002, the net book value of MRCB's investment in NSTP is RM551.8 million or RM5.86 per NSTP Share.

The transfer consideration of RM4.25 per NSTP Share was arrived after taking into consideration the aforementioned net book value of MRCB's investment in NSTP and the 5-day weighted average market price of NSTP ended 11 July 2002 (being the date prior to the submission of the revision to the transfer price of NSTP Share to the SC) of RM5.98 per NSTP Share.

Based on the above, the transfer consideration of RM4.25 per NSTP Share represents a discount of 0.7% and 28.9% from the net book value and 5-day weighted average market price of NSTP ended 11 July 2002 respectively.

2.3.2 Gain/Loss on Transfer

On a consolidated basis, MRCB Group is not expected to recognise any accounting gain or loss on transfer as a result of the Proposed Transfer of NSTP. The Proposed Transfer of NSTP is effectively an internal reorganisation wherein NSTP is being transferred from MRCB to Newco (a wholly owned subsidiary of MRCB). Subsequently, pursuant to the Proposed Demerger, there will also be no accounting gain or loss recognised as the assets of Newco (including NSTP) are being distributed to shareholders at carrying value.

On the company level, based on the carrying value of RM402.5 million as at 31 August 2002, the loss on disposal would be approximately RM2.8 million.

2.3.3 Information on NSTP

NSTP was incorporated in the Federation of Malaya as a private limited company on 20 December 1961. NSTP was converted into a public company on 31 January 1973 and was listed on the Main Board of KLSE on 4 April 1973. The principal activities of NSTP consist of the publishing and sale of newspaper and investment holding. The principal activities of the NSTP Group consist of underwriting of general insurance, provision of Bahasa Malaysia and English editorial services, marketing and supply of data processing equipment and provision of data processing services, distribution of newspapers and periodicals, provision of editorial services and publication of computer tabloids, provision of management services, internet based-on-line services, manage, sell and maintain outdoor advertisement from billboards and transit advertising, healthcare management services and property management services. The principal activities of the subsidiaries and associated companies of NSTP are set out in Section 7 of Appendix III of the Circular to the shareholders of MRCB dated 31 January 2003.

The authorised share capital of NSTP is RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each of which as at 31 December 2002, 216,160,504 ordinary shares of RM1.00 each have been issued and fully paid-up.

2.4 PROPOSED FUND RAISING

2.4.1 Proposed Restricted Issue

Newco proposes to undertake a restricted issue of 77,300,000 new Newco Shares at an issue price of RM1.10 each to MRCB, which will raise total cash proceeds of RM85,030,000 for Newco. The utilisation of the proceeds from the Proposed Restricted Issue is set out in Section 5 of the Circular to the shareholders of MRCB dated 31 January 2003.

MRCB will utilise internally generated funds and/or borrowings (the apportionment shall be determined closer to the implementation of the Proposed Restricted Issue) to subscribe for the new Newco Shares pursuant to the Proposed Restricted Issue.

The new Newco Shares arising from the Proposed Restricted Issue shall upon allotment and issue, rank pari passu in all respects with the existing Newco Shares except that they will not be entitled to any dividends, rights, allotments or other form of distribution that may be declared, made or paid prior to the date of allotment and issue of the new shares.

On 22 October 2001, MRCB entered into a Share Subscription Agreement with Newco to subscribe for 77,300,000 new Newco Shares ("Subscription Shares") to be allotted and issued by Newco. The total consideration payable in cash for the Subscription Shares will amount to RM85,030,000 based on the issue price of RM1.10 per Subscription Share, which is consistent with the proposed issue price of RM1.10 for each new Newco Share to be issued pursuant to the Proposed Acquisition of TV3 and Proposed Transfer of NSTP.

The completion of the Proposed Restricted Issue is conditional upon the fulfilment of the following conditions precedent:-

- approval from the SC, which was obtained on 14 October 2002. No specific conditions were imposed by the SC in respect of the Proposed Restricted Issue;
- approval in principle from the KLSE, details are set out in Section 5 below;
- approval from the FIC, which was obtained on 15 July 2002. No conditions were imposed by the FIC in respect of the Proposed Restricted Issue;
- approval from the shareholders of Newco;
- approval from the Board of Directors of Newco and MRCB, which were obtained on 22 October 2001 and 2 October 2001, respectively;
- approval from the shareholders of MRCB; and
- all conditions precedent to the Corporate Proposals.

The issued and paid-up share capital of Newco after the Proposed Reorganisation, Proposed Transfer of NSTP and Proposed Restricted Issue will increase from RM465,199,703 comprising 465,199,703 ordinary shares of RM1.00 each to RM542,499,703 comprising 542,499,703 ordinary shares of RM1.00 each.

2.4.2 Proposed Bonds with Warrants Issue

Newco proposes to issue RM125,000,000 nominal amount of Bonds with 115,000,000 detachable Warrants to the Placee. The Bonds shall be issued at an issue price of 70% of the nominal amount of the Bonds i.e. RM87,500,000, arrived at on a willing-buyer-willing-seller basis, at a cumulative coupon rate of 4.5% per annum payable semi-annually in arrears and a tenure of five (5) years from the issue date of the Bonds. The salient terms of the Bonds are set out in Section 2.4.2.1 of the Circular to the shareholders of MRCB dated 31 January 2003.

The 115,000,000 detachable Warrants will be issued at a price of RM0.10 per Warrant, arrived at on a willing-buyer-willing-seller basis after taking into account the Warrant exercise price of RM1.10, and will raise gross proceeds of RM11,500,000. The Warrants shall have a tenure of five (5) years from the date of issue, exercisable into equivalent number of new Newco Shares at an exercise price of RM1.10. The Warrants shall be listed on the KLSE. The salient terms of the Warrants are set out in Section 2.4.2.2 of the Circular to the shareholders of MRCB dated 31 January 2003.

The Proposed Bonds with Warrants Issue will raise gross proceeds of RM99.0 million for Newco, the utilisation of which is set out in Section 5 of the Circular to the shareholders of MRCB dated 31 January 2003.

2.4.3 Information on the Placee

Gabungan Kesturi Sdn Bhd, the Placee for the Proposed Bonds with Warrants Issue, was incorporated on 8 November 2001. Currently, it has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which two (2) shares have been issued and fully paid-up. The shareholders of the Placee are Jeneral (B) Tan Sri Dato' Mohd Ghazali bin Hj. Che Mat and Dato' Che Lodin bin Wok Kamaruddin, holding one (1) share each, and who are also the only directors of the Placee. Jeneral (B) Tan Sri Dato' Mohd Ghazali bin Hj. Che Mat is currently the Chairman and

Director of NSTP. The Placee had, on 4 January 2002, executed a letter of intent in relation to the subscription of the Proposed Bonds with Warrants Issue.

2.5 PROPOSED DEMERGER

MRCB will demerge Newco from the MRCB Group by undertaking a capital repayment exercise to be fully satisfied by way of a distribution in specie of Newco Shares to the relevant holders of the MRCB Specified Shares on the basis of 1.3 Newco Shares for every three (3) MRCB Specified Shares held before the MRCB capital reduction detailed below.

Pursuant to Section 64 of the Act, MRCB is proposing that the enlarged issued and paid-up share capital of MRCB of RM1,224,418,760 comprising 1,224,418,760 MRCB Shares, after the Proposed Acquisition of Newco and assuming that 70,000,000 new MRCB Shares are issued pursuant to the Proposed Private Placement and/ or the exercise of the ESOS options (for illustration purposes only), be reduced to approximately RM816,279,174 comprising 1,224,418,760 ordinary shares of RM0.66^{2/3} each. Following that, the ordinary shares of RM0.66^{2/3} each in MRCB are proposed to be consolidated pursuant to Section 62 of the Act, on the basis of three (3) ordinary shares of RM0.66^{2/3} each into two (2) ordinary shares of RM1.00 each. Upon completion of the capital reduction, capital consolidation and division, the issued and paid-up share capital of MRCB will be RM816,279,174 comprising 816,279,174 ordinary shares of RM1.00 each.

Fractions of a Newco Share will not be allotted to the relevant holders of MRCB Specified Shares but will be dealt with by the directors of MRCB in such manner as they may in their discretion deem fit.

Based on the proforma share capital of MRCB of RM1,224,418,760 and the demerger ratio, 530,581,463 Newco Shares will be demerged whilst the balance of 11,918,241 Newco Shares will be held by MRCB.

Based on the audited results for the financial year ended 31 August 2002, MRCB has a share premium account of RM1,008.5 million and accumulated losses of RM1,416.2 million.

Based on the proforma consolidated balance sheet of MRCB as at 31 August 2002, the demerger of Newco from MRCB will result in a reduction of net assets of RM708.4 million, represented by the book value of Newco in MRCB Group's proforma consolidated balance sheet of RM721.5 million less the value of Newco Shares which MRCB shall continue to hold after the Proposed Demerger of RM13.1 million, effected through the cancellation of MRCB's share capital by an amount of RM408,139,586 and a reduction in its share premium account of RM300.3 million.

Following that, the accumulated losses of MRCB of RM1,416.2 million as at 31 August 2002 will be set off against the resultant share premium account of MRCB after the Proposed Demerger of RM708.2 million, reducing the accumulated losses to RM708.0 million. The accumulated losses of MRCB will be further reduced by setting off against the share premium of RM80 million arising from the issuance of new MRCB Shares pursuant to the Proposed Acquisition of Newco and the share premium of RM4.7 million assuming the issuance of new MRCB Shares pursuant to the Proposed Private Placement and/or exercise of the ESOS options, as well as the realisable gain in disposal from the completion of the RHB Disposal of RM330.8 million. Effectively, MRCB's accumulated losses are expected to be reduced to RM272.7 million (also after adjusting for the Newco related reserves movement on demerger of RM24.8 million and the estimated expenses of the Corporate Proposals of RM5.0 million).

2.6 PROPOSED TRANSFER OF LISTING

Upon completion of the Proposed TV3 Scheme of Arrangement, Proposed Transfer of NSTP, Proposed Fund Raising, MRCB Debt Settlement and Proposed Demerger, it is proposed that the listing status of TV3 on the Main Board of the KLSE be transferred to Newco. Hence, TV3 will be delisted from the Official List of the Main Board of the KLSE and Newco will apply to the KLSE for the admission to the Official List in place of TV3 and the listing of and quotation for the entire issued and paid-up share capital of Newco on the Main Board of the KLSE.

2.7 PROPOSED REALMILD PUT AND CALL OPTIONS

Realmild is presently the single largest shareholder of MRCB. Pursuant to the Proposed Demerger, Realmild shall emerge as the single largest shareholder of Newco, holding 106,104,768 Newco Shares, representing 19.6% equity interest in Newco. Realmild proposes to enter into a put and call option agreements with the Option Creditors in respect of up to 63,411,575 Option Shares (representing 11.7% of the share capital of Newco after the Proposed Demerger). The exact number of Option Shares will be determined following the final proof of debt exercise of TV3, expected to be completed by March 2003. The Option Creditors will have the option to accept the Proposed Realmild Put and Call Options subject to the following terms.

- (a) Realmild shall grant the Option Creditors a put option exercisable on a staggered basis in four (4) equal tranches of Option Shares over a period of two (2) years from the date of issue of the Option Shares at the option of the Option Creditors to dispose to Realmild the Option Shares upon completion of the Corporate Proposals at the put exercise price of RM1.12 per Option Share as proposed by Realmild (representing a premium of RM0.02 or 1.8% over the issue price of the Newco share); and
- (b) the Option Creditors shall grant to Realmild a call option exercisable on a staggered basis in four (4) equal tranches of Option Shares over a period of two (2) years from the date of issue of the Option Shares at the option of Realmild to acquire the Option Shares upon completion of the Corporate Proposals at the call exercise price of RM1.12 per Option Share and holding cost at the interest rate of 6.0% per annum per Option Share, as proposed by Realmild (representing a premium of RM0.02 or 1.8% over the issue price of the Newco share).

The salient terms of the Proposed Realmild Put and Call Options are set out in Sections 2.7.1 and 2.7.2 of the Circular to the shareholders of MRCB dated 31 January 2003.

2.8 PROPOSED ROS

2.8.1 Newco ICULS and Warrants to TV3 Minority

MRCB will hold RM180,000,000 nominal amount of ICULS pursuant to the Proposed Transfer of NSTP and the Placee will hold 115,000,000 detachable Warrants pursuant to the Proposed Bonds with Warrants Issue. MRCB and the Placee will jointly undertake a restricted offer for sale of RM10,250,277 nominal amount of ICULS and 10,250,277 Warrants respectively to TV3 Minority on the basis of RM1.00 nominal amount of ICULS and one (1) Warrant for each Newco Share held after the Proposed Demerger at offer prices not less than the intended issue prices for the ICULS (RM1.00) and Warrants (RM0.10), to be determined after the Proposed Demerger. An additional RM4,750,000 nominal amount of ICULS and 4,750,000 Warrants will be made available by the respective parties for excess applications to minimise the incidence of odd-lots for the TV3 Minority. The Proposed ROS of ICULS and Warrants to TV3 Minority are on a renounceable basis but will not be underwritten.

2.8.2 Newco ICULS to other shareholders of Newco

MRCB will also undertake a restricted offer for sale of RM137,964,928 nominal amount of ICULS to other shareholders of Newco after the Proposed Demerger except for the TV3 Minority (who would have been offered the ICULS pursuant to the Proposed ROS of ICULS and Warrants to TV3 Minority) and Realmild on the basis of RM1.00 nominal amount of ICULS for every three (3) Newco Shares held after the Proposed Demerger at the same offer price as the offer price determined in Section 2.8.1 above. The Proposed ROS of ICULS to other shareholders of Newco is on a renounceable basis but will not be underwritten.

2.9 PROPOSED EXEMPTION FROM MANDATORY OFFER

Upon completion of the Proposed Transfer of NSTP by Newco, Newco will own 94,035,540 ordinary shares of RM1.00 each in NSTP representing 43.5% equity interest therein. Pursuant to the Code,

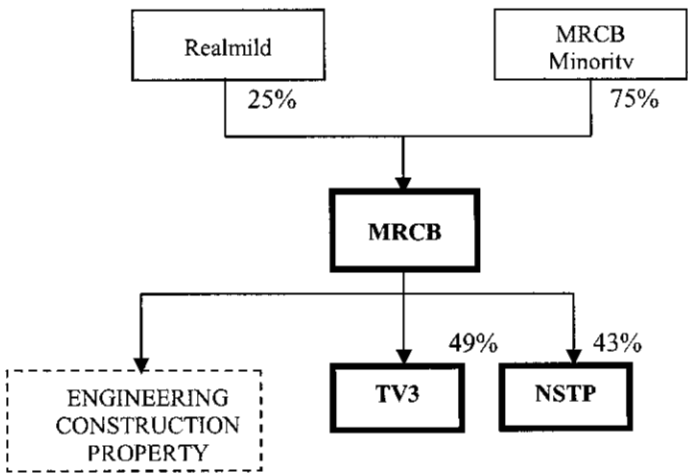
Newco is obliged to extend a mandatory offer ("MO") to the rest of the shareholders of NSTP to acquire the remaining 122,123,964 NSTP Shares, representing 56.5% of the issued and paid-up share capital of NSTP as at 31 December 2002, not already owned by Newco at the same price of RM4.25 per share pursuant to the Proposed Transfer of NSTP.

In view of the above, Newco has on 14 February 2002 applied to the SC for a waiver from having to undertake an MO pursuant to Practice Note 2.9.7 of the Code. Approval for the waiver was obtained from the SC vide its letter dated 9 October 2002 which was received on 14 October 2002. No specific conditions were imposed by the SC in respect of the Proposed Exemption from MO.

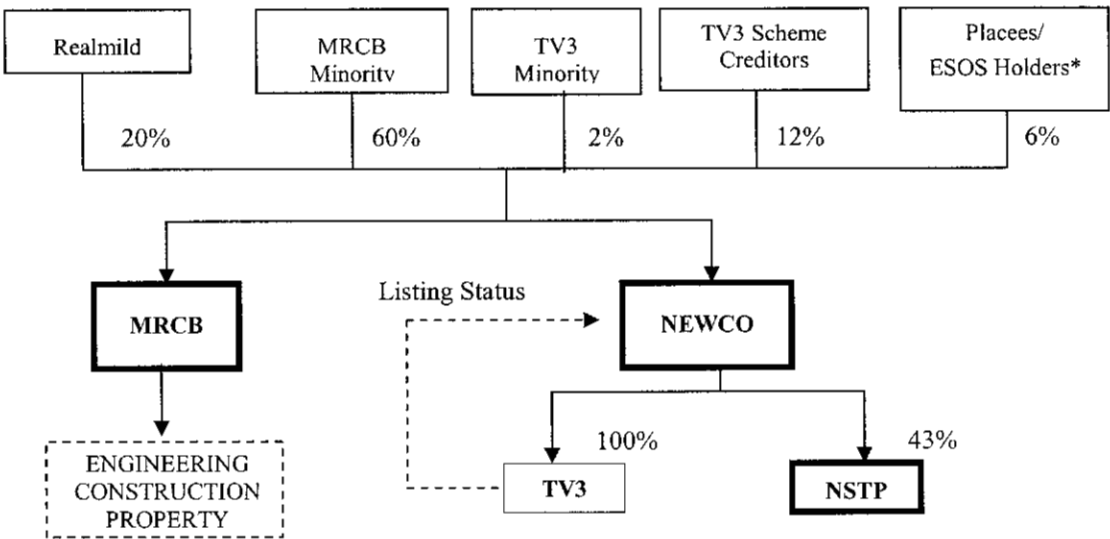
3. CORPORATE STRUCTURE

The corporate structures before and after the Corporate Proposals are set out below:-

CORPORATE STRUCTURE BEFORE CORPORATE PROPOSALS

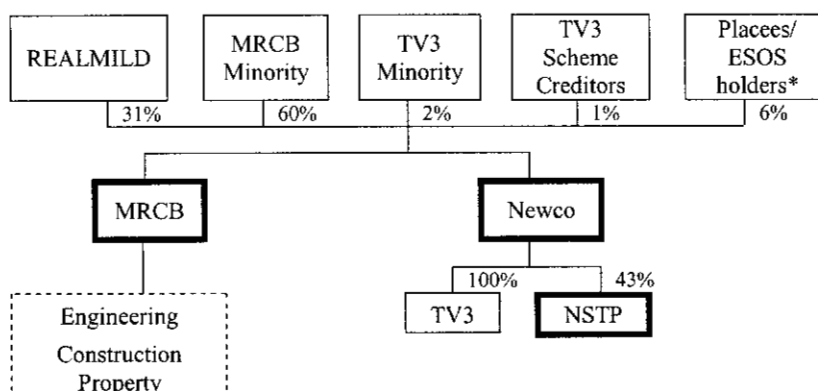


CORPORATE STRUCTURE AFTER CORPORATE PROPOSALS (Before conversion of ICULS and exercise of Warrants)



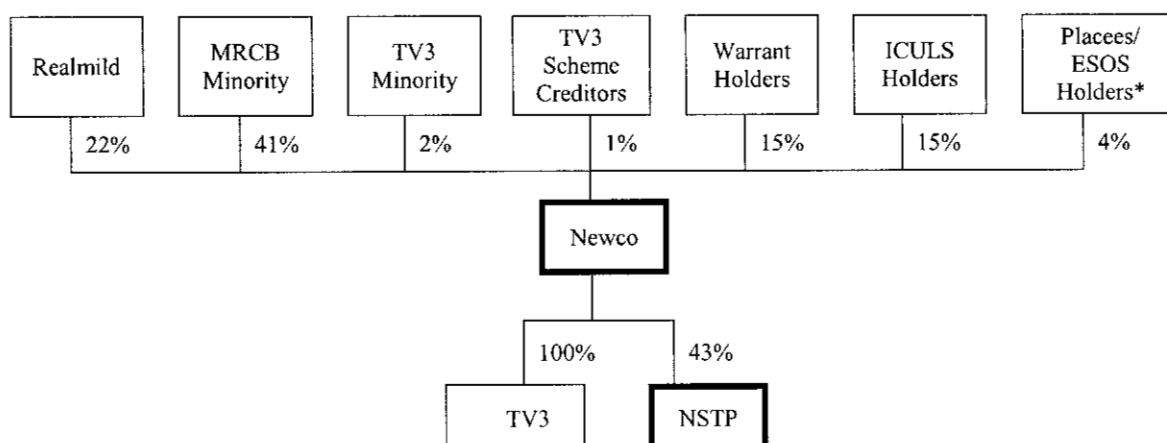
CORPORATE STRUCTURE AFTER CORPORATE PROPOSALS**

(Before conversion of ICULS and exercise of Warrants)



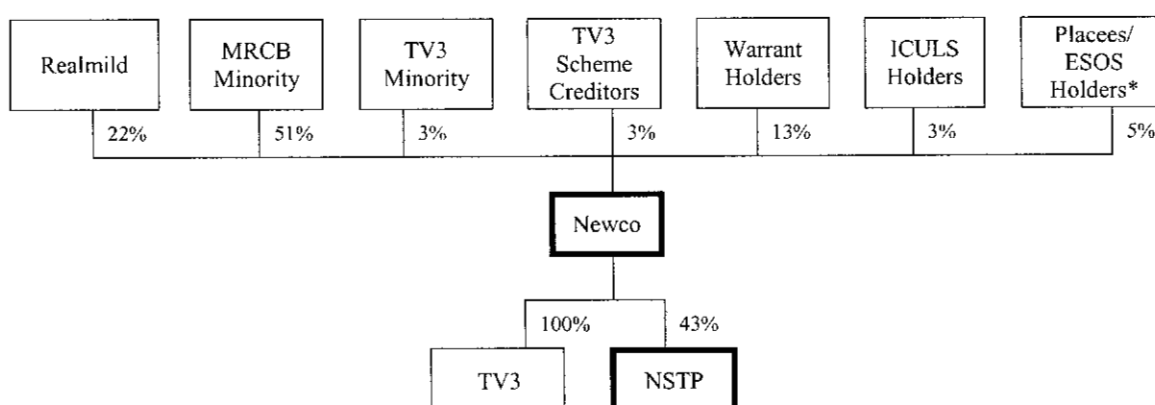
CORPORATE STRUCTURE AFTER CORPORATE PROPOSALS**

(After conversion of ICULS and exercise of Warrants, assuming no acceptance of the ICULS and Warrants pursuant to the Proposed ROS)



CORPORATE STRUCTURE AFTER CORPORATE PROPOSALS**

(After conversion of ICULS and exercise of Warrants, assuming full acceptance of the ICULS and Warrants pursuant to the Proposed ROS)



Notes:

* for illustration purposes only, assuming 70,000,000 MRCB Shares are issued pursuant to the Proposed Private Placement/ ESOS

** assuming full exercise of put and call options of up to 63,411,575 Option Shares pursuant to the Proposed Realmild Put and Call Option

Listed Companies

4. ADJUSTMENTS

The Corporate Proposals as detailed above has been formulated based on the indebtedness of TV3 owing to the TV3 Scheme Creditors of RM644.9 million. As such, for implementation and settlement purposes, should the amount of indebtedness of TV3 pursuant to the proof of debt exercise be higher/lower than RM644.9 million the value of the instruments or securities to be issued pursuant to the Corporate Proposals may correspondingly be higher/lower than that which is detailed above. However the settlement ratio for every RM1.00 debt owed as set out in paragraph 2.1.2 remains unchanged.

The Proposed TV3 Debt Settlement will be implemented after final verification of the proof of debt exercise, expected to be completed by March 2003.

Should the amount of indebtedness of TV3 owing to the TV3 Scheme Creditors after the proof of debt exercise be higher from the aforementioned RM644.9 million, the settlement of the differential amount shall be dealt with by the Board of Directors of TV3 as they may deem fit and in the interest of all parties which will be decided only in the event the aforementioned happens. In this regard, the Board of Directors of TV3 is of the opinion that such indebtedness amount pursuant to the proof of debt exercise is not expected to differ significantly, if any at all, from the said RM644.9 million.

5. CONDITIONS

The Corporate Proposals are subject to the approvals/sanctions as the case may be of the following:-

- (i) the SC, which was obtained on 14 October 2002, subject to the following general conditions for the following disclosures to be made in the Circular to the shareholders of MRCB:-
 - (a) By MRCB:-
 - rationale of the proposed restructuring scheme of MRCB, including the Proposed Transfer of NSTP as well as the implication of the proposal towards the shareholding structure of MRCB;
 - details about the outstanding debt of RM1,263.6 million that is not within the proposed debt restructuring of MRCB and the ways in which MRCB proposes to manage the said debts;
 - details of the profit forecast of MRCB Group and comments on the financial forecast and projection of the MRCB Group;
 - information on how the cashflow forecast and projection of MRCB Group will be achieved; and
 - outlook of the MRCB Group including its core businesses.
 - (b) By Newco/TV3:-
 - rationale of the proposed restructuring scheme of TV3 as well as the implication of the proposal towards the shareholding structure of MRCB;
 - rationale of the proposed acquisition of NSTP by Newco as well as the implication of the proposal;
 - details of the profit forecast as well as debt status of NSTP. In connection with this, Newco is required to also comment on the financial forecast and projection of NSTP, including the ability of NSTP to fulfil its financing requirements; and
 - outlook of TV3 and NSTP, including their respective core businesses;
- (ii) the FIC, which was obtained on 16 July 2002 and 21 November 2002 for the revisions to the Corporate Proposals which were announced on 16 August 2002. No conditions were imposed by the FIC in respect of the Corporate Proposals;

- (iii) the KLSE for:-
- the listing of and quotation for up to 177,869,261 new MRCB Shares pursuant to the Proposed Acquisition of Newco and up to 542,499,703 new Newco Shares (pursuant to the Proposed Demerger), the exact number of which can only be determined after the Proposed Demerger;
 - admission to the Official List and listing of and quotation for:-
 - up to 542,499,703 new Newco Shares, the exact number of which can only be determined after the Proposed Demerger;
 - 180,000,000 nominal amount of ICULS; and
 - 115,000,000 nominal amount of Warrants;
 - the listing of and quotation of:-
 - 120,000,000 new Newco Shares arising from the conversion of the ICULS; and
 - 115,000,000 new Newco Shares arising from the exercise of the Warrants;
- (iv) the TV3 Scheme Creditors for the Proposed TV3 Scheme of Arrangement which was obtained on 28 February 2002;
- (v) the shareholders of TV3 for the Proposed TV3 Scheme of Arrangement, Proposed Demerger and Proposed Transfer of Listing;
- (vi) the shareholders of MRCB for the Proposed TV3 Scheme of Arrangement Proposed Acquisition of Newco, Proposed Transfer of NSTP, Proposed Restricted Issue, Proposed Demerger, Proposed ROS of ICULS; and
- (viii) the High Court for the Proposed TV3 Scheme of Arrangement and the Proposed Demerger.

All the proposals under the Corporate Proposals are inter-conditional upon each other save for the following:-

- (i) the Proposed TV3 Scheme of Arrangement, the Proposed Transfer of NSTP and the Proposed Fund Raising are not conditional upon the approval of the High Court pursuant to Section 64 of the Act in respect of the Proposed Demerger but the approval of the High Court pursuant to Section 64 of the Act in respect of the Proposed Demerger is conditional upon the Proposed TV3 Scheme of Arrangement, the Proposed Transfer of NSTP and the Proposed Fund Raising. However, the Proposed TV3 Scheme of Arrangement, the Proposed Transfer of NSTP and Proposed Fund Raising are conditional upon the other conditions of the Proposed Demerger;
- (ii) the Corporate Proposals (excluding the Proposed Realmild Put and Call Options) are not conditional upon the Proposed Realmild Put and Call Options, but the Proposed Realmild Put and Call Options is conditional upon the Corporate Proposals (excluding the Proposed Realmild Put and Call Options);
- (iii) the Corporate Proposals (excluding the Proposed ROS) are not conditional upon the Proposed ROS, but the Proposed ROS is conditional upon the Corporate Proposals (excluding the Proposed ROS).

Given that the Proposed TV3 Scheme of Arrangement is a pre-requisite to the Proposed Demerger, in the event that the Proposed TV3 Scheme of Arrangement becomes effective but the Proposed Demerger is not approved by the High Court, all former shareholders of TV3 (including TV3 Scheme Creditors) will continue to hold MRCB Shares by virtue of the Proposed Acquisition of Newco. Since Newco remains a wholly-owned subsidiary of MRCB, the Proposed Transfer of Listing and the Proposed ROS could not be implemented. The Proposed Realmild Put and Call Options would be of no effect because MRCB will continue to hold all issued Newco Shares. Furthermore, TV3 will not meet the public spread requirement pursuant to Paragraph 10.10(b)(ii) of the SC's Policies and Guidelines on Issue/Offer of Securities and Paragraph 3.05 of the KLSE Listing Requirements and the Proposed Transfer of Listing cannot be implemented. Hence, TV3 would be de-listed pursuant to Paragraph 16.09 of the KLSE Listing Requirements.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

EPF is a direct major shareholder of MRCB, NSTP and TV3. Hence, EPF is deemed interested in the Corporate Proposals. The following table sets out EPF's direct shareholdings in MRCB, NSTP and TV3:

As at 31 December 2002	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
MRCB	120,816,333	12.4	-	-
NSTP	23,492,500	10.8	-	-
TV3	23,930,000	14.0	-	-

EPF was to abstain from voting in the forthcoming EGM of MRCB to be convened for the Corporate Proposals.

On 6 May 2002, MRCB had, on behalf of EPF, applied to the KLSE to seek an exemption for EPF from having to abstain from voting at the EGM based on the following reasons:-

- (i) EPF is not the single largest shareholder of MRCB, TV3 or NSTP. It does not participate in the management and day-to-day operations of MRCB, TV3 or NSTP. EPF did not initiate the Corporate Proposals nor has it been involved, directly or indirectly, in the negotiations and structuring of the terms of the Corporate Proposals;
- (ii) EPF, as an institutional investor, has in its portfolio, investments in quoted and unquoted companies as well as investments in mutual funds. Therefore, EPF's shareholding in MRCB, TV3 and NSTP simply forms part of its total investment portfolio and it is not directly involved in the respective companies in any other capacity;
- (iii) EPF has no nominated director on the Board of Directors of MRCB, TV3 or NSTP; and
- (iv) EPF, being a shareholder of MRCB and TV3, is a participant of the Corporate Proposals. As a participant, EPF will not be treated differently from other shareholders of MRCB and TV3 in relation to the Corporate Proposals. Like other shareholders of MRCB and TV3, EPF will, pursuant to the Corporate Proposals, eventually become a shareholder of MRCB and Newco, holding approximately 10% in both MRCB and Newco.

The KLSE has vide its letter dated 30 August 2002 approved the application to exempt EPF from having to abstain from voting at the aforesaid EGM.

Save as disclosed above, none of the other directors, major shareholders of MRCB or persons connected with them has any interest, direct or indirect, in the Corporate Proposals.

7. EVALUATION OF THE CORPORATE PROPOSALS

7.1 Related Party Transactions

In accordance to Part E, Paragraph 10.08 of the Listing Requirements, Alliance Merchant has been appointed to provide the Independent Directors and minority shareholders of MRCB with independent advice in relation to the related party transactions arising out of the Corporate Proposals.

The related party transactions under the Corporate Proposals are:-

- ***Proposed Acquisition of TV3***

EPF is a major shareholder of TV3 with a direct equity interest of 14.0% in TV3 as at 31 December 2002.

As stated above, EPF is a major shareholder of MRCB with an equity interest of 12.4% in MRCB as at 31 December 2002. Newco is a wholly owned subsidiary of MRCB. As such, due to its direct interest in TV3 and indirect interest in Newco via MRCB, EPF is deemed interested in the Proposed Acquisition of TV3.

- ***Proposed Acquisition of Newco***

Subsequent to the Proposed Acquisition of TV3, EPF will emerge as a shareholder of Newco with a direct equity interest of 3.3% in Newco.

As such, by virtue of EPF being a major shareholder of MRCB and a shareholder in Newco after the Proposed Acquisition of TV3, EPF is deemed interested in the Proposed Acquisition of Newco.

The Proposed Acquisition of Newco is conditional upon the Proposed Acquisition of TV3, and vice versa. As such, the purpose of this IAC is to provide the Independent Directors and minority shareholders of MRCB with an independent evaluation of the Proposed Acquisition of TV3 and Proposed Acquisition of Newco and our recommendation in relation to the ordinary resolutions to give effect to the Proposed Acquisition of TV3 and Proposed Acquisition of Newco to be tabled at the forthcoming EGM or any adjournment thereof.

However, due to the inter-conditionality of the various transactions in the Corporate Proposals, the evaluation on the Proposed Acquisition of TV3 and Proposed Acquisition of Newco is undertaken in context of the merits of the entire Corporate Proposals.

7.2 Scope of Work

Alliance Merchant was not involved in the negotiations nor formulation pertaining to the Proposed Acquisition of TV3 and Proposed Acquisition of Newco. In evaluating the Proposed Acquisition of TV3 and Proposed Acquisition of Newco, we have relied on the information contained in the Circular to the shareholders of MRCB dated 31 January 2003, other relevant information provided by MRCB and AmMerchant as its adviser and other publicly available information. We have not independently verified any information used in this circular or disclosed to us for the purposes of this circular.

We have obtained written confirmation from the Board of Directors of MRCB that the Directors collectively and individually accept full responsibility for the accuracy of the information given to us and confirm that all information relevant for the purpose of our evaluation on the Proposed Acquisition of TV3 and Proposed Acquisition of Newco have been disclosed to us and there are no facts, the omission of which would make any information supplied to us misleading.

Alliance Merchant, as the independent adviser, has evaluated the Proposed Acquisition of TV3 and Proposed Acquisition of Newco, to the extent which concern MRCB and/ or its shareholders, and in forming our opinion, we have considered various factors which we believe are important in enabling us to form an opinion on the fairness and reasonableness of the Proposed Acquisition of TV3 and Proposed Acquisition of Newco, as far as the shareholders are concerned and on whether the Proposed Acquisition of TV3 and Proposed Acquisition of Newco are to the detriment of the minority shareholders of the Company.

We have not given consideration to the specific investment objectives, financial situation and particular needs of any individual minority shareholder or any specific group of shareholders including any specific group of minority shareholders. We do not express any opinion on the commercial merits of the Corporate Proposals, which is the sole responsibility of the Board of Directors of MRCB. We recommend that any individual shareholder or any specific group of shareholders who may require specific advice in relation to the Proposed Acquisition of TV3 and Proposed Acquisition of Newco, in the context of their individual objectives, financial situation and particular needs should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser without further delay.

As the independent adviser to the independent Directors and minority shareholders of MRCB, we have considered the following areas in our evaluation of the Proposed Acquisition of TV3 and Proposed Acquisition of Newco:

- (i) Rationale for the Corporate Proposals;
- (ii) Terms of the Proposed Acquisition of TV3 and Proposed Acquisition of Newco;
- (iii) Basis of arriving at the purchase consideration for the Proposed Acquisition of Newco;
- (iv) Valuation of the issue price of new MRCB Shares to be issued as consideration for the Proposed Acquisition of Newco;
- (v) Overview of the Malaysian economy and future prospects of MRCB and Newco after the Corporate Proposals; and
- (vi) Financial effects.

7.3 Rationale for the Corporate Proposals

As stated in Section 4 of the Circular to the shareholders of MRCB dated 31 January 2003, the rationale for the Corporate Proposals is as follows:-

"The Corporate Proposals put forward steps to resolve the weak financial position of MRCB's key associate, TV3, and involves the corporate and debt restructurings at both MRCB and TV3.

Clear repayment sources are identified for the settlement of TV3's Scheme Creditors under the Corporate Proposals while MRCB has substantially addressed its corporate debt through the RHB Disposal, leaving mainly projects related debt at operating subsidiary levels, which are expected to be self sustainable. MRCB will also rationalise and streamline its diversified group activities in the process.

As the controlling shareholder of TV3, MRCB currently holds 49.7% or 84.6 million of TV3 Shares. As TV3 is presently an affected listed issuer pursuant to PN4 of the Listing Requirements of the KLSE and is under the impending threat of de-listing as well as liquidation if its weak financial position and heavy debt burden are not addressed. In a liquidation scenario, no recovery is expected for its shareholders including MRCB due to its existing high gearing.

Pursuant to the Corporate Proposals, the Proposed TV3 Scheme of Arrangement which will involve inter-alia the restructuring of up to RM644.9 million of TV3's debt, is expected to substantially reduce and alleviate TV3's heavy debt burden and return it to a positive net tangible assets position. Focusing on its core business, TV3 is expected to be profitable going forward. The Proposed Fund Raising is necessary to facilitate the Proposed TV3 Debt Settlement.

Following the Proposed TV3 Scheme of Arrangement (after which Newco, wholly owned by MRCB, emerges as the sole shareholder of TV3) and following the Proposed Transfer of NSTP involving the injection of MRCB's 43.5% interest in NSTP into Newco, Newco will be transformed into a fully integrated media company, comprising both print and broadcast media.

The Proposed Transfer of NSTP is integral to Newco's strategy as an integrated media company to exploit cross synergies between the print and broadcast mediums. Notwithstanding the said transfer, the substantial shareholders and shareholding structure of Newco and MRCB are effectively the same. Given this circumstance, MRCB has sought and obtained SC's approval for the Proposed Exemption from Mandatory Offer in respect of the injection of NSTP into Newco.

The Corporate Proposals will culminate in the aforesaid Newco Shares being distributed to MRCB's shareholders via the Proposed Demerger, enabling MRCB shareholders to gain direct shareholdings in Newco as well. The Proposed ROS give shareholders the option to increase their participation in Newco via subscription for its ICULS and Warrants, as well as creates the necessary shareholding and public spread to facilitate the listing of the said securities.

Upon the demerger, MRCB will be involved in the complementary businesses of engineering, construction and property, while Newco will take over the listing status of TV3 and be focused mainly on the media businesses.

The management teams of MRCB and Newco would be able to concentrate their respective efforts on more focused, complementary and synergistic businesses. Clarity of investment is also provided to shareholders, investors and the markets, which is expected to remove the conglomerate discount normally associated with companies which hold disparate investments.

The existing TV3 shareholders (other than MRCB) and the TV3 Scheme Creditors will together be issued approximately 14.5% of the share capital of MRCB (assuming 70 million new MRCB shares are also issued pursuant to the Proposed Private Placement and exercise of ESOS options). The dilution to existing MRCB shareholders of the share capital of MRCB is in return for a share of TV3's future earnings stream post restructuring as well as the opportunity to directly hold shares in two listed companies as explained above."

The Proposed Acquisition of TV3 and Proposed Acquisition of Newco form an integral part of the Corporate Proposals which aim to address the following issues:-

(i) Debt Restructuring and Settlement

Based on the audited financial statements of TV3 for the year ended 31 August 2002, TV3 Group's total debts and shareholders' fund amounted to RM841.3 million (borrowings of RM498.2 million and amount owing to creditors of RM343.1 million) and negative RM356.9 million, respectively. TV3 Group's operations have been reporting losses since the financial year ended 31 August 1998 and a debt and corporate restructuring scheme is urgently required to address the financial problems of TV3 Group and return the group into profitability. The situation is further exacerbated when TV3 is classified as an affected listed issuer under the PN4 of the Listing Requirements of the KLSE. As such, a solution to regularise TV3's financial condition is critical as any affected listed issuer which fails to regularise its financial condition by 31 December 2002, would face suspension of trading of its shares and ultimately delisting from the KLSE.

The Corporate Proposals will address the RM644.9 million of the debts owing to TV3 Scheme Creditors. The total borrowings of the TV3 Group of RM498.2 million as at 31 August 2002, will be reduced to RM356.9 million comprising RM89.4 million RULS being partial settlement to the TV3 Scheme Creditors, RM87.5 million nominal amount of Bonds and RM180.0 million nominal amount of ICULS, for the TV3/ Newco Group after the Corporate Proposals. The Corporate Proposals are expected to result in interest savings of RM18.4 million per annum for the TV3/Newco Group. Accumulated losses of TV3 Group as at 31 August 2002 of RM530.9 million will also be reduced to RM214.1 million (Newco Group). Thus, the Corporate Proposals will improve the TV3's/ Newco Group's financial standing, with a gearing level of 0.90 times for Newco Group after the Corporate Proposals.

Based on the audited financial statements of MRCB Group for the year ended 31 August 2002, MRCB Group had total borrowings of RM1,560.6 million and shareholders' funds of RM647.9 million, representing a gearing level of 2.41 times. Approximately RM672.2 million of MRCB Group's total borrowings were to be due and payable in less than twelve (12) months from the closing of its financial year ended 31 August 2002.

In line with the rationalisation of MRCB Group and efforts to pare down its debts, MRCB embarked on the disposal of certain non-core assets and investments, as set out in Section 7.3 (ii) below.

The RHB Disposal was completed on 31 December 2002 and on even date, MRCB settled in full the RM465 million bridging facilities to the MRCB Lenders, of which RM454.1 million was satisfied from the proceeds of the RHB Disposal and the balance from its internally generated funds. With the full settlement of the RM465 million bridging facilities, MRCB's borrowings have been substantially reduced and estimated to provide interest savings of about RM29.0 million per annum to the MRCB Group. Meanwhile, the remaining borrowings of

RM207.2 million which are due and payable in less than twelve (12) months from the closing of its financial year ended 31 August 2002, will be retained at MRCB company level (RM50 million) and its subsidiaries (RM157.2 million).

The RM465 million bridging facilities provided by the MRCB Lenders were secured by way of pledge of 105,127,000 RHB Shares, 94,035,540 NSTP Shares and 84,570,500 TV3 Shares. Hence, the full settlement of the said RM465 million bridging facilities provided a crucial relief to the release of the pledge on the NSTP Shares and TV3 Shares to allow the implementation of the Corporate Proposals.

After the RHB Disposal and Corporate Proposals, MRCB Group's borrowings are expected to reduce to RM1,095.6 million representing a gearing level of 2.01 times, which shall comprise mainly project related debts at its operating subsidiary levels.

As such, the Corporate Proposals provide a much awaited rescue scheme to the TV3 Group and at the same time, provide a debt and corporate restructuring scheme to the MRCB Group, resulting in a better focussed and rationalised business structure. If the financial problems of TV3 persist and are not addressed, the situation in TV3 will deteriorate further with the threat of TV3 Creditors turning to liquidation for recovery, hence diminishing any return in investment (if any) to MRCB and the other shareholders of TV3.

(ii) Streamlining of Core Businesses

MRCB Group is in a diverse range of businesses covering media, property, power, engineering and construction which are not necessarily complementary and synergistic to the Group as a whole.

Based on the latest financial statements of MRCB Group for the years ended 31 August 2001 and 2002, the segmental analysis of MRCB Group is as follows:-

Revenue	2002		2001	
	RM'000	%	RM'000	%
Property development	235,647	56.20	278,537	52.25
Engineering and construction	165,739	39.53	226,482	42.48
Information technology contracts	11,868	2.83	24,132	4.53
Others	6,028	1.44	3,929	0.74
TOTAL	419,282	100.0	533,080	100.0

Based on the above segmental analysis, MRCB Group's main income generating activities arise from its construction, engineering and property activities. MRCB's interest in the media and print business is not reflected as they are only investments through its associated companies, namely TV3 and NSTP respectively. As such, in order to rationalise the Group, MRCB proposes to focus on its core businesses comprising engineering, construction and property activities. By way of the Proposed Demerger, MRCB's interest in the media and print businesses will be transferred to Newco, which shall hold NSTP and TV3 upon the completion of the Corporate Proposals.

As evident by its effort to rationalise MRCB Group's businesses, MRCB has embarked into a few asset disposal exercises, as shown below:-

- (i) The disposal of MRCB's entire 70% equity interest in Sepang Power Sdn Bhd to Tenaga Nasional Berhad ("TNB") for a total cash consideration of RM115.0 million, which was completed on 20 May 2002;
- (ii) The disposal of MRCB's entire 20% equity interest in Fibrecomm Network (M) Sdn Bhd to TNB for a total cash consideration of RM22 million, which was completed on 26 August 2002;

- (iii) On 29 August 2002, Zelleco (M) Sdn Bhd ("ZMSB"), a 70% owned subsidiary of MRCB has entered into a conditional sale and purchase agreement with Sasaran Bahagia Sdn Bhd ("SBSB") for the disposal of ZMSB's 70% stake in Zelleco Engineering Sdn Bhd ("ZESB") for a cash consideration of RM1.00 and the settlement of RM10.5 million owed by ZESB to MRCB by way of issuance of RM10.5 million of redeemable secured term debt by ZESB to MRCB. The sale of ZMSB's 70% equity shareholding in ZESB was completed on 30 January 2003; and
- (iv) MRCB Selborn Corporation Sdn Bhd ("MRCB Selborn"), a 60% owned subsidiary of MRCB entered into a sale and purchase agreement with Idaman Unggul Sdn Bhd for the disposal of its office block, Menara MRCB for a cash consideration of RM55 million. The completion of the disposal of Menara MRCB is pending the approval from the relevant regulatory authorities; and
- (v) MRCB entered into a conditional sale and purchase agreement dated 20 March 2002 with UBG in relation to the RHB Disposal for a total cash consideration of RM504.6 million of which RM454.1 million was earmarked towards the settlement of the RM465 million debt owed to the MRCB Lenders and the balance to be utilised for working capital. The RHB Disposal was completed on 31 December 2002 and on even date, the RM465 million debt owed to the MRCB Lenders was settled in full.

Meanwhile, Newco shall emerge as an integrated media business with NSTP and TV3 under its helm. Upon the completion of the Corporate Proposals, TV3 will be recapitalised with a sustainable level of debt, which will allow TV3 to improve on its market position by investing in upgrading its programme content and renew and/or maintain its existing infrastructure. As such, with MRCB and Newco concentrating on their respective core businesses, MRCB and Newco will have better focus in expanding their respective businesses.

Even though TV3 has not been declaring dividends in recent years, the transfer of the media and print businesses of NSTP and TV3 to Newco may result in the loss of future dividends to MRCB from these investments, if any. NSTP has not paid dividends since the financial year ended 31 August 2001 whilst TV3 has not paid dividend since the financial year ended 31 August 1997. As associated companies of MRCB, MRCB equity accounts its share of the results of NSTP and TV3. MRCB's cost of investment in TV3 is RM229.1 million and over the years, TV3's losses were equity accounted into MRCB's books until 31 August 2000, whereby its carrying value was written down to nil. Meanwhile, MRCB's cost of investment in NSTP is RM711.3 million which was written down to RM402.5 million on 31 August 2001. However, in 31 August 2002, it was increased to RM551.8 million after taking into consideration the equity accounting of NSTP's profits for the year.

Upon the completion of the Corporate Proposals, there will be a dilutive effect on the shareholdings of the existing shareholders in MRCB due to the enlarged share capital of MRCB and emergence of new shareholders, in terms of TV3 Minority and TV3 Scheme Creditors and the effect from the completion of the Proposed Placement and/or exercise of the ESOS options. However, the existing shareholders of MRCB will still have an interest in the media and print businesses, through their direct interest in Newco pursuant to the Proposed Demerger, which will result in the same proportion of direct interest in both MRCB and Newco. Thus, with a better and sustainable debt level, the existing shareholders of MRCB can still benefit from the potential upside in NSTP, and TV3 through Newco.

7.4 Terms of the Proposed Acquisition of TV3 and Proposed Acquisition of Newco

7.4.1 Proposed Acquisition of TV3

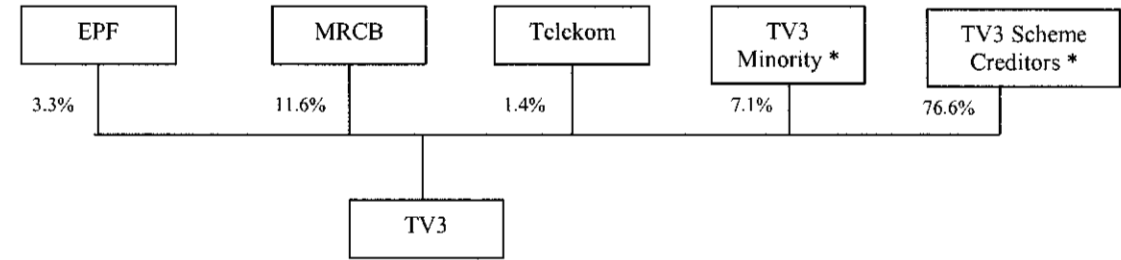
The Proposed Acquisition of TV3 entails the acquisition by Newco of 100% of the enlarged equity interest in TV3 after the Proposed TV3 Restructuring Scheme (comprising 291,738,629 TV3 Shares including rights to allotment) from the following parties:-

- (a) MRCB, which will hold 33,828,200 TV3 Shares representing approximately 11.6% of the enlarged share capital of TV3 after the Proposed TV3 Restructuring Scheme;
- (b) TV3 Minority, which will hold in aggregate 34,299,004 TV3 Shares representing approximately 11.8% of the enlarged share capital of TV3 after the Proposed TV3 Restructuring Scheme; and
- (c) TV3 Scheme Creditors, which will be entitled to the rights to allotment of 223,611,425 TV3 Shares representing approximately 76.6% of the enlarged share capital of TV3 after the Proposed TV3 Restructuring Scheme.

in exchange for the rights to allotment of 265,216,935 new Newco Shares at an issue price of RM1.10 per share, credited as fully paid-up. This would amount to a total purchase consideration of RM291.7 million.

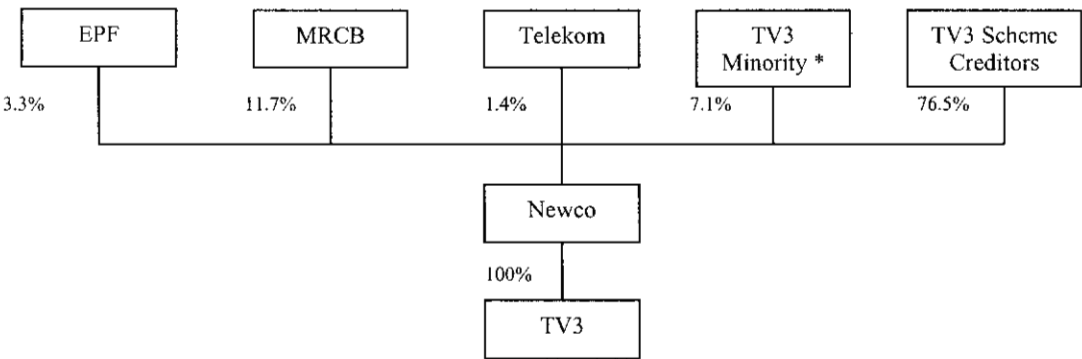
The shareholding structures of TV3 before and after the Proposed Acquisition of TV3 are as follows:-

After Proposed TV3 Restructuring Scheme and Before Proposed Acquisition of TV3



* Excluding EPF

After Proposed Acquisition of TV3



* Excluding EPF

Pursuant to the Proposed Acquisition of TV3, TV3 will emerge as a wholly-owned subsidiary of Newco.

The proposed issue price of the new Newco Shares of RM1.10 per share takes into consideration the par value of Newco Shares of RM1.00 and a premium of 10 sen. The premium of RM0.10 was determined by the Board and arrived at after taking into consideration the creation of a reserve for Newco for future utilisation.

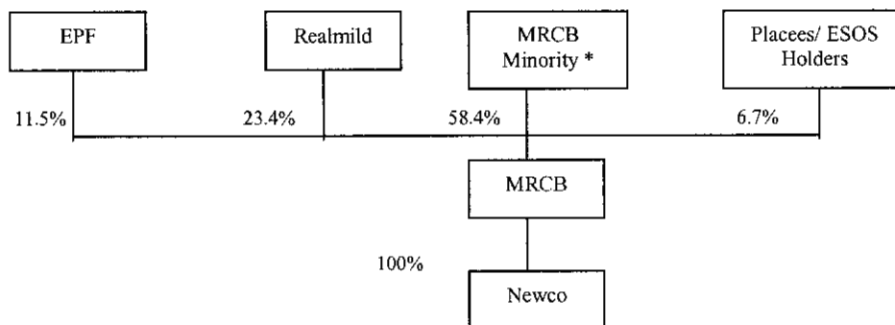
The Proposed Acquisition of TV3 involves a share exchange of TV3 Scheme Shares held by TV3 shareholders after the Proposed TV3 Restructuring Scheme, with Newco Shares at an exchange ratio of 1.1 TV3 Shares for one (1) new Newco Share, in equal proportion to their respective shareholdings in TV3. Since the share exchange pursuant to the Proposed Acquisition of TV3 involves all the shareholders of TV3 after the Proposed TV3 Restructuring Scheme and as the exchange is in equal proportion to their respective shareholding in TV3, the terms of the Proposed Acquisition of TV3 are fair and reasonable.

7.4.2 Proposed Acquisition of Newco

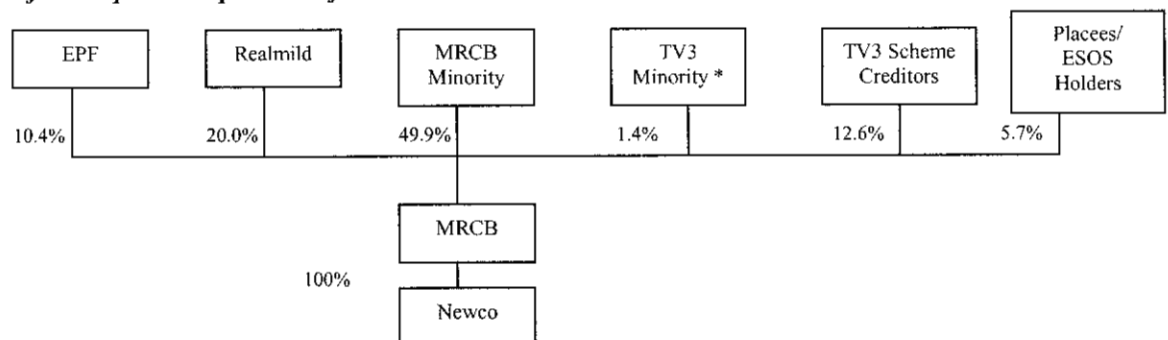
Subsequent to the Proposed Acquisition of TV3, MRCB will be entitled to the rights of allotment of 30,752,909 new Newco Shares representing 11.6% of the enlarged share capital of Newco after the Proposed Acquisition of TV3. The Proposed Acquisition of Newco entails the acquisition by MRCB of all the rights to allotment of new Newco Shares not held by MRCB (totalling 234,464,026 new Newco Shares representing 88.3% of the enlarged capital of Newco) in exchange for 177,869,261 new MRCB Shares at an issue price of RM1.45 per new MRCB Share credited as fully paid-up.

Assuming the Proposed Private Placement/ exercise of ESOS options of 70,000,000 MRCB Shares are undertaken prior to the Proposed Acquisition of Newco, the shareholding structure of MRCB before and after the Proposed Acquisition of Newco will be as follows:-

Before Proposed Acquisition of Newco



After Proposed Acquisition of Newco



* Excluding EPF

7.4.2.1 Basis of arriving at the Purchase Consideration for the Proposed Acquisition of Newco

MRCB proposes to acquire the rights to allotment of 234,464,026 new Newco Shares representing 88.3% of the enlarged share capital of Newco for RM257,910,429 or RM1.10 per Newco Share.

The proposed acquisition of the rights to allotment of 234,464,026 new Newco Shares which will be issued at an issue price of RM1.10 per new Newco Share was arrived at after taking into account the par value of Newco Shares of RM1.00 and a premium of 10 sen.

The premium of 10 sen on the proposed issue price of Newco Shares is determined by the Board and arrived at after taking into consideration the creation of a reserve for Newco for future utilisation, and is consistently applied throughout the Corporate Proposals. It is the intention of Newco and TV3 that an adequate level of NTA is maintained after the completion of the Corporate Proposals, as per the SC's requirement issued via a circular dated 3 September 2001 in relation to Chapter 18 and Chapter 22 of the SC's Guidelines that the proforma NTA of a distressed listed company immediately on implementation of its corporate proposal shall be at least 33% of the par value of its ordinary shares. Based on the proforma audited consolidated balance sheet of Newco as at 31 August 2002, the proforma NTA per Newco Share after the completion of the Corporate Proposals will be RM0.73, as compared to the current net tangible liabilities per share of TV3 of RM2.33.

Newco is currently an investment holding company with no assets prior to the Corporate Proposals. Upon the completion of the Corporate Proposals, Newco will emerge as an integrated media and multi media group, comprising TV3 and NSTP. Thus, essentially, Newco's "intrinsic value" as a media conglomerate could be valued based on the enlarged Newco Group, comprising TV3 and NSTP, which on an incremental basis, is illustrated as follows:-

Proposals	Value of TV3/ NSTP RM'million	(a) Intrinsic Value of Newco (cumulative) RM'million	No. of new Newco Shares Issued	(b) No. of new Newco Shares Issued (cumulative)	(a)/(b) Intrinsic Value per Newco Share (cumulative) RM
Existing		0.30	300,000	300,000	1.00
<i>Pursuant to:-</i>					
Proposed Acquisition of TV3	331.08 ⁽¹⁾	331.38	265,216,935	265,516,935	1.25
Proposed Transfer of NSTP	382.33 ⁽²⁾	713.71	199,682,768	465,199,703	1.53

Notes:

- (1) Based on the TV3's existing issued and paid-up share capital of 170,318,012 TV3 Shares based on the five (5)-day weighted average market price as at 5 October 2001 of RM0.631 (being the last market day prior to the announcement of the Corporate Proposals on 8 October 2001). Also takes into consideration the 223,611,425 new TV3 Shares to be issued pursuant to the Proposed TV3 Debt Settlement at its issue price of RM1.00 each.
- (2) Based on the 43.5% equity interest in NSTP of 94,035,540 ordinary shares of RM1.00 each in NSTP at the five (5)-day weighted average market price ended 11 July 2002 of RM5.98 (being the date prior to the submission of the revision to the transfer consideration price of NSTP Shares to the SC) less the RM180 million nominal amount of ICULS.

Based on the above schedule, assuming the Proposed Acquisition of TV3 has taken place, the "intrinsic value" of Newco will be represented by its investment in TV3 estimated at RM331.38 million or RM1.25 per Newco Share. Hence, the proposed issue price of RM1.10 for each new Newco Share is at a discount of 12.0% from the "intrinsic value" of RM1.25 per Newco Share. Moreover, upon the completion of the Proposed Transfer of NSTP, the "intrinsic value" of Newco is expected to be RM1.53 per share, as represented by its investments in TV3 and NSTP.

From the perspective of MRCB who is acquiring Newco Shares, the proposed issue price of RM1.10 for each new Newco Share is attractive as it is at a discount to its "intrinsic value".

On the other hand, based on the closing market prices of TV3 Shares and NSTP Shares as at 14 February 2003 (being the last practicable date prior to the issuance of this IAC), the values of TV3 and NSTP are set out below:-

Proposals	Value of TV3/ NSTP RM'million	(a) Intrinsic Value of Newco (cumulative) RM'million	No. of new Newco Shares Issued	(b) No. of new Newco Shares Issued (cumulative)	(a)/(b) Intrinsic Value per Newco Share (cumulative) RM
Existing		0.30	300,000	300,000	1.00
<i>Pursuant to:-</i>					
Proposed Acquisition of TV3	271.30 ⁽¹⁾	271.60	265,216,935	265,516,935	1.02
Proposed Transfer of NSTP	207.43 ⁽²⁾	479.03	199,682,768	465,199,703	1.03

Notes:

- (1) Based on TV3's existing issued and paid-up share capital of 170,318,012 TV3 Shares at its closing market price as at 14 February 2003 of RM0.28 (being the last practicable date prior to the issue of this IAC) and the 223,611,425 new TV3 Shares to be issued pursuant to the Proposed TV3 Debt Settlement at its issue price of RM1.00 each.
- (2) Based on the 43.5% equity interest in NSTP of 94,035,540 ordinary shares of RM1.00 each in NSTP at the closing market price as at 14 February 2003 (being the last practicable date prior to the issue of this IAC) of RM4.12 less the RM180 million nominal amount of ICULS.

Based on the above schedule, assuming the Proposed Acquisition of TV3 has taken place, the "intrinsic value" of Newco will be represented by its investment in TV3 estimated at RM271.60 million or RM1.02 per Newco Share. Upon the completion of the Proposed Transfer of NSTP, the "intrinsic value" of Newco is expected to be RM1.03 per share, as represented by its investments in TV3 and NSTP.

Hence, the proposed issue price of RM1.10 for each new Newco Share is at a small premium of:-

- (i) 7.8% from the "intrinsic value" of RM1.02 per Newco Share after the Proposed Acquisition of TV3; and
- (ii) 6.8% from the "intrinsic value" of RM1.03 per Newco Share after the Proposed Transfer of NSTP.

The Proposed Acquisition of Newco involves the acquisition of the rights to allotment of new Newco Shares which will be issued at an issue price of RM1.10 per share. The minimum issue price for each new Newco Share is at its par value of RM1.00. The additional premium of 10 sen per share for the new Newco Shares is to ensure that an adequate NTA level is maintained for Newco after the completion of the Corporate Proposals. As mentioned earlier, the issue price of RM1.10 per new Newco Share is also consistent with the proposed issue price of Newco Shares for the entire Corporate Proposals.

In summary, we have taken into consideration the following factors in arriving at our opinion:-

- The premium of 10 sen to the par value of Newco which is to maintain an adequate NTA level for Newco after the completion of the Corporate Proposals;
- Assuming that the Proposed Acquisition of TV3 will be completed prior to the Proposed Acquisition of Newco, the "intrinsic value" of Newco is translated as its investment in TV3. Based on the five (5)-day weighted average market price of TV3 Shares as at 5 October 2001, being the last market day prior to the announcement of the Corporate

Proposals on 8 October 2001, Newco's "intrinsic value" after the Proposed Acquisition of TV3 is RM1.25 per Newco Share. On the other hand, based on the closing market price of TV3 Shares as at 14 February 2003, being the last practicable date prior to the issuance of this IAC, Newco's "intrinsic value" is estimated at RM1.02 per Newco Share; and

- There is no prior public market for the Newco Shares. The price at which Newco Shares will trade on the Main Board of the KLSE upon or subsequent to the listing of Newco will be dependent upon the prevailing market sentiment and market forces which are beyond the control of the Company.

Hence, we conclude that the proposed consideration for the rights to allotment of 234,464,026 new Newco Shares representing 88.3% of the enlarged share capital of Newco of RM257,910,429 at an issue price of RM1.10 per share is fair and reasonable.

7.4.2.2 Valuation of the Issue Price of new MRCB Shares to be issued as consideration for the Proposed Acquisition of Newco

The proposed issue price of RM1.45 per new MRCB Share was arrived at after taking into consideration the 5-day weighted average price of MRCB as traded on the KLSE ended 5 October 2001 (being the last market day preceding the date of suspension of MRCB Shares prior to the announcement of the Corporate Proposals on 8 October 2001) of RM1.24. The proposed issue price of RM1.45 per share represents a premium of RM0.21 or 17% to the aforesaid market price.

A comparative analysis of the proposed issue price of MRCB Shares to be issued as consideration for the Proposed Acquisition of Newco of RM1.45 is illustrated as follows:-

	RM	Premium of Proposed Issue Price of RM1.45 to the following:-
Issue price per MRCB Share to be issued as consideration for Newco	1.45	
<i>Compared Against</i> Consolidated NTA per share based on the audited balance sheet of MRCB as at 31 August 2002	0.29	400.0%
Five (5)-day weighted average market price of MRCB as at 5 October 2001 (<i>being the last market day preceding the date of suspension of MRCB Shares prior to the announcement of the Corporate Proposals on 8 October 2001</i>)	1.24	16.9%
Closing price of MRCB as at 5 October 2001 (<i>being the last market day preceding the date of suspension of MRCB Shares prior to the announcement of the Corporate Proposals on 8 October 2001</i>)	1.24	16.9%
Five (5)-day weighted average market price of MRCB as at 14 February 2003 (<i>being the last practicable date prior to the issue of this IAC</i>)	0.8915	62.6%
Closing market price of MRCB as at 14 February 2003 (<i>being the last practicable date prior to the issue of this IAC</i>)	0.885	63.8%

Based on the schedule above, the proposed issue price of MRCB Shares to be issued as consideration is:-

- at a premium of 16.9% over the five (5)-day weighted average market price of MRCB of RM1.24 as at 5 October 2001 (*being the last market day preceding the date of suspension of MRCB Shares prior to the announcement of the Corporate Proposals on 8 October 2001*);
- at a premium of 16.9% over the closing price of MRCB of RM1.24 as at 5 October 2001 (*being the last market day prior to the announcement of the Corporate Proposals on 8 October 2001*);
- at a premium of 62.6% over the five (5)-day weighted average market price of MRCB as at 14 February 2003 of RM0.8915 (*being the last practicable date prior to the issue of this IAC*); and
- at a premium of 63.8% over the closing market price of MRCB as at 14 February 2003 of RM0.885 (*being the last practicable date prior to the issue of this IAC*).

In view that the proposed issue price of RM1.45 per new MRCB Share is a premium to the various market prices of MRCB Shares shown above, we are of the view that the proposed issue price of new MRCB Shares of RM1.45 per share is fair and reasonable.

7.5. Overview of the Malaysian Economy and future Prospects of MRCB and Newco after the Corporate Proposals

7.5.1 Malaysian Economy

The Malaysian economy entered 2002 on a stronger footing after recovering from a downturn experienced in the last two quarters of 2001. Riding on the back of an earlier than expected recovery of the United States of America ("USA") economy and a stronger outturn in the later half of 2002, the Malaysian economy is expected to register a higher but moderate growth in gross domestic product.

The earlier than expected recovery of the global economy became fragile and vulnerable towards the middle of the year, precipitated by revelations of corporate and accounting malpractices in the USA, which slumped the equities market and deteriorated investor confidence. Compounded by lower corporate earnings, the widening current account deficit and depreciating US dollar, global recovery moderated somewhat.

Given the heightened risks, fiscal policy remains mildly expansionary in 2002 as a continuing measure to fuel growth momentum and compensates for the probable anticipated slack in exports as well as private sector investment. Hence, to a lesser degree, the public sector continues to play a pivotal role in catalysing growth, notwithstanding the strategic thrust towards fiscal consolidation. The economy continues to be domestic driven, led by stronger private consumption and domestic demand, supported by the two stimulus packages introduced in 2001. In addition, tax and non-tax incentives introduced in 2002, apart from stimulating consumption, were directed towards enhancing economic and social stability and strengthening competitiveness to sustain growth. The tax measures include, among others, the reduction in personal income tax rates and the reduction and abolishment of import duties on certain products including intermediate goods, aimed at reducing production costs as well as cost of doing business. In addition, in order to encourage the domestic manufacture of machinery and other equipment, the value added criteria for purposes of granting pioneer status and investment tax allowance was reduced from 30% to 20%. To strengthen the contribution of the agricultural sector to growth, reinvestment undertaken by existing companies were given income tax exemption for a period of five years. The 100% allowance on capital expenditure to encourage large-scale food production for export was extended to a wider range of agricultural projects, including vegetable and herb farming, and aquaculture. Reinvestment allowance was also given to encourage investment and promote further development of agro-based downstream industries. In promoting Malaysia as a centre of excellence in education, the Government also provided tax exemptions on educational equipment, including laboratory fittings, language laboratories, workshops and studios.

Reflecting the better economic performance, higher economic activity and improved corporate earnings activity as well as a more efficient tax collection system, Federal Government revenue is projected to increase further by 5% to RM83,550 million. Consequently, the fiscal position of the Government remains strong, registering continued surpluses in its current account. With development expenditure

In 2003, it is expected that another RM18 billion worth of government projects are to be awarded, the targets being the northern and southern stretches of the double tracking railway. Other projects to be awarded include the East Cost Expressway (phase 2) and the Women and Children's Specialist Hospital in the Klang Valley. Over the next 18 months, another mega project in the pipeline is the Pahang-Selangor interstate water transfer project, expected to be worth RM5.7 billion (*Source: 2003 Market Outlook and Strategy, 24 December 2002, RHB Research Institute Sdn Bhd*).

Growth in the construction sector continued to be bolstered by projects implemented under the fiscal stimulus programme and housing development, thus contributing to a stronger growth of 2.8% in 2002 (2001:2.3%). At the same time, the Government reviewed procedures, rules, and guidelines as well as established a special task force to ensure that the implementation of public and privatised projects are carried out as scheduled and, therefore, produce the intended impact.

The construction sector is envisaged to record a higher growth of 4.5% (2002:3.8%). Public sector infrastructure projects in health and education sub-sectors in particular, as well as for rural development, will continue to drive the sector. Housing development is also expected to contribute significantly to growth in the sector in view of the increasing demand, especially for low and medium-cost houses (*Source: The Economic Report 2002/2003*).

7.5.2.2 Property Development

Housing property development continued to remain strong, due mainly to the stable and low interest rate. At the same time, the Government's extension of the stamp duty exemptions for the purchase of houses for another six months from January to June 2002, had managed to stimulate demand further (*Source: The Economic Report 2002/2003*).

In the first half of 2002, a fair amount of the excitement was generated by some developers launching high-end properties catering to the pent-up demand in some niche segments of the residential sector. A large part of the sizzle was due to the scarcity of such products over the past two years. Until 2000, there was hardly any developer filling this niche market demand (*Source: The Star Online, "Niche products to counter weak demand" 28 December 2002*).

The Government continued its efforts to increase the number of low-cost houses for the lower income group. Towards this end, a total of RM943 million was allocated for several low cost housing projects in 2002. Under the Public Low-cost Housing Programme and People's Housing Project, a total of 11,200 units of low-cost houses is expected to be built compared to 7,700 units in 2001, a significant increase of 45%. At the same time, this initiative is complemented by several other special schemes, set up to build low-cost houses to be financed under the various funds, such as the Fund for the Hard Core Poor, the Fund to Accelerate the Construction of Low-Cost Housing and the Low-Cost Housing Revolving Fund (*Source: The Economic Report 2002/2003*).

The demand for residential property is expected to remain selective. Much of the action will centre on strategic locations, mature neighbourhoods and growth centres (*Source: The Star Online, "Niche products to counter weak demand" 28 December 2002*).

Demand for residential properties will continue to be underpinned by low mortgage rates, accessibility to financing, and improving economic growth and job security. The current low saving rates and the high risk attached to stock market investments will also help to divert financial resources into property market, particularly for those with strategic locations (*Source: 2003 Market Outlook and Strategy, 24 December 2002, RHB Research Institute Sdn Bhd*).

Furthermore, the current conducive environment of stable house prices and rising per capita income will continue to support the demand for the industry and despite concerns about global uncertainties, the MIER Consumer Sentiments Index remains stable and positive (*Source: 2003 Market Outlook & Strategy – Sector Outlook, 2 January 2003, AmResearch Sdn Bhd*).

The Government continued to monitor and address the issue of property overhang especially commercial space. Towards this end, the directive to local authorities not to approve any new construction of office and commercial space, except in special cases, to discourage further addition to property stock continues to be enforced. During the first quarter of 2002, the number of unsold

industrial units recorded a reduction of 8.7% while vacant space in shopping complexes was reduced marginally by 1.1% compared to the last quarter of 2001. In contrast, purpose-built office vacancy increased marginally by 0.7% during the same period (*Source: The Economic Report 2002/2003*).

7.5.2.3 Prospects of MRCB

MRCB Group has established themselves with a reputable track record in construction projects involving residential and commercial buildings, power plants, interior works, infrastructure related activities and “design and build” projects. Recent projects include the construction of the Plaza Sentral office blocks at KL-Sentral, the Labuan Matriculation College, Tawau airport and the NSTP Shah Alam printing plant.

Zelleco Construction Sdn Bhd (“ZC”), a subsidiary of MRCB, also had extensive experience in power plant development, performing civil and structural works, such as power stations at Lumut (Segari), Kapar, Teluk Gong, Kuala Langat and Serdang. Meanwhile, Transmission Technology Sdn Bhd (“TTSB”), a subsidiary of MRCB, was also involved in the construction of the first 500 kilovolt (“kV”) transmission system development project for Tenaga Nasional Berhad. In 2000, TTSB also completed 552 km of 500 kV and 82 km of 275 kV transmission lines worth RM1.1 billion together with the design and construction of two 500 kV and four 275 kV substations for a total of RM538 million.

Going forward, MRCB will focus its engineering and construction activities towards government construction contracts relating to road infrastructure and buildings, erection of power transmission lines and power plant construction, and supporting MRCB’s property development, particularly construction for KL Sentral.

In tandem with the Government’s incentive in enhancing efficiency and improving the infrastructure and utilities in the country, MRCB’s engineering and construction activities towards road infrastructure and buildings, power transmission lines and plants are expected to benefit from such impetus in the construction sector. A consortium including Transmission Technology Sdn Bhd, a subsidiary of MRCB is currently undertaking the RM400 million engineering and construction contract of the Sabah East-West Grid Interconnection transmission line. In addition, MRCB has secured letters of intent for several engineering and construction projects, which are expected to be awarded later this year

Further, MRCB, as one of the nation’s leading developers, is also currently involved in the development of a few landmark developments in the country, from the Kuala Lumpur Sentral development to integrated residential, commercial and industrial estates.

The flagship development of the MRCB Group is the KL-Sentral project, which houses commercial and residential units in the 72-acre project. Further, at the core of the KL-Sentral also houses the nation’s transportation networks including the Express Rail link services to the Kuala Lumpur International Airport and Putrajaya. The overall development of KL-Sentral shall be in a few phases until 2012. The full operation of the ERL is expected to further enhance the demand and value of the KL-Sentral project, and boost the sales of its residential and commercial units.

In addition, MRCB is also currently undertaking the integrated development of the Seri Iskandar township in Perak, and completing projects at Taman Kajang Utama in Selangor and Taman Seri Serkam in Melaka.

However, the property market is still experiencing an overhang, especially in the commercial and industrial sectors. However, there is still good demand for selected types of property especially those in strategic locations by established developers.

Fiscal stimulus was introduced to increase domestic demand, comprising both tax and non-tax measure. As a means to increase disposable income and encourage consumption, higher tax rebates were given. The current conducive environment will continue to support demand for the property industry, such as low interest rate and easy financing, stable house prices and rising per capita income. The government is also likely to implement measures to help the sector overcome the over hang. These incentives augur well for MRCB, in particularly in respect of its property development activities in the residential sector.

7.5.3 Newco

7.5.3.1 Media and Broadcasting

The prospects of the media and broadcasting sectors are dependent on the advertising expenditure ("Adex"). Adex in Malaysia is moderating but still firmly on the uptrend despite the global economic slowdown and the September 11 attacks on the USA (*Source: News Straits Times, Business Section, 22 December 2001*).

According to AC Nielsen, total Adex was expected to grow by 8% to RM3.4 billion in 2002, surpassing 2001's 2.6%. Newspapers remained the most popular medium of advertising, capturing 64.3% of total Adex from January to July 2002, up from 62.4% in the same period in the previous year. The biggest contributions came from telecommunications, government, property and banking sectors (*Source: 4Q02: Making A Bottom, October 2002, Thong & Kay Hian*).

Advertising Spending by Media

	January – July 2001 (RM million)	January – July 2002 (RM million)	% Change
Newspapers	1,078.9	1,247.4	15.6
Television	468.1	517.5	10.6
Magazines	97.8	78.8	(19.5)
Radio	63.9	73.7	15.3
Point of Sale	14.4	16.0	11.2
Cinema	6.4	5.3	(17.8)
Total	1,729.5	1,938.7	12.1

(*Source: The Star, extracted from 4Q02: Making A Bottom, October 2002, Thong & Kay Hian*)

Comparatively with other national television stations, TV3 leads the national television industry with a viewership base of approximately 40%.

TV3 also continues to command the largest share of total television Adex. Based on the latest survey prepared by AC Nielsen, TV3 had an average of 48% of total television Adex compared to TV1 (6%), TV2 (12%) and NTV7 (34%). The breakdown of television Adex based on the four national television stations in 2001 is as follows:-

	January 2001		February 2001		March 2001		April 2001		May 2001		June 2001	
Media	RM'm	%	RM'm	%	RM'm	%	RM'm	%	RM'm	%	RM'm	%
TV1	2.82	4	2.82	5	3.49	5	4.01	6	4.14	6	4.56	6
TV2	10.58	17	7.51	15	8.96	14	7.08	10	8.23	11	6.79	10
TV3	28.36	45	24.35	48	31.21	48	32.78	47	35.06	48	35.06	50
NTV7	21.22	34	15.39	31	21.53	33	25.32	37	25.94	35	24.15	34

	July 2001		August 2001		September 2001		October 2001		November 2001		December 2001	
Media	RM'm	%	RM'm	%	RM'm	%	RM'm	%	RM'm	%	RM'm	%
TV1	7.52	10	5.52	7	6.65	8	5.77	7	4.18	6	5.49	6
TV2	8.84	12	9.34	11	9.99	12	10.38	13	7.85	10	7.23	9
TV3	35.62	46	41.33	49	42.04	49	37.77	46	35.73	47	41.65	50
NTV7	24.86	32	27.62	33	26.32	31	27.74	34	28.01	37	29.32	35

(*Source: AC Nielsen*)

7.5.3.2 *Print*

Print Adex grew by 14.5% year-on-year (“yoy”) for the period January to October 2002, ahead of the full year industry forecast of 10.0%. (*Source: 2003 Market Outlook and Strategy, 24 December 2002, RHB Research Institute Sdn Bhd*). But growth momentum slowed to 13.6% yoy in July and 5.3% in August, compared to 31.5% in June 2002. This is not surprising given the post-World Cup effect, slowdown in property launches (after the expiry of the stamp-duty exemption in June) and cutbacks in tobacco advertising. Tobacco companies, which account for 3% of total print media Adex, have decided to stop mainstream advertising after September 2002, (*Source: 4Q02: Making A Bottom, Thong & Kay Hian, October 2002*) in line with the Industry’s Global Marketing Standard. The decision by tobacco companies to limit their advertising to point-of-sale locations will see Adex fall by more than RM150 million (*Source: Investing Ideas: Adex recovery key for media firms, 28 January 2002, The Edge Weekly*).

Star remained the market leader in the English newspaper segment with 64% market share (*Source: 4Q02: Making A Bottom, October 2002, Thong & Kay Hian*). The Star’s current unaudited circulation of 305,000 copies a day is double that of its closest rival, New Straits Times.

Print Adex is highly correlated to Gross Domestic Product (GDP) growth and has grown at within a range of 2 - 3 times of real GDP growth. The expected acceleration in GDP growth from an estimated 4.2% in 2002 to 5.0% in 2003 will likely see a geared effect on Adex (*Source: 2003 Market Outlook and Strategy, 24 December 2002, RHB Research Institute Sdn Bhd*).

7.5.3.3 *Prospects of Newco*

The future prospects of the Newco Group are dependent on the state of the Malaysian economy, advertising expenditure, circulation and readership and newsprint prices.

TV3 is still leading with the highest total Adex for national television. TV3 remains a favourite channel among the viewers and enjoys strong revenue from advertisements. TV3, through its group of companies has successfully explored other fields such as production of made-for-television dramas, documentaries and other programmes. This has resulted not just more local films and dramas generating greater revenue for the company but also in line with TV3’s ultimate objective of becoming a leading content provide to both local and foreign stations.

TV3 has also branched into related businesses linked to broadcasting. Today, TV3 is a respected player in varied fields such as pre and post production, animation services, production of motion pictures, television home-shopping and facilities rental. Through its many subsidiaries, TV3 is a leading mover in talent management and development, event management, album production, distribution and merchandising as well as marketing and promotion of sports and special ground events. Leading in film production training and education, TV3 manages the Malaysia Integrative Media which offers diploma and short courses in broadcasting, multimedia, journalism, media studies, visual communications and broadcast management.

With its wide network and viewership base, the future growth in TV3 will depend on the quality of its programming and services. However, in view of TV3’s high gearing level, the profitability of TV3 is affected by its high debt financing costs. Thus, upon the completion of the Corporate Proposals, it is expected that TV3 will be in a better financial standing and could focus its resources for the expansion and improvement of existing services, and investment purposes.

The flagship publications of the NSTP include newspapers such as the New Straits Times, Berita Harian, Malay Mail, Harian Metro and Business Times. The New Straits Times, over 155 years old, is the oldest newspaper in the country. Recently, The New Straits Times was given a facelift to usher in a new image for the newspaper. Meanwhile, Berita Harian, still maintains as the nation’s leading Malay daily. The Malay Mail, established since 1896, is the nation’s only English afternoon tabloid. This is similarly captured in the Malay market with the introduction of Malaysia’s first daily Malay tabloid that caters to urban Malay readers.

Adex is a key indicator of the economy and improving fundamentals. Adex in Malaysia is moderating but still firmly on the uptrend despite the global economic slowdown and the September 11 attacks on the USA. Zenith Media Worldwide ("Zenith Media"), one of the top four global media services agencies, forecasts Adex to grow by 4.5% year on year to RM3.40 billion in 2002, 4% to RM3.54 billion in 2003 and 4% to RM3.68 billion in 2004. The projections, contained in Zenith Media's annual December forecast of global Adex to 2004, covers total Adex in all major media including newspapers, magazines, television, radio and cinema.

As an integrated media group, Newco Group could benefit from its vast communication network to reach to a wider group of viewers/ readers base and increase in circulation through print and television broadcasting. Further, being an integrated media group, Newco could benefit in terms of lower operating costs and improved efficiency in the group's operations as a whole.

7.6. FINANCIAL EFFECTS

The effects of the Corporate Proposals on the share capital, shareholding structure, NTA, earnings and gearing of MRCB are as follows:-

7.6.1 Share Capital

The effects of the Corporate Proposals on the share capital of MRCB are as follows:-

	No. of shares
Share Capital as at 31 August 2002	976,549,499
To be issued pursuant to the Proposed Private Placement *	60,000,000
ESOS*	36,520,000
Proposed Acquisition of Newco by MRCB	177,869,261
	<hr/> 1,250,938,760
Proposed Demerger	(416,979,586)
	<hr/> 833,959,174

* For illustrative purposes only, assuming a maximum of 60,000,000 new MRCB Shares are issued pursuant to the Proposed Private Placement and 36,520,000 new MRCB Shares are issued pursuant to the exercise of ESOS options prior to the Proposed Acquisition of Newco. The maximum number of MRCB Shares that can be issued pursuant to the Proposed Private Placement is 97,654,949 MRCB Shares. Currently, the number of MRCB Shares in respect of which options are granted but unexercised is 36,520,000. The Directors of MRCB will not grant any further ESOS options prior to the Proposed Demerger, hence the maximum number of ESOS options that could be exercised would be in respect of 36,520,000 MRCB Shares. Further, the Directors of MRCB have undertaken not to issue more than 60,000,000 MRCB Shares (should the Proposed Private Placement be implemented prior to the Proposed Demerger) notwithstanding SC's approval for up to 97,654,949 new MRCB Shares pursuant to the Proposed Private Placement.

However, in the event that no MRCB Shares have been issued pursuant to the Proposed Private Placement/ESOS by the time the Corporate Proposals are implemented, effects of the same on the share capital of MRCB are as follows:-

	No. of shares
As at 31 August 2002	976,549,499
To be issued pursuant to the Proposed Acquisition of Newco by MRCB	177,869,261
	<hr/> 1,154,418,760
Proposed Demerger	(384,806,253)
	<hr/> 769,612,507
To be issued pursuant to the Proposed Private Placement*	97,654,949
To be issued pursuant to the ESOS*	97,654,949
	<hr/> 964,922,405

* For illustrative purposes only, assuming a maximum of 97,654,949 new MRCB Shares are issued pursuant to the Proposed Private Placement and a maximum of 97,654,949 new MRCB Shares are issued pursuant to the exercise of ESOS options.

The effects of the Corporate Proposals on the share capital of Newco are as follows:-

	No. of shares
Share Capital as at 31 August 2002	300,000
To be issued pursuant to:-	
Proposed Acquisition of TV3	265,216,935
Proposed Transfer of NSTP	199,682,768
Proposed Restricted Issue	<u>77,300,000</u>
	542,499,703
Full Exercise of Warrants	115,000,000
Full Conversion of ICULS	<u>120,000,000</u>
	<u>777,499,703</u>

7.6.2 Shareholding Structure

The effects of the Corporate Proposals on the shareholding structure of MRCB are as follows:-

	As at 31 December 2002				(I) After Proposed Private Placement/ESOS				(II) After (I) and Proposed Acquisition of Newco				(III) After (II) and after Proposed Demerger			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Realnild	244,857,156	25.1	-	-	244,857,156	23.4	-	-	244,857,156	20.0	-	-	163,238,104	20.0	-	-
DSSAJ*	-	-	244,857,156	25.1	-	-	244,857,156	23.4	-	-	244,857,156	20.0	-	-	163,238,104	20.0
EPF	120,816,333	12.3	-	-	120,816,333	11.5	-	-	127,417,712	10.4	-	-	84,945,142	10.4	-	-
MRCB Minority**	610,876,010	62.6	-	-	610,876,010	58.4	-	-	610,876,010	49.9	-	-	407,250,673	49.9	-	-
TV3 Scheme Creditors	-	-	-	-	-	-	-	-	154,214,775	12.6	-	-	102,809,850	12.6	-	-
TV3 Minority**	-	-	-	-	-	-	-	-	17,053,107	1.4	-	-	11,368,738	1.4	-	-
Placees/ESOS Holders***	-	-	-	-	70,000,000	6.7	-	-	70,000,000	5.7	-	-	46,666,667	5.7	-	-
TOTAL	976,549,499	100.0	-	-	1,046,549,499	100.0	-	-	1,224,418,760	100.0	-	-	816,279,174	100.0	-	-

* By virtue of his direct major shareholding in Realnild (7,101,001 ordinary shares, representing 99.9% equity interest)

** Excluding EPF

*** for illustrative purposes only, assuming private placement/exercise of ESOS options of 70,000,000 shares, are undertaken prior to the Proposed Acquisition of Newco

Note 1 : Save as disclosed above, none of the other stages of the Corporate Proposals has any effect on the shareholding structure of MRCB.

Note 2 : None of the shareholders categorised as MRCB Minority, TV3 Scheme Creditors and Placees/ESOS holders above will individually hold more than 5% of the issued and paid-up share capital of Newco after the Proposed Demerger.

7.6.2 Shareholding Structure (Cont'd)

The proforma effects of the Corporate Proposals on the shareholding structure of Newco are as follows:-

	(I) As at 31 December 2002						(II) After (I) and after Proposed Acquisition of Newco						(III) After (II) and after Proposed Transfer of NSTP					
	Direct		Indirect		After Proposed Acquisition of TV3		Direct		Indirect		After (I) and after Proposed Acquisition of Newco		Direct		Indirect		After (II) and after Proposed Transfer of NSTP	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
MRCB	300,000	100.0	-	-	31,052,909	11.7	-	-	31,052,909	11.7	265,516,935	100.0	465,199,703	100.0	-	-	465,199,703	-
Realmltd*	-	-	300,000	100.0	-	-	-	-	31,052,909	11.7	-	-	-	-	265,516,935	100.0	465,199,703	100.0
DSSAJ**	-	-	300,000	100.0	-	-	-	-	31,052,909	11.7	-	-	-	-	265,516,935	100.0	465,199,703	100.0
EPF	-	-	-	-	8,701,818	3.3	-	-	-	-	-	-	-	-	-	-	-	-
MRCB Minority***	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TV3 Scheme Creditors	-	-	-	-	203,283,113	76.6	-	-	-	-	-	-	-	-	-	-	-	-
TV3 Minority***	-	-	-	-	22,479,095	8.4	-	-	-	-	-	-	-	-	-	-	-	-
ICULS Holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Warrant Holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placees/ ESOS holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	300,000	100.0	-	-	265,516,935	100.0	-	-	-	-	265,516,935	100.0	465,199,703	100.0	-	-	465,199,703	-

	(IV) After (III) and after Proposed Restricted Issue						(V) After (IV) and after Proposed Demerger					
	Direct		Indirect		After (IV) and after Proposed Demerger		Direct		Indirect		After (IV) and after Proposed Demerger	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
MRCB	542,499,703	100.0	-	-	11,918,240	2.2	-	-	-	-	-	-
Realmltd*	-	-	542,499,703	100.0	106,104,768	19.6	11,918,240	2.2	-	-	-	-
DSSAJ**	-	-	542,499,703	100.0	-	-	118,023,008	21.8	-	-	-	-
EPF	-	-	-	-	55,214,342	10.2	-	-	-	-	-	-
MRCB Minority***	-	-	-	-	264,712,937	48.8	-	-	-	-	-	-
TV3 Scheme Creditors	-	-	-	-	66,826,403	12.3	-	-	-	-	-	-
TV3 Minority***	-	-	-	-	7,389,680	1.4	-	-	-	-	-	-
ICULS Holders	-	-	-	-	-	-	-	-	-	-	-	-
Warrant Holders	-	-	-	-	-	-	-	-	-	-	-	-
Placees/ ESOS holders*****	-	-	-	-	30,333,333	5.6	-	-	-	-	-	-
TOTAL	542,499,703	100.0	-	-	542,499,703	100.0	-	-	-	-	-	-

7.6.2 Shareholding Structure (Cont'd)

	(VI)****			(VII)*****			(VIII)*****		
	After (V) and after full acceptances of the Proposed Realmild put and call options			After (VI) and after full exercise of Warrants			After (VII) and after full conversion of ICULS		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
	No.	No.	%	No.	No.	%	No.	No.	%
MRCB	11,918,240	-	2.2	11,918,240	-	1.8	11,918,240	-	-
Realmild*	169,516,343	11,918,240	31.2	169,516,343	11,918,240	25.8	169,516,343	11,918,240	1.5
DSSAJ**	-	181,434,583	-	-	181,434,583	-	-	181,434,583	23.3
EPF	55,214,342	-	10.1	58,074,940	-	8.8	71,616,170	-	-
MRCB Minority***	264,712,937	-	48.8	264,712,937	-	40.3	323,538,035	-	-
TV3 Scheme Creditors	3,414,828	-	0.7	3,414,828	-	0.5	18,191,443	-	-
TV3 Minority***	7,389,680	-	1.4	14,779,359	-	2.3	19,705,812	-	-
ICULS Holders	-	-	-	-	-	-	21,189,863	-	-
Warrant Holders	-	-	-	104,749,723	-	15.9	104,749,723	-	-
Placees/ ESOS holders*****	30,333,333	-	5.6	30,333,333	-	4.6	37,074,074	-	-
TOTAL	542,499,703	100.0	100.0	657,499,703	100.0	100.0	777,499,703	100.0	-

* By virtue of its direct major shareholding in MRCB (244,857,156 ordinary shares, representing 25.1% equity interest)
 ** By virtue of his direct major shareholding in Realmild (7,101,001 ordinary shares, representing 99.9% equity interest), which in turn is a direct major shareholder of MRCB
 *** Excludes EPF
 **** Assuming full exercise of put and call options of up to 63,411,573 Option Shares pursuant to the Proposed Realmild Put and Call Options
 ***** Assuming full acceptance of the ROS
 For illustrative purposes only, assuming private placement/exercise of ESOS options of 70,000,000 shares, are undertaken prior to the Proposed Acquisition of Newco
 Note 1 : Save as disclosed above, none of the other stages of the Corporate Proposals has any effect on the shareholding structure of Newco.
 Note 2 : None of the shareholders categorised as MRCB Minority, TV3 Scheme Creditors, TV3 Minority, Warrant Holders and Placees/ESOS holders above will individually hold more than 5% of the issued and paid-up share capital of Newco after the Proposed Demerger.

7.6.3 NTA

The NTA per MRCB Share will increase from RM0.29 to RM0.86 upon the completion of the RHB Disposal and the MRCB Debt Settlement. However, MRCB's NTA per share is expected to decline to RM0.78 after the Proposed Acquisition of Newco (taking into consideration of the Proposed Private Placement/ ESOS) due to the goodwill recorded for the Proposed Acquisition of Newco. Subsequently, MRCB's NTA per share shall decline further to RM0.67 as a result of the Proposed Demerger which includes a capital repayment exercise and reduction in net assets. But, on an overall basis, the NTA per share of MRCB shall improve from RM0.29 to RM0.67 after the Corporate Proposals.

The effects of the Corporate Proposals on the NTA of MRCB are as follows:-

	(I) As at 31.8.02 (audited)	(II) After (I) and RHB Disposal and MRCB Debt Settlement*	(III) After (II) and Proposed Private Placement/ ESOS**	(IV) After (III) and Proposed Acquisition of Newco***	(V) After (IV) and Proposed Bonds and Warrants Issue	(VI) After (V) and Proposed Demerger
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share Capital	976,550	976,550	1,046,550	1,224,419	1,244,419	816,279
Share Premium	1,008,463	1,008,463	1,013,153	1,093,194	1,093,194	-
Warrants Reserve	-	-	-	-	11,500	-
Other Reserves	79,065	21,132	21,132	2,132	2,132	2,859
Accumulated Loss	(1,416,218)	(1,085,373)	(1,085,373)	(1,090,373)	(1,095,373)	(272,703)
Shareholders' Funds	647,860	920,772	995,462	1,248,372	1,254,872	546,435
Less:						
Goodwill on consolidation	(2,061)	(2,061)	(2,061)	(175,952)	(175,952)	(2,061)
Intangible Assets	(1)	(1)	(1)	(39,459)	(39,459)	(1)
Premium on Acquisition of Associates	(133,178)	(80,955)	(80,955)	(80,955)	(80,955)	4,175
Share of intangibles in Associates	(233,183)	(1,985)	(1,985)	(1,985)	(1,985)	-
NTA	279,437	835,770	910,460	950,021	956,521	548,548
NTA per share (RM)	0.29	0.86	0.87	0.78	0.78	0.67

Note: Save as disclosed above, none of the other stages of the Corporate Proposals have any effect on the NTA of MRCB

* The RHB Disposal was completed on 31 December 2002

** for illustration purposes only, assuming the issuance of 70,000,000 new MRCB Shares pursuant to the Proposed Private Placement/exercise of ESOS options

*** Includes the deduction of RM5 million expenses in relation to the Corporate Proposals at the MRCB level

7.6.3 NTA (Cont'd)

The effects of the Corporate Proposals on the NTA of Newco is as follows:-

	(I) As at 31.8.02 (audited)	(II) After (I) and Proposed Acquisition of TV3	(III) After (II) and Proposed Transfer of NSTP	(IV) After (III) and Proposed Restricted Issue*	(V) After (IV) and Proposed Bonds with Warrants Issue	(VI) After (V) and Full Conversion of ICULS**	(VII) After Full Exercise of Warrants***
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Share Capital	300	265,517	465,200	542,500	542,500	662,500	777,500
Share Premium	-	-	19,968	27,698	27,698	87,698	110,698
Merger Relief	-	26,522	26,522	26,522	26,522	26,522	26,522
Warrants reserves	-	-	-	-	11,500	11,500	-
Other reserves	-	1,396	1,396	1,396	1,396	1,396	1,396
P&L Reserves	(7)	(209,122)	(209,122)	(214,122)	(214,122)	(214,122)	(214,122)
Shareholders' Funds	293	84,313	303,964	383,994	395,494	575,494	701,994
Add:							
Premium on associates	-	-	41,167	41,167	41,167	41,167	41,167
Intangible Assets	-	(39,458)	(39,458)	(39,458)	(39,458)	(39,458)	(39,458)
NTA	293	44,855	305,673	385,703	397,203	577,203	703,703
NTA per share (RM)	0.98	0.17	0.66	0.71	0.73	0.87	0.91

Note: Save as disclosed above, none of the other stages of the Corporate Proposals have any effect on the NTA of Newco

* Includes the deduction of RM5 million expenses in relation to the Corporate Proposals at the Newco level

** assume all ICULS are converted into new Newco Shares at the proposed conversion price of RM1.50 per Newco Share

*** assume all Warrants are exercised at the proposed exercise price of RM1.10 per Share

The proforma consolidated NTA per Newco Share as at 31 August 2002 will decline from RM0.98 to RM0.17 after the Proposed Acquisition of TV3 due to TV3's negative P&L reserves arising from the merger accounting of the acquisition of TV3. However, the proforma consolidated NTA per Newco Share after the Proposed Transfer of NSTP, Proposed Restricted Issue and Proposed Bonds with Warrants Issue, is expected to increase progressively to RM0.73, as a result of the share premium to be recorded from the issuance of such number of new MRCB Shares for the acquisition of 43.5% equity interest of NSTP and the Proposed Restricted Issue and the issuance of 115,000,000 Warrants at RM0.10 each.

7.6.4 Earnings

MRCB

MRCB GROUP

	Audited accounts as at the financial year ended 31.8.2002	Forecast for the financial year ending (before Corporate Proposals) 31.8.2003	Forecast for the financial year ending (after Corporate Proposals) 31.8.2003
No. of shares in issue/ to be issued ('000)	976,550	976,550	816,279
Profit After Tax ("PAT") (RM'million)	172.7	220.7	219.1
Net EPS (sen)	18	23	27

The Corporate Proposals are expected to be completed only in the financial year ending 31 August 2003.

With the divestment of non-core and/ or non-profitable businesses/ investments and the reduction in the corporate debts in 2002, it is expected to result in the appreciation of MRCB's forecast earnings for the financial year ending 31 August 2003. Even though the divestment programme is not part of the Corporate Proposals, the cash proceeds realised from these disposals provide additional cashflow to MRCB to repay its borrowings and undertake the MRCB Debt Settlement as well as for the subscription of the new Newco Shares pursuant to the Proposed Restricted Issue. The MRCB Debt Settlement is expected to provide interest savings to MRCB of RM29.0 million per annum.

For the financial year ending 31 August 2003, MRCB Group forecasts a PAT of RM220.7 million before the Corporate Proposals. However, after the Corporate Proposals, the forecast PAT of the MRCB Group for the financial year ending 31 August 2003 is expected to dip lower to RM219.1 million due to the loss in MRCB Group's share of results in its associated company, NSTP, which will be under Newco upon the completion of the Corporate Proposals. However, in terms of EPS, the forecast EPS for the MRCB Group after the Corporate Proposals is expected to appreciate to 27 sen as compared to a forecast EPS of 23 sen before the Corporate Proposals.

Details on the consolidated profit forecast of MRCB for the year ending 31 August 2003 is enclosed in Appendix XII of the Circular to the shareholders of MRCB dated 31 January 2003.

TV3 / NEWCO GROUP

	TV3 Audited accounts as at the financial year ended 31.8.2002	TV3 Forecast for the financial year ending (before Corporate Proposals) 31.8.2003*	Newco Forecast for the financial year ending (after Corporate Proposals) 31.8.2003*
No. of shares in issue/ to be issued ('000)	170,318	170,318	542,500
PAT (RM'million)	(16.9)	(32.5)	216.6
Net EPS (sen)	(10)	(19)	40

* Newco group after Corporate Proposals. Newco is currently dormant.

Newco shall emerge as a media conglomerate with TV3 and NSTP under its helm, Newco will be able to reap the benefits from the synergistic value of an integrated media group as well as a better financially-positioned TV3 which are expected to contribute to the future earnings of Newco. Details

on the consolidated profit forecast of Newco for the year ending 31 August 2003 is enclosed in Appendix XIII of the Circular to the shareholders of MRCB dated 31 January 2003.

After the Corporate Proposals, MRCB will focus on its core business with the transfer of its interests in the media and print businesses to Newco. Although MRCB will no longer be involved in the media and print businesses, MRCB's shareholders will still continue to reap benefits from these businesses through their direct shareholding in Newco after the Corporate Proposals.

For the financial year ending 31 August 2003, Newco Group is forecast to achieve PAT of RM216.6 million or EPS of RM0.40 per Newco Share after the Corporate Proposals, as compared to the forecast loss position of TV3 Group of RM32.5 million or loss per share of RM0.19 per TV3 Share before the Corporate Proposals. The return to profitability of TV3/ Newco Group arises from the exceptional and non-recurring profits of RM239.62 million expected to be realised from proposed debt waiver and interest waiver, and the Newco's share of results of its associated company, NSTP.

7.6.5 Dividend

For the financial year ended 31 August 2002, no dividend was declared and paid by MRCB and TV3. MRCB and Newco (which will assume the listing status of TV3) do not expect to declare dividends for the financial year ending 31 August 2003. Subject to the performance and the availability of funds, MRCB and Newco may, barring unforeseen circumstances, declare dividends for the financial years after the financial year ending 31 August 2004.

7.6.6 Gearing

The proforma effects of the MRCB Debt Settlement and the Corporate Proposals on the gearing of MRCB and Newco are as follows:-

MRCB

	As at 31 August 2002 (audited)	After MRCB Debt Settlement)	After Proposed Private Placement/ ESOS	After Proposed Acquisition of Newco	After Proposed Bonds and Warrants Issue	After Proposed Demerger
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Total borrowings	1,560.6	1,095.6	1,095.6	1,185.0	1,272.5	1,095.6
Shareholders' funds	647.9	920.8	995.5	1,248.4	1,254.9	546.4
Gearing (times)	2.41	1.19	1.10	0.95	1.01	2.01

Note: Going forward, MRCB shall mainly carry project related debts at operating subsidiary levels which are expected to be self sustaining.

As at 31 August 2002, MRCB Group's total borrowings and shareholders' funds stood at RM1,560.6 million and RM647.9 million, respectively. After the Proposed MRCB Debt Settlement and Corporate Proposals, MRCB Group's total borrowings are expected to reduce to RM1,095.6 million, representing a gearing level of 2.01 times.

Newco

	TV3 As at 31 August 2002 (audited) RM'million	TV3 After Proposed TV3 Scheme of Arrangement RM'million	Newco After Proposed Transfer of NSTP RM'million	Newco After Proposed Bonds with Warrants Issue RM'million
Total borrowings	498.2	89.4	269.4	356.9
Shareholders' funds	-356.9	84.3	304.0	395.5
Gearing (times)	N/A	1.06	0.89	0.90

As at 31 August 2002, TV3 Group's total borrowings and shareholders' funds stood at RM498.2 million and RM(356.9) million, respectively. After the Corporate Proposals, TV3 Group's/ Newco Group's total borrowings and shareholders' funds shall improve to RM356.9 million and RM395.5 million, respectively, representing a gearing level of 0.90 times.

8. CONCLUSION

For all relevant information pertaining to the Corporate Proposals, the shareholders of MRCB are advised and recommended to refer to the Circular to the shareholders of MRCB dated 31 January 2003.

In considering the Proposed Acquisition of TV3 and Proposed Acquisition of Newco, we have evaluated the following pertinent areas as follows:

- **Rationale**

Upon completion of the Corporate Proposals, MRCB Group will be streamlined into two core businesses i.e. construction, engineering and property activities under MRCB and integrated media and multi media under Newco. Thus, in addition to benefiting from a leaner MRCB Group, the shareholders of MRCB will be able to tap directly into the potential of Newco, which will be developed into a media conglomerate.

The Corporate Proposals will also address the debt concerns of the TV3 Group. By proposing a debt restructuring exercise, the Corporate Proposals will put TV3 Group in a better financial standing with sustainable debt levels.

- **Terms of the Proposed Acquisition of TV3**

The Proposed Acquisition of TV3 will result in a share swap of TV3 Scheme Shares with Newco Shares, at an exchange ratio of 1.1 TV3 Shares for each new Newco Share, in equal proportion to their respective shareholdings in TV3. Since the share exchange pursuant to the Proposed Acquisition of TV3 involves all the shareholders of TV3 after the Proposed TV3 Restructuring Scheme and as the exchange is in equal proportion to their respective shareholding in TV3, the terms of the Proposed Acquisition of TV3 are fair and reasonable.

- **Proposed Acquisition of Newco**

- Basis of Purchase Consideration

We have valued Newco based on its "intrinsic value" on the expected investment value in the Proposed Acquisition of TV3, assuming the acquisition of TV3 is completed prior to the Proposed Acquisition of Newco. Based on the five (5)-day weighted average market price of TV3 Shares as at 5 October 2001, being the last market day prior to the announcement of the Corporate Proposals on 8 October 2001, Newco's "intrinsic value" after the Proposed Acquisition of TV3 is RM1.25 per Newco Share. The proposed issue price of RM1.10 per

new Newco Share represents a discount of 12.0% from the “intrinsic value” of RM1.25 per Newco Share. On the other hand, based on the closing market price of TV3 Shares as at 14 February 2003, being the latest practicable date prior to the issuance of this IAC, Newco Shares are valued at RM1.02 per share. Hence, the proposed issue price of RM1.10 per Newco Share represents a small premium of 7.8% over the said “intrinsic value”.

We have also taken into consideration the rationale in the 10 sen premium to the par value of the Newco Shares to be issued. The premium is necessary to ensure an adequate level of NTA after the completion of the Corporate Proposals. Based on the proforma audited consolidated balance sheet of Newco as at 31 August 2000, the proforma NTA per Newco Shares after the completion of the Corporate Proposals will be RM0.73.

Premised on the above and in view that there is no prior market for Newco Shares as Newco is a newly incorporated company to undertake the Corporate Proposals and take over the listing status of TV3, we are of the view the purchase consideration for the rights to allotment of 234,464,026 new Newco Shares which will be issued at an issue price of RM1.10 per new Newco Share is fair and reasonable.

➤ Valuation of Issue Price of MRCB Shares

The proposed issue price of MRCB Shares of RM1.45 is at a premium compared to the market prices of MRCB over the various periods as set out in Section 7.4.2.2 of this IAL.

- **Future Prospects of the MRCB Group**

Upon completion of the Corporate Proposals, shareholders of MRCB Group will benefit from the construction, engineering and property activities under MRCB as well as integrated media businesses under Newco.

The prospects of MRCB in the construction, infrastructure, engineering and property activities are correlated with the recovery of the Malaysian economy. With the Government’s continuing effort to stimulate consumption and domestic demand, and MRCB’s reputable track record and existing contracts in hand, MRCB will be able to tap on the increase in demand for these core activities.

The shareholders of MRCB will also benefit from the potential upside in Newco. Newco would emerge as an integrated media and multi media group consisting of broadcasting, print and electronic media interests with the highest combined total advertising revenue in Malaysia. Going forward, Newco shareholders will benefit from the stronger financial position of TV3 after the Corporate Proposals as well as opportunities to exploit cross synergies between its media and multimedia assets.

- **Financial effects**

MRCB

Overall, the Corporate Proposals have the following financial effects on MRCB:-

- As shown in the two scenarios shown in Section 7.6.1, the existing issued and paid-up share capital of MRCB will be reduced from RM976,549,499 comprising 976,549,499 MRCB Shares as at 31 December 2002 to:-
 - (i) RM833,959,174 comprising 833,959,174 MRCB Shares, assuming a maximum of 60,000,000 new MRCB Shares are issued pursuant to the Proposed Private Placement and 36,520,000 new MRCB Shares are issued pursuant to the exercise of the ESOS options prior to the Proposed Acquisition of Newco; or
 - (ii) RM964,922,405 comprising 964,922,405 MRCB Shares, assuming a maximum of 97,654,949 new MRCB Shares are issued pursuant to the Proposed Private

Placement and a maximum of 97,654,949 new MRCB Shares are issued pursuant to the exercise of ESOS options.

In summary, upon completion of the Corporate Proposals, there will be a dilutive effect to the shareholdings of the existing shareholders of MRCB due to the emergence of new shareholders, TV3 Scheme Creditors, TV3 Minority and Placees/ESOS holders, with a collective shareholding of 19.7% in MRCB. However, the existing shareholders of MRCB will have an interest in Newco pursuant to the Proposed Demerger, which will result in the same proportion of equity interest in both MRCB and Newco.

- The NTA per MRCB Share will increase from RM0.29 as at 31 August 2002 to RM0.86 upon the completion of the RHB Disposal and MRCB Debt Settlement. However, MRCB's NTA per share is expected to decline to RM0.78 after the Proposed Acquisition of Newco due to the goodwill recorded for the Proposed Acquisition of Newco. Subsequently, MRCB's NTA per share shall decline further to RM0.67 as a result of the Proposed Demerger which includes a capital repayment exercise and reduction in net assets. But, on an overall basis, the NTA per share of MRCB shall improve from RM0.29 to RM0.67 after the Corporate Proposals.
- The Corporate Proposals are expected to be completed only in the financial year ending 31 August 2003.

For the financial year ending 31 August 2003, MRCB Group forecasts a PAT of RM220.7 million before the Corporate Proposals. However, after the Corporate Proposals, the forecast PAT of the MRCB Group for the financial year ending 31 August 2003 is expected to dip lower to RM219.1 million due to the loss in MRCB Group's share of results in its associated company, NSTP, which will be under Newco upon the completion of the Corporate Proposals. However, in terms of EPS, the forecast EPS for the MRCB Group after the Corporate Proposals is expected to appreciate to 27 sen as compared to a forecast EPS of 23 sen before the Corporate Proposals.

- MRCB Group's proforma gearing is expected to improve from 2.41 times as at 31 August 2002 to 2.01 times after the MRCB Debt Settlement and Corporate Proposals.

Newco

The Corporate Proposals will result in the following financial effects on Newco:-

- The share capital of Newco is expected to increase from its existing RM300,000 comprising 300,000 Newco Shares as at 31 December 2002 to RM542,499,703 comprising 542,499,703 Newco Shares after the Corporate Proposals. It will then increase to RM777,499,703 comprising 777,499,703 Newco Shares after full exercise and conversion of the Warrants and ICULS, respectively. After the Corporate Proposals, in particular the Proposed Demerger, the shareholding profile and structure of Newco will be the same as MRCB before the Proposed Demerger.
- The proforma consolidated NTA per Newco Share as at 31 August 2002 will decline from RM0.98 to RM0.17 after the Proposed Acquisition of TV3 due to TV3's negative P&L reserves arising from the merger accounting of the acquisition of TV3. However, the proforma consolidated NTA per Newco Share after the Proposed Transfer of NSTP, Proposed Restricted Issue and Proposed Bonds with Warrants Issue, is expected to increase progressively to RM0.73, as a result of the enhancement to the net tangible assets arising from the issuance of such number of new MRCB Shares for the acquisition of 43.5% equity interest of NSTP, the Proposed Restricted Issue and the issuance of 115,000,000 Warrants at RM0.10 each.
- For the financial year ending 31 August 2003, Newco Group is forecast to achieve PAT of RM216.6 million or EPS of RM0.40 per Newco Share after the Corporate Proposals, as compared to the forecast loss position of TV3 Group of RM32.5 million or loss per share of RM0.19 per TV3 Share before the Corporate Proposals. The return to profitability of TV3/

Newco Group arises from the exceptional and non-recurring profits of RM239.62 million expected to be realised from proposed debt waiver and interest waiver, and the Newco's share of results of its associated company, NSTP.

- As at 31 August 2002, TV3 Group's total borrowings and shareholders' funds stood at RM498.2 million and RM(356.9) million, respectively. After the Corporate Proposals, TV3 Group's/ Newco Group's total borrowings and shareholders' funds shall improve to RM356.9 million and RM395.5 million, respectively, representing a gearing level of 0.90 times.

Based on our evaluation and review on the abovesaid areas, we are of the opinion that the terms of the Proposed Acquisition of TV3 and Proposed Acquisition of Newco are fair and reasonable and the Proposed Acquisition of TV3 and Proposed Acquisition of Newco are in the best interest of the Company and its shareholders as a whole. Therefore, we are of the view that the Proposed Acquisition of TV3 and Proposed Acquisition of Newco are not detrimental to the minority shareholders of MRCB. Accordingly, we recommend that you vote in favour of the resolutions pertaining to the Proposed Acquisition of TV3 and Proposed Acquisition of Newco to be tabled at the forthcoming EGM.

Yours faithfully
For and on behalf of
ALLIANCE MERCHANT BANK BERHAD

T. JEYARATNAM
Chief Executive Director

SOON DEE HWEE
Director/ Head of Corporate Finance

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY

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

Information relating to TV3 has been extracted from documents furnished by TV3. The responsibility of the Board of Directors of MRCB is therefore restricted to the accurate reproduction of the relevant extracted information as included in this Circular.

Information relating to NSTP has been extracted from available public information. The responsibility of the Board of Directors of MRCB is therefore restricted to the accurate reproduction of the relevant extracted information as included in this Circular.

2. CONSENT

The written consent of AmMerchant Bank and Alliance Merchant to the inclusion of their names in the form and context in which they appear herein in this document have been given and have not been subsequently been withdrawn before the issue of this document.

3. MATERIAL LITIGATION

3.1. MRCB

Save as disclosed below, MRCB and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors of MRCB have no knowledge of any proceedings pending or threatened against MRCB and any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of MRCB and its subsidiary companies:-

**(1) HIGH COURT OF MALAYA AT KUALA LUMPUR CIVIL SUIT NO. D7-22-1600-2000
HEE CHOI, KHOO CHEE MING & KHOO CHEE KEONG V MRCB**

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

By the abovementioned suit, the plaintiffs are seeking an order for the specific performance of the said Sale and Purchase Agreement, in that MRCB must obtain the release and discharge of the said personal guarantees furnished by the plaintiffs. In its defence, MRCB is contending that it has discharged its obligations under the said Sale and Purchase Agreement.

The hearing date for the matter has been fixed by the Court to be on 5 February 2003.

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

**(2) HIGH COURT OF MALAYA AT KUALA LUMPUR ORIGINATING SUMMONS NO. D1-24-294-2001
MRCB V JURANAS SDN BHD**

Juranas Sdn Bhd ("Juranas") is claiming against MRCB the sum of RM6,000,000.00 allegedly as agreed commission fees for the Skudai Army Camp Project. Juranas had served a notice dated 9 January 2002 pursuant to section 218 of the Act on MRCB demanding payment of such sum. MRCB is disputing the claim by Juranas and on 28 February 2002 had obtained an injunction from the Court whereby Juranas is prevented from presenting a winding up petition against MRCB.

Juranas then filed a Notice of Appeal against the Court's decision on 18 March 2002 and pursuant thereto had served MRCB with the Record of Appeal on 25 June 2002. The matter is now pending for MRCB to reply to the said Record of Appeal to which no date has been fixed by the Court.

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

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

In this matter, MRCB has received a letter of demand dated 10 October 2001 from Inxcel claiming the sum of RM4,500,000 as damages for breach of contract. A Writ of Summons dated 10 November 2001 in respect of the claim was served on MRCB on 24 January 2002. MRCB entered appearance on 31 January 2002 and its defence was filed on 14 February 2002. The Court has fixed a pre-trial Case Management to be heard on 10 February 2003.

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

(4) HIGH COURT OF MALAYA AT SHAH ALAM SUIT NO. MT4-22-240-2000 LEE CHEE THING V MILMIX SDN BHD (FORMERLY KNOWN AS MRCB CONSTRUCTION SDN BHD) & MOHD. ZAMRI MOHD YUSOFF

The plaintiff is suing Milmix Sdn Bhd ("Milmix") and the second defendant, Mohd Zamri Mohd Yusoff ("Zamri") who was a senior manager of Milmix, for defamation or libel based on the allegation that Zamri had written libellous statements in July 2000 in a letter addressed to the plaintiff which was published to other third persons. The plaintiff's claim is for the sum of RM2,000,000 in damages together with aggravated damages and costs. Milmix has filed its defence and disputes the claims on the basis of inter alia qualified privilege and justification.

Hearing of the plaintiff's application for pre-trial Case Management is currently ongoing of which the latest date has been fixed on 27 January 2003.

The Directors of MRCB are of the opinion that Milmix has a reasonable defence against the claims.

(5) CLAIM BY HT MALTEC CONSULTANTS SDN BHD AGAINST SERI IPOH-LUMUT EXPRESSWAY SDN BHD FOR THE SUM OF RM10,092,800.00

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

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

**(6) HIGH COURT MALAYA AT SHAH ALAM CIVIL SUIT NO. MT2-22-879-01
MRCB V ZAFRAN HOLDINGS SDN BHD**

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

A petition to wind up Zafran Holdings was filed by RHB Bank Berhad on 11 July 2000. MRCB has filed a Notice of Intention to Appear in Support of the said Petition on 15 September 2000. MRCB has instructed its solicitors to institute an action against Zafran Holdings and the 5 Individuals, pending the hearing of the said winding up petition, to claim the refund of the purchase consideration together with interest accruing in the sum of RM1,086,937.70 as at 26 April 2000. The sealed copy of the Writ of Summons was extracted from the Court on 21 February 2002.

Pursuant to this, MRCB had filed a summary judgement application against the defendants on 25 July 2002. On 12 November 2002, MRCB has abstained a summary judgement against all the Defendants.

The Directors of MRCB are of the opinion that it has a reasonable chance of recovery in its claim against the 5 Individuals.

**(7) HIGH COURT OF MALAYA AT KUALA LUMPUR CIVIL SUIT NO. D7-22-1919-2000
MRCB V MOHD RAZI BIN SHAHADAK, MOHD ZUHDI BIN MUDA AND ST INDUSTRIAL CLAY SDN BHD**

The first two defendants being Mohd. Razi bin Shahadak and Mohd. Zuhdi bin Muda are shareholders and directors of the third defendant, ST Industrial Clay Sdn Bhd ("STI Clay"). MRCB has filed a claim against them to recover the total sum of RM6,673,140.00 comprising as follows:-

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

The Court has yet to set the date for case management.

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

**(8) HIGH COURT OF MALAYA AT SHAH ALAM WINDING UP NO. 28-90-2001
MRCB V CSK VENTURE SDN BHD**

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

A petition for the winding up of CSK was presented by MRCB on 4 May 2001 but it was subsequently discovered that CSK was already wound up prior to the hearing of the petition (i.e., by Hong Leong Finance Berhad on 14 February 2001). MRCB has therefore withdrawn its petition for winding up and on 8 March 2002 a proof of debt has already been lodged with the Official Assignee who as at the date of this Circular has yet to call for a creditors' meeting.

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

**(9) CLAIM BY MILMIX AGAINST RICH ANNEXE SDN BHD ("RICH ANNEXE") FOR
THE SUM OF RM2,845,196.51**

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

On 4 April 2002, a Notice of Appeal was filed to appeal against the Court's decision and the case is currently pending for the appeal to be heard.

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

**(10) HIGH COURT OF MALAYA AT SHAH ALAM WRIT SUMMONS NO. MT5-21-200-
2001 MAJLIS BANDARAYA SHAH ALAM V MRCB SELBORN CORPORATION
SDN BHD**

Majlis Bandaraya Shah Alam ("MBSA") served a Writ of Summons dated 1 November 2001 on MRCB Selborn Corporation Sdn Bhd ("MSCSB") on 1 February 2002, claiming arrears of assessment tax totalling RM2,208,101.20 due and owing by MSCSB. Currently, negotiations are taking place between the parties to settle the matter amicably. It is understood that both MBSA and MSCSB are agreeable to setting-off the amounts owing to MBSA by MSCSB by way of transferring to MBSA properties belonging to the MRCB Group.

Pursuant to a meeting between MRCB and MBSA's Head of Legal Division on 18 April 2002, MBSA had agreed to withdraw its action against MSCSB but it is also agreed between the parties that MBSA are at liberty to re-file the same.

The Directors are of the opinion that this matter can be amicably settled.

(11) HIGH COURT OF SABAH & SARAWAK IN THE FEDERAL TERRITORY OF LABUAN WRIT SUMMONS NO. L22-05-2002 SYARIKAT DAYAUSAHA BUMIPUTRA-PUTRA ENTREPRENEUR JV (SUING AS A FIRM) V MRCB ENGINEERING SDN BHD & MRCB

A Writ of Summons dated 11 March 2002 was served on MRCB Engineering Sdn Bhd (“the First Defendant”) and MRCB (“the Second Defendant”) by Syarikat Dayausaha Bumiputra Putra Entrepreneur JV (“the Plaintiff”) whereby the Plaintiff has made a total claim of RM16,612,611.35 against the First Defendant (or alternatively, the Second Defendant) for wrongful and premature termination of a sub-contract allegedly entered into between the Plaintiff and the First Defendant in relation to the construction and completion of a proposed matriculation college at Jalan OKK Daud, Jalan Merinding, Labuan.

A Striking Out application and a Stay of Proceeding application was subsequently filed by the First Defendant and the Second Defendant on 24 April 2002. These two applications by the Court on 21 January 2003 and the First Defendant and the Second Defendant have been given to 30 January 2003 to file their appeal against the decision. The Court has also the First Defendant and the Second Defendant to file a defence by 3 February 2003.

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

(12) CLAIM AGAINST MRCB BY SUEDY SUWENDY, SUWENDY, ISKANDAR KADRY BIN ABDUL KADIR, DEWI SUWENDY, ADIL, ROSAINI BINTI HAJI ABDUL LATIF, AND SAW KHENG HOE (COLLECTIVELY “THE CLAIMANTS”) FOR A SUM OF APPROXIMATELY RM30,350,000.00

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

Alleging delays and/or failure on the part of MPD in completing the transaction, Messrs. KT Tan & Co (solicitors for the Claimants) had by letter dated 28 February 2002 demanded the following:

- a sum of RM10,563,000.00 to be released to Messrs. KT Tan & Co (as stakeholders of the Claimants) for the purposes of disbursement to TRSB’s creditors;
- a sum of RM9,020,000.00 to be disbursed to Aseambankers Malaysia Berhad (“Aseambankers”);
- a sum of RM9,417,000.00 to be paid to the Claimants’ authorised representative, Mr. Suedy Suwendy;
- a sum amounting to approximately RM600,000.00 to be paid to Messrs. KT Tan & Co as stakeholders for late payment interest on the balance sum (excluding the sum to be paid to Aseambankers) from the date of the FIC Approval until end February 2002; and
- a sum of approximately RM750,000.00 being penalty or late payment interest owing to Aseambankers.

MPD has denied liability and alleged that the conditions precedent to the SSA have not been fulfilled. At the same time, MPD has demanded repayment of RM6,000,000.00 being the monies already by paid by MPD under the terms of the SSA. Subsequently, MPD had filed an application to serve a summon outside jurisdiction against the Claimants on 23 October 2002. The hearing for this application is pending confirmation by the Court.

The Directors of MRCB are of the opinion that MPD has reasonable grounds of defence to the Claimants' demands and that MPD's claim has merit and a reasonable chance of success.

(13) WINDING UP NOTICE BY HOHUA GLAZIER SDN BHD V MILMIX

Milmix had been served with a Winding-Up Notice dated 9 July 2002 under Section 218 of the Act by Hohua Glazier Sdn Bhd ("HGSB") who are claiming payment amounting to RM31,615.09 for works completed by the Claimant for the Kota Kemuning Project..

Subsequently, the Board of Directors of Milmix had on 22 August 2002 approved a Proposed Debt Settlement through a Scheme of Arrangement ("the Scheme") pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002 granted Milmix a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. On 18 December 2002, Milmix's creditors have approved the Scheme and the matter as pending filing an application in Court to sanction the creditors' approval. The matter is pending for Milmix to settle HGSB's claim in accordance with the terms of the Scheme.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

(14) HIGH COURT OF MALAYA AT SHAH ALAM WINDING UP PETITION NO: 28-187-2002 BETWEEN CLASSIC ALUMINIUM & GLAZIER SDN BHD AND MILMIX

Milmix had been served with a Winding-Up Notice under Section 218 of Act dated 9 July 2002 by Classic Aluminium & Glazier Sdn Bhd ("CAGSB") who are claiming payment of up to RM134,047.76 for works completed by the Claimant in relation to the Kota Kemuning Project. A Winding-Up petition was served on Milmix on 2 October 2002 and the date for hearing the petition has been fixed by the Court to be on 28 April 2003

The Board of Directors of Milmix had on 22 August 2002 approved a Proposed Debt Settlement through a Scheme of Arrangement ("the Scheme") pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002 granted Milmix a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. On 18 December 2002, Milmix's creditors have approved the Scheme and the matter as pending filing an application in Court to sanction the creditors' approval. The matter is pending for Milmix to settle CAGSB's claim in accordance with the terms of the Scheme.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

(15) WINDING UP NOTICE BY OMAZOL CORPORATION SDN BHD V MILMIX

Milmix had been served with a Winding-Up Notice under Section 218 of Act dated 7 June 2002 by Omozol Corporation Sdn Bhd ("Omozol") whereby the Claimant has made a claim for the sum of RM124,676.93 being the outstanding amount due and owing by Milmix to Omozol as at 6 December 2001 pursuant to a Statement of Account issued by Milmix in respect of the execution and completion of a Single Storey Bungalow (Type A, B & C), 124 Units and external work at A'Famosa Golf Resort, Mukim Pagoh, Daerah Alor Gajah, Melaka for Gymtech Development Sdn Bhd.

Subsequently, the Board of Directors of Milmix had on 22 August 2002 approved a Proposed Debt Settlement through a Scheme of Arrangement ("the Scheme") pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002, granted Milmix, a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. On 18 December 2002, Milmix's creditors have approved the Scheme and the matter as pending filing an application in Court to sanction the creditors' approval. The matter is pending for Milmix on to settle Omozol's claim in accordance with the terms of the Scheme. Omozol had agreed to withdraw its Winding-Up Notice.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

(16) HIGH COURT OF MALAYA AT KUALA LUMPUR WINDING UP PETITION NO: 28-675-2002 BETWEEN EVERTREND (M) SDN BHD AND MILMIX

Milmix had been served with a Winding-Up Notice under Section 218 of the Act dated 28 June 2002 by Evertrend (M) Sdn Bhd ("Evertrend") on 8 July 2002 who are claiming an amount of RM186,303.30 being payment due and owing to Evertrend from Milmix. Evertrend is a subcontractor for the supply and instalment of parquet for the Company.

Subsequently, the Board of Directors of Milmix had on 22 August 2002 approved a Proposed Debt Settlement through a Scheme of Arrangement ("the Scheme") pursuant to Section 176 of the Companies Act 1965 ("section 176"). The Court had on 23 September 2002, granted Milmix, a Restraining Order pursuant to section 176 ("RO") for a period of 3 months from the date of the RO. On 18 December 2002, Milmix's creditors have approved the Scheme and the matter as pending filing an application in Court to sanction the creditors' approval. The matter is pending for Milmix to settle Evertrend's claim in accordance with the terms of the Scheme.

It was however agreed that as settlement be obtained via the Scheme. Evertrend shall proceed with its winding-up petition of which its next mention date has been fixed by the Court on 28 March 2003.

MCSB is currently negotiating for a settlement with Evertrend. The Directors of MRCB are of the opinion that the matter will be amicably settled.

(17) NOTICE OF DEMAND (PURSUANT TO SECTION 218 OF THE ACT) BY APEXJAYA INDUSTRIES SDN BHD AGAINST MILMIX FOR THE SUM OF RM14,506.11

Vide a Notice of Demand dated 30 July 2002 sent by their solicitors Messrs. Yip & Co., Apexjaya Industries Sdn Bhd ("Apexjaya") has made a claim for the sum of RM14,506.11 ("the said sum") being the balance due and payable for goods sold and delivered and services rendered to Milmix. The said Notice of Demand has given Milmix a total of twenty-one (21) days from receipt thereof to repay the said sum, failure of which action will be taken to wind up Milmix under section 218 of the Act. Milmix received the said Notice of Demand on 31 July 2002.

On 18 December 2002, Milmix's creditors have approved the Scheme and the matter as pending filing an application in Court to sanction the creditors' approval. The matter is pending Milmix to Apexjaya's claim settle in accordance with the terms of the Scheme.

The Directors of MRCB are of the opinion that the matter will be amicably settled.

(18) HIGH COURT OF MALAYA AT KUALA LUMPUR CIVIL SUIT NO: D-22-1666-02 BETWEEN EKOVEST-KMZ-Dragages SDN BHD AND HSBC BANK MALAYSIA BERHAD AND KUALA LUMPUR SENTRAL SDN BHD.

Pursuant to a contract between Kuala Lumpur Sentral Sdn Bhd (the Second Defendant") and Ekovest-KMZ-Dragages Sdn Bhd ("the Plaintiff") whereby the Plaintiff had agreed to be the main contractor for the KL Sentral development and its related infrastructure works ("the Project"), the Plaintiff had provided a performance security by way of a bank guarantee issued by HSBC Bank Malaysia Berhad ("the First Defendant") in favour of the Second Defendant for the amount of RM35,687,400.00 on 30 April 1997 and which was further renewed by another bank guarantee issued on 12 January 2001 ("the Bank Guarantee").

Subsequently, the Second Defendant refused to issue the Taking Over Certificate on the basis that there still remained uncompleted works. In response, the Plaintiff issued a Writ of Summons dated 17 October 2002 whereby the Plaintiff accused the Second Defendant of having acted fraudulently, unconscionably and in bad faith and in breach of the Contract.

The Plaintiff also filed an ex-parte application on 17 October 2002 whereby the Plaintiff has prayed for, inter alia, an injunction that the First Defendant be restrained from making payment to the Second Defendant on any claim and/or demand made by the Second Defendant on the Bank Guarantee or an injunction that the Second Defendant be restrained from calling or demanding payment on the Bank Guarantee.

All submissions have been completed and the Court has fixed the decision to be given on 29 January 2003.

The Directors of MRCB are of the opinion that the Second Defendant has reasonable grounds of defence to the Plaintiff's application for an injunction.

(19) KUALA LUMPUR HIGH COURT WINDING UP NO. D2-28-857-2002 JURANAS SDN BHD V MRCB

Juranas Sdn Bhd ("Juranas") is claiming from MRCB the sum of RM48,399,100.00 for Project Management fees, damages and loss of profit in relation to MRCB Project with PKINK in 1997. On 5 November 2002, Juranas advertised a winding-up petition against MRCB in The Sun newspaper. MRCB immediately appointed solicitors and obtained a copy of Summons, Judgement in Default dated 8 July 2002 and the winding-up petition from the court files. On 8 November 2002, MRCB filed the following applications for:

1. Setting Aside Judgement in Default dated 8 July 2002;
2. Validation Order;
3. Stay of Execution of Judgement in Default; and
4. Stay and striking out of Winding-up Proceeding.

The court had on 11 November 2002 granted MRCB an Interim Order for Stay of Execution of Judgement against Juranas until an Inter Parte hearing of the application be heard on 19 December 2002. Juranas's solicitors duly served MRCB the winding-up petition on 15 November 2002. Juranas withdrawn its winding-up petition and MRCB withdrawn its application for a Validation Order respectively on 12 December 2002. The hearing of MRCB's application to Set Aside Judgement in Default dated 8 July 2002 and Stay of Execution of Judgement originally fixed on 19 December 2002 is postponed to 18 February 2003.

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

3.2. TV3

Save as disclosed below, TV3 and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the directors of TV3 have no knowledge of any proceedings pending or threatened against TV3 and any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of TV3 and its subsidiary companies:-

(1) IN THE HIGH COURT OF MALAYA (CIVIL DIVISION) CIVIL SUIT NO. (S2-23-35 – 1998) : HALIM BIN ARSYAT v SISTEM TELEVISYEN MALAYSIA BHD; YUNUS BIN SAID; ROZAIREEN BTE IBRAHIM

This is a suit brought by the plaintiff against the defendants for an alleged libel published in a television broadcast by the plaintiff. The plaintiff claims that the defendant had falsely and

maliciously caused to be broadcast news which inferred that the newspaper “ Harakah” had published an article that suggested that the Prime Minister of Malaysia had become an apostate. The claim for damages is RM20.0 million against each of the defendants. The directors of TV3, as advised by the solicitors for the case are of the opinion that the defendants would be able to successfully defend this case. The matter was fixed for decision on 2 July 2001. After considering all facts before him, the Court ordered that the plaintiff’s case be dismissed with costs. The plaintiff has appealed against the decision, and the parties are awaiting a hearing date for the appeal. The hearing for the taxation of costs is fixed for hearing on 11 February 2003.

(2) IN THE HIGH COURT OF MALAYA (CIVIL DIVISION) CIVIL SUIT NO. (S2-21-01 - 2001): BADRUL ZAMAN B. P.S MD ZAKARIAH v JABATAN PENYIARAN RADIO DAN TELEVISYEN MALAYSIA; DATUK ASEH CHE MAT; KERAJAAN MALAYSIA; SISTEM TELEVISYEN MALAYSIA BHD

This is a suit brought by the plaintiff against the defendants for an alleged defamation of him in a television broadcast. He alleged that a news report of two persons of Indian nationality and one of Bangladesh nationality being detained in remand by the Immigration Department for fraudulently renewing passports and a visual of him walking and allowing him to be handcuffed, affected his business and reputation. The claim for damages is RM100.0 million against each of the defendants. The directors of TV3, as advised by the solicitors for the case are of the opinion that the defendants would be able to successfully defend this case. The Attorney General’s Chambers had made an application on 19 November 2001 to the High Court for all the actions involving the same plaintiff to be consolidated and heard by the same Judge which was approved by the Chief Justice on 24 November 2001. The case is now fixed for further case management on 23 April 2003. The matter is also pending the hearing date for the plaintiff’s appeal to the Court of Appeal relating to the setting aside of the default judgment

(3) KUALA LUMPUR HIGH COURT SUIT NO. D5-22-1376-97: DUTA GALAKSI SDN BHD V ANIMATED AND POST-PRODUCTION TECHNIQUES SDN BHD, A SUBSIDIARY OF TV3

This is a suit brought by the plaintiff against the defendant for the purported violation of the plaintiff’s rights as the sole and exclusive holder of the production and distribution rights of a music video for the A. R. Rahman Live In Concert staged in Shah Alam. It was alleged that the Defendants had through the production of videos for local and worldwide distribution of the same violated the said right. The claim for damages is for RM4,084,050.00. The directors of TV3, as advised by the solicitors for the case are of the opinion that at this juncture, it is premature to deduce the outcome of this case. The case, which was initially fixed for hearing on 8 and 9 April 2002, was struck off by the High Court Judge when the solicitor for the plaintiff failed in his request for the postponement of the hearing. The Court subsequently granted the plaintiff’s application for reinstatement and fixed the matter for hearing on 24 and 25 February 2003.

(4) IN THE HIGH COURT OF MALAYA AT SHAH ALAM (CIVIL DIVISION) CIVIL SUIT NO.22-414-2001: PRIME TIME COMMUNICATION SDN BHD v SISTEM TELEVISYEN MALAYSIA BERHAD

This suit is brought by the plaintiff against the defendant for payment owed by the defendant to the plaintiff for various titles of photoplay that have been produced and delivered, namely, Asia Hebat, Muamalah, Niaga 5th, Niaga 6th and Niaga 7th seasons which have been telecast by the defendant. They are claiming an amount of RM1,955,234.52. The directors of TV3, as advised by the solicitors for the case, are of the opinion that at this juncture, it is premature to deduce the outcome of this case. The case is fixed for further case management on 11 March 2003.

(5) IN THE HIGH COURT OF MALAYA AT SHAH ALAM (CIVIL DIVISION) CIVIL SUIT NO. MT2-22-848-2000: NEW M & M PRODUCTS SDN BHD v AMBANG KLASIK SDN BHD, A SUBSIDIARY OF TV3

This suit is brought by the plaintiff against the defendant for the alleged breach of contract for failing to provide the stipulated airtime to promote “Senario” products. The plaintiff is claiming for special damages of RM38 million against the defendant. The matter has been set for pre-trial case management on 25 July 2002. However, the court has struck off the plaintiff’s claim due to the plaintiff’s lawyer’s absenteeism. The court has also issued a show cause letter and fixed the matter for hearing on 28 November 2002. Since the plaintiff’s case has been struck off, the solicitors for the defendant had filed a case management notice to hear the defendant’s counter claim. Nevertheless, the court held that the defendant ought to have filed the said notice earlier and the court had exercised its discretion to strike out the matter without costs.

(6) IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR CIVIL SUIT NO. S6-22-749-2002: INMEDIA SERVICES SDN. BHD. v SISTEM TELEVISYEN MALAYSIA BERHAD

This suit is brought by the plaintiff against the defendant for the alleged breach of contract for the award of the “Indian Belt” airtime marketing rights on TV3 to the plaintiff. The plaintiff is claiming for RM4,410,000.00 as special damages and RM20 million as general damages being losses incurred due to a breach of contract by the defendant. The directors of TV3, as advised by the solicitors for the case are of the opinion that at this juncture, it is premature to deduce the outcome of this case. The matter is now fixed for hearing of the plaintiff’s summary judgment application on 20 February 2003.

(7) IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR SUIT NO. S2-23-33-1998: MOHAMAD AZWAN ALI BIN HAJI ALI v SISTEM TELEVISYEM MALAYSIA BERHAD; AMBANG KLASIK SDN BHD; MICHAEL CHRISTIAN SOMON; FAUZIAH DATO AHMAD DAUD (A.M.N)

This is a suit brought by the plaintiff against the defendants for an alleged defamation in a life television broadcast program, “*Melodi*”. The statement which the plaintiff complains of in the programme was an ad-lib by the third defendant made in the course of presenting the programme. The claim for damages is RM1.0 million against the first and second defendants. The directors of TV3, as advised by the solicitors for the case are of the opinion that the defendants would be able to successfully defend this case. On 3 July 2000, the Court ordered that the plaintiff’s case be dismissed with costs. The plaintiff has appealed against the decision. The date of the appeal has not yet been fixed by the Court of Appeal. In the meantime, the plaintiff was unsuccessful in obtaining an order to defer the payment of costs due to TV3 pending the outcome of the appeal. Since then, bankruptcy proceedings have been commenced against him and TV3 is currently awaiting the hearing of its creditor’s petition.

3.3. NSTP

To the best knowledge of the Directors of MRCB, NSTP and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors of MRCB have no knowledge of any proceedings pending or threatened against NSTP and any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of NSTP and its subsidiary companies.

4. MATERIAL CONTRACTS

4.1. MRCB

Save as disclosed below, there are no other material contracts (not being contracts entered into the ordinary course of business) which have been entered into by MRCB or its subsidiaries within the two (2) years immediately preceding the date of this document:-

1. A conditional Agreement dated 22 October 2001 between MRCB, TV3 and Newco, in respect of the parties' mutual intention and obligation to carry out the Proposed Schemes.
2. A conditional Agreement dated 22 October 2001 between MRCB and Newco wherein MRCB agreed to sell, and Newco agreed to purchase, 94,035,540 ordinary shares of RM1.00 each representing approximately 43.5% of the issued and paid up capital of The New Straits Times Press (Malaysia) Berhad ("NSTP") for the total purchase consideration of RM338,200,000.00 or RM3.60 per NSTP share. The purchase consideration is to be satisfied by Newco as follows:-
 - (a) the issuance of RM182.7 million nominal value of the ICULS;
 - (b) the issue at an issue price of RM1.10 per share of 141,300,000 new ordinary shares of RM1.00 each in Newco credited as fully paid-up; and
 - (c) the grant of the Put Option(s) to all holders of private debt securities issued by a special purpose company ("SPC-PDS").

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

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

Subsequent to the First Supplemental SSA, MRCB had on 26 November 2002 entered into a Second Supplemental Share Sale Agreement with Newco for the proposed transfer of the Sale Sales to the Purchaser. The consideration for the sale, purchase and transfer of the Sale Sales was changed to the aggregate of RM399,651,045 or RM4.25 per share based on a willing buyer willing seller basis and to be satisfied as follows:-

- (a) the issuance of RM180.0 million nominal amount of Newco ICULS in accordance with the terms and conditions more specifically set out in the Schedule 1 of the SSA without any payment on the part of MRCB;
- (b) the issuance at an issue price of RM1.10 per share of 199,682,768 new ordinary shares of RM1.00 each in Newco ranking *pari passu* in all respects with the existing issued shares in Newco as at the date of issue and allotment and credited as fully paid-up and free from encumbrances to MRCB; and

- (c) Newco writing (at the request of MRCB) one or more put options in favour of one or more of the lenders of MRCB (whose identities shall be subject to the approval of Newco, such approval not to be unreasonably withheld) whereby the holders of the Put Option can require Newco to purchase up to all the Newco ICULS, which Put Option shall be secured by a charge over 47,368,421 NSTP shares comprising part of the Sale Shares and which comprises 21.9% of the entire issued and paid-up capital of NSTP.
3. A conditional Share Subscription Agreement dated 22 October 2001 between MRCB and Newco wherein MRCB agreed to subscribe for 77,300,000 ordinary shares of RM1.00 each in Newco at the subscription price of RM1.10 per share or a total subscription price of RM85,030,000.00.
4. Share sale agreement dated 23 November 2001 between MRCB and Tenaga Nasional Berhad ("TNB") whereby MRCB agrees to dispose to TNB its entire 70% equity interest in Sepang Power Sdn Bhd (amounting to 700,000 Sale Shares) for a total cash consideration of RM115,000,000.00. The initial payment of 10% of the consideration was paid upon execution of the said Agreement and the balance of 90% of the consideration was paid upon completion. The Share sale agreement was varied by a variation agreement dated 17 May 2002 entered into between MRCB and TNB which incorporated a new Completion Date (i.e. 20 May 2002) on which MRCB had to affect the transfer and registration of 300,000 Sale Shares to TNB. In addition thereto, MRCB is to continue to be the legal owner of the other 400,000 Sale Shares and shall transfer this portion to TNB or its nominees upon TNB's instructions. A sum of RM65,700,000.00 shall be considered as an interest free non-refundable advance by TNB to MRCB and which shall be converted into full and final payment for the 400,000 Sale Shares to MRCB upon the occurrence of the earlier of:
 - (a) the instructions of TNB to transfer and register the 400,000 Sale Shares to TNB or its nominees;
 - (b) the sale and purchase agreement for the 400,000 Sale Shares between TNB and Mastika Lagenda Sdn Bhd ("Mastika") not being executed within three months from 17 May 2002; or
 - (c) the sale and purchase agreement for the 400,000 Sale Shares between TNB and Mastika not being completed within nine months from 17 May 2002.
5. Share sale agreement dated 9 February 2002 between MRCB and TNB whereby MRCB agrees to dispose to TNB its entire 20% equity interest in Fibrecomm Network (M) Sdn Bhd ("FNMSB") for a cash consideration of RM22,000,000.00. The initial payment of RM1,500,000.00 was made upon execution of the said agreement and the balance of RM20,500,000.00 was paid upon completion. It was announced to the KLSE that the Share sale agreement was completed on 26 August 2002. A further cash payment of RM23,000,000.00 will be made upon the successful award of a licence under the Communications and Multimedia Act 1998 to TNB, its subsidiaries or FNMSB, provided always that the licence shall be obtained within three (3) years from the date of this agreement. On 12 August 2002, all conditions precedent of this share sale agreement had been fulfilled.
6. A Letter of Award dated 25 February 2002 ("the Letter of Award") issued by Sabah Electricity Sdn Bhd ("SESB") to Transmission Technology Sdn Bhd and Sharikat Permodalan Kebangsaan Berhad (collectively, the "TTSB-SPK Consortium") whereby SESB has agreed to award the Survey Works and Wayleave Services for the East-West Grid Interconnection Project ("the Project") to the TTSB-SPK Consortium. Pursuant to the Letter of Award, SESB and the TTSB-SPK Consortium subsequently entered into a Survey Works & Wayleave Services Agreement which was signed on the 25 March 2002 for the TTSB-SPK Consortium to undertake, carry out, execute, complete the Survey Works and Wayleave Services in relation to the Project for a consideration sum of Ringgit Malaysia Eight Million Two Hundred and Forty Five Thousand Only (RM8,245,000.00)
7. The conditional sale and purchase agreement dated 20 March 2002 ("SPA") entered into between MRCB and Utama Banking Group Berhad ("UBGB") in relation to the disposal of 105,127,000 ordinary shares of RM1.00 each representing approximately 22.7% of the

existing issued and paid-up capital of Rashid Hussain Berhad ("RHB") by MRCB to UGBB for a total cash consideration of RM504,609,600 (the "RHB Disposal"). The RHB Disposal was duly completed on 31 December 2002.

8. A survey work and way leave services agreement dated 21 March 2002 between Transmission Technology Sdn Bhd ("TTSB") in collaboration with Sharikat Permodalan Kebangsaan Berhad ("SPK") (jointly known herein as the TTSB-SPK Consortium) and Sabah Electricity Sdn Bhd ("SESB") for the TTSB-SPK Consortium to undertake, carry out, execute, complete the survey work and wayleave services in relation to the East-West Grid Interconnection Project for a consideration of RM2,824,500.
9. A Letter of Award dated 26 March 2002 from SESB to the TTSB-SPK Consortium wherein TTSB-SPK Consortium was awarded to undertake the Implementation of 275kilovolt ("kV") and 132kV Transmission Lines Project For East-West Grid Interconnection ("the Sabah East-West Project") subject to the final approval from the Federal Treasury, Ministry of Finance at a contract price of RM425,000,000. On 12 July 2002, SESB issued its Letter of Acceptance based on a contract price of RM400,000,000. Subsequently, on 4 October 2002, the TTSB-SPK Consortium entered into a Main Contract with SESB in relation to the Sabah East-West Project. The total contract price is RM400,000,000 which includes a provisional sum of RM10,000,000 for telecommunication equipment. Among the salient terms of the contract include:
 - (a) The duration of the contract is thirty-six (36) months from the date of acceptance of the Letter of Award;
 - (b) Provision of a Performance Bond by the TTSB-SPK Consortium for the sum of RM20,000,000 being 5% of the total Contract Price;
 - (c) Validity of the Performance Bond is for sixty (60) months;
 - (d) The TTSB-SPK Consortium shall maximise the usage of locally manufactured goods. Priority shall be given to manufacturers developed under the Tenaga Nasional Berhad and/or SESB Vendor Development Programme
10. A conditional Sale and Purchase of Share Agreement dated 29 August 2002 between ZMSB, Sasaran Bahagia Sdn Bhd ("SBSB") and Zelleco Engineering Sdn Bhd ("ZESB") whereby Zelleco (M) Sdn Bhd ("ZMSB") has agreed to sell to SBSB 11,983,300 ordinary shares ("the Sale Shares") of RM1.00 each representing 70% of the enlarged issued and paid up capital of ZESB ("Proposed Disposal"). The consideration for the Sale Shares shall be satisfied as follows:
 - (a) SBSB shall pay ZMSB RM1.00 upon the execution of the Sale and Purchase of Share Agreement;
 - (b) SBSB shall cause to be settled to ZESB's creditor, i.e. MRCB, a sum of RM10,500,000.00 ("the Debt Amounts") through the creation and issuance of redeemable secured term debt ("RSTD") by ZESB to MRCB

In consideration of the Sale Shares and as a continuing security for the repayment of the Debt Amounts and the due performance of SBSB, a Memorandum of Deposit dated 29 August 2002 was entered into between SBSB and MRCB whereby SBSB as beneficial owner of the Sale Shares, has charged by way of a first legal mortgage to MRCB all the rights, title and interests of SBSB in and to the Sale Shares.

11. A Joint Venture and Shareholders' Agreement dated 24 October 2002 between MRCB and Wira Kristal Sdn Bhd ("WKSb") whereby the parties herein have agreed to establish a joint venture company known as Nuzen Corporation Sdn Bhd ("NCSB") which in turn will wholly own a company known as Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("KLUT"). By a Letter of Exclusivity dated 10 May 2001, the Government of Malaysia ("the Government") has agreed to privatise the design, construction, operation and management of the Kuala Lumpur North East Expressway ("the Project") whereby KLUT has been awarded with the Project. Both MRCB and WKSb via NCSB have agreed to use KLUT as the vehicle for the joint venture between the parties to undertake the implementation of the Project in accordance with the terms and conditions of a concession agreement to be negotiated and entered into

with the Government. All the issued share capital of NCSB shall be held by the parties in the following proportions:

<u>Party</u>	<u>Percentage of Shareholding</u>
WKSb	70%
MRCB	30%

12 A conditional sale and purchase agreement dated 15 January 2003 (“SPA”) entered into between MRCB and 9 individual vendors (“Vendors”) for the proposed acquisition by MRCB (“the Proposed Acquisition”) of 100% equity interest in Landas Utama Sdn Bhd (“LUSB”) comprising of 320,000 ordinary shares of RM1.00 each (“the Sale Shares”). The consideration for the Proposed Acquisition comprises of:-

- (a) a cash consideration amounting to RM88,000,591.00 (“the Cash Consideration”); and
- (b) the procurement by MRCB of the unconditional release of the personal guarantees (“Guarantee”) given by the Vendors in relation to a banking facility of RM131,999,409.99 (“the Banking Facility”) which was granted to LUSB by Bumiputra-Commerce Bank Berhad (“the Lender”) under a Facilities Agreement dated 4 May 2000.

4.2. TV3

Save as disclosed below, neither TV3 nor its subsidiaries have entered into any material contracts outside the ordinary course of business within two (2) years preceding the date of this document:-

1. On 15 March 2001, TV3 had issued an irrevocable letter of undertaking to CAHB to dispose of 74,516,998 units in First Malaysia Property Trust (“FMPT”) representing approximately 70.39% interest in FMPT for a total cash consideration of RM46,573,124. The disposal was approved by the shareholders of TV3 at an EGM on 1 October 2001.
2. A conditional agreement dated 22 October 2001 between MRCB, TV3 and Newco in respect of the parties’ mutual intention and obligation to carry out the Proposed Demerger, Proposed TV3 Scheme of Arrangement and Proposed IT Scheme.
3. A Deed of Settlement dated 15 August 2002 between TV3 and Cableview Services Sdn Bhd (“CVS”) to allow CVS to transfer certain equipment useful for broadcasting purposes and other kinds of equipment to TV3, and TV3 would release CVS from all claims to the value of RM1,318,294.03 and any further advances to be made by TV3 up to the amount of RM3,251,766.76.

4.3. NSTP

To the best knowledge of the Directors of MRCB and save as disclosed below, there are no material contracts (not being contracts entered into the ordinary course of business) entered into by NSTP and its subsidiaries during the two (2) years preceding the date of this document:-

On 26 December 2001, NSTP announced the proposed disposal of 140,000,000 ordinary shares in CAHB representing 11.82% of the issued and paid-up share capital to EPF for a purchase consideration of RM910.0 million. The proposed disposal was completed on 2 April 2002.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of MRCB at Aras 10, Menara MRCB, No.2, Jalan Majlis 14/10, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan, from the date of this document up to and including the date of the EGM on Tuesday, 25 February 2003 at 10.30 a.m. or immediately following the conclusion or adjournment of the Company's 32nd Annual General Meeting to be held on the same day at 10.00 a.m., during normal business hours (9.00 a.m. to 5.00 p.m.) from Mondays to Fridays (except public holidays):-

- (i) Memorandum and Articles of Association of MRCB, NSTP, TV3, Newco;
- (ii) The audited accounts of MRCB, NSTP, TV3 for the past five (5) financial years ended 31 August 2002 and their respective unaudited quarterly report for the quarter ended 30 November 2002;
- (iii) The audited accounts of Newco for the period ended 31 August 2001 and the financial year ended 31 August 2002 and its latest management report for the period ended 30 November 2002
- (iv) The letters of consent referred to in this document under Paragraph 2 of this Appendix;
- (v) Writ of litigation relating to the material litigation referred to in Paragraph 3 of this Appendix;
- (vi) Material contracts referred to in this document under Paragraph 4 of this Appendix;
- (vii) The draft TV3 Scheme of Arrangement document;
- (viii) The draft trust deed for the RULS and ICULS;
- (ix) The draft deed poll for the Bonds and Warrants;
- (x) Proforma Consolidated Balance Sheets of MRCB, Newco and TV3 as at 31 August 2002 together with the reporting accountant's letters thereon; and
- (xi) Consolidated profit forecasts of MRCB and TV3/Newco and the bases and assumptions thereof for the financial year ending 31 August 2003 together with the reporting accountant's letters thereon.