

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your shares in Media Chinese International Limited, you should at once hand this circular and the accompanying Form of Proxy to the purchaser(s) or transferee(s), or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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MEDIA CHINESE INTERNATIONAL LIMITED

世界華文媒體有限公司

(Incorporated in Bermuda with limited liability)

(Malaysia Company No. 995098-A)

(Hong Kong Stock Code: 685, Malaysia Stock Code: 5090)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PROPOSED CAPITAL REDUCTION PROPOSED DIVIDEND

AND

NOTICE OF SPECIAL GENERAL MEETING

Adviser (Malaysia)



Maybank Investment Bank Berhad (15938-+I)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

A notice convening the Special General Meeting (“SGM”) of Media Chinese International Limited (“Company”) to be held at (i) Sin Chew Media Corporation Berhad, Cultural Hall, No. 19, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia; and (ii) 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong on Friday, 19 October 2012 at 10:00 a.m. is enclosed together with the Form of Proxy in this circular.

The Form of Proxy should be lodged at (i) the Malaysia share registrar office of the Company at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia; or (ii) the Hong Kong head office and principal place of business at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong, as soon as possible and in any event not less than forty-eight (48) hours before the time stipulated for holding the SGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 17 October 2012 at 10:00 a.m.
Date and time of the SGM : Friday, 19 October 2012 at 10:00 a.m.

This circular is dated 25 September 2012

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Bursa Securities”	Bursa Malaysia Securities Berhad (Malaysia Company No. 635998-W)
“Companies Act”	the Companies Act 1981 of Bermuda as amended, supplemented or modified from time to time
“Company”	Media Chinese International Limited (Malaysia Company No. 995098-A), a company incorporated in Bermuda with limited liability and the Shares of which are dual listed on Bursa Securities and the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules and in the case of Bursa Securities, has the meaning ascribed to the expression “person connected” under Paragraph 1.01 of the Listing Requirements
“Director(s)”	director(s) of the Company
“Effective Date”	the effective date of the Proposed Capital Reduction, being the date of the passing of the special resolution by the Shareholders approving the Proposed Capital Reduction
“Entitled Shareholder(s)”	Shareholder(s) whose names appear on the Company’s register of members and/or record of depositors on the Entitlement Date
“Entitlement Date”	a date to be determined by the Board and announced later, on which Shareholders must be registered on the Company’s register of members and/or record of depositors in order to be entitled to the Proposed Dividend
“EPS”	Earnings per Share
“FYE”	Financial year ended
“Group”	the Company and its subsidiaries, collectively
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Listing Requirements”	Main Market Listing Requirements of Bursa Securities
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“LPD”	30 August 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Maybank IB”	Maybank Investment Bank Berhad (Malaysia Company No. 15938-H)
“PAT”	Profit after tax
“Proposals”	Proposed Capital Reduction and Proposed Dividend, collectively
“Proposed Capital Reduction”	(i) the cancellation of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) standing to the credit of the Company’s share premium account; and (ii) the transfer of the credit arising from the cancellation of the share premium account of the Company to the contributed surplus account of the Company
“Proposed Dividend”	the proposed distribution of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) or USD0.13 (equivalent to RM0.41 or HKD1.01) per Share to the Shareholders as per the announcement dated 16 July 2012
“SGM”	the special general meeting of the Company in Hong Kong and the extraordinary general meeting of the Company in Malaysia
“Share(s)”	the ordinary share(s) of HKD0.10 each in the capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the case of Bursa Securities, has the meaning ascribed to it under Paragraph 1.01 of the Listing Requirements
“HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong

DEFINITIONS

“RM”	Ringgit Malaysia and sen, the lawful currency of Malaysia
“USD”	United States dollar(s), the lawful currency of the United States of America

Exchange Rates (as per the announcement dated 16 July 2012)

<i>USD: HKD</i>	<i>1: 7.7551</i>
<i>RM: HKD</i>	<i>1: 2.4349</i>
<i>RM: USD</i>	<i>1: 3.1850</i>



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(Incorporated in Bermuda with limited liability)

(Malaysia Company No. 995098-A)

(Hong Kong Stock Code: 685, Malaysia Stock Code: 5090)

Board of Directors:

Executive Directors:

Tan Sri Datuk Sir Tiong Hiew King

(Group Executive Chairman)

Dato' Sri Dr Tiong Ik King

Mr Tiong Kiew Chiong

(Group Chief Executive Officer)

Mr Ng Chek Yong

Ms Siew Nyoke Chow

Non-executive Director:

Mr Leong Chew Meng

Independent Non-executive Directors:

Mr David Yu Hon To

Tan Sri Dato' Lau Yin Pin

Temenggong Datuk Kenneth Kanyan

Anak Temenggong Koh

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Registered Office in Malaysia:

Level 8, Symphony House, Block D13

Pusat Dagangan Dana 1, Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Head Office and Principal Place of Business:

No. 19, Jalan Semangat

46200 Petaling Jaya

Selangor Darul Ehsan

Malaysia

15th Floor, Block A

Ming Pao Industrial Centre

18 Ka Yip Street

Chai Wan

Hong Kong

25 September 2012

To: The Shareholders

Dear Sir or Madam,

**PROPOSED CAPITAL REDUCTION
PROPOSED DIVIDEND**

1. INTRODUCTION

On 16 July 2012, the Board announced that the Company proposed to make a distribution to the Shareholders of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million).

LETTER FROM THE BOARD

The purpose of this circular is to provide you with details of the Proposals and to seek your approval of the resolutions pertaining to the Proposals at the forthcoming SGM. The notice of SGM and the Form of Proxy are enclosed in this circular.

You are advised to read and consider carefully the contents of this circular before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming SGM.

2. DETAILS OF THE PROPOSALS

The Company is proposing to make a distribution to the Shareholders of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) or USD0.13 (equivalent to RM0.41 or HKD1.01) per Share. To facilitate the Proposed Dividend, the Company is proposing to implement the Proposed Capital Reduction which involves the following:

- (a) the cancellation of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) standing to the credit of the Company's share premium account; and
- (b) the credit arising from the cancellation of the share premium account of the Company will be transferred to the contributed surplus account of the Company.

The credit transferred to the contributed surplus account of the Company will be applied towards the Proposed Dividend. The contributed surplus account is a distributable reserve under the Companies Act and a company may make a distribution out of the contributed surplus, unless there are reasonable grounds for believing that:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than its liabilities.

As at 31 March 2012, the audited amount standing to the credit of the share premium account of the Company was USD280.82 million (equivalent to RM894.86 million or HKD2,181.94 million). The Company has a balance of USD25.79 million (equivalent to RM79.03 million or HKD200.21 million) in the contributed surplus account as at 31 March 2012.

The Proposed Capital Reduction does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve the diminution of any liability in respect of unpaid share capital or the repayment to any Shareholder of any paid up share capital of the Company.

LETTER FROM THE BOARD

The Proposed Dividend entails a distribution of USD0.13 (equivalent to RM0.41 or HKD1.01) per Share to the Entitled Shareholders. The Proposed Dividend will be financed as follows:

Mode of financing	Amount <i>(USD million)</i>
Internal funds	62.79 ⁽¹⁾
New bank borrowings	<u>156.99⁽²⁾</u>
Total	<u>219.78</u>

Notes:

⁽¹⁾ Equivalent to approximately RM200.00 million or HKD486.98 million.

⁽²⁾ Equivalent to approximately RM500.00 million or HKD1,217.43 million.

As at the LPD, the Company has received offer letters in relation to the new bank borrowings from financial institutions. However, the terms and conditions are currently being negotiated. For the purpose of this circular, the interest expense to be incurred on the new bank borrowings is approximately USD7.85 million per annum, assuming an interest rate of 5% per annum.

3. CONDITIONS

The Proposals are conditional upon the following:

- (a) the passing of a special resolution approving the Proposed Capital Reduction by the Shareholders at the forthcoming SGM;
- (b) the passing of an ordinary resolution approving the Proposed Dividend by the Shareholders at the forthcoming SGM;
- (c) the compliance by the Company with the requirements of Section 46(2) of the Companies Act, namely:
 - (i) the publication of a notice of the Proposed Capital Reduction in an appointed newspaper in Bermuda on a date no more than thirty (30) days and not less than fifteen (15) days before the Effective Date stating:
 - (a) the amount of the share capital as last determined by the Company;
 - (b) the amount to which the share capital is to be reduced; and
 - (c) the date on which the reduction is to take effect; and
 - (ii) the Directors being satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Effective Date will be unable to pay its liabilities as they become due. This is evident by the current

LETTER FROM THE BOARD

assets of the Group of USD271.18 million which is more than the Group's current liabilities of USD81.57 million based on the audited consolidated statement of financial position of the Company as at 31 March 2012;

- (d) the compliance by the Company with the requirements of the Listing Rules and the Listing Requirements to effect the Proposed Capital Reduction and/or the Proposed Dividend; and
- (e) approvals/consents of and/or filings with any other relevant authorities/persons, if required.

The Proposed Dividend is conditional upon the approval of the Proposed Capital Reduction. However, the Proposed Capital Reduction is not conditional upon the Proposed Dividend.

4. EFFECTIVE DATE OF THE PROPOSED CAPITAL REDUCTION

Subject to the above conditions being fulfilled, it is expected that the Proposed Capital Reduction will become effective on the date of the passing of the special resolution by the Shareholders approving the Proposed Capital Reduction. The Company has sought advice from the legal advisers to the Company as to Bermuda laws on the structure of the Proposed Capital Reduction and has been advised that the Proposed Capital Reduction will be in compliance with the laws of Bermuda subject to fulfilment of the conditions as set out in Section 3 above.

Subject to the conditions as set out in Section 3 above being satisfied, the proposed cancellation of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) standing to the credit of the share premium account of the Company will be in compliance with the laws of Bermuda.

5. RATIONALE FOR THE PROPOSALS

The Company believes in effective capital management and after taking into consideration the existing cash level, business prospects and capital commitments of the Group, the Company is embarking on an exercise to reward its Shareholders for their confidence, continued support and loyalty over the years and hence, the Proposed Dividend has been announced.

The Company's current capital structure is mainly funded by equity capital, with negligible gearing, and the Board believes that an efficient capital management system is best achieved by introducing an appropriate debt portion into the Company's capital base. In view of this, the Board intends to partly finance the Proposed Dividend via new bank borrowings, whilst at the same time, partially returning some equity capital to the Shareholders. In so doing, the Board believes that the Company would be able to enhance its capital structure and mix without causing any major impact to the Group's cashflow and earnings capability and moreover, the business fundamental of the Group as a going concern remains unchanged.

The Board also believes that the increase in gearing as a result of the Proposals is not expected to impede the Company's ability to embark on new business opportunities that are synergistic and earnings-accretive as and when such opportunity arises, given that as a public

LETTER FROM THE BOARD

listed company, the Company would be able to tap on both the equity and debt capital markets to fund its expansion plans, in addition to conventional borrowings. Furthermore, as illustrated in Section 6(ii) of this circular, the gross gearing and net gearing of the Group are still manageable at 0.84 times and 0.47 times respectively.

Under the laws of Bermuda, the amount standing to the credit of the contributed surplus account is a distributable reserve and the Company may utilise the amount in its contributed surplus account in any manner not prohibited by the Companies Act or its bye-laws, including but not limited to the making of a distribution to its Shareholders. As such, the Company will undertake the Proposed Capital Reduction in accordance with the requirements of the laws of Bermuda and its bye-laws to facilitate the Proposed Dividend.

6. EFFECTS OF THE PROPOSALS

(i) Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the share capital or the substantial shareholders' shareholdings in the Company.

LETTER FROM THE BOARD

(ii) Net assets per Share and gearing

Based on the audited consolidated statement of financial position of the Company as at 31 March 2012, the effects of the Proposals on the net assets per Share and gearing of the Group are as follows:

	Audited as at 31 March 2012 <i>(USD'000)</i>	After the Proposals <i>(USD'000)</i>
Share capital	21,715	21,715
Share premium	280,818	61,038 ⁽¹⁾
Other reserves	(72,679)	(72,679)
Retained earnings	183,710	183,010 ⁽²⁾
Total equity attributable to equity holders of the Company	413,564	193,084
No. of Shares in issue ('000)	1,687,241	1,687,240 ⁽³⁾
Net assets attributable to equity holders of the Company per Share (USD)	0.25	0.11
Net assets attributable to equity holders of the Company per Share (RM)	0.75	0.34
Total borrowings (USD'000)	5,285	162,270 ⁽⁴⁾
Total borrowings (RM'000)	16,196	516,196 ⁽⁴⁾
Gross gearing (times) ⁽⁵⁾	0.01	0.84
Net borrowings (USD'000)	—*	90,408 ⁽⁶⁾
Net borrowings (RM'000)	—*	303,540 ⁽⁷⁾
Net gearing (times)	—*	0.47 ⁽⁸⁾

Notes:

- * Not applicable as it is net cash position.
- ⁽¹⁾ The reduction is due to the cancellation of USD219.78 million standing to the credit of the Company's share premium account.
- ⁽²⁾ Inclusive of estimated expenses incidental to the Proposals of approximately USD0.70 million.
- ⁽³⁾ 1,000 Shares were purchased and cancelled by the Company at HKD3.80 each.
- ⁽⁴⁾ Including the new bank borrowings of approximately USD156.99 million (equivalent to approximately RM500.00 million) to partially finance the Proposed Dividend.
- ⁽⁵⁾ Gross gearing is defined as total borrowings over total equity attributable to equity holders of the Company.
- ⁽⁶⁾ Being total borrowings less net cash and cash equivalent of USD71.87 million (which was arrived at based on the cash and cash equivalent of USD134.66 million less USD62.79 million to be distributed pursuant to the Proposed Dividend using internal funds).

LETTER FROM THE BOARD

- (7) Being total borrowings less net cash and cash equivalent of RM212.66 million (which was arrived at based on the cash and cash equivalent of RM412.66 million less RM200.00 million to be distributed pursuant to the Proposed Dividend using internal funds).
- (8) Net gearing is defined as net borrowings over total equity attributable to equity holders of the Company.

The Company does not expect the new bank borrowings to burden the Group because based on the Group's audited net operational cashflow for the FYE 31 March 2012 of USD79.47 million, the Board believes that the Company has sufficient cashflow to service the interest expense associated with the new bank borrowings. Moreover, taking into consideration of the Group's audited cash and cash equivalent of USD134.66 million as at 31 March 2012, the new bank borrowings would result in a net gearing of 0.47 times which the Board believes to be manageable due to the Group's strong net operational cashflow and cash and cash equivalent position which should enable the Group to service its debts as and when they fall due.

(iii) Earnings and EPS

The Proposals are expected to affect the Group's earnings and EPS due to the loss of interest income of approximately USD1.51 million per annum⁽¹⁾ which would otherwise be derived from the monies proposed to be distributed as well as interest expense to be incurred on the new bank borrowings of approximately USD7.85 million per annum⁽²⁾. The Proposals are expected to have a positive impact on the Company's return on equity due to the reduction in the Group's total equity as a result of the Proposed Dividend. By increasing the debt portion in the Company's capital structure and at the same time returning part of the excess equity capital to the Shareholders, the return on equity will improve as the business, going forward, will be funded by a smaller amount of equity.

The PAT and EPS for the Group based on the audited consolidated financial statement for the FYE 31 March 2012 were USD63.21 million and USD3.75 cents respectively. Factoring the abovementioned loss of interest income and interest expense to be incurred, the adjusted PAT and EPS for the FYE 31 March 2012 would reduce by USD9.36 million and USD0.56 cents per annum to USD53.85 million and USD3.19 cents respectively, assuming the Proposals were implemented on 1 April 2011. Accordingly, the return on equity will increase by 12.61% from 15.28% to 27.89%⁽³⁾.

The estimated expenses incidental to the Proposals amount to approximately USD0.70 million.

Notes:

- (1) Based on the average effective interest rate on short term deposits of 2.4% per annum (taking into consideration both the Malaysian and Hong Kong financial markets) on USD62.79 million to be distributed pursuant to the Proposed Dividend using internal funds.
- (2) Based on an assumed interest rate of 5.0% per annum.
- (3) Based on adjusted PAT over the total equity attributable to equity holders of the Company.

LETTER FROM THE BOARD

(iv) Dividend

The Board is of the view that the new bank borrowings to partially finance the Proposed Dividend in particular and the Proposals in general, are not expected to have any impact on the dividend policy of the Company. In any event, the actual dividend that the Board may recommend or declare in respect of any particular financial year or period will be subject to factors deemed relevant by the Board.

7. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the following and the Proposals, there are no corporate exercises announced but pending completion as at the LPD:

On 15 August 2012, the Board announced the proposal to spin off the Group's travel and travel-related business and to have a separate listing of the same on Growth Enterprise Market of the Stock Exchange ("**Proposed Spin-off**"). The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange for consideration and approval pursuant to Practice Note 15 of the Listing Rules on 16 August 2012.

Pursuant to Paragraph 8.24 of the Listing Requirements, the Company will be required to seek the approval of the Shareholders for the Proposed Spin-Off which is still pending as at the LPD.

Notwithstanding the above, the Proposals are not conditional upon the Proposed Spin-off or any other proposal.

8. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposals are estimated to be completed by the fourth (4th) quarter of 2012 calendar year. The tentative timetable for the Proposals is as follows:

Event	Tentative Timing
SGM for the Proposals	19 October 2012
Announcement of the Entitlement Date	End October 2012
Payment to the Entitled Shareholders	End November 2012

9. INTERESTS OF CONNECTED PERSONS IN THE PROPOSALS

None of the Directors, substantial shareholders or their respective associates or any other connected persons have any interest, direct or indirect, in the Proposals save for their respective entitlements as Shareholders (as the case may be) under the Proposed Dividend.

LETTER FROM THE BOARD

10. RECOMMENDATION

The Directors note that the Proposals will result in the Shareholders receiving a distribution of USD0.13 (equivalent to RM0.41 or HKD1.01) per Share. The Directors also note that the Proposals will result in additional interest expense associated with the new bank borrowings and there would be interest income foregone. Nevertheless, the Directors believe that the Proposals would enhance the Group's capital structure and mix without burdening the Group in terms of cashflow and earnings capability whilst the net gearing and interest expense remain manageable. Furthermore, the Proposals are expected to have a positive impact on the Company's return on equity.

The Directors, after taking into consideration all relevant aspects of the Proposals, are of the opinion that the Proposals are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the forthcoming SGM.

11. DIRECTORS' STATEMENT ON THE GROUP'S DIRECTION

The Directors wish to stress that the Group shall continue to place emphasis in building a corporate culture that promotes business activities in an ethical and sustainable environment. The Proposals will not have any effect on the direction of the Group in achieving its objectives of serving and meeting the needs of the Chinese literate community through its various well-established newspapers, periodicals, publications and events.

12. SGM

The SGM will be held at (i) Sin Chew Media Corporation Berhad, Cultural Hall, No. 19, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia; and (ii) 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong on Friday, 19 October 2012 at 10:00 a.m. for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposals. The notice of SGM is enclosed with this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders to be taken at the SGM shall be taken by poll.

13. ACTION TO BE TAKEN

If you are unable to attend and vote in person at the forthcoming SGM, you are requested to complete and return the Form of Proxy enclosed according to the instructions printed thereon as soon as possible, in any event, so as to arrive at (i) the Malaysia share registrar office of the Company at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia; or (ii) the Hong Kong head office and principal place of business at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong, not less than forty-eight (48) hours before the time stipulated for holding the SGM or any adjournment thereof.

LETTER FROM THE BOARD

14. FURTHER INFORMATION

Shareholders are requested to refer to the Appendix for further information.

Yours faithfully,
On behalf of the Board of
MEDIA CHINESE INTERNATIONAL LIMITED
Tiong Kiew Chiong
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Requirements and the Listing Rules for the purpose of giving information with regard to the Group. The Directors have seen and approved this circular and collectively and individually accept full responsibility for the accuracy of the information given. After making all reasonable enquiries and to the best of their knowledge and belief, they confirm that there are no other facts the omission of which would make any statement in this circular misleading.

2. CONSENT

Maybank IB has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and manner in which they appear in this circular.

3. CONFLICT OF INTERESTS

Maybank IB and its related and associated companies (“**Maybank Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for the Company and/or its affiliates, in addition to the roles set out in this circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of the Group or any other entity or transactions for its own account or the account of its customers in debt or equity securities or senior loans. This is a result of the business of the Maybank Group generally acting independent of each other, and accordingly there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of the Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require amongst others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

The Maybank Group may grant facilities to the Company to partially finance the Proposed Dividend. The said credit facilities, if granted would be extended by the Maybank Group in its ordinary course of business. Notwithstanding this, Maybank IB is of the opinion that the aforesaid potential lending relationship is not significant and that it would not give rise to a conflict of interest in its capacity as Adviser to the Company for the Proposals.

Save as disclosed above, Maybank IB confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as adviser to the Company for the Proposals.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2012, save for the new bank borrowings in relation to the Proposed Dividend to be undertaken, the material commitments disclosed below and the material litigation disclosed in Section 5 below, there are no material commitments and contingent liabilities incurred or known to be incurred, which may upon becoming enforceable, have a material adverse impact on the financial position or business.

The material commitments of the Group as at 30 June 2012 are as follows:

	<i>USD'000</i>
Property, plant and equipment	
Authorised and contracted for	7,609
Authorised but not contracted for	<u>2,499</u>
Total	<u>10,108</u>

5. MATERIAL LITIGATION

As at the LPD, save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Group and the Directors are not aware of any proceedings, pending or threatened, against the Group or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group:

- (a) Ming Pao Holdings Limited (“MPH”) and Ming Pao Newspaper Limited (“MPN”) have been named as the first and second defendants by the plaintiffs, Oriental Daily Publisher Limited and Ma Ching Kwan in High Court Action No. 607 of 2008 filed on 11 April 2008 relating to the alleged defamation in the article published on 10 April 2008. Judgment has been given on 28 May 2010, in favor of the plaintiffs. The defendants filed a Notice of Appeal on 23 June 2010 to appeal against the same. Judgment of the appeal has been given on 15 April 2011 which allowed the defendants’ appeal against the quantum of damages and reduced the amount of damages payable by the defendants to the plaintiffs. By the leave of the court granted on 15 December 2011, the plaintiffs appealed against the reduction of damages. The hearing of the appeal before the Court of Final Appeal was heard on 4 September 2012 and 5 September 2012. The case is currently pending for judgement;
- (b) MPH and MPN have been named as the first and second defendants in the High Court Action No. 854 of 2010 whereby the plaintiff, Pui Kwan Kay commenced proceedings on 10 June 2010 for alleged libel in relation to the article dated 10 April 2009. Notice of trial was filed on 9 May 2012. The trial will take place on 27 June 2013;
- (c) The plaintiffs, MPN and Lau Chun To Kevin commenced the action on 3 July 2012 against the defendants, Hong Kong Economic Journal Company Limited and Yuen Yiu Ching for reliefs against the plaintiffs on the libels published by the defendants in several articles in the period from 22 June 2012 to 27 June 2012 published in

Hong Kong Economic Journal. The statement of claim and the amended writ of summons was filed on 13 August 2012 and 6 September 2012 respectively. The defence is due to be filed by 28 September 2012 by the defendants;

- (d) On 12 May 2000, Wong Cheer Feng commenced separate legal proceedings, one against Sin Chew Media Corporation Berhad (“SCMCB”) and the other against Nanyang Siang Pau Sdn Bhd (“NSP”), alleging that articles published in *Sin Chew Daily* and *Nanyang Siang Pau* dated 13 December 1999 were defamatory to him. The plaintiff was claiming damages of RM5,000,000, costs, interest, injunction and other relief from each of the defendants. On 20 October 2003, the court granted an order to hear all suits together and judgment was subsequently given on 19 July 2010 in favour of, inter alia SCMCB and NSP. The plaintiff has made an appeal to the Court of Appeal against the decision and the matter is fixed for hearing on 25 September 2012;
- (e) On 1 November 2001, Airport Limo (M) Sdn Bhd commenced legal proceedings against SCMCB alleging that an article published in *Sin Chew Daily* dated 19 October 2000 was defamatory to the company. The plaintiff was claiming damages of RM15,000,000, costs, interest, injunction and other relief from SCMCB. Judgment was given on 25 November 2010, in favor of the plaintiff with cost and interest at 8% per annum from the date of judgment but with damages to be assessed by the Deputy Registrar. SCMCB has made an appeal to the Court of Appeal against the decision and the hearing date has yet to be fixed by the Court of Appeal; and
- (f) On 17 April 2009, Dato’ Chong Itt Chew commenced legal proceedings against Life Publishers Berhad and one of its editor alleging that an article published in *Special Weekly* dated 23 March 2009 was defamatory to him. The plaintiff was claiming general damages of RM2,500,000, aggravated damages of RM2,500,000, exemplary damages of RM500,000, interests, costs and other relief. The court has fixed the case for case management on 9 November 2012 and for full trial on 12 August 2013 up to 14 August 2013.

The Company or the Group has received a number of letters of demand, some of which have not yet resulted in proceedings being issued, and the Company believes that these are not likely to be pursued. Other matters have involved proceedings being issued but further recent action has not been taken, and the Company believes it is unlikely that the plaintiff will take further action in these inactive cases.

6. MATERIAL CONTRACTS

Save as disclosed below, the Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the two (2) years immediately preceding the LPD:

- (a) On 5 August 2011, MediaNet Resources Limited, a company incorporated in the British Virgin Islands, entered into a sale and purchase agreement with Sky Success Enterprises Limited, a company incorporated in the British Virgin Islands, to dispose one ordinary share with no par value (being the entire issued share capital) of Media Connect Investment Limited for a consideration of HKD25,800,000 (equivalent to USD3,307,000). The transaction was completed on 30 September 2011;
- (b) On 29 February 2012, MPH, a company incorporated in Hong Kong, entered into a sale and purchase agreement with Top Plus Limited, for the disposal of 10 ordinary shares of USD1.00 each, being its 100% indirect equity interest in Ming Pao Finance Limited, for a total consideration of HKD75,600,000 (equivalent to USD9,748,000) to Top Plus Limited, which was satisfied by the issuance of the convertible bond by One Media Group Limited, a company incorporated in the Cayman Islands. The transaction was completed on 1 June 2012; and
- (c) On 31 May 2012, SCMCB entered into a sale and purchase agreement with Rimbunan Hijau Estate Sdn Bhd to acquire a parcel of land held under Title No. P.T. No. 209, H.S. (D) 116389, Bandar Sultan Sulaiman, District of Klang, State of Selangor, Malaysia, on which two single storey warehouses, a pump house, and a guard house are erected thereon, for a consideration of RM9,500,000 (equivalent to USD2,986,000).

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during the normal office hours from Mondays to Fridays (except public holidays) at (i) the registered office of the Company in Malaysia at Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia; and (ii) the Hong Kong head office and principal place of business at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong from the date of this circular up to and including the date of the SGM:

- (i) Memorandum of Association and bye-laws of the Company;
- (ii) Audited consolidated financial statements of the Company for the past two (2) FYE 31 March 2011 and 31 March 2012 and the latest unaudited consolidated financial statements for the three (3)-month period ended 30 June 2012;
- (iii) Letter of consent referred to in Section 2 above;
- (iv) Cause papers of the material litigation referred to in Section 5 above; and
- (v) Material contracts referred to in Section 6 above.

NOTICE OF SPECIAL GENERAL MEETING



MEDIA CHINESE INTERNATIONAL LIMITED

世界華文媒體有限公司

(Incorporated in Bermuda with limited liability)

(Malaysia Company No. 995098-A)

(Hong Kong Stock Code: 685, Malaysia Stock Code: 5090)

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of Media Chinese International Limited (“**Company**”) will be held at (i) Sin Chew Media Corporation Berhad, Cultural Hall, No. 19, Jalan Semangat, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia; and (ii) 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong on Friday, 19 October 2012 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions of the Company:

SPECIAL RESOLUTION

“**THAT**, subject to and conditional upon compliance with Section 46(2) of the Companies Act 1981 of Bermuda, and with effect from the date of the passing of this resolution:

- (i) the amount of HKD1,704,415,000 standing to the credit of the share premium account of the Company be cancelled (“**Capital Reduction**”);
- (ii) the credit arising from the Capital Reduction be credited to the contributed surplus account of the Company;
- (iii) the directors of the Company (“**Directors**”) be and are hereby authorised to utilize and apply such contributed surplus in such manner as may be permitted by the bye-laws of the Company including, without limitation, the payment of distributions to shareholders from time to time; and
- (iv) the Directors be and are hereby authorised to take all steps and do all such acts and matters as they may consider necessary or expedient to give effect to the Capital Reduction with full power to give all notices, directions, consents and authorisations in respect of any matter arising under or in connection with the aforesaid Capital Reduction and to assent to any conditions, modifications, variations and/or amendments relating to the Capital Reduction as may be required by the relevant regulatory authorities and to do all such things as they may consider necessary or expedient to give effect to the Capital Reduction.”

NOTICE OF SPECIAL GENERAL MEETING

ORDINARY RESOLUTION

“**THAT**, subject to the approval of the special resolution above, a distribution of HKD1.01 per ordinary share in the capital of the Company payable to all entitled shareholders whose names appear on the Company’s register of members and/or record of depositors on a date to be determined by the Directors in accordance with the bye-laws of the Company be and is hereby approved (“**Distribution**”). Shareholders whose names appear on the Hong Kong branch register of members shall receive the Distribution in Hong Kong dollars. Shareholders whose names appear on the record of depositors in Malaysia shall receive the Distribution in Ringgit Malaysia and sen (“**RM**”) at RM0.41 per ordinary share;

AND THAT the Directors be and are hereby authorised to do all such deeds, acts and things and execute, sign and deliver all documents for and on behalf of the Company as they may consider necessary or expedient to implement and/or give full effect to the aforesaid Distribution.”

By Order of the Board
MEDIA CHINESE INTERNATIONAL LIMITED
LAW Yuk Kuen
TONG Siew Kheng
Joint Company Secretaries

25 September 2012

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one proxy or proxies to attend and vote instead of him. When a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy. In case of a vote taken by a show of hands, the first named proxy shall vote on your behalf. A proxy may but need not be a member of the Company, but must attend the meeting in person to represent you.
2. A member of the Company who is an authorised nominee as defined under the Malaysian Securities Industry (Central Depositories) Act 1991 may appoint at least one (1) proxy (but not more than two proxies) in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. In respect of the members in Malaysia, only members registered in the record of depositors of the Company as at 12 October 2012 shall be eligible to attend the meeting or appoint proxy or proxies to attend and vote on their behalf.
4. To be valid, the Form of Proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with (i) the Malaysia share registrar office of the Company at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia; or (ii) the Hong Kong head office and principal place of business at 15th Floor, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong, as soon as possible and in any event not less than forty-eight (48) hours before the time stipulated for holding the meeting or any adjournment thereof.