

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

- (I) PROPOSED COLLABORATION;
- (II) PROPOSED DIVERSIFICATION; AND
- (III) PROPOSED RRPT MANDATE

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of the Company (“**Directors**”) (“**Board**”), Kenanga Investment Bank Berhad (“**Kenanga IB**”) wishes to announce that the Company had on 15 August 2022, entered into a conditional collaboration agreement with Tunas Manja Sdn Bhd (“**TMSB**”) to undertake grocery retail business and other grocery retail related businesses (“**Grocery Business**”) (“**Collaboration Agreement**”) (“**Proposed Collaboration**”).

Further to the Proposed Collaboration, MBC also proposes to undertake the following:-

- (i) diversification of the business of MBC and its subsidiaries (collectively the “**MBC Group**” or “**Group**”) to include the Grocery Business (“**Proposed Diversification**”); and
- (ii) new recurrent related party transactions of a revenue or trading nature (“**RRPT**”) expected to be entered into by the MBC Group with certain related parties following the Proposed Collaboration and Proposed Diversification (“**Proposed RRPT Mandate**”).

The Proposed Collaboration, Proposed Diversification and Proposed RRPT Mandate are collectively referred to as the “**Proposals**”.

The Proposed Collaboration is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) in view of the interests of the directors and major shareholders of the Company and persons connected with them (collectively, referred to as the “**Interested Parties**”) as set out in Section 11 of this announcement. By virtue of the inter-conditionality between the Proposed Collaboration, Proposed Diversification and Proposed RRPT Mandate, the Interested Parties are therefore deemed interested in the Proposals. Accordingly, Sierac Corporate Advisers Sdn Bhd (“**SCA**” or the “**Independent Adviser**”) was appointed as the Independent Adviser for the Proposals.

2. DETAILS OF THE PROPOSED COLLABORATION

2.1 Background information on the Proposed Collaboration

Following the appointments of Dato’ Chin Yoke Kan and Dato’ Chin Yoke Choon (collectively the “**Interested Directors**”) to the Board on 13 May 2022 and 20 June 2022 respectively, the Group has carried out a strategic review of the Group’s future direction and plans to drive earnings growth and to strengthen the Group’s financial position. In line with the Interested Directors’ experience, expertise and business network in the grocery retail industry, the Group intends to refocus its resources towards diversifying its business by way of undertaking the Grocery Business.

In pursuing the Grocery Business, MBC had on 15 August 2022, entered into the Collaboration Agreement, the salient terms of which are set out in Section 2.3 of this announcement. Subject to the approval of the shareholders of the Company (“**Shareholders**”) being obtained for the Proposals, MBC shall incorporate a new wholly-owned subsidiary to undertake the Grocery Business.

By combining the Group’s available resources and by leveraging on TMSB’s capabilities and its large network of suppliers, the Proposed Collaboration is expected to accelerate the growth of the Grocery Business to be undertaken by the Group.

2.2 Information on TMSB

TMSB is a private limited company incorporated in Malaysia under the Companies Act, 1965 on 3 December 1987.

TMSB is principally involved in the business of management of supermarket chain stores, including general trading of daily necessities and food products to consumers. As at 9 August 2022, being the latest practicable date prior to this announcement (“**LPD**”), TMSB operates a chain of 85 supermarkets and grocery stores operating under the “**TMG**” brand throughout Malaysia, with the majority of the stores located in the East Coast of Peninsular Malaysia.

As at the LPD, the issued share capital of TMSB is RM7,000,000 comprising 7,000,000 ordinary shares. As at the LPD, the shareholders of TMSB are as follows:-

Name	No. of shares	%
Dato’ Chin Yoke Kan	2,450,000	35.0
Dato’ Chin Yoke Choon	2,450,000	35.0
Chin Poh Yun	700,000	10.0
Chin Polling	700,000	10.0
Chin Poh Yung	700,000	10.0
Total	7,000,000	100.0

As at the LPD, the directors of TMSB are Dato’ Chin Yoke Kan and Dato’ Chin Yoke Choon.

2.3 Salient terms of the Collaboration Agreement

MBC and TMSB (“**Parties**”) entered into the Collaboration Agreement with the aim to regulate their relationship, which sets out the scope of their obligations, responsibilities, duties and rights of the Parties under the Proposed Collaboration.

The salient terms of the Collaboration Agreement are as follows:-

2.3.1 Supply and Provision of Products, Support Services and Licences

Subject to the terms and conditions of the Collaboration Agreement:-

- (a) MBC appoints and TMSB agrees to be appointed as the service provider for the supply and provision of products and support services.
- (b) TMSB agrees to supply to MBC and MBC undertakes to purchase from TMSB, such products as may be required for the Grocery Business (“**Products**”) for the sole purpose of the Grocery Business.

- (c) TMSB agrees that as part of the support services, TMSB shall use its best endeavours to:-
- (i) provide recommendations and assist the Company to identify and negotiate the supply of Products at the most favourable prices and trade terms for the products which are supplied by TMSB's existing and future suppliers; and
 - (ii) offer the Company the most favourable prices and trade terms for the Products supplied from TMSB or its related companies subject to compliance with the Listing Requirements and any transfer pricing requirements as advised by the tax advisers/consultants of the Company.
- (d) TMSB shall provide the support services to MBC or its nominee and/or assignee (as may be determined or incorporated by MBC) ("**Support Services**") which shall include, amongst others:-
- (i) **Establishment of outlets**

TMSB will assist MBC to identify and procure suitable premises / locations for outlets to be established and opened. In addition, TMSB shall assist MBC on the initial stocking and display of the opening stock at the outlets in such manner that the outlets can be operational on such date as may be determined by MBC ("**Commencement Date**").
 - (ii) **Renovation works of outlets**

TMSB is appointed to procure and coordinate external contractors or service providers for carrying out and performance of all renovation works, and to advise on the fit-out and equipment and furnishing requirements, design of interiors and exteriors, supervision of testing and commissioning, and procurement of fixtures and fittings, furnishings, equipment and signages, and all other works as may be required or necessary for the completion of the renovation works.
 - (iii) **Licensing and permits**

TMSB will use its best efforts to assist MBC for the procurement of all licenses, permits and approvals required for the operation of the Grocery Business in respect of the outlets from the appropriate authorities and the Parties agree that all costs, expenses, including fees imposed by the relevant authorities for issuance of the relevant licences, permits and approvals shall be borne by MBC.
 - (iv) **POS system**

TMSB shall, latest within 3 business days prior to the Commencement Date install and commission the point-of-sale system ("**POS System**") for each outlet without further charge for purposes of the Grocery Business and shall provide the necessary maintenance, technical support and services to maintain, modify and to keep up-to-date the POS System throughout the term of the Collaboration Agreement.

(v) Access to Management Systems

TMSB grants a non-transferable licence to MBC for use and access to the software and management systems required for the operations of the Grocery Business, including any improvements, revisions and upgrades of such systems (collectively, the “**Management Systems**”) without further charge and MBC shall have independent control of the Management Systems used for the purposes of the Grocery Business at the outlets operated by MBC, which include, amongst others:

- (1) Supply chain management;
- (2) Human resource management; and
- (3) Marketing resources.

(vi) Staff training

TMSB shall assist to identify suitable key personnel whom MBC shall, at its absolute discretion, appoint as the manager or superintendent based at the relevant outlets and TMSB shall provide up to 2 training sessions without charge, within 14 days prior to the Commencement Date or such other dates as the parties may agree.

(vii) Marketing, advertising and promotion

TMSB shall on behalf of MBC market, advertise and promote the Products in respect of the Grocery Business to prospective customers in whichever mode or manner as TMSB deems appropriate for the Grocery Business, including but not limited to inclusion of references to MBC’s outlets (as third party stores/outlets operating under the trade name of “TMG Mart” or “TMG Express”) and Products sold at the outlets in the website and other social media platforms of the TMG Group, and via designs, drawings, pictures and publications on its website and social media platforms.

2.3.2 Licence of Trade Name and Marks

- (a) TMSB grants to MBC a non-assignable and non-transferable licence to use “TMG Mart” and/or “TMG Express” (“**Trade Name**”) and the marks and logos and such other trademarks, service marks, trade names, trade logos, insignia, symbols, designs or other marks belonging to or utilised by and/or associated to TMSB, in all forms and designs used or proposed to be used by the Group companies in connection with the Grocery Business and/or in relation to goods or services for the purpose of indicating a connection with the Grocery Business (“**Marks**”) (collectively referred to as “**Licence of Marks**”) solely in the course of or in connection with the Grocery Business (“**Purpose**”) during the term of the Collaboration Agreement.
- (b) MBC shall make no other use of the Trade Name and Marks during the term of the Collaboration Agreement other than for the Purpose.
- (c) In consideration of TMSB granting the rights and Licence of Marks to MBC for the duration of the Collaboration Agreement, upon execution of the Collaboration Agreement, MBC shall be entitled to incorporate a subsidiary bearing the “TMG” name or any other variations of the Trade Name for the Purpose.

2.3.3 Exclusivity

- (a) MBC undertakes that, during the subsistence of the Collaboration Agreement, it shall not without TMSB's consent, solicit or engage in any arrangement or enter into any arrangements with any third party service provider(s) other than TMSB which may lead to any proposal for or in connection with the procurement of and supply of the Support Services for the purposes of the Grocery Business.
- (b) Notwithstanding the foregoing, MBC may engage or enter into any arrangement with independent third party suppliers or any suppliers for the Products other than TMSB identified and recommended by TMSB, and the Company shall notify TMSB of the details of the suppliers and the type of products to be supplied by such independent third party suppliers.

2.3.4 Right of first offer/refusal

- (a) TMSB undertakes that it shall not, whether by a single transaction or by a number of transactions, (i) sell, transfer, or otherwise dispose of, the shares or the whole or substantially the whole of the business of TMSB or (ii) permit the sale, transfer or disposal of the shares or the whole or substantially the whole of the business of any of the related companies of TMSB which are involved in the grocery retail business ("**Relevant Shares/Business**"), to any third party purchaser, without first providing written notice to MBC of its intention to effect such sale, transfer or disposal ("**Sale Notice**"), and according MBC with the right to first refusal to acquire such shares or business from TMSB and/or its related companies.
- (b) In the event that MBC is desirous of acquiring the Relevant Shares/Business, MBC and TMSB and/or the relevant related companies of TMSB ("**Relevant Parties**") shall enter into *bona fide* negotiations with a view towards agreeing on the terms of purchase by MBC or its nominated subsidiary company of the Relevant Shares/Business. In the event that the Relevant Parties shall reach agreement on the terms of purchase by MBC or its nominated subsidiary company of the Relevant Shares/Business, TMSB shall be bound to procure the sale of the Relevant Shares/Business upon the terms and conditions agreed upon between the Relevant Parties. MBC also have a right of first refusal to purchase the Relevant Shares/Business on the same terms as those offered by any third party purchaser which are acceptable to TMSB and/or its related companies.

2.3.5 Duration and termination

- (a) The Collaboration Agreement shall be effective from the execution date of the Collaboration Agreement and shall, unless terminated earlier, continue for a period of 3 years thereafter ("**Initial Term**").
- (b) Upon expiry of the Initial Term, the Collaboration Agreement shall be automatically renewed upon the same terms and conditions of the Collaboration Agreement for a further term of 3 years or such other period as the parties may agree ("**Renewed Term**"), and shall continue to be effective unless terminated earlier by either party following the expiry of the Initial Term or at the expiry of any Renewed Term by way of written notice issued by one party to the other party of no less than 3 months' period.

2.3.6 Territory

- (a) MBC acknowledges that TMSB has an existing 85 outlets carrying out the Grocery Business within Peninsular Malaysia. Notwithstanding the foregoing, insofar as new outlet openings are concerned, MBC shall throughout the term of the Collaboration Agreement have the exclusive right to establish and open new outlets within the whole of the Federal Territories of Kuala Lumpur and Putrajaya, and the states of Selangor, Negeri Sembilan and Melaka, Malaysia ("**Territory**").
- (b) The establishment and opening of new outlets outside of the Territory by MBC and the right of exclusivity over other territorial areas shall be subject to identification and mutual agreement between the Parties on a case to case basis.
- (c) In view of the above, TMSB and its related companies shall not without the prior consent in writing of MBC, take any steps to open any new outlets owned or operated or licensed by TMSB which are located within the Territory.

2.3.7 Fees and payments

In connection with the provision of the Support Services and licensing of the Trade Name and Marks under Section 2.3.1(d) above, MBC shall pay the following:-

- (a) a one-time initial set up and renovation fee for each outlet; and
- (b) a support services fee amounting to 1.25% of the total revenue of the Grocery Business carried out by the Group, to be paid on a monthly basis.

2.3.8 Conditions precedent

The obligations of the Parties under the Collaboration Agreement are subject to the following conditions precedent being obtained/fulfilled within 3 months from the date of the Collaboration Agreement ("**Cut-Off Date**"):-

- (a) the approval of the shareholders of the Company at an extraordinary general meeting to be convened in respect of the Proposals in accordance with the terms of the Collaboration Agreement; and
- (b) any other approvals of any authorities as may be deemed necessary by the Parties, at the cost and expense of the Party applying for such approval.

The parties shall have the right to extend the Cut-Off Date for an additional 3 months from the Cut-Off Date or alternatively either party may terminate the Collaboration Agreement by giving a notice in writing to that effect to the other Party, whereupon the parties shall not have any further rights under the Collaboration Agreement except in respect of any obligation under the Collaboration Agreement which is expressed to apply after the termination of the Collaboration Agreement and any rights or obligations which have accrued in respect of any breach of any of the provisions of the Collaboration Agreement to a party prior to such termination.

2.3.9 Default and termination

- (a) A non-defaulting party may terminate the Collaboration Agreement by notice in writing to the defaulting party only upon the occurrence of any of the events of default as stipulated in the Collaboration Agreement.
- (b) In the event of termination or expiry of the Collaboration Agreement by either Party, MBC shall within a period of 12 months following the termination or expiry of the Collaboration Agreement continue to be entitled to –
 - (i) the use of the Trade Name and Marks in connection with the Purpose (including for the purposes of establishing and opening new outlets within the Territory) throughout such 12 months period and cease use of the Trade Name and Marks in connection with the Purpose at the end of such period; and
 - (ii) the right of exclusivity granted to MBC pursuant to the provisions of the Collaboration Agreement throughout such period of 12 months and without limitation to foregoing, TMSB shall continue to comply with the right of exclusivity of new outlets opening in the Territory during such period.

2.3.10 Assignment

- (a) TMSB agrees that MBC may at any time during the term of the Collaboration Agreement nominate and/or assign the rights, interest and obligations under the Collaboration Agreement to any other new wholly-owned subsidiary to be incorporated to undertake the Grocery Business (“**Newco**”) which may be incorporated for the purpose of carrying out the Grocery Business.
- (b) In such event, the Newco shall assume all rights and obligations of MBC under the Collaboration Agreement as if it were named as a party in the Collaboration Agreement in place of MBC and all references to MBC shall thereafter be construed as references to the Newco and MBC shall cease to bear any obligations or liabilities under the Collaboration Agreement.
- (c) The Newco shall also be entitled to delegate and/or assign certain rights and obligations to subsidiary companies of the Newco in order to facilitate the establishment of branch, outlet or holding companies as and when deemed appropriate by the Newco.

2.3.11 Governing law

The Collaboration Agreement shall be governed by and construed in accordance with the laws of Malaysia and the parties submit to the exclusive jurisdiction of the courts of Malaysia.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

3.1 Background of the Proposed Diversification

As at the LPD, the Group is principally involved in the ownership and operating of vessels as well as ship management.

Presently, the core income stream of the Group is derived from the provision of freight services for charters. A summary of the key financial information of the Group for the financial year ended 31 December (“FYE”) 2019, FYE 2020, FYE 2021 and the latest 3-month unaudited quarterly results for the financial period ended (“FPE”) 31 March 2022 are as follows:-

	Audited			Unaudited 3-month FPE 31 March 2022
	FYE 2019	FYE 2020	FYE 2021	(RM'000)
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	257,993	175,986	207,044	39,080
Operating profit / (loss)	32,001	(3,592)	93,010	11,333
Profit / (loss) before taxation	(6,099)	(20,679)	195,381	8,467
Profit / (loss) after taxation	(7,314)	(20,781)	195,245	8,442

As shown above, the Group’s core freight shipping business reported a multi-year high operating profit of RM93.01 million for the FYE 2021 due to increased demand in commodities amid a global economic recovery as well as the efforts undertaken by the Group to maintain operational efficiency and effective cost management. Despite dry bulk rates hitting historical highs in 2021, the Group continues to monitor the impact of Coronavirus disease 2019 (“COVID-19”) as well as the ongoing Russian-Ukrainian conflict on the global economic outlook.

As disclosed in the Group’s annual report for FYE 2021, the Group has been looking for new strategic business opportunities to diversify its revenue streams to mitigate the risk of overdependence on its existing core businesses which is subject to fluctuations in ship charter rates which are beyond the Group’s control.

Following a strategic review of the Group’s future direction, MBC intends to diversify its existing business to include the Grocery Business in view of amongst others, the favourable outlook of the grocery retail industry as highlighted in Section 6.2 of this announcement as well as the internal feasibility studies conducted by the Company. In addition, the Proposed Collaboration enables the Group to leverage on the capabilities of TMSB and its large network of suppliers to better take advantage of the opportunities available in the grocery retail industry.

The Grocery Business is anticipated to contribute 25% or more of the net assets (“NA”) and/or net profits of the Group. Pursuant to Paragraph 10.13(1) of the Listing Requirements, the Company is required to obtain Shareholders’ approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25% or more of the NA of the Company to an operation which differs widely from those operations previously carried on by the Company; or
- (b) the contribution from such an operation of 25% or more of the net profits of the Company.

In view thereof, the Board will be seeking the approval from the Shareholders for the Proposed Diversification at an extraordinary general meeting to be convened.

3.2 Initial Investment

Based on the internal feasibility studies conducted by the Company, the Group intends to invest an amount of RM54.38 million to open an initial 15 “TMG Mart”-branded supermarkets and 15 “TMG Express”-branded convenience stores in the Territory within the next 12 months. The breakdown of the expected total investment outlay required of RM54.38 million for the initial roll-out of 30 outlets under the “TMG” brand upon the commencement of the Grocery Business (“Initial Investment”) is as follows:-

	Estimated average cost per store	Total cost⁽¹⁾
	(RM'000)	(RM'000)
Supermarket and convenience store set-up costs ⁽²⁾		
- TMG Mart	1,650	24,750
- TMG Express	825	12,375
Initial purchase of inventory ⁽³⁾		
- TMG Mart	800	12,000
- TMG Express	100	1,500
Initial working capital ⁽⁴⁾		
- TMG Mart	200	3,000
- TMG Express	50	750
Total		54,375

Notes:-

- (1) *Assuming an initial roll-out of 15 “TMG Mart”-branded supermarkets and 15 “TMG Express”-branded convenience stores by the Group.*
- (2) *Inclusive of the cost of renovations, fit-out work, fees payable to authorities for relevant business licenses and the one-time initial set up and renovation fee for each outlet payable to TMSB.*
- (3) *Comprising purchases from TMSB and its related and affiliated companies (“**TMG Group**”) and other third-party suppliers.*
- (4) *Inclusive of rental expenses and staff salaries.*

Nevertheless, the actual Initial Investment would depend on the actual location, rental and store size, which will be confirmed after obtaining the necessary approvals as stated in Section 9.1 of this announcement.

The actual locations of the “TMG Mart”-branded supermarkets and “TMG Express”-branded convenience stores to be opened will take into consideration the store size, rental rate as well as the population density and demographics of the location. The Initial Investment will be funded via the internally generated funds of the Group.

Depending on the initial performance of the outlets opened with the Initial Investment and subject to the identification of suitable location or premises, the Group intends to open additional outlets throughout the Territory. The actual funding required to open additional outlets is unable to be ascertained at this juncture as it will be dependent upon the exact number of stores to be opened, size of each store and rental rate. The cost per outlet is expected to be similar as the estimated average costs disclosed in the table above and will be funded via a combination of internally-generated funds, bank borrowings and/or future fund raising exercises, if required.

3.3 Key management personnel

The Group's investment into the Grocery Business shall be spearheaded by Dato' Goh Cheng Huat ("**Dato' Goh**"), an Executive Director of the Company. Dato' Goh was appointed to the Board on 13 May 2022 as an Executive Director. He graduated from the National University of Singapore with a Master of Business Administration.

Dato' Goh is an experienced entrepreneur with more than 40 years of experience, expertise and knowledge in the processing of iron and steel products. He also has over 25 years of experience and technical knowledge in the development of industrial property. He is currently the Deputy Chairman/Executive Director of Leader Steel Holdings Berhad and the Executive Director of Eonmetall Group Berhad, both companies listed on the Main Market of Bursa Securities. From such roles, Dato' Goh has gained experience in launching and growing new businesses. With that, he is expected to provide invaluable strategic advice and insight when leading the Group's venture into the Grocery Business.

In addition, Dato' Goh will be supported by Wong See Wai ("**May Wong**"), the Regional Manager identified by the Group who will be responsible for overseeing the day-to-day operations of the Grocery Business. May Wong, a Malaysian aged 51, has over 26 years of experience in the restaurant and retail business, covering a wide range of functions including human capital management, operations support, retail management and compliance.

May Wong completed her secondary school education at Kuen Cheng Girls' School, Kuala Lumpur in 1989. She began her career in 1990 as a cashier with a Chinese restaurant in the Klang Valley. She was subsequently promoted to Restaurant Manager in 1997, where she was involved in the recruitment and training of new servers, marketing and promotional activities as well as the opening of a new restaurant outlet in Kota Kinabalu, Sabah. She took a career break in 2001.

In 2007, she joined an international consumer goods sales and marketing company as a sales person where she was involved in coordinating the supply of products as well as promotional activities at hypermarkets and supermarkets in relation to the brands she was overseeing. In 2013, she worked for market research companies on a freelance basis where she was involved in auditing and evaluating shopping experience of various retail chains including supermarkets, pharmacies and specialities stores by recruiting and managing mystery shoppers as well as analysing their reports.

In 2016, she joined a newly-introduced convenience store chain as the store manager for its newly opened flagship store in Kuala Lumpur. In the following year, she was promoted to Area Manager where she was involved in the opening of more than 20 new convenience stores while directly overseeing the operations of 13 convenience stores. In 2021, she was promoted to Assistant Manager, Operational Risk where she was involved in risk identification, risk assessment and formulating plans for the mitigation of risks identified at the group level.

At the end of 2021, May Wong joined another convenience store chain as a Regional Manager where she was responsible for overseeing the operation of 80 convenience stores in the Klang Valley region. As Regional Manager responsible for the Klang Valley, she was involved in human capital management, developing and managing operational policies and strategies, monitoring budgets as well as ensuring business goals and sales expectations are met.

Based on the above, the Board believes that the Group will have the necessary management capability to undertake the Grocery Business in view of the business acumen of Dato' Goh as well as the specific technical know-how and retail experience of May Wong. The Group also intends to hire additional personnel with relevant industry experience to support the day-to-day operations of the Grocery Business.

4. DETAILS OF THE PROPOSED RRPT MANDATE

4.1 Provisions under the Listing Requirements

Pursuant to Paragraph 10.09(2) of the Listing Requirements, a listed issuer may seek shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report on the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where:-
 - (i) the consideration, value of the assets, capital outlay or costs of the RRPT is RM1 million or more; or
 - (ii) the percentage ratios of such RRPT is 1% or more,whichever is the higher;
- (c) the circular to shareholders for the shareholders' mandate shall include the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders or interested persons connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions. An interested director or interested major shareholder must also ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular by 10% or more including any information as may be prescribed by Bursa Securities in its announcement.

Pursuant to the Proposed Collaboration and Proposed Diversification, the Board expects that the Group will, in the ordinary course of the Grocery Business, enter into certain RRPTs with the parties related to the Group's directors, major shareholders, chief executives and/or persons connected to them ("**Related Parties**"), the details of which are set out in Section 4.3 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time. Such transactions are necessary for the day-to-day operations of the Group and are based on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Accordingly, the Board wishes to seek the prior approval from the Shareholders for the Proposed RRPT Mandate at the extraordinary general meeting ("**EGM**"). If approved, the Proposed RRPT Mandate shall take effect from the date of the passing of the ordinary resolution at the EGM and shall continue to be in force until:-

- (a) the conclusion of the next annual general meeting (“**AGM**”) of the Company following the EGM at which the ordinary resolution for the Proposed RRPT Mandate is passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the next AGM; or
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by an ordinary resolution passed by the Shareholders at a general meeting,

whichever is the earlier.

4.2 Principal activities of the Group

As at the LPD, the principal activities of the Company are investment holding, ship owning and ship operating. Through its subsidiaries, the Group is principally involved in the ownership and operation of vessels, ship management and investment holding.

Subject to the approval of the Shareholders being obtained for the Proposals, the Group shall diversify its existing business to include the Grocery Business.

4.3 Nature and aggregate value of the Proposed RRPT Mandate

The nature and aggregate value of the RRPTs contemplated under the Proposed RRPT Mandate and the class of Related Parties are as follows:-

Transacting party within the MBC Group	Transacting related party(ies)	Nature of transaction	Estimated aggregate value from the EGM to the forthcoming AGM ⁽¹⁾ (RM'000)
New wholly-owned subsidiary to be incorporated to undertake the Grocery Business (“ Newco ”)	TMG Group ⁽²⁾⁽³⁾	▪ Sale and supply of grocery items by the TMG Group to the Newco	26,400
		▪ Initial set-up fees on new store openings charged by TMSB to the Newco	3,375
		▪ Management fees charged by TMSB to Newco	2,000

Notes:-

- (1) *The next AGM will be held tentatively in May/June 2023.*
- (2) *The transactions are contemplated to be entered into with TMSB and its related companies. As at the date of this announcement, the individual companies within the TMG Group have not been identified.*
- (3) *The Interested Directors are deemed interested in the Proposed RRPT Mandate by virtue of both being major shareholders and directors of TMSB.*

The estimated values in respect of the transactions referred to above are based on prevailing prices obtained from the Related Parties which are reasonable market competitive prices and are derived based on the normal level of transactions to be entered into by the Group for the period up to the conclusion of the next AGM as well as the agreed-upon fees as set out in the Collaboration Agreement. Due to the nature of the transactions, the actual value of transactions may vary from the estimated value disclosed above.

4.4 Amount due and owing by the Related Parties pursuant to the RRPTs

As at the LPD, there are no outstanding amounts due and owing to the Company by the Related Parties pursuant to the RRPTs that have exceeded the credit terms granted.

4.5 The procedures for review of the RRPTs

The Group has established various procedures to ensure that the RRPTs are undertaken on an arm's length basis and on normal commercial terms and transaction prices consistent with the Group's normal business practices and policies, which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

In this respect, the Group has implemented the following review and disclosure procedures with regards to the RRPTs:-

- (i) The employees of the Group will be notified of the identities of the related parties and will be required prior to entering into such transactions, to ensure that all the RRPTs are consistent with the Group's normal business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders;
- (ii) The transaction prices and terms are determined based on the prevailing market rates which are determined by market forces, demand and supply, specifications and other relevant factors. Where practical and feasible, quotations and/or tenders will be obtained from at least 2 other contemporaneous transactions with unrelated third parties for the same or substantially similar products or services and/or quantities to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event where it is impractical or impossible for quotes and/or tenders to be obtained from unrelated third parties or where there are certain requirements for the Group to source from related parties, the transaction price will be based on prevailing market rates, business practices and policies, applicable industry norms and taking into consideration the urgency and efficiency of the quality and delivery of the products and/or services to be provided to ensure that the transaction is not detrimental to the Group. The Audit and Risk Management Committee of the Company ("**Audit and Risk Management Committee**"), in its review of RRPT procedures, may, as it deems fit and appropriate, request additional information pertaining to the transaction from independent sources or advisers;
- (iii) There are no specific thresholds for the approval of RRPTs within the Group. All transactions will be reviewed monthly by the Company's finance department together with the corporate secretarial department to identify the RRPTs and ensure that they are within the shareholders' mandate obtained;
- (iv) The annual internal audit plan will incorporate a review of the RRPTs entered into pursuant to the Proposed RRPT Mandate to ensure that the internal control and procedures in respect of the RRPTs are adhered to;
- (v) The Audit and Risk Management Committee will review the internal audit report quarterly to ascertain that relevant procedures, guidelines and policies established to monitor the RRPTs have been complied with;

- (vi) The Board and the Audit and Risk Management Committee will have the overall responsibility for the determination of the review procedures, including any addition or variation thereto, where applicable. The Board and the Audit and Risk Management Committee may also appoint individuals or committees within the Company to examine the RRPTs as they deem appropriate. If a member of the Board or the Audit and Risk Management Committee has an interest in a transaction, he will abstain from any deliberation and decision-making by the Board or the Audit and Risk Management Committee in respect of the said transaction;
- (vii) Records will be maintained by the Company's finance department to capture all RRPTs which are entered into pursuant to the Proposed RRPT Mandate; and
- (viii) Disclosure will be made in the annual report of the Company in respect of the breakdown of the aggregate value of the RRPTs made during the financial year during which a shareholders' mandate is in force, based on the type of the transactions made, the names of the related parties involved in each type of RRPTs made and their relationship with the Group.

The Audit and Risk Management Committee has seen and reviewed the procedures above and is of the view that the said procedures are sufficient to ensure that the RRPTs are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. The Audit and Risk Management Committee is also of the view the Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes are reviewed on an annual basis or whenever the need arises.

5. RATIONALE FOR THE PROPOSALS

5.1 Proposed Collaboration and Proposed Diversification

As set out in Section 3.1 of this announcement, the Group has been looking for new strategic business opportunities to diversify its revenue streams to mitigate the risk of overdependence on its existing core business which is subject to fluctuations in ship charter prices which are beyond the Group's control. Further, the Board is mindful of the volatile market conditions, geopolitical risks and mounting inflation which could have adverse impact to the financial performance of the global maritime industry.

Therefore, the Board has decided to diversify the existing core business of the Group into the Grocery Business to take advantage of the opportunities in this industry. After taking into consideration of the extensive experience, track record and industry know-how of the Interested Directors, the Group has decided to collaborate with TMSB to open new "TMG"-branded supermarkets and convenience stores in the Territory. The Board is of the opinion that the capabilities of the Interested Directors and appointment of Dato' Goh to spearhead the diversification of the Group's business into the Grocery Business will enable the Group to navigate through the economic uncertainties when undertaking the new business.

Premised on the above, the Proposed Collaboration and Proposed Diversification will enable the Group to diversify its revenue and income stream by establishing a new business segment. Considering the outlook and prospects of the Grocery Business as set out in Section 6.2 of this announcement, the Board believes that the new business segment will provide a long-term growth prospect for the Group and the future revenue contribution will contribute positively to the Group's earnings which in turn enhances shareholders' value of the Group moving forward.

5.2 Proposed RRPT Mandate

The Proposed RRPT Mandate will allow the Group to enter into transactions within the ordinary course of its Grocery Business with the Related Parties, which are necessary for the day-to-day operations of the Group. These transactions shall be undertaken on arm's length basis and normal commercial terms that are not more favourable to the Related Parties than those generally made available to the public and are not detrimental to the minority Shareholders.

The Proposed RRPT Mandate will enhance the Group's ability to open new "TMG"-branded supermarkets and convenience stores and commence operations of the same in a more expeditious manner without the need to convene separate general meetings to seek shareholders' approval for the RRPTs, as and when they arise. Further, this will also substantially reduce expenses associated with the convening of such meetings on an ad hoc basis, improve administrative efficiency, and allow human resources and time to be channelled towards attaining other corporate objectives and opportunities.

Accordingly, this enables the Group to immediately transact with the Related Parties pursuant to the Proposed Collaboration and this is expected to enable the Group to achieve its business objectives.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Malaysian economy

The Malaysian economy registered a positive growth of 5.0% in the first quarter of 2022 (fourth quarter of ("Q4") 2021: 3.6%). This was mainly supported by improving domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the job market, with the unemployment rate declining further to 4.1% (Q4 2021: 4.3%), as well as continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further lift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 3.9% (4Q 2021: 4.6%).

(Source: Economic and Financial Developments in the Malaysia in the First Quarter of 2022, Bank Negara Malaysia, 13 May 2022)

The Malaysian economy experienced the full adverse impact of the COVID-19 pandemic in 2020, with real gross domestic product ("**GDP**") contracting by 5.6%. However, signs of recovery emerged in late 2020, followed by a significant increase in GDP growth of 16.1% in the second quarter of 2021 compared to a plunge of 17.2% in the corresponding quarter last year. The growth was attributed to the low base effect, recovery in external demand and the gradual reopening of economic sectors amid various movement control orders to contain the viral infections. The implementation of eight stimulus and assistance packages totalling RM530 billion since 2020 and 2021 Budget measures to mitigate the impact on households and businesses also contributed to the growth. The growth momentum is expected to continue in the second half of the year with the implementation of the National Recovery Programme ("**NRP**"), an exit strategy from the health and economic crisis. The NRP entails opening up the economy in stages in line with the progress made in managing the pandemic. The acceleration of the National COVID-19 Immunisation Programme, an integral component of the NRP, is expected to enable the economy to fully open in the fourth quarter. With the favourable outlook for the fourth quarter, the economy is expected to grow between 3% – 4% in 2021.

The growth trajectory for 2022 is based on further expansion in global and domestic economic activities, fuelled by broader vaccine coverage and a further improvement in goods trade amid a slower recovery in services trade. The domestic demand recovery is projected to continue in 2022, anchored by private consumption, following the gradual improvement in labour market conditions amid a relaxation of containment measures, improved consumer sentiments and spending from the vaccine rollout as well as targeted policy support for vulnerable households. Rapid progress in the vaccination programme is also expected to release pent-up demand, particularly for domestic travel and leisure, further supporting the recovery. Stronger external demand, especially for electrical and electronic (E&E) products and major commodities, is expected to support the surge in exports, thus helping to maintain a surplus in the current account of the balance of payments.

Almost all economic sectors are projected to expand on the supply side, led by the services and manufacturing sectors, accounting for more than 80% of the economy. However, the mining sector is forecast to decline partly due to scheduled maintenance works. The normalisation of economic activities underpinned by mass vaccination is anticipated to boost wholesale and retail trade subsector and domestic tourism-related activities. The projected higher volume of manufactured products is also in line with the expected rising demand from export- and domestic-oriented industries. Positive consumer and business sentiments and expected improvement in earnings will support the recovery in the labour market, albeit at a more modest level than the pre-pandemic period.

The continuation of various initiatives to stabilise the labour market and high vaccination rates are expected to provide some relief for employers in retaining their workers. Thus, the nation's GDP is forecast to expand in the range of 5.5% – 6.5% in 2022.

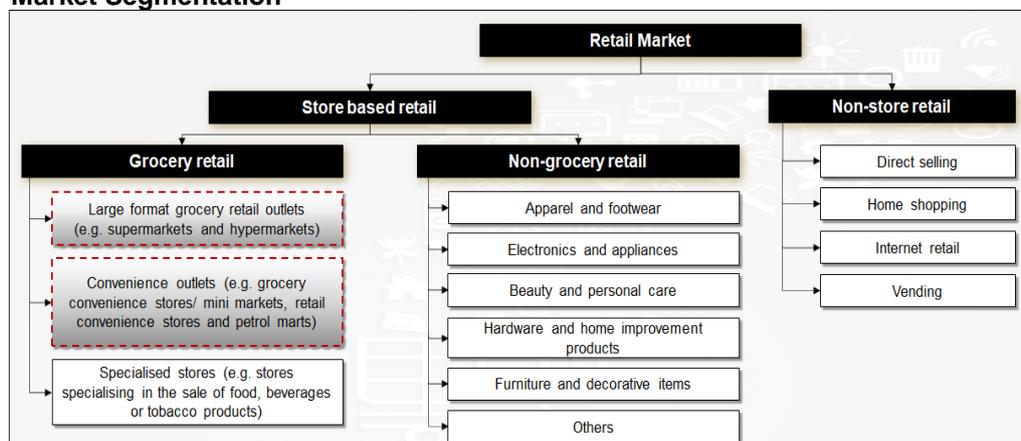
(Source: Economic Outlook 2022, Ministry of Finance Malaysia, 29 October 2021)

6.2 Overview and outlook of the grocery retail industry in Malaysia

The retail market in Malaysia comprises two categories, namely store-based retail and non-store retail. Store based retail comprises grocery and non-grocery retailers, whereas non-store retail comprises direct selling, internet retailing, home shopping and vending businesses.

Grocery retailers are retailers which market and sell a wide range of grocery products (e.g. fresh produce, meat, poultry, seafood, preserved foods, processed/canned foods, beverages and snacks) and/or household products (e.g. cleaning products, detergents, kitchenware, toiletries and gardening tools). Grocery retail stores are generally categorised into large format grocery retail outlets, convenience outlets, and specialised stores.

Market Segmentation



Note:

-  denotes the market segments where MBC intends to diversify into.

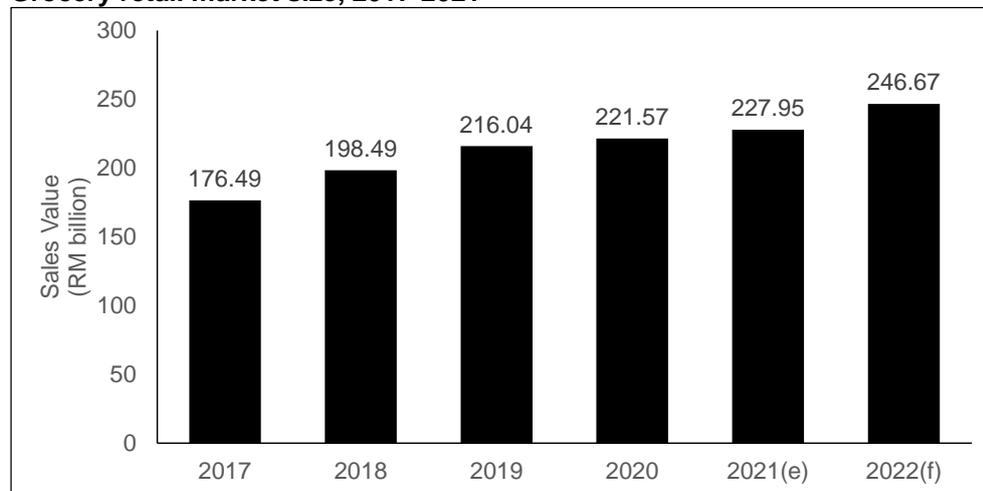
Source: SMITH ZANDER INTERNATIONAL SDN BHD (“SMITH ZANDER”)

Market Performance, Size and Growth

The grocery retail market in Malaysia which comprises sales of grocery products derived from large format grocery retail outlets (e.g. supermarkets and hypermarkets), convenience stores and specialised stores, increased from RM176.49 billion in 2017 to RM227.95 billion in 2021 at a compound annual growth rate (“CAGR”) of 6.61%.

The grocery retail market continued to grow despite the economic downturn resulting from the outbreak of the COVID-19 pandemic in 2020. In addition, the growth is also supported by the adoption of online shopping platforms by grocery retailers to offer their products pursuant to the reduced in-store shopping led by the imposition of various movement control orders throughout 2020 to 2021.

Grocery retail market size, 2017-2021



Sources: Department of Statistics, Malaysia (“DOSM”), SMITH ZANDER

SMITH ZANDER forecasts that the grocery retail market will grow by 8.21% to RM246.67 billion in 2022, backed by the importance of grocery products as basic necessity, and driven by population growth, increasing disposable income and affluence of the population and increasing popularity of modern retail format, which include supermarkets and convenience stores, as detailed below:

- **The grocery retail market is resilient to economic downturns**

Despite slower overall retail trade in Malaysia in 2020 (-4.95%), grocery retail recorded a year-on-year growth of 2.56% in 2020.

The grocery retail market is generally more stable and faces less uncertainties, hence is resilient to economic downturns. This is because grocery products (e.g. fresh produce, meat, poultry, seafood, preserved foods, processed/canned foods, beverages and snacks) and household products (e.g. toiletries, cleaning products, detergents and kitchenware) are essential in the daily lives of consumers. Consumers rely on grocery products and household products for their basic needs, such as daily food intake, as well as personal and household hygiene routines. Although consumers’ preferences for grocery products and household products could shift from time to time due to affordability or brand preferences, the demand for grocery products and household products tend to remain firm regardless of the poor performance of the economy.

Hence, the growth of the grocery retail market is able to sustain even during economic downturns, as the demand for grocery products and household products are relatively stable.

- **Population growth to drive the growth of the grocery retail market**

The population of Malaysia grew from 32.02 million persons in 2017 to an estimated 32.66 million persons in 2021, registering a CAGR of 0.50%, and is projected to reach 38.06 million in 2030. The growth of population drives the growth of the grocery retail market, as the demand for grocery products and household products increase with the population. In other words, the grocery retail market grows in tandem with the growth of population.

- **Increasing disposable income and affluence of the population to further boost the growth of grocery retail market**

Growth in per capita income indicate growing disposable income and improving standards of living of the population, leading to a more affluent population that has greater purchasing power. This will thus create demand for basic necessities and premium products including grocery and household products, which in turn creates a positive outlook for the grocery retail market.

The per capita income increased from RM41,647 in 2017 to RM 46,051 in 2021, registering a CAGR of 2.54%. Following the transition into the endemic phase beginning 1 April 2022, business and economic activities are allowed to operate as usual and international borders have reopened, which is expected to further drive the recovery of economic conditions in Malaysia.

The Central Bank of Malaysia expects Malaysia's GDP to grow within the range of 5.30% to 6.30% in 2022, supported by better COVID-19 management and higher vaccination rates as well as spill-over benefits from expansion in global demand.

According to the latest economic outlook announced with the Budget 2022, the wholesale and retail subsector is expected to grow by 8.73% in 2022. Improved economic conditions and the anticipated growth in the wholesale and retail subsector are expected to boost the growth of grocery retail business.

- **Increasing popularity of modern format over traditional format grocery retail outlets**

Modern format grocery retail outlets (e.g. supermarkets, hypermarkets, grocery convenience stores and petrol marts) are gaining popularity over traditional format grocery retail outlets (e.g. wet markets, sundry shops, kiosks and street vendors) amongst consumers in Malaysia. This is because modern format grocery retail outlets are able to provide customers with a relatively pleasant shopping experience as compared to traditional grocery retail outlets. This is achieved through modern format grocery retailers providing higher levels of customer service as well as a comfortable shopping environment.

Further, as modern format grocery retailers operate as chains, they are able to leverage on their scale to have greater bargaining power with their suppliers, allowing them to enjoy better pricing. Some modern format grocery retailers are even able to pass on the cost saving to customers, thereby attracting customers with the relatively competitive pricing as compared to traditional format grocery retailers. The overall enjoyable shopping experience of modern format grocery retail outlets are able to continually attract and retain customers, hence driving the growth of modern format grocery retailers.

(Source: Independent market research report dated 12 August 2022 on the grocery retail industry in Malaysia prepared by SMITH ZANDER)

6.3 Prospects and future plans of the Group

The MBC Group is principally involved in the ownership and operation of vessels as well as ship management. As at the LPD, the Group owns and operates a total of 2 dry bulk carriers and 2 product tankers with an aggregate carry capacity of approximately 167 metric ton deadweight. Despite recording its highest operating profit of RM93.01 million in the FYE 2021 due to historically high dry bulk rates, the Group remains cautiously optimistic as it continues to monitor the impact of the COVID-19 pandemic as well as the ongoing Russian-Ukrainian conflict on ship charter rates as well as trends in maritime trade.

As part of its efforts 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, the Group intends to diversify into the Grocery Business. The Group is of the view that the Proposed Collaboration can help to mitigate potential risks arising from the Proposed Diversification by capitalising on the experience, expertise and business network of its Interested Directors as well as by leveraging on the capabilities of TMSB and its large network of suppliers.

Further details of the Proposed Collaboration and Proposed Diversification are set out in Sections 2 and 3 of this announcement.

Moving forward, the Group intends to invest an amount of RM54.38 million to open an initial 15 "TMG Mart"-branded supermarkets and 15 "TMG Express"-branded convenience stores in the Territory, within the next 12 months. These outlets are expected to contribute positively to the financial performance of the Group.

Premised on the above as well as the overview and outlook of the grocery retail industry in Malaysia as set out in Section 6.2 above, the Board is optimistic of the future prospects of the Group moving forward.

7. RISK FACTORS

7.1 Business diversification risk

Pursuant to the Proposed Collaboration and Proposed Diversification, the Group will be subject to new business and operational risks relating to the Grocery Business, which include but are not limited to:-

- (i) competition from both new entrants and established players in the grocery retail industry;
- (ii) adverse developments in the political, economic, regulatory and social conditions in Malaysia including, economic downturn and unfavourable changes in governmental policies such as methods of taxation, currency exchange rules or introduction of new regulations;
- (iii) changes in consumers' spending patterns in terms of products demanded;
- (iv) recruiting and retaining a sufficient number of suitable personnel to maintain the smooth operation of the Group's supermarket and convenience store outlets; and
- (v) outbreak of pandemic diseases and the re-imposition of restrictive movement control measures.

By entering into the Proposed Collaboration, these risks will be mitigated to an extent as MBC will be able to leverage on TMSB's operational know-how and brand name to open "TMG"-branded outlets.

7.2 Dependency on the Proposed Collaboration and key personnel

The operations of the new Grocery Business will depend significantly on the experience and expertise of the TMG Group as well as May Wong, Regional Manager and the new grocery division staff to be recruited for the Grocery Business as stated in Section 3.3 of this announcement.

The termination of the Proposed Collaboration as well as the loss of key personnel and/or relevant personnel without suitable and timely replacements and the inability to attract or retain qualified and suitable personnel may have an adverse impact on the Group's Grocery Business. As such, the Group will continuously adopt appropriate measures to identify, retain and recruit experienced staff such as offering competitive remuneration packages including long term incentive plans.

7.3 Collaboration risk

There is no assurance that the anticipated benefits arising from the Proposed Collaboration and Proposed Diversification will be realised or that the Group's planned investments in the Grocery Business will be able to generate sufficient returns to the Group. Notwithstanding that, the Group intends to mitigate such risks by conducting periodic assessments and reviews and to monitor the financial performance of the Grocery Business before making any further investments after the Initial Investment.

8. EFFECTS OF THE PROPOSALS

8.1 Share capital

The Proposals will not have any effect on the issued share capital of the Company.

8.2 NA & gearing

The Proposals will not have any material effect on the NA & gearing of the Group. However, the future profit contribution arising from the Proposals is expected to have a positive impact on the future NA of the Group.

8.3 Substantial Shareholders' shareholdings

The Proposals will not have any effect on the substantial Shareholders' shareholding in the Company.

8.4 Earnings & earnings per Share

The Proposals are expected to contribute positively to the future consolidated earnings of the Group.

8.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

9. APPROVALS REQUIRED AND CONDITIONALITY

9.1 Approvals required

The Proposals are subject to approvals and/or consents being obtained from the following:-

- (i) the Shareholders at the forthcoming EGM; and
- (ii) any other relevant authorities and/or parties, if required.

9.2 Conditionality

The Proposed Collaboration, Proposed Diversification and Proposed RRPT Mandate are inter-conditional upon each other.

The Proposals are not conditional upon any other corporate exercise / scheme being undertaken or proposed to be undertaken by the Company.

10. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Collaboration pursuant to Paragraph 10.02(g) of the Listing Requirements is 8.66%, computed based on the total estimated capital outlay by the Company under the Proposed Diversification (calculated as the Initial Investment) as compared to the total assets of the Group as at 31 December 2021.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors, major Shareholders, chief executive and/or persons connected with them have any interest, direct or indirect, in the Proposals as at the LPD:-

Name	Direct shareholdings		Indirect shareholdings	
	No. of shares	(1)%	No. of shares	(1)%
Tunas Capital Sdn Bhd	160,000,000	16.00	-	-
Dato' Chin Yoke Kan	-	-	(2)160,000,000	16.00
Dato' Chin Yoke Choon	-	-	(2)160,000,000	16.00

Notes:-

(1) Based on the Company's issued share capital of 1,000,000,000 ordinary shares as at the LPD.

(2) Deemed interest by virtue of his direct shareholdings in Tunas Capital Sdn Bhd.

Pursuant to Paragraph 10.08 of the Listing Requirements, the Proposed Collaboration is deemed as a related party transaction by virtue of the following:-

- (i) Dato' Chin Yoke Kan, being an Executive Director and indirect major shareholder of the Company by virtue of his interests in Tunas Capital Sdn Bhd, is also a director and major shareholder of TMSB. He is the brother of Dato' Chin Yoke Choon;
- (ii) Dato' Chin Yoke Choon, being an Executive Director and indirect major shareholder of the Company by virtue of his interests in Tunas Capital Sdn Bhd, is also a director and major shareholder of TMSB. He is the brother of Dato' Chin Yoke Kan; and
- (iii) Tunas Capital Sdn Bhd is a major shareholder of the Company. It is also a person connected to Dato' Chin Yoke Choon and Dato' Chin Yoke Kan.

By virtue of the inter-conditionality between the Proposed Collaboration, Proposed Diversification and Proposed RRPT Mandate, the Interested Parties are therefore deemed interested in the Proposals.

Accordingly, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings of the Company pertaining to the Proposals.

The Interested Parties will abstain and will undertake to ensure that persons connected with them (if any) will also abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

Save as disclosed above, none of the other Directors and major Shareholders of the Company and/or persons connected to them have any interest, direct and/or indirect, in the Proposals.

12. ADVISERS

Kenanga IB has been appointed by the Company to act as the Principal Adviser in relation to the Proposals.

In view of the interests of the Interested Parties as set out in Section 11 above, the Proposed Collaboration is deemed to be a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, SCA has been appointed as the Independent Adviser for the Proposed Collaboration.

In respect thereto, the Independent Adviser will undertake the following in relation to the Proposed Collaboration:-

- (i) comment as to:-
 - (a) whether the Proposals are fair and reasonable so far as the non-interested Shareholders are concerned; and
 - (b) whether the Proposals are to the detriment of the non-interested Shareholders, and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the non-interested Shareholders on whether they should vote in favour of the Proposed Collaboration; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in respect of (i) and (ii) above.

13. DIRECTORS' STATEMENT

The Board (save for the Interested Directors in respect of the Proposals), having considered the current and prospective financial position of the Company and after careful deliberation and taking into consideration the rationale and all other aspects of the Proposals including the salient terms of the Collaboration Agreement as well as the views of the Independent Adviser, is of the opinion that the Proposals are in the best interests of the Company, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the non-interested Shareholders of MBC.

14. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee, after having considered all aspects of the Proposals, including the rationale and effects, is of the view that the Proposals are:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested Shareholders.

The Audit and Risk Management Committee has also considered the views of the Independent Adviser in forming its opinion in relation to the Proposals and has concurred with the views of the Independent Adviser.

15. TRANSACTIONS WITH THE INTERESTED PARTIES IN THE PAST 12 MONTHS

Saved for the Proposed Collaboration, there were no other transactions entered into by the Company with the Interested Parties for the past 12 months preceding the date of this announcement.

16. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the relevant approvals being obtained, the Proposals are expected to be effected by the third quarter of 2022.

17. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Collaboration Agreement is available for inspection at the registered office of the Company at Unit 11.03a, Level 11, Mercuri 2, No. 3, Jalan Bangsar, KL Eco City, 59200 Kuala Lumpur during normal business hours for a period of 3 months from the date of this announcement.

This announcement is dated 15 August 2022.