TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS MALAYSIAN BULK CARRIERS BERHAD ("MBC" OR "COMPANY") PROPOSED DISPOSAL OF UP TO 386,385,645 ORDINARY SHARES IN PACC OFFSHORE SERVICES HOLDINGS LTD., WHICH ARE CURRENTLY HELD BY A WHOLLY-OWNED SUBSIDIARY OF MBC KNOWN AS LIGHTWELL SHIPPING INC., TO ALL SHAREHOLDERS OF MBC, AT AN OFFER PRICE, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED DISPOSAL")

MALAYSIAN BULK CARRIERS BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	MALAYSIAN BULK CARRIERS BERHAD ("MBC" OR "COMPANY") PROPOSED DISPOSAL OF UP TO 386,385,645 ORDINARY SHARES IN PACC OFFSHORE SERVICES HOLDINGS LTD., WHICH ARE CURRENTLY HELD BY A WHOLLY-OWNED SUBSIDIARY OF MBC KNOWN AS LIGHTWELL SHIPPING INC., TO ALL SHAREHOLDERS OF MBC, AT AN OFFER PRICE, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED DISPOSAL")

On behalf of the Board of Directors of MBC, RHB Investment Bank Berhad wishes to announce that the Company intends to undertake the Proposed Disposal.

Further details of the Proposed Disposal are set out in the attachment.

This announcement is dated 2 April 2018.

Please refer attachment below.

Attachments

MBC - Announcement (Proposed Disposal).pdf
462.2 kB

Announcement Info

Company Name	MALAYSIAN BULK CARRIERS BERHAD
Stock Name	MAYBULK
Date Announced	02 Apr 2018
Category	General Announcement for PLC
Reference Number	GA1-29032018-00077

MALAYSIAN BULK CARRIERS BERHAD (“MBC” OR “COMPANY”)

PROPOSED DISPOSAL OF UP TO 386,385,645 ORDINARY SHARES IN PACC OFFSHORE SERVICES HOLDINGS LTD., WHICH ARE CURRENTLY HELD BY A WHOLLY-OWNED SUBSIDIARY OF MBC KNOWN AS LIGHTWELL SHIPPING INC., TO ALL SHAREHOLDERS OF MBC, AT AN OFFER PRICE, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED DISPOSAL”)

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*For purposes of this announcement, “RM” refers to Ringgit Malaysia and the following exchange rates are being the middle rate quoted by Bank Negara Malaysia (“**BNM**”) at 5.00 p.m. on 9 March 2018, being the latest practicable date prior to the date of this announcement (“**LPD**”):*

*i. Singapore Dollar (“**SGD**”)1: RM2.9686*
*ii. United State Dollar (“**USD**”) 1: RM3.9140*

1. INTRODUCTION

On behalf of the Board of Directors of MBC (“**Board**”), RHB Investment Bank Berhad (“**RHBIB**”) wishes to announce that the Company intends to undertake a proposal to dispose of its deemed interest of up to 386,385,645 ordinary shares in the capital of PACC Offshore Services Holdings Ltd. (“**POSH**”) (“**POSH Shares**”) representing approximately 21.23%*(1)* of the total issued shares in POSH, which is directly held by a wholly-owned subsidiary of the Company known as Lightwell Shipping Inc. (“**LSI**”), to all shareholders of MBC who are registered as members and whose names appear in the Record of Depositors of the Company as at an entitlement date to be determined and announced later (“**Entitlement Date**”) (“**Entitled Shareholders**”).

***Note**:*

(1) Unless otherwise specified, all references to percentage shareholding in the issued shares in POSH in this announcement are rounded to 2 decimal places and are based on the total number of 1,820,000,000 issued POSH Shares (including 6,359,600 POSH Shares held in treasury) as at the LPD.

2. DETAILS OF THE PROPOSED DISPOSAL

2.1 Particulars

The Proposed Disposal is to be carried out by way of a renounceable restricted offer for sale of up to 386,385,645 POSH Shares, directly held by LSI (“**Offer Shares**”), by MBC to all its Entitled Shareholders (“**Proposed ROS**”).

The Proposed ROS involves a renounceable restricted offer for sale of the Offer Shares, by MBC to the Entitled Shareholders on a pro-rata basis of 386 Offer Shares for every 1,000 existing ordinary shares in MBC held by the Entitled Shareholders as at the Entitlement Date.

The actual number of Offer Shares to be offered will be all POSH Shares held by LSI. As at the LPD, LSI holds 386,385,645 POSH Shares, representing approximately 21.23% of the total issued shares in POSH.

Any fractional entitlements arising from the Proposed ROS will be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interests of the Company.

The Offer Shares will be provisionally allocated to the Entitled Shareholders. Accordingly, the Entitled Shareholders can accept or renounce their entitlements to the Offer Shares in full or in part. For clarity, the Entitled Shareholders who have fully renounced their entitlements to the Offer Shares will not be able to accept the Offer Shares or apply for any Offer Shares which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s) prior to excess application pursuant to the Proposed ROS (“**Excess Offer Shares**”).

The Offer Shares will be offered to the Entitled Shareholders free from all liens, pledges, charges, mortgages and other encumbrances and will rank pari passu in all respects with the other existing POSH Shares, save and except that the Offer Shares will not be entitled to dividends, rights, allotments and/or any other forms of distribution made by POSH prior to the date of crediting of the Offer Shares into the respective Entitled Shareholders' and/or their renouncee(s)' securities accounts with The Central Depository (Pte) Limited ("**CDP**") ("**CDP Accounts**") or depository accounts. Entitled Shareholders and/or their renouncee(s) whose acceptances are valid and/or application for the Excess Offer Shares are successful will be entitled to dividends, rights, allotments and/or any other forms of distribution relating to the Offer Shares on or after the date of crediting of the Offer Shares into their respective CDP Accounts or depository accounts. There are no liabilities to be assumed by the Entitled Shareholders and/or their renouncee(s) under the Proposed ROS.

The Proposed ROS will not be underwritten and does not entail an undertaking from the major shareholders of the Company to accept any Offer Shares which are not taken up by the Entitled Shareholders and/or their renouncee(s). The major shareholders of the Company and the other Entitled Shareholders and/or their renouncee(s) are entitled to apply for the Excess Offer Shares. In the event the Offer Shares are not fully taken up by the Entitled Shareholders and/or their renouncee(s) (after taking into account applications for the Excess Offer Shares), the Offer Shares not taken up shall be dealt with by the Board in the best interests of the Company. The Board also reserves the right at its absolute discretion to accept in full or in part, any application for the Offer Shares (including any application for the Excess Offer Shares).

There will be no minimum acceptance level for the Proposed ROS that will result in the Proposed ROS not being carried out.

2.2 Basis of and justifications for determining the disposal consideration

As the Proposed Disposal will be undertaken by way of the Proposed ROS, the disposal consideration will be the offer price of the Offer Shares pursuant to the Proposed ROS.

The offer price of the Offer Shares shall be determined and fixed at a later date by the Board prior to the issuance of a modified prospectus for the Proposed ROS, after taking into consideration the following:

(a) the discount range of between 15% and 30% on the prevailing market price of POSH Shares;

(b) the prevailing market conditions; and

(c) the financial impact of the Proposed ROS on MBC and its subsidiaries ("**MBC Group**").

For illustrative purposes, based on the discount range of between 15% and 30% to the 5-day volume weighted average market price ("**VWAP**") of POSH Shares up to and including the LPD of RM1.1043 (equivalent to SGD0.3720), the indicative offer price range will be between RM0.7730 (equivalent to SGD0.2604) and RM0.9387 (equivalent to SGD0.3162) per Offer Share.

2.3 Estimated gain from the Proposed Disposal

The actual gain from the Proposed Disposal cannot be ascertained at this juncture as it is dependent on, amongst others, the offer price of the Offer Shares under the Proposed ROS and the carrying amount of POSH Shares at the time of disposal.

For illustrative purposes, assuming that all the Offer Shares are fully taken up by the Entitled Shareholders based on an indicative offer price of RM0.88 (equivalent to SGD0.2976 based on an indicative discount of approximately 20.0% to the 5-day VWAP of POSH Shares up to and including the LPD of SGD0.3720) and based on the carrying amount of POSH Shares as at 31 December 2017, the estimated gain to MBC Group from the Proposed Disposal through the Proposed ROS is as follows:

	RM'million
Estimated proceeds from the Proposed Disposal[(1)]	340.0
Less: Estimated expenses for the Proposed Disposal[(2)]	(11.1)
Less: Carrying amount of POSH Shares as at 31 December 2017[(3)]	(395.0)
Estimated loss from the Proposed Disposal before including the reclassification of the reserves relating to POSH	(66.1)
Add: Reclassification of the reserves relating to POSH from equity to profit or loss[(4)]	403.3
Estimated gain from the Proposed Disposal	**337.2**

Notes:

(1) Calculated based on 386,385,645 POSH Shares x RM0.88.

(2) The breakdown of the estimated expenses is set out in Section 4 of this announcement.

(3) The carrying amount of POSH Shares as at 31 December 2017 is as follows:

	RM'million	***RM'million***
Quoted shares, at cost		*1,107.9*
Share of post acquisition losses		*(581.1)*
Share of cash flow hedge reserve		*6.5*
Translation difference		*364.8*
		898.1
Less: Accumulated impairment loss	*(535.1)*	
Translation difference	*32.0*	
		(503.1)
		395.0

(4) The amount represents the cumulative amount of the exchange differences and cash flow hedge reserve relating to POSH, previously recognised in other comprehensive income and accumulated in the separate component of equity which shall be reclassified from equity to profit or loss when the estimated gain from the Proposed Disposal is recognised.

2.4 Original costs and dates of investment in POSH

The original dates and costs of investment in POSH to MBC Group are set out below:

Date of investment	**No. of POSH Shares**	**Cost of investment (RM'million)**
16 December 2008	34,000,000	792.17
15 November 2012[(1)]	7,961,286	97.35
	41,961,286	889.52
28 March 2014[(2)]	314,709,645	889.52
25 April 2014	71,676,000	218.42
	386,385,645	1,107.94

Notes:

*(1) MBC Group subscribed for 7,961,286 redeemable convertible preference shares ("**RCPS**") of POSH on 15 November 2012, and the RCPS were converted into POSH Shares on the basis of one POSH Share for one RCPS on 20 November 2013.*

*(2) On 28 March 2014, a resolution was passed to approve the subdivision of each POSH Share into 15 POSH Shares ("**Share Split**") and, contingent upon the Share Split, the consolidation of every two POSH Shares into one POSH Share.*

3. INFORMATION ON POSH

3.1 History and principal businesses

POSH is a company incorporated in Singapore on 7 March 2006 under the Companies Act, Chapter 50 of Singapore as a private company limited by shares under the name of PACC Offshore Pte. Ltd. On 23 October 2007, it changed its name to PACC Offshore Services Holdings Pte. Ltd. On 2 April 2014, it was converted into a public company limited by shares and changed its name to PACC Offshore Services Holdings Ltd.

The principal businesses of POSH are general shipping and investment holding. The principal businesses of its subsidiaries and joint ventures are the provision of offshore marine support services.

Its fleet operates worldwide, serving offshore oilfields in Asia, Africa, Middle East, North and Latin America, by providing vessels and services for projects involving many of the world's major oil companies and established international offshore contractors.

POSH and its subsidiaries ("**POSH Group**") operate across 4 major business divisions, namely, offshore supply vessels, offshore accommodation, transportation and installation, and harbour services and emergency response. POSH is one of the leading offshore marine services providers in offshore and marine oil field services.

*(Source: The prospectus relating to the initial public offering of POSH issued by POSH on 17 April 2014 and the annual report of POSH for the financial year ended ("**FYE**") 31 December 2016.)*

3.2 Listing status

POSH was admitted to the Mainboard of the Singapore Exchange Securities Trading Limited ("**SGX**") and commenced trading on 25 April 2014.

*(Source: Announcement dated 24 April 2014 made by POSH on the website of the SGX ("**SGXNET**").)*

3.3 Share capital

As at the LPD, the total number of the issued shares in POSH is 1,820,000,000 POSH Shares (including 6,359,600 POSH Shares held in treasury).

(Source: Announcement dated 4 September 2017 made by POSH on SGXNET.)

As at the LPD, a wholly-owned subsidiary of the Company, LSI, holds 386,385,645 POSH Shares representing approximately 21.23% of the total issued shares in POSH. LSI is a company incorporated in the British Virgin Islands on 21 July 1998. The principal business of LSI is investment holding.

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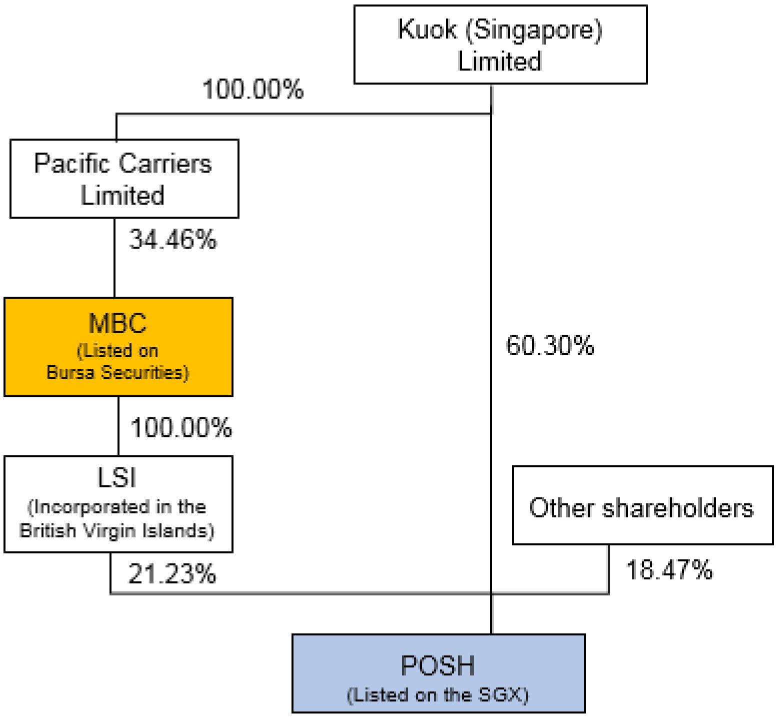
As at the LPD, the shareholding structure of POSH which shows both direct and deemed interest in POSH Shares is set out below:



3.4 Directors

The directors of POSH as at the LPD are as follows:

(a) Kuok Khoon Ean *(Chairman and Non-Executive Director)*;
(b) Seow Kang Hoe, Gerald *(Chief Executive Officer and Executive Director)*;
(c) Wu Long Peng *(Non-Executive Director)*;
(d) Dato' Ahmad Sufian @ Qurnain Bin Abdul Rashid *(Independent Non-Executive Director)*;
(e) Ma Kah Woh *(Independent Non-Executive Director)*;
(f) Dato' Jude Philomen Benny *(Lead Independent Non-Executive Director)*;
(g) Wee Joo Yeow *(Independent Non-Executive Director)*; and
(h) Ivan Robert Pierre Replumaz *(Independent Non-Executive Director)*.

(Source: Based on the publicly available information on the website of the SGX and the results of the electronic instant information business profile search on POSH obtained from the Accounting and Corporate Regulatory Authority of Singapore on 9 March 2018.)

3.5 Audited financial information and latest interim results

The financial information of POSH based on the audited consolidated financial statements of POSH Group for the past 3 financial years up to the FYE 31 December 2016 and the unaudited financial statements for the financial year ended ("**FYE**") 31 December 2017 is set out in **Appendix I** of this announcement.

4. UTILISATION OF PROCEEDS OF THE PROPOSED DISPOSAL

For illustrative purposes, assuming an indicative offer price of RM0.88 (equivalent to SGD0.2976 based on an indicative discount of approximately 20.0% to the 5-day VWAP of POSH Shares up to and including the LPD of SGD0.3720), the expected gross proceeds of approximately RM340.0 million[(1)] from the Proposed Disposal through the Proposed ROS will be utilised by MBC in the following manner:

Utilisation of proceeds		RM'million	%	Expected timeframe for utilisation from the completion of the Proposed Disposal/ Proposed ROS
(a)	Working capital	157.9	46.4	12 months
(b)	Repayment of borrowings	107.0	31.5	30 months
(c)	Part finance the construction costs of new vessels	64.0	18.8	12 months
(d)	Estimated expenses	11.1	3.3	6 months
		340.0	**100.0**	

Notes:

(1) Calculated based on 386,385,645 POSH Shares x RM0.88.

(a) The intended utilisation of RM157.9 million of the proceeds is for working capital for MBC Group's day-to-day operation as follows:

		RM'million
(i)	Vessel operating expenses	67.9
(ii)	Charter hire payments	90.0
Total		**157.9**

Notes:

(i) The vessel operating expenses for a total number of 11 vessels comprise the following:

Item		***RM'million***
a.	*Crewing costs, inclusive of wages, allowance, bonus and crew change expenses*	*35.8*
b.	*Technical expenses inclusive of stores, spares, lubricants, surveyors/consultants, repairs and maintenance*	*19.9*
c.	*Insurance premium of Hull and Machinery, Protection and Indemnity, etc*	*4.5*
d.	*Management fee for procurement, technical and crewing services*	*4.3*
e.	*Docking costs inclusive of cargo hold blasting and paints to enhance the useful lives of the vessels*	*3.4*
		67.9

(ii) Being charter hire payments to ship owners for the six (6) long term chartered vessels of MBC Group.

	Vessel name	*Category*	*Year Built*	*Deadweight tonnage ("DWT") (MT)*
a.	*Alam Mutiara*	*Supramax*	*April 2012*	*61,498*
b.	*Alam Sayang*	*Supramax*	*July 2013*	*61,410*
c.	*Alam Seri*	*Handysize*	*March 2011*	*29,562*
d.	*Alam Suria*	*Handysize*	*January 2012*	*29,077*
e.	*Alam Setia*	*Handysize*	*October 2013*	*36,320*
f.	*Alam Sinar*	*Handysize*	*January 2014*	*36,320*

(b) MBC Group has total outstanding loans with financial institutions of RM410.14 million as at 31 December 2017. MBC intends to utilise up to RM107 million to repay the scheduled instalments of these loans, which are due within the next 30 months.

Out of the proceeds of up to RM107 million allocated for repayment of borrowings, approximately RM78 million is expected to be utilised to repay part of the term loan from RHB Bank Berhad ("**RHB Bank**") based on a fixed repayment schedule in accordance with the letter of offer for the term loan. The balance of loan repayment amounting to RM29 million is towards the term loans of MBC's subsidiaries with foreign financial institutions for the refinancing of their respective vessels.

(c) In 2015, MBC Group contracted to build three (3) 81,800 DWT bulk carriers with Oshima shipyard. These new vessels will be more fuel efficient and comply with all the latest regulations (Nitrogen Oxides (NOX) Tier 3, Energy Efficiency Design Index and Ballast Water Treatment System). These new vessels are of the popular Kamsarmax design and are currently under construction with expected deliveries in 2018/2019. MBC intends to utilise up to RM64 million to pay the scheduled instalments of the construction costs of these new vessels.

(d) The expenses in relation to the Proposed Disposal by way of the Proposed ROS will be borne by MBC. The expenses are estimated as follows:

	RM'million
Estimated professional fees	2.3
Other fees (including regulatory fees) and expenses incurred in connection with the Proposed Disposal by way of the Proposed ROS such as share transfer fees, printing and advertising expenses	8.3
Miscellaneous expense and contingencies	0.5
Total	**11.1**

Any variation (surplus/deficit) to the actual amount of the expenses for the Proposed Disposal by way of the Proposed ROS will be adjusted against the amount allocated for the working capital of MBC Group.

The actual amount of proceeds to be raised from the Proposed Disposal will depend on the actual acceptance level of the Offer Shares. Any variation to the actual amount of proceeds that is eventually raised will be adjusted against the amount allocated for the working capital of MBC Group.

5. RATIONALE FOR THE PROPOSED DISPOSAL

(a) In December 2008, MBC Group diversified into the offshore services sector by subscribing for 34,000,000 POSH Shares representing 21.23% of the issued shares in POSH. This initial investment yielded positive returns of approximately RM187.37 million in aggregate from 2008 to 2013. Pursuant to the initial public offering of POSH Shares in 2014, MBC Group invested further in POSH to maintain its equity stake of 21.23%. The total profit contribution from POSH to MBC Group from 2008 to 2014 was approximately RM224.10 million. These investments helped MBC Group remain profitable between 2012 to 2014 when the dry bulk market experienced a downturn.

During the financial year 2015, the increased uncertainty in the geopolitical environment and continued declines in the price of oil led to oil and gas majors rationalising project schedules and investments. This has continued to affect the offshore oil and gas services sector, with corresponding pressure on charter rates and vessel utilisation across the industry. The oversupply in crude oil resulting from United States of America shale oil and gas production, an unchanged Organisation of the Petroleum Exporting Countries ("**OPEC**") production which prioritised market share over price, and the impending return of Iran to the world oil market had continued to weigh on oil prices*(1)*.

2016 continued to be a difficult and challenging year for the oil and gas services industry. The low and unstable oil prices over the past few years resulted in a significant reduction in offshore oil field development and expenditure. Coupled with the excessive oversupply of vessels across all segments of the offshore services industry, market conditions continued to remain depressed and the timing for its recovery is uncertain. Whilst the market's initial reactions to cuts in OPEC's oil production seemed positive, supply and demand balances have been slow to return to equilibrium with oil price remaining unstable. Long-term price stability will be necessary before any significant new capital investments that will drive the eventual recovery of the oil and gas services industry are undertaken*(2)*.

The sudden oil price crash in 2014 and the negative impact on the offshore services sector that followed was totally unexpected and could not be foreseen when MBC Group first diversified into the offshore services sector in 2008.

As of fourth (4th) quarter of 2017, whilst there is some positive sentiment in the market, with oil prices averaging above USD50 per barrel in 2017, offshore oil production activities remain subdued. Day rates remain under pressure, mainly due to an oversupply of vessels*(3)*.

Given the weakness in the dry bulk and offshore services sectors in the recent years as highlighted above, there has been a strain on the cash flow of MBC Group and consequently, MBC Group is required to raise funds to strengthen its future operations.

As such, MBC Group has decided to undertake the Proposed Disposal through the Proposed ROS to monetise its investments in POSH and raise the cash required to finance the working capital of MBC Group, part finance the construction costs of new vessels and repay part of its borrowings. This will enable MBC Group to focus on its core business activity in the dry bulk sector.

As at the LPD, MBC has a fleet of 15 dry bulk vessels of which seven (7) are wholly-owned, two (2) are owned via joint ventures and six (6) are long term chartered-in vessels. Going forward, there is a need to rationalise the fleet profile to reduce vessels that are older, having declining appeal and competitiveness relative to more economical, environmentally friendly and modern vessels that MBC Group must compete against. There has therefore been a recent move to sell the partially owned vessels that are older and less competitive. The proceeds from the sale of vessels and also from the Proposed ROS will enable MBC to discharge part of its borrowings and hence improve its gearing and balance sheet. This will place MBC in a stronger position to engage financial institutions for financing in the event that there are opportunities to acquire suitable new or second-hand vessels.

In addition, MBC Group had three (3) contracted new vessels which are currently under construction and expected for delivery by 2018/2019. MBC intends to utilise part of the proceeds of up to RM64 million to pay the scheduled instalments of the construction costs of these new vessels. These new vessels will enhance the competitiveness of MBC's fleet and are expected to contribute to MBC Group's performance.

(b) The Proposed Disposal, through the Proposed ROS, offers the Entitled Shareholders an opportunity to participate directly in the equity of POSH at a discount to its prevailing market price. It is MBC's intention that the Entitled Shareholders who accept the offer under the Proposed ROS may choose to hold the allocated Offer Shares for potential future gains or sell them at prevailing market price for any immediate gain that may arise from the benefit of the discount.

Notes:

(1) Source: Annual Report of POSH for the FYE 31 December 2015.

(2) Source: Annual Report of POSH for the FYE 31 December 2016.

(3) Source: POSH's unaudited financial statements and dividend announcement for the fourth (4^{th}) quarter and the year ended 31 December 2017.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Issued share capital and substantial shareholders' shareholding

The Proposed Disposal will not have any effect on the issued share capital and the shareholdings of the substantial shareholders of MBC.

6.2 Net assets ("NA"), NA per share, gearing, loss/earnings and loss per share ("LPS")/earnings per share ("EPS")

Based on the audited consolidated financial statements of MBC Group as at 31 December 2017, the proforma effects of the Proposed Disposal on the consolidated NA, NA per Share, gearing, loss/earnings and LPS/EPS of MBC Group are set out below:

	Audited as at 31 December 2017	After the Proposed Disposal
	RM'000	**RM'000**
Share capital	338,791	338,791
Reserves	612,673	(1)209,411
Accumulated losses	(425,685)	(2)(88,467)
Shareholders' equity/NA	**525,779**	**459,735**
Non-controlling interests	23,404	23,404
Total equity	**549,183**	**483,139**
No. of ordinary shares ('000)	1,000,000	1,000,000
NA per share (sen)	52.58	45.97
Total borrowings (RM'000)	410,143	(3)303,143
Gearing (times)	0.78	0.66
(Loss)/earnings for the year attributable to equity holders of the Company (RM'000)	(134,954)	(2)202,264
(LPS)/EPS (sen)	(13.50)	(4)20.23

Notes:

(1) After reclassification of exchange differences and cash flow hedge reserves in relation to POSH of RM403.3 million from equity to profit or loss.

(2) After accounting for the estimated gain of RM337.2 million from the Proposed Disposal.

(3) MBC shall utilise up to RM107 million of the total gross proceeds from the Proposed Disposal to repay part of the borrowings of MBC Group.

*(4) The EPS is arrived at based on the earnings for the year attributable to equity holders of the Company after taking into account the reclassification of the reserves relating to POSH from equity to profit or loss (as required by the Malaysian Financial Reporting Standards 121 and 128) of approximately RM403.3 million ("**Reclassification of Reserves**").*

For illustrative and information purposes only, should the Reclassification of Reserves be excluded, MBC Group's adjusted loss for the year attributable to equity holders of the Company and adjusted LPS after the Proposed Disposal would be as follows:

	RM'000
Earnings for the year attributable to equity holders of the Company after the Proposed Disposal	*202,264*
Less: Reclassification of Reserves	*(403,262)*
Adjusted loss for the year attributable to equity holders of the Company after the Proposed Disposal	*(200,998)*
Adjusted LPS (sen)	*(20.10)*

Barring any unforeseen circumstances and on the assumption that the Proposed Disposal will be completed by the second (2nd) half of 2018, the Proposed Disposal is anticipated to result in an estimated consolidated gain on disposal of RM337.2 million to MBC Group for the FYE 31 December 2018.The actual gain from the Proposed Disposal cannot be ascertained at this juncture as it is dependent on, amongst others, the offer price of the Offer Shares under the Proposed ROS and the carrying amount of POSH Shares at the time of disposal.

7. APPROVALS REQUIRED

The Proposed Disposal is subject to and conditional upon the following approvals being obtained:

(i) the approval from BNM for MBC to receive proceeds pursuant to the Proposed ROS from resident and non-resident Entitled Shareholders and/or their renouncee(s) in RM on the settlement of foreign currency-denominated Offer Shares between the Entitled Shareholders and/or their renouncee(s) which has been obtained vide a letter from BNM dated 26 March 2018. The approval by BNM is subject to the following terms and conditions:

No.	**Condition**	**Status**
(a)	The use of the RM revenue for overseas investments including lending to non-resident subsidiaries of MBC shall be subject to the Foreign Exchange Administration Rules relating to investments in foreign currency assets;	To be complied.
(b)	The use of RM revenue for import payments or repayments of foreign currency loans through the exchange of RM is subject to the Foreign Exchange Administration Rules relating to the sale of RM for foreign currency requirement for the period of 6 months; and	To be complied.
(c)	MBC shall comply with all the Foreign Exchange Administration Rules and other related regulations.	To be complied.

(ii) the approval of the shareholders of MBC for the Proposed Disposal, through the Proposed ROS, at an extraordinary general meeting to be convened ("**EGM**"); and

(iii) any other relevant approval from other relevant authorities and/or parties.

The voting on the resolution pertaining to the Proposed Disposal at the forthcoming EGM of the Company will be taken via poll.

8. INTER-CONDITIONALITY OF THE PROPOSED DISPOSAL

The Proposed Disposal is not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. ADVISER

RHBIB has been appointed as the adviser to MBC for the Proposed Disposal, through the Proposed ROS.

10. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is approximately 108.78% based on the value of the NA of POSH for the FYE 31 December 2016 arising from the disposal of 21.23% equity interest of MBC in POSH of approximately RM571.96 million (equivalent to USD146.13 million) as compared to the NA of MBC for the FYE 31 December 2017 of RM525.78 million.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major shareholders of MBC and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Disposal save for their respective entitlements to accept the Offer Shares (including the rights to apply for any Excess Offer Shares) pursuant to the Proposed ROS as shareholders of MBC as at the Entitlement Date which such rights are similarly available to all other Entitled Shareholders.

12. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Disposal, including but not limited to the rationale, utilisation of proceeds for the Proposed Disposal as well as the effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of the Company.

13. ESTIMATED TIMEFRAME FOR APPLICATIONS TO THE RELEVANT AUTHORITIES AND COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the second (2^{nd}) half of 2018.

This announcement is dated 2 April 2018.

Audited financial information and latest interim results

The financial information of POSH based on the audited consolidated financial statements of POSH Group for the past 3 financial years up to the FYE 31 December 2016 and the unaudited financial statements for the FYE 31 December 2017 is set out below:

	<--------------------------Audited	--------------------	--------------->	Unaudited
	<-----------------------FYE 31 December	----------------	--------------->	FYE 31 December
	2014	**2015**	**2016**	**2017**
	USD'000	**USD'000**	**USD'000**	**USD$'000**
Revenue	234,037	280,820	183,100	192,237
Profit/(loss) before tax	55,802	(129,131)	(370,313)	(225,433)
Net profit/(loss) attributable to shareholders	53,243	(130,959)	(371,448)	(230,266)
Total shareholders' equity/ NA	1,213,764	1,061,043	688,263	460,211
Number of ordinary shares (excluding treasury shares) ('000)	1,820,000	1,812,705	1,811,947	1,813,640
Earnings per share (in US cents)	3.10	(7.20)	(20.50)	(12.70)
Net asset per share (in US cents)*(1)*	66.69	58.53	37.98	25.37

(Source: Annual Reports of POSH for the FYE 31 December 2014, 2015, 2016 and POSH's unaudited financial statements and dividend announcement for the fourth (4th) quarter and the year ended 31 December 2017.)

Note:

(1) Computed based on the total shareholders' equity over number of ordinary shares.

<u>Commentary on past performance</u>

FYE 31 December 2014

POSH Group recorded a revenue of USD234.0 million for the FYE 31 December 2014 as compared to USD237.3 million in the FYE 31 December 2013. POSH Group's net profit attributable to shareholders fell 27% to USD53.2 million in the FYE 31 December 2014 from USD73.4 million in the FYE 31 December 2013, primarily resulting from the impact of lower utilisation of POSH Group vessels, higher operating costs, as well as losses from the joint ventures of POSH.

(Source: Annual Report of POSH for the FYE 31 December 2014)

FYE 31 December 2015

Revenue increased 20% year-on-year in the FYE 31 December 2015 to USD280.8 million from USD234.0 million, driven by the offshore accommodation division of POSH.

The net loss attributable to shareholders of USD131.0 million recorded for the year was the result of a prudent step to take non-cash goodwill and fixed asset impairment of USD148.4 million. This reflected deteriorating macro conditions that affected the entire industry and it had no impact on operational performance or cash reserves.

(Source: Annual Report of POSH for the FYE 31 December 2015)

FYE 31 December 2016

Revenue decreased by 35% year-on year in the FYE 31 December 2016 to USD183.1 million. This was driven predominantly by the adverse market conditions, which had a negative impact on charter and utilisation rates across the four major business divisions of POSH.

The net loss attributable to shareholders of USD371.4 million for the year was primarily attributable to the impairments on fixed assets and goodwill of USD310.1 million. The impairments reflect prevailing market conditions, which affected the entire industry, as asset valuations continued to come under pressure.

(Source: Annual Report of POSH for the FYE 31 December 2016)

FYE 31 December 2017

During the year, POSH Group registered revenue of USD192.2 million (FYE 31 December 2016: USD183.1 million), a 5% increase or USD9.1 million. This was mainly due to higher contribution from across the major business segments.

POSH Group's net loss attributable to shareholders was USD230.3 million in FYE 31 December 2017 as compared to USD371.4 million in FYE 31 December 2016.

(Source: POSH's unaudited financial statements and dividend announcement for the fourth (4th) quarter and the year ended 31 December 2017.)

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