



MALAYSIAN BULK CARRIERS BERHAD

Registration No. 198801008597 (175953-W)

Incorporated in Malaysia

Extraordinary General Meeting

6 December 2023

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Introduction



MBC intends to expand into the industrial property development and investment business (“**Industrial Property Business**”).

As its maiden project, the Group has identified a parcel of land in Kapar, Selangor (“**Land**”) and, intends to acquire the Land to be developed into warehouses.

Pursuant thereto, MBC intends to undertake the following Proposals:

- (I) **Proposed Acquisition** - Acquire the Land for a total cash consideration of RM165 million;
- (II) **Proposed Joint Venture** - Enter into a 60:40 joint venture with Golden Valley Ventures Sdn Bhd (“**GVVSB**”) to jointly acquire and develop the Land (“**Proposed Joint Venture**”); and
- (III) **Proposed Diversification** - Diversify the existing principal activities of the MBC Group to include the Industrial Property Business.

Details of the Land



Key details of the Land are as follows:

Land title particulars:

H.S.(D) 166441, Lot No PT 85116, Mukim Kapar, Daerah Klang, Negeri Selangor

Location:

2 km from Kapar town centre along Jalan Bukit Kapar and 5 km away from the West Coast Expressway Interchange

Transacted land area:

Approximately 23.4833 hectares (234,783 sqm)

Market value:

RM165 million
(as appraised by Henry Butcher Malaysia (Sel) Sdn Bhd)



Details of the Land (Cont'd)



The market value of the Land of RM165 million was appraised by Henry Butcher Malaysia (Sel) Sdn Bhd based on the comparison method of valuation.

Using this method of valuation, the Independent Valuer compared the Land with 3 recent and similar comparable transactions with adjustments made to account for differences in location, accessibility, development concept/goodwill, size and tenure of the lands.

Based on the above, the Independent Valuer arrived at the following adjusted market values:

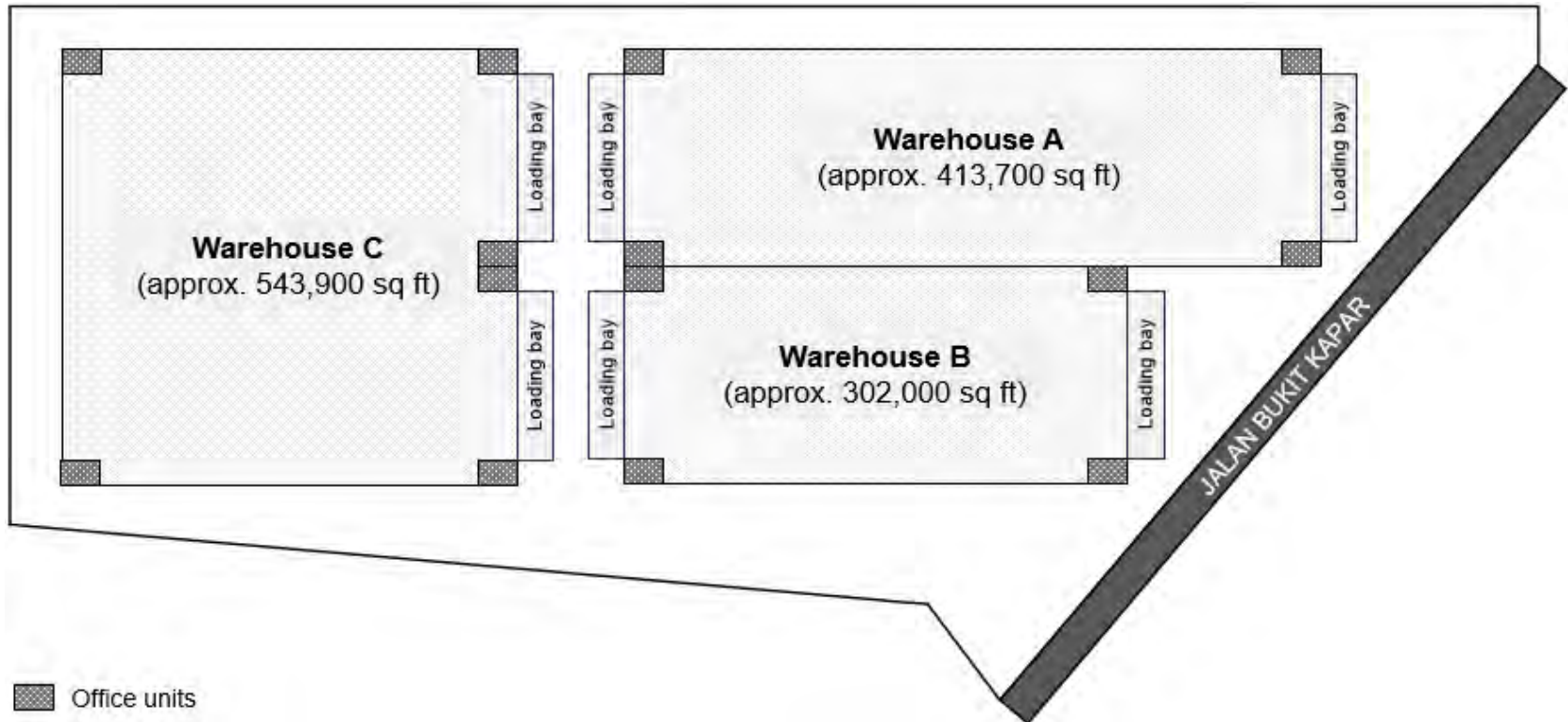
Comparable 1	- RM64.60 per sq ft
Comparable 2	- RM67.36 per sq ft
Comparable 3	- RM67.50 per sq ft
Adopted market value for the Land	- RM65.00 per sq ft / RM165,000,000

*The Land measures approximately 2.54 million sq. ft.

Details of the Development Project



The Development Project is expected to comprise 3 large warehouse buildings which will be held by the Group and rented out for recurring income:



The Development Project will also be designed to be environmentally friendly and sustainable, in order to fall under the category of a “green building”.

Details of the Development Project (Cont'd)



The Development Project is expected to cost approximately RM163.16 million to develop, as summarised below:

	Estimated cost (RM' million)
- Preliminaries	2.00
- Construction cost	151.16
- Professional fees (land surveyor, civil engineer & project management consultant)	7.00
- Overhead and administration costs	3.00
Total GDC	163.16

The Group estimates monthly rental rates of RM2.20 to RM2.40 per sq ft for the Development Project which equates to an expected annual rental income of **RM33.26 million to RM36.28 million per annum**.

MBC has appointed Laurelcap Sdn Bhd, an independent property consultant to conduct a market study and assess the Development Project.

Details of the Development Project (Cont'd)



Based on the earlier total cost and rental rate assumptions, the Development Project is expected to generate a return on investment of **between 10.13% to 11.06%** as follows:

		(RM' million)
Total estimated GDC		163.16
Purchase consideration for the Land		165.00
Total cost of the Development Project	[A]	328.16
Estimated rental income	[B]	33.26 to 36.28
Estimated ROI (%)	[B]÷[A]	10.13 to 11.06

We intend to fund up to 80% of the total cost of the Development Project via bank borrowings. Based on an estimated interest rate for bank borrowings, the Development Project is expected to generate a return on equity of **between 24.67% to 29.28%**.

Details of the Development Project (Cont'd)



The tentative timeline for the Development Project is as follows:

- Submit the application for the development order December 2023
- Completion of the land clearance and flattening 1st quarter of 2024
- Completion of the Proposed Acquisition 1st quarter of 2024
- Obtain project development order 1st quarter of 2024
- Commence development 2nd quarter of 2024
- Completion of development 2nd quarter of 2025

Barring any unforeseen circumstances, the Development Project is expected to generate income to the Group upon its completion, by the 2nd quarter of 2025.

Overview of the Proposals



The Group intends to acquire the Land from Kapar Land Sdn Bhd (“**KLSB**”) and undertake the development of the Development Project as a 60:40 joint venture with GVVSB.

In this regard, the Group had on 29 August 2023, entered into 2 agreements:

Sale and Purchase Agreement (“SPA”)

- Signed between MBC Logistic Hub Sdn Bhd and KLSB
- For the acquisition of the Land by MBC Logistic Hub Sdn Bhd from KLSB for a purchase consideration of RM165 million

Subscription and Shareholders’ Agreement (“SSA”)

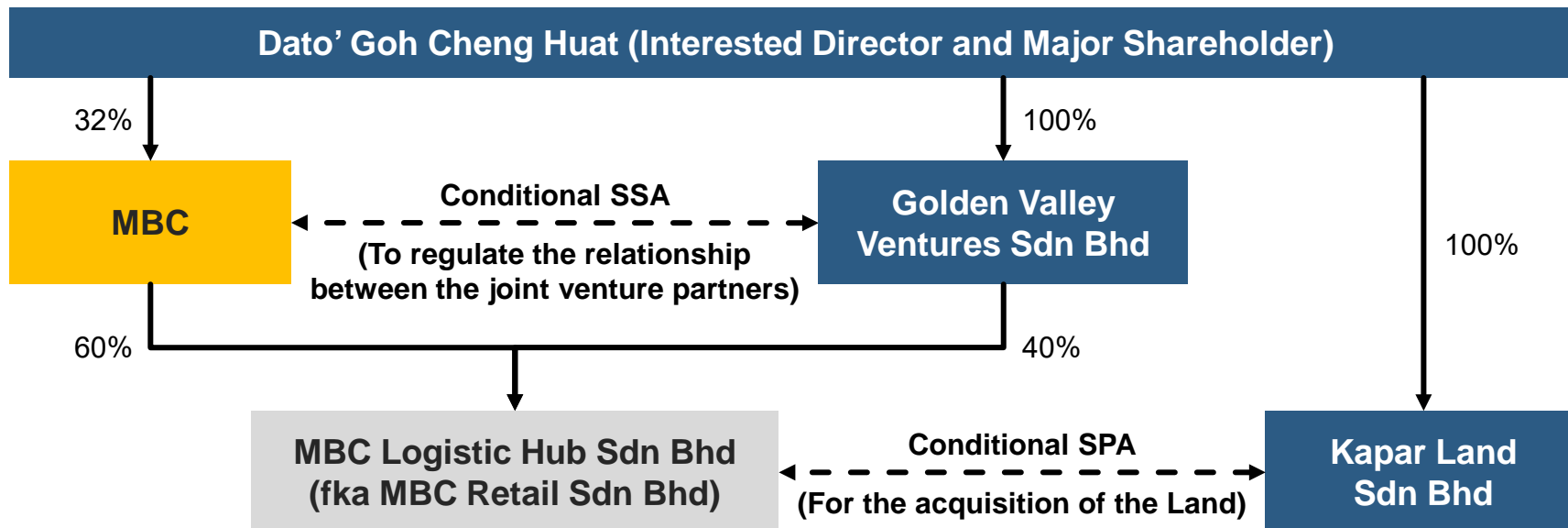
- Signed between MBC and GVVSB
- For the subscription of new ordinary shares in MBC Logistic Hub Sdn Bhd by MBC and GVVSB in a 60:40 ratio

In view that the Industrial Property Business may contribute 25% or more of the net profits of the Group and/or result in a diversion of more than 25% of the net assets of the Group, MBC is required to seek the approval of its Shareholders for the Proposed Diversification at this EGM.

Overview of the Proposals (Cont'd)



A diagrammatic overview of the Proposed Acquisition and Proposed Joint Venture are as follows:



In view of the interests of Dato' Goh Cheng Huat and his son-in-law, Lin JunLiang, Troy, the Proposed Acquisition and Proposed Joint Venture are both deemed related party transactions pursuant to paragraph 10.02(k) of the Listing Requirements. Both Interested Directors will abstain from voting on the relevant resolutions.



The rationale for the Proposals are as follows:

- (i) The Group has been looking for new strategic business opportunities to diversify its revenue to mitigate the risk of overdependence on its existing core business which is subject to fluctuations in ship charter rates which are beyond the Group's control.
- (ii) The Group intends to diversify the existing business of the Group to include the Industrial Property Business in view of amongst others, the favourable outlook and prospects of the industrial property market in Malaysia and in Selangor.
- (iii) The Group has decided to undertake the Development Project as a 60:40 joint venture together with GVVSB, in order to share the costs and business risk inherent in the project as well as tap into Dato' Goh's knowledge in industrial property development.

Risk Factors



The key risk factors for the Proposals are as follows:

- (i) non-completion of the Proposed Acquisition and Proposed Joint Venture, which would result in the potential benefits from the Development Project to not be realised;
- (ii) non-completion or delay in the Development Project;
- (iii) dependence on the key personnel of the Group who will be responsible for overseeing the day-to-day operations of the Industrial Property Business; and
- (iv) new risks inherent to the property development and property investment industry, such as competition risk, changes in the supply and demand of industrial properties and increases in the costs of building materials or labour.

Please refer to the Circular to shareholders dated 9 November 2023 for a full list of risk factors.

Proposed Change of Name



MBC also proposes to change its name from “Malaysian Bulk Carriers Berhad” to “Maybulk Berhad” (“**Proposed Change of Name**”). Details of this proposal are as follows:

Rationale

The Proposed Change of Name is undertaken as part of a rebranding exercise to better align the Group’s corporate identity in view of the expected reduction in the financial contribution from the dry bulk shipping business towards its new interests in industrial property development and investment.

This move will also establish a strong brand identity of the Group for its various business interests moving forward.

Approvals required

The Proposed Change of Name is subject to the following approvals:

- (i) The approval of the Companies Commission of Malaysia (obtained); and
- (ii) The approval of the shareholders of MBC at the EGM to be convened.

Summary



1. The Proposals represent the Group's first foray into the new business of industrial property development and investment.
2. The Purchase Consideration for the Land is the same as the market value of RM165,000,000 as assessed by the independent valuer.
3. The Development Project is expected to comprise 3 large warehouse buildings which will be held by the Group and rented out for recurring income.
4. The Group expected annual rental income of RM33.26 million to RM36.28 million per annum which will generate a return on investment of between 10.13% to 11.06%.
5. Barring any unforeseen circumstances, the Development Project is expected to be completed by the 2nd quarter of 2025.



MALAYSIAN BULK CARRIERS BERHAD

Extraordinary General Meeting

6 December 2023

End of Presentation

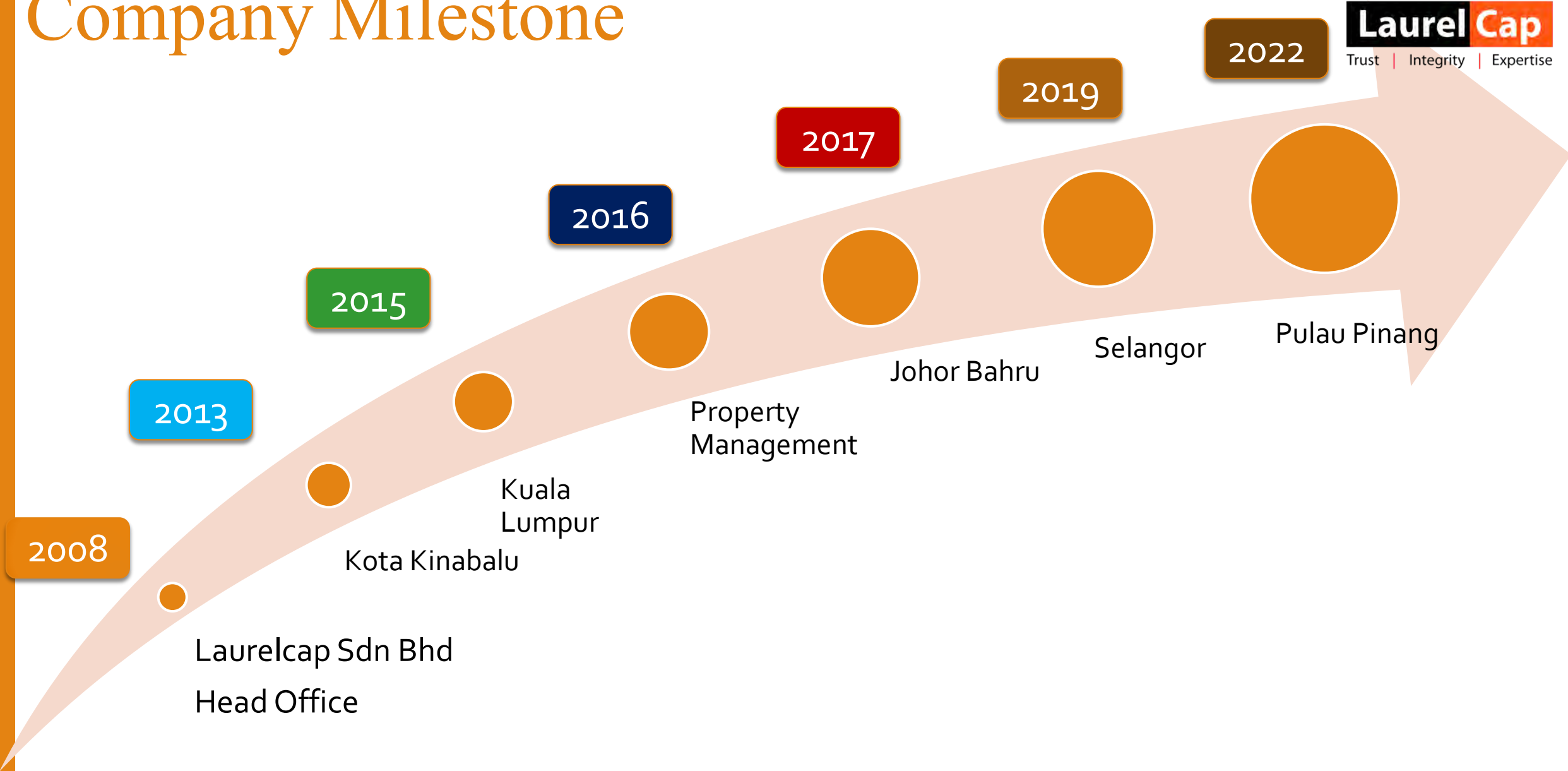


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INTRODUCTION TO LAURELCAP GROUP

Company Milestone



Corporate Information

- Board of Valuers, Appraisers and Estate Agents Malaysia

Registration



- Ministry of Finance, Malaysia

Registration



- Royal Institution of Chartered Surveyors, United Kingdom

Regulated



- Royal Institution of Surveyors, Malaysia

Membership



- Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia

Membership



- Malaysian Institute of Estate Agents (MIEA)

Membership



- Malaysia Retail Chain Association (MRCA)

Membership



- FIABCI Malaysian Chapter

Membership



- Malaysian Chamber of Commerce Hong Kong and Macau (MCCHKM)

Membership



- Tan San Yew (V607, E1789, PM607)
- Stanley Toh (V927, E2303, PM927)
- Hansen Yeo (V656, E1884, PM656)
- Jennifer Wong (V1122, E2670)
- Suraiya Binti Salleh (V1278, E2970, PM465)
- Elbe Siew (V1091, E2608, PM1091)
- Lee Chong Thong (E726)
- Christopher Chan (E2239)
- Jerry Lee (PM1276)
- Christopher Teng (PM 2979)

Registered Valuers,
Estate Agents &
Property Managers



Senior Management Profile

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Sr Tan San Yew is the founder and Managing Director of the Laurelcap Group. He provides the vision, overall guidance and direction of the company. Having graduated with a Bachelor in Real Estate Management (Honours) from University of Malaya, he also holds a Diploma in Information Technology from Asia Pacific Institute of Information Technology.

He is a licensed Valuer and Estate Agent with the Board of Valuers, Estate Agency and Property Manager, Malaysia, as well as a fellow member of the Royal Institute of Surveyors, Malaysia (RISM). He is also a member of the Royal Institution of Chartered Surveyors (RICS). Tan has accumulated a wide range of experience and skills in the property industry through his attachment at various international property consultant and developer firms.

His range of professional expertise includes property development, corporate industry relationship, property valuation, taxation, property market research, project development, estate dealings and facilities management.

**Sr Tan San
Yew** *MRICS, FRISM*



Sr Stanley Toh is an Executive Director at Laurelcap Group. He obtained a Bachelor of Science (Hons) Estate Management from the University of Greenwich in the United Kingdom. During his working career, he has gained significant experiences in many fields which include property valuation, plant & machinery valuation, real estate agency, project management and market feasibility studies.

Stanley is a licensed Valuer, Estate Agent and Property Manager with the Board of Valuers, Appraisers & Estate Agency, Malaysia. He is also the current divisional secretary for the Royal Institution of Surveyors Malaysia (RISM) Property Surveying Division (Session 2020/2021), a member of the Royal Institution of Chartered Surveyors (RICS), a member of the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (PEPS) and a member of the Malaysian Institute of Property and Facility Manager (MIPFM). In 2017, Stanley has also completed the professional and systematic training in business valuation and is a qualified International Certified Valuation Specialist (ICVS) and also a member of the Business Valuation Association Malaysia (BVAM).

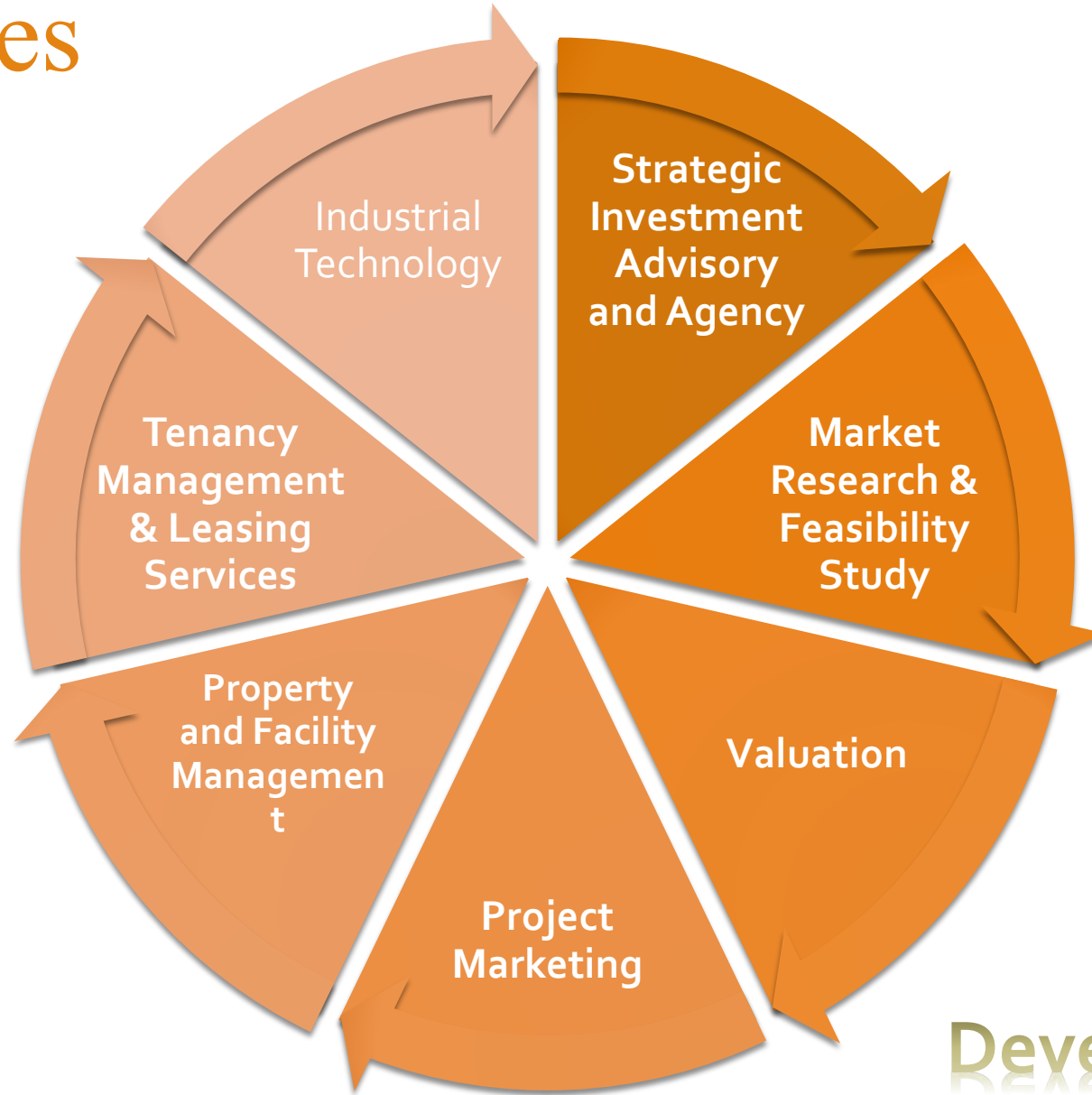
Sr Stanley Toh
MRICS, MRISM, MPEPS, MMIPPM



Tang Tick Huar is a Director at Laurelcap Sdn Bhd. A graduate in Real Estate Management from the University of Malaya, he has vast professional experience in matters relating to the real estate industry. His range of professional expertise includes property development, industry relationship, property valuation, taxation, property market research, project development, real estate agency and facilities management.

**Tang Tick
Huar**

Core Services



Development Process



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MARKET STUDY
PARCEL OF FREEHOLD LAND
MEASURING APPROXIMATELY
23.48 HECTARES LOCATED IN
MUKIM KAPAR, DAERAH
KLANG, NEGERI SELANGOR

SUMMARY

- **Proposed Development**

- ✓ Two (2) units of Semi-Detached Single Storey Warehouses
- ✓ One (1) unit of Detached Single Storey Warehouse

- **Analysis**

- ✓ Rental Rate
- ✓ Building Cost

LOCATION PLAN

The Approximate Location of Proposed Development



SURROUNDING DEVELOPMENTS

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K International Industrial Park @ KAPAR 2

- 18 Units of Medium Industry
- 14 Units of Heavy Industry

H&A Industrial Hub @ Kapar

Phase 1

- 18 Units of 3 Storey Semi-Detached Factory
- 14 Units of 3 Storey Detached Factory

ETP @ Meru Industrial Park 3

- 32 Units of 3 Storey Semi-Detached Factory

ETP @ KIIP Kapar

Phase 1

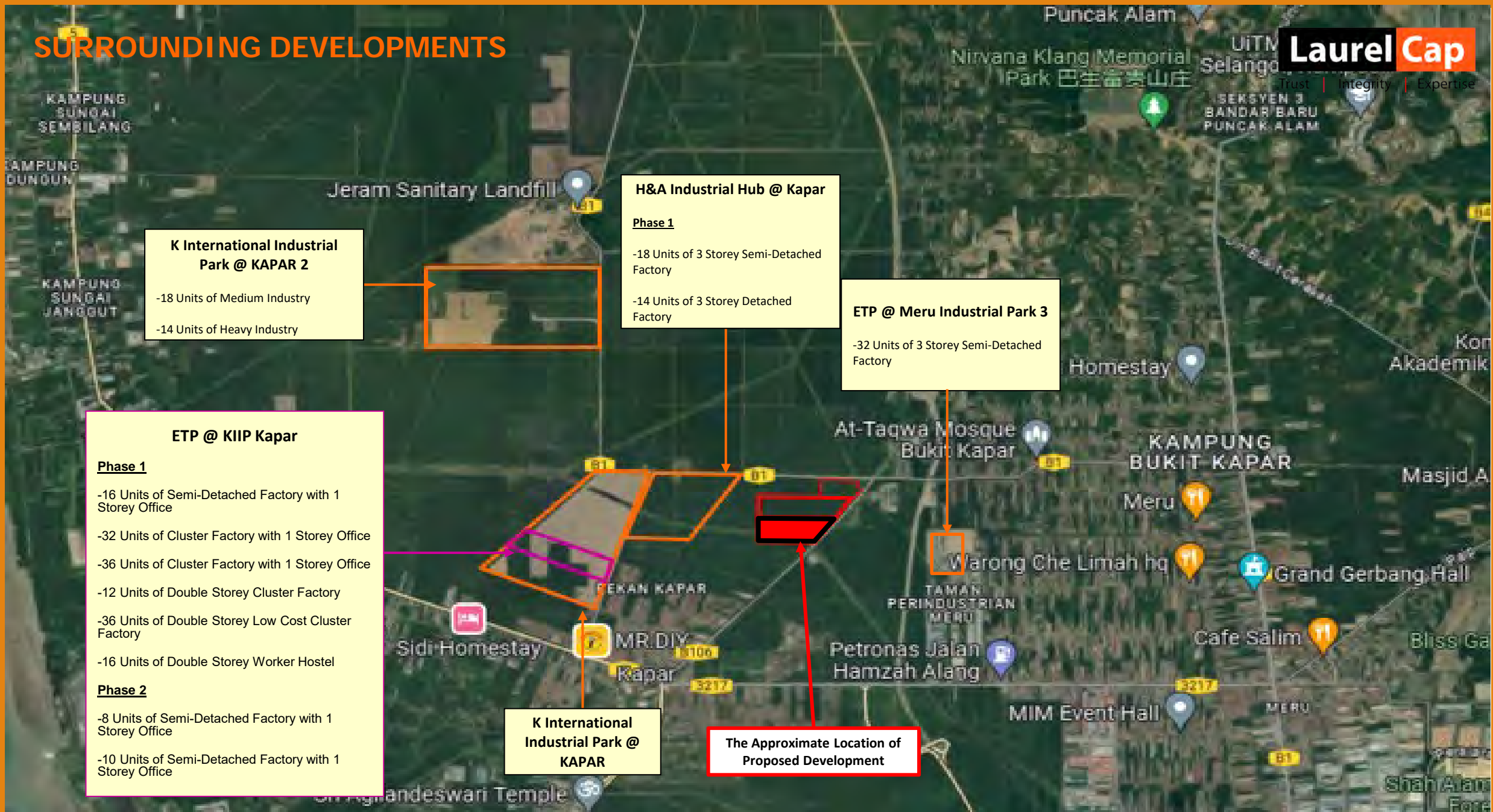
- 16 Units of Semi-Detached Factory with 1 Storey Office
- 32 Units of Cluster Factory with 1 Storey Office
- 36 Units of Cluster Factory with 1 Storey Office
- 12 Units of Double Storey Cluster Factory
- 36 Units of Double Storey Low Cost Cluster Factory
- 16 Units of Double Storey Worker Hostel

Phase 2

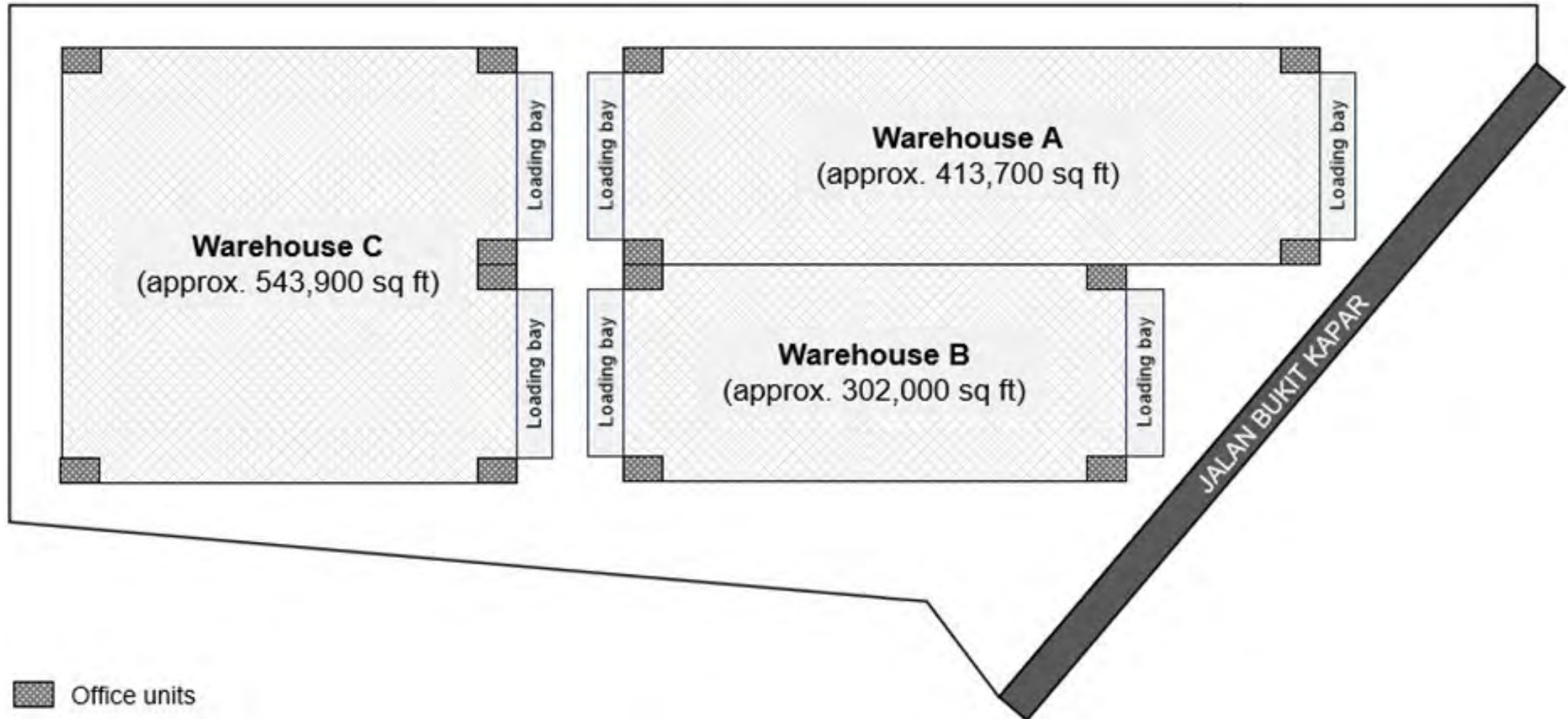
- 8 Units of Semi-Detached Factory with 1 Storey Office
- 10 Units of Semi-Detached Factory with 1 Storey Office

K International Industrial Park @ KAPAR

The Approximate Location of Proposed Development



SITE PLAN - PROPOSED DEVELOPMENT



METHODOLOGY

Rental Rate

- 100 samples from 10 different localities were collected to identify the rental rates of the proposed development

Building Cost

- Analyse the trend of the building cost from year 2018 to year 2023
- Benchmarking the MBCB's Cost Estimate toward BCISM and Arcadis
- Seek for contractor's opinion on the construction cost of the proposed development

RENTAL RATE ANALYSIS

RESULT - RENTAL ANALYSIS



RESULT - RENTAL ANALYSIS

SAMPLE	MIN	MAX
Ten (10) Industrial Schemes	RM 1.08 psf	RM 3.50 psf
Kapar	RM 1.70 psf	RM 2.08 psf
Five (5) Selected Comparables	RM 1.91 psf	RM 2.50 psf

GREEN BUILDING FEATURE

Green Building Tools

- Green Building Index (GBI)
- Green Real Estate (GreenRE)

Advantages

- Lower building operation cost in long term
- Tax incentive
- Multinational Corporation (MNC) might exhibit greater interest in renting the factory

CONCLUSION – RENTAL ANALYSIS

RENTAL RATE ESTIMATE		
COMPANY	MIN	MAX
Malaysian Bulk Carriers Berhad (MBCB)	2.20 psf/month	2.40 psf/month
Laurelcap Sdn Bhd (LSB)	2.00 psf/month	2.80 psf/month

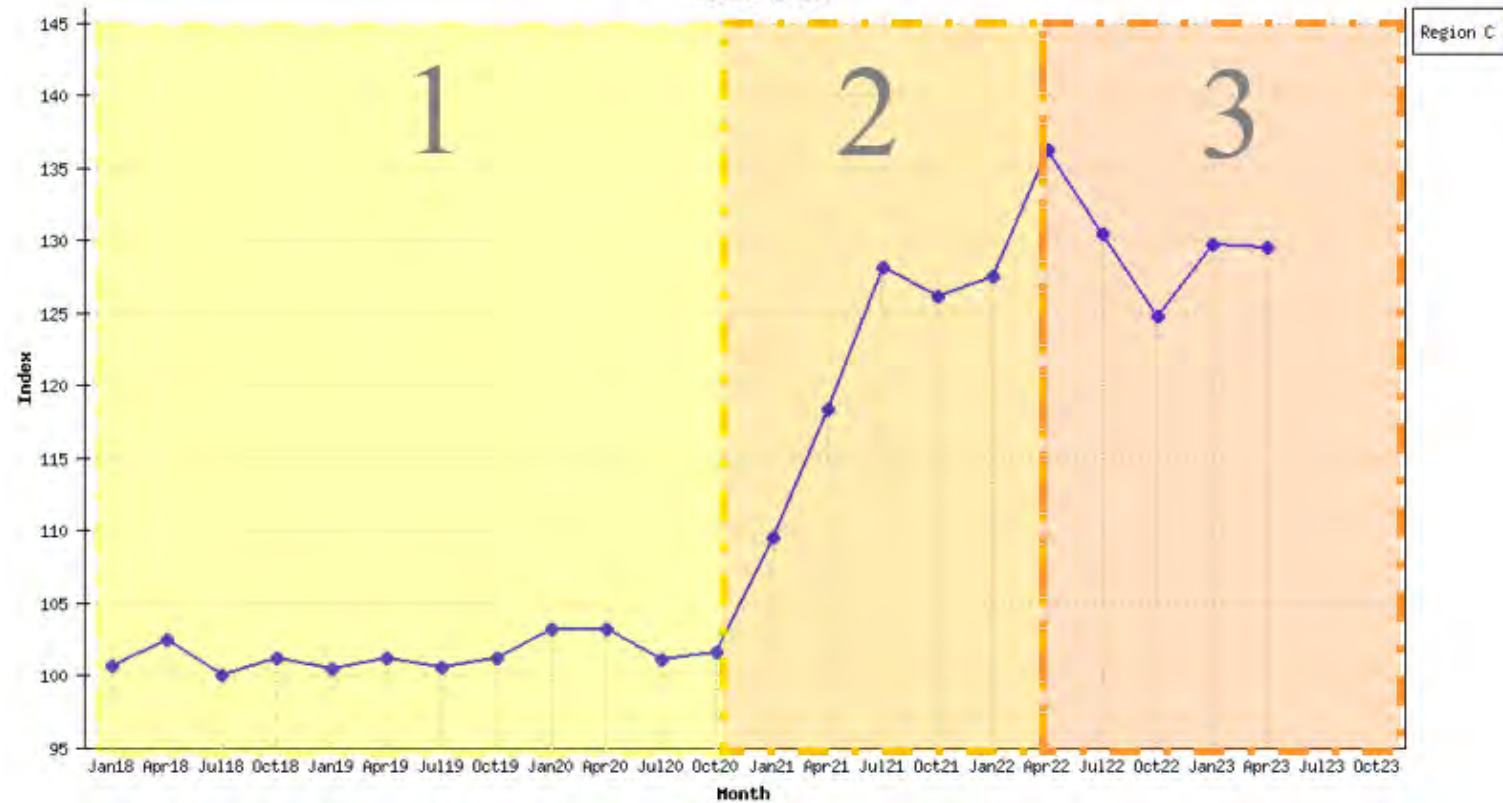
- ✓ With the imminent completion of the West Coast Expressway which is expected increase in demand
- ✓ Post MCO, a significant change in the business landscape - Automation has become a prominent trend in the industrial sector as manufacturing operators seek alternatives to cope with the labour shortage
- ✓ With the growing trend towards ESG-focused investments by multi-national companies may drive demand for such a development among those willing to pay a premium for a green building.
- ✓ The MBCB's estimated rental rate falls within LSB's estimated rental rate.

The MBCB's estimated rental rate for the Proposed Development is **JUSTIFIABLE, REASONABLE AND FEASIBLE.**

BUILDING COST ANALYSIS

RESULT - BUILDING COST ANALYSIS

Table 1 : Building Cost Index (BCI)
by Category of Building and Region (Table 1)
Commercial & Industrial
2018-2023



The Trends Of The Building Cost Index (Commercial And Industrial Buildings) From 2018 To 2023

RESULT - BUILDING COST ANALYSIS

SOURCE	APPROXIMATE BUILDING COST (PSF)	
	Min	Max
BCISM	RM 173.00 psf	RM 187.00 psf
Arcadis	RM 170.00 psf	RM 205.00 psf
LSB's Opinion	RM 140.00 psf	RM 170.00 psf

* Note : The estimated building services cost is between RM 29 psf to RM 71 psf

RESULT - BUILDING COST ANALYSIS

MBCB'S COST ESTIMATE		PERCENTAGE BASED ON CONSTRUCTION COST
Preliminary Cost	RM 2,000,000	1.3%
Construction Cost	RM 151,163,400	
Professional Fees	RM 7,000,000	5%

CONTRACTOR'S COST ESTIMATE		PERCENTAGE BASED ON CONSTRUCTION COST
Preliminary Cost	RM 2,000,000	1.5%
Construction Cost	RM 133,293,626	
Professional Fees	RM 5,355,653	4%

- ❖ The comparison indicates that MBCB's cost estimation is reasonably accurate, with differences within an acceptable range. Moreover, the proportional breakdown of costs aligns closely between MBCB's estimation and the contractor's estimation.
- ❖ This suggests that MBCB's estimation methodology and the contractor's approach are in good agreement, reinforcing the credibility of MBCB's estimations. As such, the MBCB's cost estimate for the Proposed Development is **JUSTIFIABLE, REASONABLE AND FEASIBLE**.

CONCLUSION

From our market study, the data consistently point towards a positive scenario for the proposed development of industrial properties. The combination of limited supply, positive rental rate trends, and feasible costing indicates a project that is well-positioned to not only meet but potentially exceed expectations. As such, the Proposed Development by MBCB is **JUSTIFIABLE, REASONABLE AND FEASIBLE.**



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THANK YOU

Laurelcap Sdn Bhd

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MALAYSIAN BULK CARRIERS BERHAD

Independent Adviser's assessment in relation to the Proposed Acquisition, Proposed Joint Venture and Proposed Diversification

6 December 2023

Introduction

*Definitions or defined terms used in this document shall have the same meanings as defined in the “**Definitions**” section of the Circular dated 9 November 2023 except where the context requires otherwise or as otherwise defined.*

- On 29 August 2023, Kenanga IB had, on behalf of the Board, announced that MBC proposed to undertake the following:
 - i. Proposed Acquisition;
 - ii. Proposed Joint Venture; and
 - iii. Proposed Diversification.
- The Proposed Acquisition, Proposed Joint Venture and Proposed Diversification are inter-conditional and proposed to be undertaken concurrently.
- The Proposed Acquisition and Proposed Joint Venture are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors.
- Accordingly, BDOCC was appointed by MBC on 29 May 2023 as the Independent Adviser to advise the non-interested shareholders of MBC in relation to the fairness and reasonableness of the Proposed Acquisition and Proposed Joint Venture and whether the Proposed Acquisition and Proposed Joint Venture are detrimental to the non-interested shareholders of MBC.
- It is to be noted that the Proposed Diversification is not deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. However, in view that the Proposed Acquisition and Proposed Joint Venture and the Proposed Diversification are inter-conditional, we have also provided our view in respect of the Proposed Diversification.

Evaluation of the Proposals



Evaluation of the Proposals

In evaluating the Proposals, we have taken into consideration the following:

- 1) Rationale of the Proposals
- 2) Evaluation of the Purchase Consideration
- 3) Evaluation of the mode of Settlement of the Proposed Acquisition
- 4) Salient terms of the draft SPA
- 5) Salient terms of the draft SSA
- 6) Effects of the Proposals

Assessment of the rationale of the Proposals

- Prior to 2023, MBC **Group's** revenue was mainly derived from the provision of freight services for charters. The charter rates for dry bulk shipping are dependent upon the demand and supply of commodity items such as coal, grains, iron ore and other commodities. As a result of this, charter rates tend to be volatile and have resulted in uneven revenue and profitability recorded by the Group.

MBC Group	< ----- Audited ----- >				Unaudited
	FYE 2019 (RM'000)	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	6-month FPE 30 June 2023 (RM'000)
Revenue	257,993	175,986	207,044	154,779	68,052
Operating profit / (loss)	32,001	(3,592)	93,010	47,747	14,235
(Loss before tax) (" LBT ") / Profit before tax (" PBT ")	(6,099)	(20,679)	195,381	93,294	4,415
(LBT) / PBT – excluding exceptional items [^]	15	(19,225)	76,204	41,421	4,415
(Loss after tax) (" LAT ") / Profit after tax (" PAT ")	(7,314)	(20,781)	195,245	93,181	3,824
No. of vessels (at end of the year/period)	14	10	5	4	2
Daily time charter equivalent rate (USD)	10,010	8,676	18,092	18,886	15,875

Note:

[^] Excluding exceptional items such as disposal of property, plant and equipment, impairment/reversal of impairment loss on vessels, gain/loss on liquidation of subsidiaries or joint ventures and derecognition of joint ventures during the respective financial years/period.

- Based on above, we noted that MBC Group has downsized its vessel fleet from 14 vessels in FYE 2019 to 4 vessels in FYE 2022. We also noted that the charter rates have increased from USD10.0k in FYE 2019 to USD18.9k in FYE 2022.
- Despite having fewer vessels in FYE 2021 and FYE 2022, MBC **Group's** profitability has improved significantly from a PBT (excluding exceptional items) of RM0.02 mil in FYE 2019 to a PBT (excluding exceptional items) of RM76.20 mil and RM41.42 mil in FYE 2021 and FYE 2022 respectively, mainly due to higher charter rates recorded in the 2 years.

Assessment of the rationale of the Proposals (Cont'd)

- In view that charter rates are unpredictable in nature, a sudden movement in charter rates will have a significant impact on the financial performance of MBC Group. As such, MBC intends to look for new business opportunities to mitigate the risk of overdependence on its existing Dry Bulk Shipping Business.
- For the FYE 2019 to FYE 2022, MBC **Group's** financial position has improved significantly as follows:

MBC Group	< ----- Audited ----- >				Unaudited
	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash and cash equivalents	79,480	38,886	207,174	379,299	196,226
Total borrowings and lease liabilities	561,780	349,193	140,102	33,111	1,246
Shareholders' equity	354,830	274,253	469,022	487,052	510,966
Gearing ratio (times)	1.58	1.27	0.30	0.07	0.0024

- The **Group's** cash and cash equivalents have increased from RM79.48 mil as at 31 December 2019 to RM196.23 mil as at 30 June 2023 and the **Group's** gearing ratio has improved from 1.58 times as at 31 December 2019 to 0.0024 times as at 30 June 2023.
- The current cash position and debt level of MBC Group will allow the Group to explore options to acquire new assets and/or businesses. Accordingly, the Proposals represent an opportunity for the Group to diversify its revenue stream and facilitate the expansion of the **Group's** business.
- The Proposals will serve as an entry point for the Group into the Industrial Property Business. With a joint venture arrangement, MBC and GVVSB will be able to share part of the cost of acquiring the Land and part of the cost for the Development Project in proportionate to their shareholdings in MBC Logistic Hub.
- Based on the above, we are of the view that the rationale of the Proposals are reasonable.

Evaluation of the Purchase Consideration

- In arriving at the fairness evaluation of the Proposed Acquisition, we have compared the Purchase Consideration of RM165.00 million against the market value of the Land of RM165.00 million (ie. RM65 psf) as appraised by the Valuer (“Market Value”).
- The Valuer had adopted the comparison approach as the sole valuation method in appraising the Market Value of the Land as the Land is a parcel of vacant industrial land and the planning of development on the Land is in the preliminary stage.
- The Market Value of the Land was also derived based on the assumptions that the clearance work to remove all the existing oil palm trees and flattening work on the Land has been undertaken by the Vendor (“Site Upgrading Works”).
- The Valuer did not take into consideration the proposed development components of the Land as set out in the Market Study Report as the report was prepared only for the internal evaluation of the management of MBC Logistic Hub.
- As at the LPD, MBC and GVVSB are still in the midst of finalising the details for the Development Project and the Group expects the application to obtain the development order for the Development Project to be submitted by the 4Q of 2023.
- We are of the view that the bases and assumptions used by the Valuer in deriving the Market Value of the Land are reasonable.
- The comparison between the Market Value and the Purchase Consideration is as follows:

Land	Valuation Date	Valuation Method	Land Area	Market Value	Purchase Consideration
			sq ft	(RM)	(RM)
Lot No PT 85116	22 Aug 2023	Comparison method	2,527,266	165,000,000	165,000,000

We noted that the Purchase Consideration is equivalent to the Market Value of the Land. As such, we are of the view that the Purchase Consideration is fair.

Evaluation of Mode of Settlement for the Proposed Acquisition

- MBC Logistic Hub intends to fund the Purchase Consideration of RM165.00 mil in the following manner:
 - a) Up to 80% of the Purchase Consideration amounting to RM132.00 mil to be funded via bank borrowings obtained by MBC Logistic Hub; and
 - b) Any balance amount of the Purchase Consideration shall be funded by MBC Logistic Hub via **shareholders'** advances by MBC and GVVSBS in proportion to their 60:40 shareholdings in MBC Logistic Hub.
- For illustrative purposes, we have compared the amount to be funded by MBC Logistic Hub via **shareholders'** advances by MBC and GVVSBS based on the following 2 scenarios:

	Amounts to be funded by bank borrowings by MBC Logistic Hub	Amount to be funded by shareholders' advances		
		MBC	GVVSBS	Total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Scenario 1 MBC Logistic Hub is able to obtain bank borrowings to fund 80% of the Purchase Consideration and the remaining 20% of the Purchase Consideration to be funded via shareholders' advances.	132,000	19,800	13,200	33,000
Scenario 2 MBC Logistic Hub is unable to obtain bank borrowings and 100% of the Purchase Consideration to be funded via shareholders' advances.	Nil	99,000	66,000	165,000

- In the event that MBC Logistic Hub is unable to obtain bank borrowings (ie. Scenario 2), the maximum amount to be funded by MBC and GVVSBS via **shareholders'** advances to MBC Logistic Hub will increase from RM33.00 mil to RM165.00 mil.

Evaluation of Mode of Settlement for the Proposed Acquisition (Cont'd)

Our Comments

- MBC may fund its share of the Purchase Consideration either from part of the proceeds from the disposal of Alam Kekal vessel (ie. RM140.06 mil), its internally-generated funds or its own bank borrowings.
- In the event that the disposal proceeds from Alam Kekal is insufficient to fund **MBC's** share of the Purchase Consideration, we are of the view that MBC Group is in a financial position to fund the Proposed Acquisition in view that:
 - a) the **Group's** unaudited cash and cash equivalents as at 30 June 2023 stood at RM196.23 million and are mainly free-cash (ie. short term deposits);
 - b) the **Group's** unaudited borrowings and lease liabilities as at 30 June 2023 stood at RM1.25 million with a gearing ratio of 0.0024 times; and
 - c) the Group has no capital commitment as at 30 June 2023.

Based on the above, we are of the view that the mode of settlement of the Proposed Acquisition is reasonable.

Assessment of the salient terms of the SPA

Subject	Our comments																										
SPA Conditions Precedent	<ul style="list-style-type: none">A time period of 3 months to fulfill the SPA Conditions Precedent are reasonable as they are requisite approvals required to be fulfilled by the parties of the SPA to complete the Proposed Acquisition. These terms also ensure that the transaction is in compliance with the applicable laws and regulatory requirements.																										
Manner of payment of the Purchase Consideration	<ul style="list-style-type: none">The Purchase Consideration shall be paid by the Purchaser to the Vendor in the following manner: <table><tr><th>Milestones</th><th colspan="2">Amount</th><th>Comments</th></tr><tr><td></td><th>(RM)</th><th>(%)</th><td></td></tr><tr><td>(i) 1st Tranche - Upon execution of the SPA</td><td>16,500,000</td><td>10%</td><td>Reasonable as 10% deposit is a common commercial term in an agreement similar to the Proposed Acquisition</td></tr><tr><td>(ii) 2nd Tranche - Within 3 months after the fulfilment of all SPA conditions precedent</td><td>140,250,000</td><td>85%</td><td>Reasonable and beneficial to the Purchaser as 85% of the payment of the Purchase Consideration is only paid after the SPA becomes unconditional.</td></tr><tr><td>(iii) 3rd Tranche - Within 3 days upon fulfilment of the Site Upgrading Works by the Vendor</td><td>8,250,000</td><td>5%</td><td>Reasonable and serves to protect the interest of the Purchaser as the remaining 5% of the Purchase Consideration is only paid upon fulfilment of the Site Upgrading Works by the Vendor.</td></tr><tr><td>Total</td><td>165,000,000</td><td>100%</td><td></td></tr></table>			Milestones	Amount		Comments		(RM)	(%)		(i) 1 st Tranche - Upon execution of the SPA	16,500,000	10%	Reasonable as 10% deposit is a common commercial term in an agreement similar to the Proposed Acquisition	(ii) 2 nd Tranche - Within 3 months after the fulfilment of all SPA conditions precedent	140,250,000	85%	Reasonable and beneficial to the Purchaser as 85% of the payment of the Purchase Consideration is only paid after the SPA becomes unconditional.	(iii) 3 rd Tranche - Within 3 days upon fulfilment of the Site Upgrading Works by the Vendor	8,250,000	5%	Reasonable and serves to protect the interest of the Purchaser as the remaining 5% of the Purchase Consideration is only paid upon fulfilment of the Site Upgrading Works by the Vendor.	Total	165,000,000	100%	
Milestones	Amount		Comments																								
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Total	165,000,000	100%																									

Assessment of the salient terms of the SPA (Cont'd)

Subject	Our comments
Adjustment on the Purchase Consideration	<ul style="list-style-type: none"> The adjustment mechanism for the Purchase Consideration (ie. RM702.78 per sqm) is fair as it is the same as the Market Value on a per sqm basis for the Proposed Acquisition (i.e. RM165.00 million / 234,783 sqm). We also noted that in the event that the Variation exceeds 5%, the adjustment price on the Purchase Consideration is subject to discussion and agreement by both parties of the SPA. It is the intention of the parties to fix the adjustment price at the rate of RM702.78 per sqm which is consistent with market value of the Land on a per sqm basis.
Transfer of the new Land title	<ul style="list-style-type: none"> The land title is intended to be transferred to MBC Logistic Hub within 2 years after the completion of the Compulsory Acquisition. In the event the Compulsory Acquisition is not completed for whatever reason within the 2 year period, MBC Logistic Hub has the right to purchase the Excluded Area for RM702.78 per sqm. The transfer period of 2 years is reasonable as it was mutually agreed by the Vendor and Purchaser to allow for sufficient time for the completion of the Compulsory Acquisition and the administrative process for the transfer of the Land title based on the actual land size to be acquired. While we noted that pending the transfer of the Land title, MBC Logistic Hub is only entitled to the Limited PA, the SPA sets out that upon full payment of the Purchase Consideration: <ul style="list-style-type: none"> a) the Vendor acknowledges that the Purchaser is the beneficial owner of the Land and the Vendor and Proprietor has no further rights, title and benefit in the Land; and b) the Vendor acknowledges that the Vendor shall cause the Proprietor to hold the Land as bare trustee on behalf of the Purchaser.

Based on the above, we are of the view that the salient terms of the SPA are reasonable and not detrimental to the non-interested shareholders of MBC.

Assessment of the salient terms of the SSA

Subject	Our comments
SSA conditions precedent	<ul style="list-style-type: none">• A time period of 3 months to fulfill the SSA Conditions Precedent are reasonable as they are requisite approvals required to be fulfilled by the parties of the SSA to complete the Proposed Joint Venture. These terms also ensure that the transaction is in compliance with the applicable laws and regulatory requirements.
Initial Financing	<ul style="list-style-type: none">• MBC and GVVSB shall each advance to MBC Logistic Hub to an amount of RM600k and RM400k, respectively, to be used as initial working capital.• The funding required by MBC Logistic Hub from MBC and GVVSB to finance the Proposed Acquisition are reasonable as they are proportionate to the shareholdings of MBC and GVVSB in MBC Logistic Hub (ie. 60:40).
Appointment and removal of Directors	<ul style="list-style-type: none">• MBC and GVVSB shall each be entitled to nominate and appoint 2 directors and 1 director respectively. This is reasonable as MBC has board and management control in MBC Logistic Hub.

Based on the above, we are of the view that the salient terms of the SSA are reasonable and not detrimental to the non-interested shareholders of MBC.

Effects of the Proposals

- | | | | |
|-----|--|---|--|
| (1) | Issued share capital
&
substantial shareholders'
shareholdings | } | <ul style="list-style-type: none">• The Proposals will not have any effect on the issued share capital and substantial shareholders' shareholdings of MBC as the Proposals do not involve any issuance of new shares by MBC. |
| (2) | | | |
| | NA & Gearing | } | <ul style="list-style-type: none">• The Proposals will not have any <u>immediate</u> material effect on the NA per Share and gearing of MBC Group as it does not entail any change to the equity structure or borrowings of MBC Group.• In the event that MBC Logistic Hub obtains borrowings amounting to RM132.00 million to fund 80% of the Purchase Consideration (i.e. RM165.00 million x 0.80%), the Group's borrowings and lease liabilities will increase from RM1.25 million as at 30 June 2023 to RM133.25 mil.• The Group is estimated to incur interest expenses of RM8.58 million per annum based on an assumed interest rate of 6.5% per annum. |
| (3) | | | |
| | | | |

Based on the above, we are of the view that the overall effects of the Proposals are reasonable and not detrimental to the non-interested shareholders of MBC.

Conclusion

- Based on the above assessment, we are of the view that the Proposals are fair and reasonable and are not detrimental to the non-interested shareholders of MBC.
- Accordingly, we advise and recommend that the non-interested shareholders of MBC to vote in favour of the ordinary resolutions pertaining to the Proposals.

THANK YOU

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