
3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE

3.1 Introduction

This Prospectus is dated 16 March 2004. A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the forms of application, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

The approval of the SC obtained vide its letters dated 24 December 2002 and 25 August 2003 shall not be taken to indicate that the SC recommends the Rights Issue, the RCSLS Issue and the ICULS Issue and that investors should rely on their own evaluation to assess the merits and risks of the Rights Issue, the RCSLS Issue and the ICULS Issue.

Approval-in-principle has been obtained from MSEB on 11 December 2003 for admission to the Official List of the Second Board of MSEB and the listing of and quotation for the entire issued and paid-up ordinary shares of RM1.00 each in Mithril, including the Rights Shares and Offer Shares, the admission to the Official List of MSEB and listing of and quotation for the Warrants A, Warrants B, RCSLS and ICULS, the listing of and quotation for the new Mithril Shares arising from the conversion of the RCSLS, ICULS, RCULS and ICCPS and the listing of and quotation for the new Mithril Shares arising from the exercise of the Warrants A and Warrants B. The Mithril Shares will be admitted to the Official List of the Second Board of MSEB and official quotation will commence after the receipt of confirmation from MCD that all CDS accounts of the successful applicants for the Rights Issue, the RCSLS Issue and the ICULS Issue have been duly credited and notices of allotment have been despatched to all successful applicants for the Rights Issue, the RCSLS Issue and the ICULS Issue. However, Warrants A had expired on 27 December 2003 and it has not been extended.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, MSEB has prescribed Mithril Shares as a prescribed security. The Rights Shares offered through this Prospectus are deposited securities and dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

Pursuant to the Listing Requirements of MSEB, at least 25% of the enlarged issued and paid-up share capital of the Company is to be in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Mithril Shares each at the point of listing of Mithril on the Second Board of MSEB.

All applicants must have a CDS Account and an applicant should state his CDS Account number in the space provided in the Application Form.

The SC and MSEB assume no responsibility for the correctness of any statement made or opinions or report expressed in this Prospectus. Admission to the Official List of the Second Board of MSEB is not to be taken as an indication of the merits of Mithril or of the Mithril Shares and other securities of Mithril to be listed on the Second Board of MSEB.

No person is authorised to give any information or to make any representation not contained herein in connection with the Rights Issue, the RCSLS Issue and the ICULS Issue and if given or made, such information or representations must not be relied upon as having been authorised by Mithril. Neither the delivery of this Prospectus nor any Rights Issue, the RCSLS Issue and the ICULS Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Mithril since the date hereof.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

The distribution of this Prospectus and the sale of the Rights Issue, the RCSLS Issue and the ICULS Issue are subject to Malaysian Laws and the Company takes no responsibility for the distribution of this Prospectus and/or sale of the Rights Shares, the RCSLS and the ICULS outside Malaysia. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or purchase the Shares of Mithril in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or any other professional adviser.

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3. PARTICULARS OF RIGHTS ISSUE, THE RCCLS ISSUE AND THE ICULS ISSUE (Cont'd)

3.2 Opening and Closing of Application Lists

The Application List will open at 10.00 a.m. on 16 March 2004 and will remain open until 5.00 p.m. on the 26 March 2004 or for such further periods as the Directors of Mithril and the Promoter together with the Underwriters, in their absolute discretion, may decide.

3.3 Critical dates of the Rights Issue, the RCCLS Issue and the ICULS Issue

Event	Tentative Date
Issue of Prospectus	16 March 2004
Closing Date	26 March 2004
Despatch of Notice of Allotment	6 April 2004
Listing	12 April 2004

MSEB had vide its letter dated 14 November 2003, granted its approval to shorten the opening period for the receipt of applications for the Rights Issue from 22 market days after the books closing date to **10 clear market days** after the books closing date. MSEB's approval on the above is subject to the condition that Mithril must ensure that the PALs for the Rights Issue are received by the shareholders at least 4 clear market days prior to the closing date of the Rights Issue.

Premised on the above, Mithril had on 4 February 2004, submitted an application to MSEB to waive the requirement for the trading of the rights on MSEB. MSEB had on 13 February 2004 approved Mithril's application for the above, thus there will be no trading of the PALs for the Rights Issue on MSEB. **However, the Rights Issue can still be transferred in accordance with the Rules of MCD.**

In addition to the above, kindly note the following important dates for the Rights Issue.

Event	Tentative Date
Entitlement or Record Date	11 March 2004 at 5.00 p.m.
Last day and time for acceptance and payment	26 March 2004 at 5.00 p.m.
Last day and time for excess Rights Shares (with free attached Warrants B) application and payment	26 March 2004 at 5.00 p.m.

The above timetable is tentative and subject to changes which may be necessary to facilitate implementation procedures. The applications for the Rights Issue, the RCCLS Issue and the ICULS Issue will close at the time and date as stated above or such other later date or dates as the Directors of Mithril and the Underwriters may in their absolute discretion mutually decide.

In the event of any changes to the closing date of the application, such date would be published in a widely circulated English newspaper within Malaysia. Should the closing date of the application be extended, the dates for the allotment and listing of the securities of Mithril on the Second Board of MSEB would be extended accordingly.

3.4 Purpose of the Rights Issue, the RCCLS Issue and the ICULS Issue**3.4.1 Rights Issue**

The purpose of the Rights Issue are as follows:

- (i) To provide an opportunity to the existing shareholders of Mithril to participate in the future growth of Mithril Group; and
- (ii) To raise funds for the items stated in Section 3.6.2 of this Prospectus.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)**3.4.2 RCSLS Issue and ICULS Issue**

The purpose of the RCSLS Issue and the ICULS Issue is to raise funds to partly finance the Acquisitions, which will provide Mithril with income generating businesses and as working capital, summarised as follows:

	RM'000
To finance the:	
Acquisition of MAAKK 1	65,000
Acquisition of MAA Kuching	20,000
Acquisition of Saferay	17,500
Working capital	17,200
Total	119,700

The proceeds from the RCSLS Issue and the ICULS Issue amounting to RM119.7 million will be fully utilized within twelve (12) months from the date of the completion of the Restructuring Exercise.

3.5 Share Capital

	RM
Authorised Share Capital	
500,000,000 Mithril Shares and 13,306,270 ICCPS	<u>513,306,270</u>
Issued and Fully Paid-up Share Capital	
Existing 13,306,270 ICCPS in issue	<u>13,306,270</u>
Existing 61,760,909 Mithril Shares in issue	61,760,909
To be issued pursuant to the Rights Issue	
15,816,080 new Mithril Shares	<u>15,816,080</u>
	77,576,989
To be issued pursuant to the full conversion of RCSLS, ICULS, RCULS and ICCPS	
163,506,270 new Mithril Shares	163,506,270
To be issued pursuant to the exercise of the Warrants B	
38,270,780 new Mithril Shares	<u>38,270,780</u>
Total Mithril Shares	<u>279,354,039</u>

Note:

- * *The 147,975 Warrants A issued pursuant to the Scheme of Arrangement had expired on 27 December 2003 as the Warrants A has not been extended. Thus the Warrants A has been excluded from the computation of the enlarged issued share capital of Mithril assuming the full conversion/exercise of the convertible securities issued by Mithril.*

There are two (2) classes of shares in Mithril, being Mithril Shares and the ICCPS issued pursuant to the Debt Settlement. The ICCPS will rank in priority to the Mithril Shares in respect of return of capital on liquidation or otherwise for the par value of the ICCPS plus any arrears in dividends, whether declared or not, provided that there shall be no further rights to participate in the surplus assets of Mithril.

3. PARTICULARS OF RIGHTS ISSUE, THE RCCLS ISSUE AND THE ICULS ISSUE (Cont'd)

The Mithril Shares to be issued pursuant to the conversion of the ICCPS, RCCLS, ICULS and RCULS and the exercise of the Warrants B will upon issue and allotment, rank *pari passu* in all respects with the then existing Mithril Shares including rights to dividends, rights, allotments or other distributions except that the new shares so allotted shall not be entitled to any dividends, rights, allotments or other distributions declared, made or paid to shareholders, the entitlement date of which is before the date the date of allotment of the new Mithril Shares.

At any general meeting of Mithril, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or a representative or proxy or attorney of a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorized representative shall have one (1) vote for each Mithril Share. A proxy may, but need not be, a shareholder of Mithril and if he is not a shareholder of Mithril, he needs not be an advocate, an approved company director auditor, or a person approved by the Registrar of Companies.

3.6 Details of the Rights Issue

Based on the issued and paid-up share capital of Mithril of 395,402 Mithril Shares upon completion of the Capital Reconstruction and Scheme of Arrangement, the renounceable rights issue will comprise the issuance of 15,816,080 new Mithril Shares at an issue price of RM1.00 per Rights Share on the basis of forty (40) Rights Shares for every one (1) Mithril Share together with 5,272,027 free detachable Warrants B to be issued on the basis of one (1) Warrants B for every three (3) Rights Share issued, held after the Scheme of Arrangement at an entitlement date which is at 5.00pm on 11 March 2004. The Mithril Shares issued pursuant to the Debt Settlement are not entitled to the Rights Issue.

Should any fractional entitlement arises from the Rights Issue, it will be dealt with, in such manner as the Directors in their absolute discretion think expedient and in the interest of the Company.

The new Mithril Shares issued pursuant to the Rights Issue, which are not taken up or allotted for any reason shall first be made available for excess share applicants which will be allotted in such manner as the Directors in their absolute discretion consider expedient and in the interest of the Company and if under subscribed, will be allotted to the underwriters.

As the securities of Mithril are prescribed securities, the Rights Shares to be issued pursuant to the Rights Issue will be credited directly into the CDS accounts of the respective Entitled Shareholders and/or their renounee(s) (if applicable). No physical share certificate will be issued, but notices of allotment will be despatched to the Entitled Shareholders and/or their renounee(s) (if applicable) within fifteen (15) Market Days from the last day and time for acceptance and payment of the Rights Issue.

3.6.1 Basis of Arriving at the Rights Issue Price

The Rights Issue price of RM1.00 per share was arrived at after taking into consideration the following factors: -

- (i) The proforma consolidated NTA of Mithril as at 30 September 2003 of RM0.52 per Share upon completion of the Restructuring Exercise; and
- (ii) The minimum issue price of RM1.00, i.e. the par value of Mithril Shares

However, investors should also note that the market price of Mithril Shares upon and subsequent to the quotation and listing on the Second Board of the MSEB is subject to the vagaries of market forces and other uncertainties which may affect the price of the Mithril Shares being traded. Investors should also bear in mind the risk factors as set out in Section 4 of this Prospectus before deciding on whether or not to invest in the Mithril Shares.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)**3.6.2 Proceeds of the Rights Issue**

The gross proceeds of RM15,816,080 to be raised are to be utilised in the following manner:

Description	RM'000
Cash repayment to the Unsecured Creditors which forms part of the Debt Settlement	12,482
Working capital	334
Expenses for the Restructuring Exercise ¹	<u>3,000</u>
Total	<u>15,816</u>

The proceeds from the Rights Issue amounting to RM15.816 million will be fully utilized within twelve (12) months from the date of the completion of the Restructuring Exercise.

Note:

1. *Estimated expenses for the Restructuring Exercise amounting to RM3 million consist of the following:*

	RM'000
<i>Professional fees</i>	2,225
<i>Regulatory fees</i>	265
<i>Printing, advertisement and contingencies</i>	<u>510</u>
<i>Total</i>	<u>3,000</u>

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3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

3.6.3 Salient Features of the Warrants B

Form	:	The Warrants B will be issued in registered form and constituted by a deed poll
Warrant entitlement	:	Each warrant carries the entitlement, at any time during the Exercise Period, to subscribe for one (1) new Mithril Share at the Exercise Price, subject to adjustments in accordance with the provisions of the deed poll
Exercise period	:	From the beginning of the 2 nd year to the end of the 5 th year
Exercise price	:	The exercise price of the Warrants B shall be RM1.00 payable upon the exercise of each Warrants B
Basis for the exercise price	:	Mithril is a newly incorporated company for the purpose of facilitating the implementation of the Restructuring Exercise which will assume the listing status of Tajo. In this regard, the exercise price of RM1.00 per Warrants B will be at par value of RM1.00 each
Expiry	:	At the close of business on the maturity date of the Warrants B, being the date of five (5) years from the date of issue of the Warrants B, any Warrants B which has not been exercised will lapse and cease thereafter to be valid for any purpose
Listing Status	:	The Warrants B will be listed on MSEB.
Ranking of the new shares	:	The new Mithril Shares to be issued pursuant to the exercise of the Warrants B will upon issue and allotment, rank <i>pari passu</i> in all respects with the then existing Mithril Shares including rights to dividends, rights, allotments or other distributions except that the new shares so allotted shall not be entitled to any dividends, rights, allotment or other distributions declared, made or paid to shareholders, the <i>Entitlement Date</i> for which is before the date of allotment of the new shares.

3.7 Details of the RCSLS Issue and the ICULS Issue

The RCSLS Issue and the ICULS Issue will entail the offer of RM59,000,000 and RM60,700,000 nominal value of RCSLS and ICULS respectively by Mithril to the general public.

3.7.1 Basis of Arriving at the Public Issue of RCSLS and ICULS

The RCSLS and ICULS are offered at 100% of its nominal value i.e. RM1.00 for every RM1.00 nominal value of RCSLS and ICULS.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)**3.7.2 Salient Features of the RCSLS**

Issue size	:	RM59,000,000 nominal amount.
Issue Price	:	Nominal value of RM1.00.
Tenure	:	8 years.
Form and denomination	:	The RCSLS will be issued in minimum registered form of RM100 and in multiples of RM100.
Coupon rate	:	3% per annum payable annually in arrears commencing on the date which is one (1) year from the date of issue of the RCSLS ("Issue Date") and thereafter at yearly intervals until the maturity date of the RCSLS.
Sinking fund account	:	A Sinking Fund Account ("SFA") will be opened to capture rental proceeds from MAAKK 1 and MAA Kuching, which shall be paid directly into the SFA. The minimum balance in the SFA is as follows:

Year	RM
2004	4,000,000
2005	5,500,000
2006	6,500,000
2007	6,500,000
2008	6,500,000
2009	6,500,000
2010	6,500,000
Total	<u>42,000,000</u>

The funds in the SFA shall be utilised to redeem the outstanding RCSLS at the end of the 8th year.

Debt service account	:	A Debt Service Account ("DSA") shall be opened to hold funds equivalent to the annual coupon payment, which will be built-up gradually and the full sum must be in the DSA at least one (1) month before the scheduled payment dates, failing which the shortfall amount shall be drawn from the Coupon Reserve Account. The source of the DSA funds will be from internally generated funds.
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3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

Coupon reserve account : A Coupon Reserve Account ("CRA") shall be opened to hold funds equivalent to six (6) months coupon payment, which will be built-up gradually and the full sum must be in the CRA within six (6) months after the first drawdown of the RCSLS. The source of the CRA funds will be from internally generated funds.

Thereafter, the sum to be maintained in the account shall be an amount equivalent to six (6) months coupon payment. The funds in the account can be utilised to meet any scheduled coupon payment under the RCSLS in the event of a shortfall in the DSA. The utilised funds shall be replenished by the issuer within three (3) months of the drawn date.

Financial covenants : (a) The issuer shall not declare and pay out any dividend on share capital and/or interest on subordinated advances/loan stocks:

- if the annual audited Debt Service Coverage Ratio ("DSCR") is less than 2.0 times; and
- if the balance standing to the credit of the CRA both before and after the payment is less than the six (6) month coupon reserve required to be maintained in the account.

(b) The issuer shall maintain an annual audited Debt to Shareholders' Funds Ratio of not more than 1.5 times. Additional borrowings, including shareholders' advances, shall be subordinated to the RCSLS issue.

DSCR is defined as opening cash balance for the relevant period plus net cashflows from operating activities divided by total interest (coupon) and scheduled principal repayments of the RCSLS plus any other borrowings made over the relevant period.

Debt is defined as total borrowings including the RCSLS issue but excluding subordinated shareholders' advances.

If the financial ratios are breached, a cure period of one (1) month is given for the issuer to remedy the breach. Should the issuer be unable to remedy the breach after the one (1) month period, this will constitute a default and the course of action that will be taken are as stipulated in the Trust Deed.

Maturity date : Eight (8) years from the Issue Date.

Conversion period : From the beginning of the 2nd year to the end of the 8th year, during which the RCSLS may be converted into new Mithril Share at the option of the RCSLS holders.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

Conversion price	:	RM1.00 nominal amount of RCSLS is convertible into one (1) new Mithril Share.
Redemption	:	Redemption is at the end of the 8 th year at the nominal amount of RM1.00 per RCSLS.
Ranking of the new shares	:	The new Mithril Shares to be issued pursuant to the conversion of the RCSLS will upon issue and allotment, rank pari passu in all respects with the then existing Mithril Shares including rights to dividends, rights, allotments or other distributions except that the new shares so allotted shall not be entitled to any dividends, rights, allotment or other distributions declared, made or paid to shareholders, the entitlement date for which is before the date of allotment of the new shares.
Security	:	<p><u>MAA Kuching</u> All the subsidiary parcels within eight (8) levels of commercial/office space forming part of a 11-storey office building with basement floor and an open-air carpark.</p> <p><u>MAAKK 1</u> Twenty nine (29) subsidiary parcels of commercial/office space together with 195 units of basement carpark bays located within a 11-storey office building with 3-basement carpark.</p>
Governing Law	:	The Trust Deed and the RCSLS is governed and construed in accordance with the laws of Malaysia and the holders of the RCSLS and the relevant parties mentioned in the Trust Deed dated 16 February 2004 will be subject to the exclusive jurisdiction of the Courts of Malaysia.
Trust Deed	:	The RCSLS is constituted by a trust deed executed by Mithril and AmTrustee Berhad dated 16 February 2004. The Trustee acts for the benefit of the holders of the RCSLS.
Listing Status	:	The RCSLS will be listed on MASEB.
Rating	:	BBB (By Malaysian Rating Corporation Berhad).

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)**3.7.3 Salient Features of the ICULS**

Issue size	:	RM60,700,000 nominal amount.
Issue Price	:	Nominal value of RM1.00.
Tenure	:	5 years.
Form and denomination	:	The ICULS will be issued in minimum registered form of RM100 and in multiple of RM100.
Coupon rate	:	8% per annum payable annually in arrears commencing on the date which is one (1) year from the date of issue of the ICULS ("Issue Date") and thereafter at yearly intervals until the maturity date of the ICULS.
Maturity date	:	Five (5) years from the Issue Date.
Conversion period	:	From the beginning of the 2 nd year to the end of the 5 th year, during which the ICULS are to be converted into ordinary shares of RM1.00 each. At the end of the 5 th year, the ICULS shall be automatically converted into new Mithril Shares of RM1.00 each.
Conversion price	:	RM1.00 nominal amount of ICULS is convertible into one (1) new Mithril Share of RM1.00 at par.
Ranking of the new shares	:	The new Mithril Shares to be issued pursuant to the conversion of the ICULS will upon issue and allotment, rank <i>pari passu</i> in all respects with the then existing Mithril Shares including rights to dividends, rights, allotments or other distributions except that the new shares so allotted shall not be entitled to any dividends, rights, allotment or other distributions declared, made or paid to shareholders, the Entitlement Date for which is before the date of allotment of the new shares.
Governing Law	:	The Trust Deed and the ICULS is governed and construed in accordance with the laws of Malaysia and the holders of the ICULS and the relevant parties mentioned in the trust deed dated 16 February 2004 will be subject to the exclusive jurisdiction of the Courts of Malaysia.
Trust Deed	:	The ICULS is constituted by a trust deed executed by Mithril and AmTrustee Berhad dated 16 February 2004. The Trustee acts for the benefit of the holders of the ICULS.
Listing Status	:	The ICULS will be listed on MSEB.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

3.7.4 Events of Default of the RCSLS and ICULS as extracted from the Trust Deed dated 16 February 2004**RCSLS**

The events of default of the RCSLS, include, inter-alia, the following:

- (i) The Trustee may, and, if so directed by Special Resolution of the RCSLS holders, shall (subject to its rights under the Trust Deed to be indemnified), declare (by giving written notice to the Issuer) that the RCSLS are immediately due and repayable, and the principal sum of the RCSLS will thereupon become due and repayable, together with accrued coupon (at the Coupon Rate or Default Coupon Rate, as the case may be) up to the date of full settlement and all other monies payable under the Trust Deed, if any of the following Events of Default shall occur:
 - (a) the issuer or security party repudiates the security documents or the issuer or security party does or causes to be done any act or thing evidencing an intention to repudiate the issue documents;
 - (b) the issuer and/or its subsidiaries and/or the security party suspend or threaten to suspend a substantial part of their present business operations which the issuer and/or its subsidiaries and/or the security party now conduct directly or indirectly, and the result of this will, materially and adversely affect the financial condition or the ability of the issuer and/or its subsidiaries and/or the security party to observe or perform any of its obligations under the issue documents;
 - (c) a judgment is obtained against the issuer and/or its subsidiaries, such event has or could materially affect the issuer's ability to perform its obligations under the Trust Deed or the issuer and/or its subsidiaries shall fail to satisfy any judgment passed against the issuer and/or its subsidiaries by any court of competent jurisdiction which would materially affect the issuer's ability to perform its obligations under the Trust Deed, and no appeal against such judgment is pending in any appropriate appellate court;
 - (d) any loan debt guarantee or other obligation whatsoever constituting indebtedness of the issuer and/or its subsidiaries and/or the security party become due and if such indebtedness shall not be paid when due, or is capable of being declared due prior to its scheduled maturity (by demand acceleration or otherwise) or any guarantee of the issuer and/or its subsidiaries and/or the security party is not discharged at maturity or when called; or
 - (e) default being made in the payment of the principal or coupon in respect of any of the RCSLS in accordance with the Trust Deed or default by any security party of any obligations under the Security Documents and such default continuing for a period of fourteen (14) days.

Please refer to the Trust Deed which is available for inspection at the registered office of Mithril for further details on the events of default.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

ICULS

The events of default of the ICULS, include, inter-alia, the following:

- (i) The Trustee may, and, if so directed by Special Resolution of the ICULS holders, shall (subject to its rights under the Trust Deed to be indemnified), declare (by giving written notice to the Issuer) that the ICULS are immediately due and repayable, and the principal sum of the ICULS will thereupon become due and repayable, together with accrued coupon (at the Coupon Rate and Default Coupon Rate, as the case may be) up to the date of full settlement and all other monies payable under the Trust Deed, if any of the following Events of Default shall occur:
 - (a) the issuer repudiates the issue documents or the issuer does or causes to be done any act or thing evidencing an intention to repudiate the issue documents;
 - (b) the issuer and/or its subsidiaries suspend or threaten to suspend a substantial part of their present business operations which the issuer and/or its subsidiaries now conduct directly or indirectly, and the result of this will, materially and adversely affect the financial condition or the ability of the issuer and/or its subsidiaries to observe or perform any of its obligations under the issue documents;
 - (c) a judgment is obtained against the issuer and/or its subsidiaries, such event has or could materially affect the issuer's ability to perform its obligations under the Trust Deed or the issuer and/or its subsidiaries shall fail to satisfy any judgment passed against the issuer and/or its subsidiaries by any court of competent jurisdiction which would materially affect the issuer's ability to perform its obligations under the Trust Deed, and no appeal against such judgment is pending in any appropriate appellate court;
 - (d) any loan debt guarantee or other obligation whatsoever constituting indebtedness of the issuer and/or its subsidiaries and/or the security party become due and if such indebtedness shall not be paid when due, or is capable of being declared due prior to its scheduled maturity (by demand acceleration or otherwise) or any guarantee of the issuer and/or its subsidiaries and/or the security party is not discharged at maturity or when called; or
 - (e) default being made in the payment of the principal or coupon in respect of any of the ICULS in accordance with the Trust Deed or default by any security party of any obligations under the Security Documents and such default continuing for a period of fourteen (14) days.

Please refer to the Trust Deed which is available for inspection at the registered office of Mithril for further details on the events of default.

3. PARTICULARS OF RIGHTS ISSUE, THE RCULS ISSUE AND THE ICULS ISSUE (Cont'd)

3.7.5 Salient Features of the RCULS and ICCPSRCULS

Issue size	:	RM30,500,000 nominal amount
Issue Price	:	Nominal value of RM1.00
Tenure	:	5 years
Coupon rate	:	1% per annum payable annually in arrears and thereafter at yearly intervals until the maturity date of the RCULS
Redemption and redemption period	:	The RCULS will be redeemable at Mithril's sole option from the beginning of the 2 nd year to the end of the 5 th year, otherwise at the end of the 5 th year, the RCULS will be converted into new Mithril Shares at RM1.00 each
Conversion period	:	From the date of issuance to the end of the 5 th year, during which the RCULS are convertible into Mithril Shares
Conversion price	:	RM1.00 nominal amount of RCULS is convertible into one (1) new Mithril Share
Ranking of the new shares	:	The new Mithril Shares to be issued pursuant to the conversion of the RCULS will upon issue and allotment, rank pari passu in all respects with the then existing Mithril Shares including rights to dividends, rights, allotments or other distributions except that the new shares so allotted shall not be entitled to any dividends, rights, allotment or other distributions declared, made or paid to shareholders, the <i>Entitlement Date</i> for which is before the date of allotment of the new shares.
Trust Deed	:	The RCULS is constituted by a trust deed executed by Mithril and AmTrustee Berhad dated 25 February 2004. The Trustee acts for the benefit of the holders of the RCULS.
Listing Status	:	The RCULS will not be listed on MSEB.
Rating	:	Not required

3. PARTICULARS OF RIGHTS ISSUE, THE RCCLS ISSUE AND THE ICULS ISSUE (Cont'd)ICCPS

Par value	:	RM1.00 each
Issue price	:	RM3.36 each
Total No. of ICCPS	:	Up to 36,337,457
Tenure	:	The tenure of the ICCPS shall be for a period of five (5) years from and inclusive of the date of issue and shall mature upon the expiry of the five (5) year period
Maturity Date	:	Five (5) years from the date of the issue of the ICCPS
Redemption	:	The ICCPS is not redeemable. All outstanding ICCPS will be automatically converted into new Mithril Shares on the Maturity Date
Dividend	:	4% on par value of RM1.00 per annum payable annually in arrears and thereafter at yearly intervals until the maturity date of the ICCPS
Conversion period	:	Convertible any time after the date of issue of the ICCPS until the expiry of the tenure of the ICCPS
Conversion ratio	:	One (1) ICCPS is convertible into one (1) new Mithril Share.
Ranking of the new shares	:	The new Mithril Shares to be issued pursuant to the conversion of the ICCPS will upon issue and allotment, rank <i>pari passu</i> in all respects with the then existing Mithril Shares including rights to dividends, rights, allotments or other distributions except that the new shares so allotted shall not be entitled to any dividends, rights, allotment or other distributions declared, made or paid to shareholders, the <i>Entitlement Date</i> for which is before the date of allotment of the new shares.
Listing Status	:	The ICCPS will not be listed on MSEB.
Ranking	:	The ICCPS will rank in priority to the Mithril Shares in respect of return of capital on liquidation or otherwise for the par value of the ICCPS plus any arrears in dividends, whether declared or not, provided that there shall be no further right to participate in the surplus assets or profits of Mithril

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

- Voting rights : The holders of the ICCPS shall have the right as regards to receiving notice, reports and balance sheets, and attending general meetings of Mithril. The holders of ICCPS shall also have the rights to vote at any meeting convened for the purpose of reducing the capital, or winding up or sanctioning a sale of undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges
- Rating : Not required

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3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

3.8 Underwriting Commission and Brokerage

The Underwriters for the Rights Issue, the RCSLS Issue and the ICULS Issue are set out in Section 1 of this Prospectus.

3.8.1 Underwriting Commission

Conditional underwriting agreements were entered into between the Company and Avenue Securities Sdn Bhd on 16 February 2004 to underwrite the 15,816,080 shares of the Rights Issue and between the Company and MIDF Sisma Securities Sdn Bhd on 16 February 2004 to underwrite the RM59,000,000 nominal value of RCSLS and RM60,700,000 nominal value of ICULS which are available for application by the Malaysian citizens, companies co-operatives, societies and institutions.

The underwriting commission is payable by the Company at the rate of 2.5% of the issue price of RM1.00 for each of the Rights Shares and nominal value of RCSLS and ICULS underwritten.

3.8.2 Brokerage

Brokerage relating to the RCSLS Issue and the ICULS Issue will be borne by the Company at the rate of 1.0% of the issue price of RM1.00 per RCSLS/ICULS in respect of successful applications bearing the stamp of either PMBB, ADAs which are member companies of the MSEB, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

3.9 Details of the Underwriting Agreements**3.9.1 Rights Issue**

An Underwriting Agreement was entered into between the Company and Avenue Securities Sdn Bhd ("Underwriter") on 16 February 2004 to underwrite the 15,816,080 Rights Shares which are available for application. The salient terms of the Underwriting Agreement are as follows:

- (i) The obligation of the Underwriter under the Underwriting Agreement is conditional upon:
 - (a) the SC having approved the Prospectus and MSEB having approved-in-principle on or prior to the Closing Date (means the date adopted in the Prospectus as the last date for acceptance and receipt of application for the Rights Shares or on any later date or dates as the Directors of the Company and the underwriter may mutually agree upon) to the listing of and quotation for all the Rights Shares (and if such approvals are conditional, all conditions being in terms acceptable to the Underwriter and, where applicable, complied with by the Company) to the satisfaction of the underwriter, the adviser and/or its advisers;
 - (b) there has not been on or prior to the Closing Date, any adverse change or any development reasonably likely to involve a prospective material adverse change in the condition of the Company or its subsidiaries (financial or otherwise), from that set out in the Prospectus which is material in the context of the offering of the Rights Shares nor the occurrence of any event rendering untrue or incorrect to an extent which is material any representations or warranties contained in Clause 10 as though they had been given or made on such date;

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

- (c) the delivery to the CCM of the Prospectus for lodgment in accordance with the requirement of Section 43 of the Act together with copies of all documents required by that section and/or the Act within sixty (60) days from the date of the Underwriting Agreement;
- (d) the registration with the SC of the Prospectus and accompanying documents as required by the SC Act on or before their issue, circulation or distribution to the ordinary shareholders who have been duly registered in the Company's register of members and/or whose name appear in the record of depositors as at the Entitlement Date and issuance by the SC the relevant certificate of registration;
- (e) the Fund Raising including the Rights Issue in accordance with the provisions of the Underwriting Agreement is not prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including MSEB);
- (f) the Rights Issue, the RCSLS Issue and the ICULS Issue have been approved by the SC, MSEB and any other relevant authority or authorities;
- (g) the composite index of MSEB not falling below the benchmark of 500 points on or prior to the Closing Date; and
- (h) The execution of the underwriting agreements for the RCSLS Issue and the ICULS Issue.

If any of the foregoing conditions are not satisfied on or before the Closing Date, the Underwriter will be entitled to terminate the Underwriting Agreement by notice in writing to the Company, and in that event, the Underwriter to the Underwriting Agreement will be released and discharged from its obligations save for cost and expenses as set out in Clause 16.3 of the Underwriting Agreement incurred by the Underwriter which shall be recoverable from the Company and cease performance of its obligations under the Underwriting Agreement.

- (ii) Pursuant to Clause 11 of the Underwriting Agreement, upon the occurrence of any of the following events coming to the notice of the Underwriter prior to the Closing Date, the Underwriter will be entitled to elect to treat such breach, failure or change as releasing or discharging them from their obligations under the Underwriting Agreement, by giving notice in writing in the manner set out in Clause 14 to the Company:
 - (a) any breach of the representations ,warranties or undertakings in Clause 10 of the Underwriting Agreement by the Company which, if capable of being remedied, is not remedied by the earlier of the date falling ten (10) market days after notice of such breach is given by the Underwriter to the Company or the Closing Date;
 - (b) any failure by the Company to perform any of its obligations or to comply with any of the provisions in the Underwriting Agreement which, if capable of being remedied, is not remedied by the earlier of the date falling ten (10) market days after notice of such breach is given by the Underwriter to the Company or the Closing Date; and

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

- (c) any change rendering any of the representations, warranties and undertakings in Clause 10 of the Underwriting Agreement false, misleading or otherwise inaccurate.
- (iii) Pursuant to Clause 14 of the Underwriting Agreement, notwithstanding anything therein contained, the Underwriter may at any time terminate and cancel and withdraw its commitment to underwrite the Rights Shares and withdraw remittance of the payments to be made pursuant to Clause 6 of the Underwriting Agreement deliver a notice in writing to the Company on occurrence of all or any of the following matters on or before the Closing Date if:
- (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 10 of the Underwriting Agreement or which is contained in any statement or notice provided under or in connection with the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company;
- (b) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement;
- (c) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Rights Issue, or the distribution or sale of the Rights Shares;
- (d) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group;
- (e) there shall have occurred, or happened any of the following circumstances:
- (aa) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
- (bb) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which in the opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Rights Issue, the RCSLS Issue and the ICULS Issue, or the application, distribution, sale or payment of the Rights Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms, or which would prohibit or impede the obligations of the Underwriter under the Underwriting Agreement.

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

3.9.2 RCSLS Issue and ICULS Issue

Two (2) separate Underwriting Agreements were entered into between the Company and MIDF Sisma Securities Sdn Bhd ("Underwriter") on 16 February 2004 to underwrite RM59,000,000 nominal amount of RCSLS and RM60,700,000 nominal amount of ICULS which are available for application respectively. The salient terms of the Underwriting Agreements (which are identical) are as follows:

- (i) The obligation of the Underwriter under the Underwriting Agreement(s) are conditional upon:
 - (a) the SC having approved the Prospectus and MASEB having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the RCSLS/ICULS (and if such approvals are conditional, all conditions being in terms acceptable to the Underwriter and, where applicable, complied with by the Company) to the satisfaction of the Underwriter, the Adviser and/or its advisers;
 - (b) there has not been on or prior to the Closing Date, any adverse change or any development reasonably likely to involve a prospective material adverse change in the condition of the Company or its subsidiaries (financial or otherwise), from that set out in the Draft Prospectus which is material in the context of the offering of the RCSLS/ICULS nor the occurrence of any event rendering untrue or incorrect to an extent which is material any representations or warranties contained in Clause 10 as though they had been given or made on such date;
 - (c) the delivery to the CCM of the Prospectus for lodgment in accordance with the requirement of Section 43 of the SC Act together with copies of all documents required by that section and / or the SC Act within sixty (60) days from the date of the Underwriting Agreement(s);
 - (d) the registration with the SC of the Prospectus and accompanying documents as required by the SC Act on or before their issue, circulation or distribution and issuance by the SC the relevant certificate of registration;
 - (e) the Fund Raising including the RCSLS Issue/ICULS Issue in accordance with the provisions of the Underwriting Agreement(s) is not prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including MASEB);

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

- (f) the Fund Raising, including the RCSLS Issue/ICULS Issue have been approved by the SC, MSEB and any other relevant authority or authorities;
- (g) the composite index of MSEB not falling below the benchmark of 500 points for at least five (5) consecutive Market Days on or prior to the Closing Date; and
- (h) the execution of the Underwriting Agreements for the Rights Issue and the RCSLS Issue/ICULS Issue.

If any of the foregoing conditions are not satisfied on or before the Closing Date, the Underwriter will be entitled to terminate the Underwriting Agreement(s) by notice in writing to the Company, and in that event, the Underwriter to the Underwriting Agreement(s) will be released and discharged from its obligations save for cost and expenses as set out in Clause 16.3 of the Underwriting Agreement(s) incurred by the Underwriter which shall be recoverable from the Company and cease performance of its obligations under the Underwriting Agreement(s).

- (ii) Pursuant to Clause 11 of the Underwriting Agreement(s), upon the occurrence of any of the following events coming to the notice of the Underwriter prior to the Closing Date, the Underwriter will be entitled to elect to treat such breach, failure or change as releasing or discharging them from their obligations under the Underwriting Agreement(s), by giving notice in writing in the manner set out in Clause 14 to the Company:
 - (a) any breach of the representations ,warranties or undertakings in Clause 10 of the Underwriting Agreement(s) by the Company which, if capable of being remedied, is not remedied by the earlier of the date falling ten (10) market days after notice of such breach is given by the Underwriter to the Company or the Closing Date;
 - (b) any failure by the Company to perform any of its obligations or to comply with any of the provisions in the Underwriting Agreement(s) which, if capable of being remedied, is not remedied by the earlier of the date falling ten (10) market days after notice of such breach is given by the Underwriter to the Company or the Closing Date; and
 - (c) any change rendering any of the representations, warranties and undertakings in Clause 10 of the Underwriting Agreement false, misleading or otherwise inaccurate.
- (iii) Pursuant to Clause 14 of the Underwriting Agreement(s), notwithstanding anything therein contained, the Underwriter may at any time terminate and cancel and withdraw its commitment to underwrite the RCSLS Issue/ICULS Issue and withdraw remittance of the payments to be made pursuant to Clause 6 of the Underwriting Agreement(s) deliver a notice in writing to the Company on occurrence of all or any of the following matters on or before the Closing Date if:
 - (a) there is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 10 of the Underwriting Agreement(s) or which is contained in any statement or notice provided under or in connection with the Underwriting Agreement(s), which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company;

3. PARTICULARS OF RIGHTS ISSUE, THE RCSLS ISSUE AND THE ICULS ISSUE (Cont'd)

- (b) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement(s);
- (c) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement(s) which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the RCSLS Issue/ICULS Issue, or the distribution or sale of the RCSLS/ICULS;
- (d) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group;
- (e) there shall have occurred, or happened any of the following circumstances:
 - (aa) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
 - (bb) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which in the opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Rights Issue, the RCSLS Issue and the ICULS Issue, or the application, distribution, sale or payment of the RCSLS/ICULS, or which has or is likely to have the effect of making any material part of the Underwriting Agreement(s) incapable of performance in accordance with its terms, or which would prohibit or impede the obligations of the Underwriter under the Underwriting Agreement(s).

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4. RISK FACTORS

Prior to making an investment decision, prospective investors should consider carefully the factors described below (which are not intended to be exhaustive) in addition to all other relevant information contained elsewhere in the Prospectus in evaluating the Company, its business, the Rights Issue, the RCSLS Issue and the ICULS Issue before making an application to purchase any of the Rights Shares, the RCSLS and the ICULS.

In evaluating an investment in the Rights Issue, the RCSLS Issue and the ICULS Issue, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks related to the following investment considerations:

(i) No Prior Market for Mithril Shares, the RCSLS and the ICULS

Prior to the listing of Mithril on the Second Board of the MSEB, there is no public market for Mithril Shares, the RCSLS and the ICULS. There can be no assurance that an active market for Mithril Shares, the RCSLS and the ICULS will develop upon its listing on the Second Board of MSEB or, if developed, that such market will be sustained.

The offer prices of RM1.00 per share and RM1.00 per nominal value of RCSLS and ICULS was entirely determined and agreed upon by Mithril, Tajo and PMBB. The said offer price have been determined after taking into consideration a number of factors but not limited to the Company's financial and operating history and condition, its prospects and the prospects for the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in businesses similar to that the Company and the prevailing market conditions.

There can be no assurance that the issue/offer price will correspond to the price at which the Mithril Shares, the RCSLS and the ICULS will be traded on the Second Board of MSEB upon or subsequent to its listing or that an active market for Mithril Shares, the RCSLS and the ICULS will develop and continue upon or subsequent to its listing.

(ii) Increase in Capital Base

Mithril has issued convertible securities and options which can be converted/exercised into new Mithril Shares. Upon conversion/exercise of the said securities/options, the capital base of Mithril would increase to a maximum of 287,111,737 Mithril Shares.

Depending on the earnings of Mithril Group at the point of conversion/exercise of such securities/options, there may be a potential dilution in the earnings per share in Mithril due to the resultant capital base.

Although the Directors of Mithril will endeavour to minimize the dilution in the earnings per share by increasing its earnings base in the future or by early redemption of the RCSLS, RCULS and ICCPS, no assurance can be given that such events would materialize.

(iii) Control by Substantial Shareholders

Upon completion of the Restructuring Exercise, MAAH Group will in aggregate hold 41,972,575 Mithril Shares representing approximately 54.10% of the enlarged issued and paid-up share capital of Mithril. MAAH Group as the new controlling shareholders may introduce new Directors who will effectively determine the future business direction of Mithril. In this regard, MAAH Group will be able to influence the outcome of matters requiring the vote of Mithril's shareholders, unless it is required to abstain from voting by law and/or the relevant authorities.

4. RISK FACTORS (Cont'd)

(iv) Delay in or Aborting of the Listing

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in or aborting of the listing:

- (a) The Company is unable to meet the public spread requirement i.e. at least 25% of the issued and paid-up share capital of Mithril must be held by a minimum number of 1,000 public shareholders holding not less than 100 Mithril Shares each at the point of listing;
- (b) The Company is unable to meet the public spread requirement i.e. at least 100 public holders for each of the Warrants B, RCSLS and ICULS at the point of listing; and
- (c) The Underwriters fail to honour their obligations to underwrite the 15,816,080 Rights Shares, the RM59,000,000 nominal value of RCSLS and/or RM60,700,000 nominal value of ICULS pursuant to the Underwriting Agreements.

(v) Business Risks

Upon completion of the Restructuring Exercise, Mithril will become the new listed entity. Mithril will be directly exposed to the risks inherent in the ordinary course of business relating to the commercial property sector in addition to those inherent in the manufacturing and construction industry. These include, inter-alia, demand for commercial properties, interest rates and supply of new commercial properties coming online.

Tajo Group is principally involved in investment holding and the manufacturing and trading of bricks, while Saferay is involved in the manufacturing sector. Therefore, Mithril Group will be subjected to business risks inherent within the manufacturing industry, details of which may not be exhaustive are as follows:-

(a) Long Term Contract

The nature of demand of PU mouldings is such that demand for designs changes with time, like every year, although the products are essentially the same. This factor alone eliminates the possibility of long term contracts between Saferay and its customers. Notwithstanding, Saferay does have regular supply orders from its customers in Europe, North America and Asia-Pacific and to date, all its distributors remain loyal customers of the company.

(b) Availability of Resources

The main raw material for the production of PU mouldings is Iso and Polyol. Saferay's entire demand for PU is satisfied locally with its principal suppliers being reputable companies such as DowChemical and Bayer. All these suppliers have been supplying to the company regularly for more than 5 years.

Other main raw materials for the production and sale of mouldings are paint and corrugated cartons. Saferay sources its paints from Meridian Paint Sdn Bhd and Ta Chia Chemical Sdn Bhd and its corrugated cartons from Golden Frontier Packaging Sdn Bhd, Multi Flute Packaging Sdn Bhd and GH Packaging Sdn Bhd. All these suppliers have been dealing with Saferay for more than 3 years.

The availability of multiple suppliers for all of Saferay's main raw material enables Saferay to avoid being over reliant on any one supplier, hence mitigating the risk of supply interruptions and shortages.

4. RISK FACTORS (Cont'd)

(c) Economic consideration

Historically, Saferay has concentrated on the export markets, in particular, the US and Europe. Hence, the demands for its products will be subjected to the vagaries of the economies of these regions.

Mithril will also be exposed to risks inherent in the commercial property sub-sector via the two (2) Menara MAA buildings, namely MAAKK 1 and MAA Kuching. These buildings will face competition from the various competitors involved in the commercial property sub-sector. In addition, the commercial property sub-sector is generally cyclical in nature due to the heavy dependence on the general performance of the economy, thus it can be considered to be vulnerable in times of economic downturn, to the extent of drops in occupancy due to the over supply of office space caused by cut back. However, the risk associated with the reduction in rental income is mitigated by the lease agreement to be entered into between Mithril, Tajo and MAA pursuant to the sale and purchase agreement dated 7 June 2002 and the supplementary agreement dated 9 August 2002 whereby MAA has agreed to enter into a fixed lease term for a fixed period of five (5) years with an option exercisable by MAA to extend the lease in respect of all or part of the buildings for a further five (5) years.

Although, Mithril seeks to limit these risks by, inter-alia, increasing the efficiency of operations, diversifying the pool of suppliers, expanding the business through increasing its range of products and customers for both local and export market, no assurance can be given that any change to these factors will not have a materially adverse effect on the Group's performance.

(vi) Competition

Although the Mithril Group seeks to maintain and improve its competitiveness through research and development ("R&D"), optimization of its manufacturing efficiencies, providing quality products and services, products diversification and adopting a product differentiation strategy, there is no assurance that Mithril Group will not be affected by other new or current manufactures and traders within the same industry, both domestic and foreign.

The Directors believe that Mithril will be able to maintain and improve its market position due to its ability in meeting the requirement of the market with consistent product quality, good customer services as well as competitive pricing of its products.

(vii) Dependence on Key Personnel

The Mithril Group's performance is largely dependent on the talents and efforts of highly skilled individuals. The Mithril Group's continued ability to compete effectively in its businesses depends on its ability to attract new employees and to retain and motivate its existing employees. The Mithril Group devotes considerable resources to recruiting, training and compensating such individuals. Individuals employed by the Mithril Group may, however, choose to leave the Mithril Group at any time to pursue other opportunities. The Mithril Group has attempted to reduce this possibility by creating incentives for employees to remain with the Mithril Group, which includes the ESOS to Mithril Group employees.

(viii) Political, Economic, Regulatory and Environmental Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia where the Mithril Group operates could materially and adversely affect the financial prospects of the Mithril Group and the market value and liquidity of Mithril Shares. Political and economic uncertainties include, but are not limited to, changes in both monetary and fiscal policies, risks of wars, expropriation, nationalization, renegotiation or nullification of existing contracts and methods of taxation and currency exchange controls. There can be no assurance that such adverse political and economic factors will not materially affect the Mithril Group.

4. RISK FACTORS (Cont'd)

In the past several years, Malaysia and other emerging market countries have experienced severe economic and financial disruptions, including significant devaluation of their currencies and low or negative growth rates in their economies. The possible effects of these conditions include an adverse impact on the Mithril Group's businesses and increased volatility in financial markets generally. Moreover, economic or market problems in a single country or region are increasingly affecting other markets generally. A continuation of these situations could adversely affect the global economic conditions and world markets and, in turn, could cause a chain reaction effect and thus adversely affect the Mithril Group's businesses.

(ix) Consolidated Profit Forecast

The consolidated profit forecast of the Mithril Group as set out in this Prospectus is based on the assumptions which the Directors of Mithril believes to be reasonable. However, these assumptions are subject to uncertainties and contingencies. There can be no assurance that the consolidated profit forecast contained herein will indeed be realized and actual results may be materially different from those stated herein. Investors are deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast contained herein.

(x) Forward-looking Statements

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and other statements which are forward-looking in nature and are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Directors of Mithril, and although believed to be reasonable by the Directors of Mithril, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting Mithril Group and the industry and other uncertainties.

(xi) Insurance Cover

Although the Mithril Group has taken necessary measures to ensure that all its assets and operations are adequately covered by insurance, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential costs arising therefrom.

(xii) Operational Risks

The Group faces certain operational risks which includes but not limited to fire outbreaks, disruption of electricity and water supply, which would affect the Group's business operations.

The Group has taken precautionary steps to minimize the occurrence of such risks through installation of fire extinguishers and sprinkle system. The employees are also trained on the use of the fire fighting equipment as well as basic fire fighting techniques and regular fire drills are being conducted. In addition, the Group has purchased fire insurance coverage on its property, plant and equipment.

The Group's production process is highly automated and thus is dependent on the consistent supply of electricity for its smooth operations. In this respect, the Mithril Group seeks to limit the risk by maintaining one (1) month supply of finished goods and trading merchandise for contingency purposes. The Group also plans to install a back-up generator in the existing factories of Saferay as well as Tajo.

Although the Board has taken reasonable steps to mitigate the operational risks as described above, there can be no assurance that the above measures taken will be adequate in the event of an emergency and that it will not have a material adverse effect on the Group's business.

4. RISK FACTORS (Cont'd)

(xiii) Foreign Market Risk and Foreign Currency Fluctuation Risk

The Mithril Group via its wholly-owned subsidiaries, namely Saferay and Tajo are exporting its products and importing its raw materials. By virtue of its business reach in the overseas markets, the Group is exposed to certain foreign markets risks which include but not limited to the adverse changes in political climate and economic conditions, risk of war and unfavourable changes in the foreign governments' policies towards foreign products. The Group strives to diversify its overseas customer base and reduce its dependency in a single market segment through customer-oriented marketing strategy and exploration into niche market segments.

The Group is also exposed to foreign exchange risk of which the most commonly used currency in the Group's business is the US Dollar. However, on 1 September 1998, the Malaysian Government had introduced exchange measures, which, inter-alia, pegged the Ringgit Malaysia to the US Dollar at RM3.80 to USD1.00. The fixing of the exchange rate at RM3.80 to USD1.00 has curbed speculation and minimized foreign exchange risk. However, the Government has yet to state the permanency or the time of lifting of such control and there can be no assurance that the exchange rate peg will remain or that future foreign exchange fluctuations will not adversely affect the Mithril Group.

(xiv) Covenants on Borrowings

Pursuant to the Restructuring Exercise, Mithril has/will issue RCSLS, ICULS and RCULS totaling RM150.2 million. The various documents relating to the issuance of the RCSLS, ICULS and RCULS and the securities in relation thereto contain, inter-alia, covenants that may limit Mithril Group's future operating and financing flexibility. Certain plans may be restricted or require the consent of the relevant investors. A breach of any of the covenants may result in the termination and/or enforcement of securities granted for the relevant securities issued. The Directors of Mithril are aware of such covenants and shall take all necessary precautions to prevent any breach of its agreements with the investors.

(xv) Dependence on Major Customers of Saferay

The top three (3) customers of Saferay as at 30 September 2003 (being the latest available audited financial statements of Saferay) contributed more than 10% individually and 61.5% collectively of the total turnover for the period. Hence, no assurance can be given that the loss of any one or more of these customers would not adversely impact on the operating and financial performance of Saferay.

However, Saferay has developed long term business relationship with such customers as evidenced that 76.1% of Saferay's top ten customers have been with Saferay for five or more years. The continuous orders from these customers through the years is also a testimony of the strong working relationship committed for mutual business support.

In addition, the nature of the industry is such that it involves high vendor switching costs and requires a long gestation period of acceptance. Since customers normally requires a lengthy time to carry out operational and quality audit of a mould and PU manufacturers' production capacities and facilities, and the ensuing evaluation of the quality moulds and PU products manufactured, consequently, it is usual that customers would foster long term business relationships with the PU product manufacturers. Hence, the Directors of Mithril/ Saferay believe that by fostering a long term relationship with its customers, the risks of losing its customers is mitigated to a certain extent.

Safery's risk is also mitigated to a certain extent by the existence of binding distribution contracts with few of its major customers. To reduce the dependency on a small number of customers, Saferay is always on the look out for new customers and markets in the Europe, US and Asia Pacific region to diversify its customers' base.