3. DETAILS OF THE INITIAL PUBLIC OFFERING

3.1 INTRODUCTION

This Prospectus is dated 28 October 2003.

A copy of this Prospectus has been registered by the SC. A copy of it together with the form of application, has also been lodged with the Registrar of Companies and neither SC nor the Registrar of Companies take any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Kuala Lumpur Stock Exchange ("KLSE") has prescribed the ordinary shares and the RPS of the Company as securities which are required to be deposited into the Central Depository System ("CDS"). In consequence thereof, the MBC Shares offered through this Prospectus will be deposited directly with the Malaysian Central Depository Sdn. Bhd. ("MCD") and any dealings in these MBC Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of the MCD.

Approvals were obtained on 23 September 2003 and 17 October 2003 from the SC in respect of the Listing and Quotation and such approval shall not be taken to indicate that the SC recommends the Listing and Quotation. Investors should rely on their own evaluation to assess the merits and risks of any investment in the Company.

An application will be made to the KLSE within 3 market days from the date of this Prospectus for admission to the Official List of the Main Board of the KLSE ("Official List") and for dealing in and quotation for all of the issued and paid up ordinary shares and RPS of the Company, including the MBC Shares which are the subject of this Prospectus, on the Main Board of the KLSE failing which any allotment of MBC Shares made on an application to subscribe for such MBC Shares pursuant to this Prospectus shall be void and the Company shall repay without interest all monies received from the applicant. Listing and Quotation commence upon receipt of confirmation from the MCD that all CDS accounts ("CDS Accounts") of the successful applicants have been duly credited and notices of allotment have been despatched to successful applicants.

Acceptance of the applications will be conditional upon permission being granted to deal in and quotation for all of the issued and outstanding ordinary shares and RPS of the Company within 6 weeks from the date of this Prospectus or such longer period as may be specified by the SC, provided that the Company is notified by or on behalf of the KLSE within 6 weeks or such longer period as may be specified by the SC. Monies paid in respect of any application accepted will be returned without interest if the said permission is not granted or is revoked and thereafter, the applicants for the MBC Shares will not have any other claims whatsoever against MBC, the Offerors or any other party named in this Prospectus.

Pursuant to SC Guidelines, at least 25% of the enlarged issued and paid-up share capital of the Company must be held by a minimum of 1,000 public shareholders holding not less than 100 shares each, upon completion of the Initial Public Offering at the point of Listing and Quotation. In the event the above requirement is not met pursuant to the Initial Public Offering, the Company may not be allowed to proceed with its listing plan without the consent of the SC for a waiver of this condition. In the event the SC consent for waiver is not obtained, monies paid in respect of any application for Shares will be returned without interest.

To facilitate the listing of the RPS on the KLSE, the RPS must have not less than 100 holders holding not less than 1 board lot each of the RPS. To ensure compliance with this requirement, BSCL, GMV and MSM will sell 24,615 RPS, 15,385 RPS and 10,000 RPS respectively at RM2.50 each, totalling 50,000 RPS to CIMB as placement agent to facilitate the listing of RPS in conjunction with the Listing and Quotation. The purchase consideration of the RPS is based on the redemption price of RM2.50 each.

3. DETAILS OF THE INITIAL PUBLIC OFFERING (*Cont'd)*

In the case of an application by Application Form, an applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code. Where an applicant already has a CDS Account, he should not complete the preferred ADA Code. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account number to the Participating Financial Institution by way of keying in his CDS Account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the MBC Shares by way of Electronic Share Application.

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

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the MBC Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. Persons who are in possession of Prospectus are required to inform themselves of and observe such restrictions.

The SC and KLSE assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of MBC, its ordinary shares or RPS.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.

3.2 OPENING AND CLOSING OF APPLICATION

The Application for the Retail Offering and Institutional Offering will open from 10.00 a.m. on 28 October 2003 and will remain open until 8.00 p.m on 5 November 2003 and 8.00 p.m on 7 November 2003 respectively, or such other date(s) as the Directors and the Managing Underwriter may in their absolute discretion decide.

3. DETAILS OF THE INITIAL PUBLIC OFFERING (C*ont'd)*

3.3 INDICATIVE TIMETABLE

The indicative timing of events leading up to the Listing and Quotation of MBC's entire enlarged and issued and paid-up share capital on the Main Board of KLSE is set out below:

Event	Tentative/Indicative Date
Opening of the Institutional Offering and Retail Offering	28 October 2003
Closing of the Retail Offering	8.00 pm 5 November 2003
Closing of the Institutional Offering	8.00 pm 7 November 2003
Price Determination Date	7 November 2003
Balloting of Applications for MBC Shares pursuant to the Retail Offering	10 November 2003
Allotment of Shares to Successful Applicants	24 November 2003
Listing and Quotation	2 December 2003

The Institutional Offering will open and close at the dates stated above or such other date or dates as the directors of MBC and the Managing Underwriter in their absolute discretion may decide. Applications for MBC Shares pursuant to the Retail Offering will open and close at the time and date as stated above or such other date or dates as the Directors and the Managing Underwriter in their absolute discretion may decide. Any changes to the above tentative dates will be published in a widely circulated daily newspaper within Malaysia.

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3.4 SHARE CAPITAL AND RIGHTS

	RM
Authorised	
Divided into 2,000,000,000 ordinary shares of RM0.25 par value each and 400,000,000 RPS of RM0.25 par value each.	**600,000,000**
Issued and paid-up as at the date of this Prospectus	
700,000,000 ordinary shares of RM0.25 par value each	**175,000,000**
To be issued and fully paid-up pursuant to the Public Issue	
100,000,000 ordinary shares of RM0.25 par value each	**25,000,000**
	200,000,000
Issued and paid-up as at the date of this Prospectus	
160,000,000 RPS of RM0.25 par value each	**40,000,000**
To be redeemed prior to the Listing and Quotation	
40,000,000 RPS of RM0.25 par value each	**(10,000,000)**
	30,000,000

There are two classes of shares in the Company, being ordinary shares of RM0.25 par value each and RPS of RM0.25 par value each.

Ordinary shares

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney or other duly appointed representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

Subject to any special rights attaching to any shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

The MBC Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distribution that may be declared subsequent to the date of this Prospectus.

RPS

The RPS are redeemable preference shares of RM0.25 par value issued at RM2.50 each as bonus shares to the existing shareholders of MBC, namely BSCL, GMV and MSM by way of capitalisation of the Company's audited share premium account and retained profit. The RPS will have to be redeemed at the end of the 7^{th} year from the issue date but may be earlier redeemed at the option of MBC (but not the holders) at the issue price of RM2.50 each. The RPS carry an annual cumulative dividend rate of 60% for the first 5 years, thereafter 64% for year 6 and 68% for year 7, each payable on a RPS Dividend Date up to the redemption date. RPS dividends shall rank in priority over all dividends on ordinary shares and have to be paid before any dividend on ordinary shares are declared and paid. On redemption, MBC shall pay all dividends in arrears and the redemption value, and if redemption is not on a RPS Dividend Date, then a pro-rated dividend for the period since the last RPS Dividend Date as well.

3. DETAILS OF THE INITIAL PUBLIC OFFERING (*Cont'd)*

The RPS shall carry no right to vote at any general meeting of the Company except with regard to any proposal to reduce the capital of the Company, to dispose of the whole of the Company's property, business and undertaking, to wind-up the Company, during the winding-up of the Company, when the RPS Dividend or part of the RPS Dividend is in arrears for more than 6 months, and on any proposal that affects rights attached to the RPS. In any such case, the holders of RPS shall be entitled to vote together with the holders of ordinary shares and to one vote for each RPS held.

The RPS shall entitle a holder to one vote at any class meeting in relation to any proposal by the Company to vary or abrogate the rights of RPS. In all class meetings, each RPS shall entitle a holder to one vote.

In the event of liquidation or winding-up of the Company, the surplus assets thereof shall be applied in repaying the holders of the RPS the dividend which has not been paid and the return of capital in respect of both the par value and the premium paid up on the RPS, in priority to ordinary shares.

For further details of the RPS, please refer to Annex B and Section 14(2)(v) of this Prospectus.

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3.5 PARTICULARS OF THE INITIAL PUBLIC OFFERING

The Initial Public Offering is subject to the terms and conditions of this Prospectus, and upon acceptance, the MBC Shares are expected to be allocated in the manner described below subject to clawback and reallocation provisions as set out in Section 3.9 of this Prospectus:

Retail Offering at the Retail Price of RM1.19 per Share, payable in full upon application and subject to refund in the event that the Final Retail Price is less than RM1.19 per Share.

Institutional Offering at the Institutional Price payable in full upon allocation and determined by way of bookbuilding.

The Initial Public Offering will be allotted in the following manner:

(i) 40,000,000 MBC Shares have been reserved for eligible directors, employees, business associates of MBC Group and persons who have contributed to the success of the Group;

(ii) 84,960,000 MBC Shares have been reserved for Bumiputera Investors; and

(iii) 115,040,000 MBC Shares are available for application by Malaysian public, companies, societies, co-operatives and institutions. Details are as follows:

  (a) 12,000,000 MBC Shares are available to the Retail Offering, of which at least 30% will be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions;

  (b) 103,040,000 MBC Shares are available to the Institutional Offering, of which an allocation of up to 30% to Bumiputera Investors will be made, on a best effort basis.

Save for 5,000,000 MBC Shares in item (i) and the 12,000,000 MBC Shares stated in item (iii)(a), none of the above MBC Shares are underwritten.

In relation to item (iii)(b), the MBC Shares will be subject to a management and selling commission of 2% of the Placement Shares based on RM1.19.

Further details of the Underwriting Agreements and the Bookbuilding Agreement are set out in Sections 3.14 and 3.15 of this Prospectus.

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3.6 ALLOCATION TO THE ELIGIBLE DIRECTORS, EMPLOYEES, BUSINESS ASSOCIATES OF MBC GROUP AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE GROUP

The MBC Shares in respect of Section 3.5(i) are allocated based on the following criteria:

(a) eligible directors of MBC Group are allocated 17,530,000 MBC Shares;

(b) the position of the eligible employees who are confirmed employees of MBC Group as at the Latest Practicable Date; and

(c) the nature of relationship with business associates and with persons who have contributed to the success of the Group.

Any MBC Shares in respect of the above not subscribed for by persons described in Section 3.5(i) of this Prospectus will be reallocated to the other persons within this group who wish to apply for it, subject to approval of the Directors. The MBC Shares not taken up after the said reallocation, if any, will be made available for application by the Malaysian public, companies, societies, co-operatives and institutions.

3.7 BROKERAGE

Brokerage is payable by the Company at the rate of 1% of the Final Retail Price in respect of successful applications bearing the stamps of CIMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

3.8 UNDERWRITING COMMISSION

Pursuant to the Underwriting Agreement A, the Managing Underwriter and the Underwriters have agreed to underwrite 12,000,000 of the MBC Shares which are available for application by the Malaysian public at an underwriting commission and a managing underwriting commission of 1.5% and 0.25% respectively of the Final Retail Price of the underwritten shares.

Pursuant to the Underwriting Agreement B, CIMB, as the underwriter, has agreed to underwrite 5,000,000 of the MBC Shares detailed under Section 3.5(i) of this Prospectus at an underwriting commission of 1.5% of the Final Retail Price of the underwritten shares.

3.9 CLAWBACK AND REALLOCATION

Any of the MBC Shares allocated and reallocated under Section 3.6 of this Prospectus which are not taken up by the eligible directors, employees, business associates of MBC Group and persons who have contributed to the success of the Group will be after reallocation as referred to in Section 3.6 of this Prospectus, made available for application by the Malaysian public of which at least 30% will be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

The allocation of MBC Shares between the Retail Offering and the Institutional Offering is subject to adjustment. If there is an under-application in the Retail Offering and there is a corresponding over-application in the Institutional Offering, MBC Shares may be clawed back from the Retail Offering and reallocated to the Institutional Offering.

3.10 BASIS OF ARRIVING AT THE ISSUE PRICE

Upon application, the retail applicants will pay the Retail Price of RM1.19 per Share, which equals 97 per cent of the illustrative Institutional Price of RM1.23 per Share. MBC has determined the illustrative Institutional Price on the recommendation of the Lead Manager.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date, which is expected to be on or about 7 November 2003. The Final Retail Price will be the lower of:

(i) the Retail Price of RM1.19 per Share; or

(ii) 97 per cent of the Institutional Price.

The Institutional Price will be determined by MBC in consultation with the Lead Manager on the Price Determination Date. The Institutional Price will be determined using a process known as "bookbuilding" in which prospective institutional investors specify the number of MBC Shares they would be prepared to acquire at different prices. This "bookbuilding" process is expected to continue up to and to cease on or about 7 November 2003.

Prospective retail investors should be aware that the Final Retail Price will not in any event be greater than the Retail Price of RM1.19 per Share. In the event that the Final Retail Price is lower than the Retail Price, a refund of the difference will be made without any interest thereon. The refund in the form of a cheque will be despatched by ordinary mail to the addresses stated in the Application Form of the successful applicants within 21 days from the final ballot of the Application Lists at the successful applicants' own risk.

The Final Retail Price and the Institutional Price will be announced in distributed Bahasa Malaysia and English daily newspapers circulating generally throughout Malaysia within 3 days after the closing of the Institutional Offering. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price in the notices of allotment.

Applicants should also note that the market price of the MBC Shares upon Listing and Quotation is subject to the vagaries of market forces and other uncertainties which may affect the price of the MBC Shares.

3.11 PURPOSE OF THE INITIAL PUBLIC OFFERING

The purposes of the Initial Public Offering are as follows:

- to obtain a listing of and quotation for the 800,000,000 ordinary shares and the 120,000,000 RPS of the Company on the Main Board of the KLSE;
- to provide the Company with access to the capital markets and access to retail investors and institutional investors to raise funds for future expansion and growth of the Company;
- to provide an opportunity for the directors, employees, business associates and persons who have contributed to the success of the Group, members of the Malaysian public and institutions to participate in the continuing growth of the Company by way of equity participation;
- to enhance the stature of the Company to market its services, maintain its existing market position and attract new skilled labour; and

- to raise funds for the purposes specified in Section 3.12 of this Prospectus.

3.12 USE OF PROCEEDS

The Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale amounting to RM166.6 million (assuming the Final Retail Price and Institutional Price is RM1.19 per MBC Share) will accrue entirely to the Offerors.

The total gross proceeds from the Public Issue of RM119 million are expected to be fully utilised as follows:

	Note	RM 000
To part finance the construction of newbuildings*	1	113,000
Estimated share issue and listing expenses	2	6,000
	3	119,000

Notes:

* *The proceeds will be utilised within 6 months from Listing and Quotation to replenish working capital which had been earlier used to part finance the construction of newbuildings.*

1. *The Company has contracted a total of 11 newbuildings with expected delivery dates ranging from November 2003 to January 2006.*

2. *The total expenses for the Initial Public Offering is estimated to be not more than RM6 million comprising RM3 million for brokerage, underwriting and selling commissions payable to the Managing Underwriter and the Underwriters, RM1.5 million for estimated professional fees and RM1.5 million for other fees and expenses such as printing, advertising and travelling expenses to be incurred in connection with this Initial Public Offering. These expenses are expected to be fully paid within one month from completion of the Initial Public Offering.*

3. *The gross proceeds shown is based on the Retail Price of RM1.19 per Share.*

The total proforma impact of the utilisation of proceeds on the consolidated balance sheets of MBC Group is reflected in Sections 2.4 and 9.11 of this Prospectus.

3.13 RESTRICTIONS ON FUTURE SALE OF MBC SHARES

MBC, PCL, GMV and MSM have entered into a lock-up agreement with the Managing Underwriter under which MBC will agree not to issue, save for the Public Issue, and PCL, GMV and MSM will agree not to transfer or dispose of, directly or indirectly, any share in MBC, save for the Offer Shares, for a period of 180 days from commencement of trading on the KLSE. Transfers or dispositions can be made sooner with the prior written consent of the Managing Underwriter.

3.14 SALIENT TERMS OF THE UNDERWRITING AGREEMENTS

3.14.1 On 16 October 2003, MBC has entered into the Underwriting Agreement A with the Managing Underwriter and Underwriters in respect of the 12,000,000 MBC Shares available for application by the Malaysian public. Some of the salient terms of the Underwriting Agreement A are as follows:

i. MBC will pay to the Managing Underwriter a managing underwriting commission of 0.25% of the Final Retail Price of the underwritten shares;

ii. MBC will pay to the Underwriters an underwriting commission of 1.5% of the Final Retail Price of the underwritten shares;

iii. MBC represents, warrants and undertakes with the Underwriters that, *inter alia*:

a. this Prospectus shall be in form and substance satisfactory and acceptable to and approved by SC;

b. this Prospectus shall not contain any untrue statement or omit to state a material fact required to be so stated;

c. all consents and approvals required by MBC under the laws of Malaysia or in connection with the Initial Public Offering and the Listing and Quotation will (if not already obtained) be obtained and be in force;

d. the Initial Public Offering, the Listing and Quotation, the Prospectus and this Agreement are not in contravention of its memorandum and articles of association, any trust deeds, agreements or other instruments or obligations to which MBC is a party or is bound; and

e. MBC has obtained its shareholders and board of directors' approvals for the Initial Public Offering, the Listing and Quotation and this Agreement.

iv. the obligations of the Underwriters are conditional upon:

a. SC approving this Prospectus;

b. SC and MITI approving the offering of the MBC Shares;

c. the registration of this Prospectus with the Registrar of Companies;

d. MBC undertaking not to issue additional new shares within a period of 180 days from the commencement of trading on the KLSE;

e. the Offerors undertaking not to sell their MBC Shares as at the date of the Listing and Quotation within a lock-up period of 180 days from the commencement of trading on the KLSE; and

f. the launching of this Prospectus and the opening of the Retail Offering and the Institutional Offering taking place not later than 3 November 2003.

v. If any of the conditions mentioned in Section 3.14.1(iv) above is not satisfied on or before 3 November 2003, the Underwriters will be entitled to terminate the agreement and, except for the liability of MBC for the payment of the costs and expenses, the parties shall be released and discharged from their obligations. However, the Underwriters has the discretion to waive compliance with any of the said conditions.

vi. If the underwritten shares are not validly subscribed in full by the Malaysian public, they will be offered for subscription by institutional investors in the Institutional Offering if applications by the institutional investors exceeds the available MBC Shares in the Institutional Offering tranche.

vii. Notwithstanding anything contained in this agreement, the Underwriters may at any time before the closing date of the Institutional Offering, terminate their obligations under this Agreement if:

a. in the reasonable opinion of the Underwriters underwriting a majority in value of the underwritten shares, there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would materially prejudice the success of the offering of the underwritten shares; or

b. the Kuala Lumpur Composite Index has dropped to below 650 points and has stayed below 650 points for at least 5 consecutive market days.

viii. Save for item (vii)(a), all decisions of the Underwriters must be made unanimously amongst themselves and communicated officially by the Managing Underwriter only. MBC is not bound to accept non-unanimous decisions made by the Underwriters nor communications from an Underwriter other than the Managing Underwriter.

3.14.2 On 15 October 2003, MBC and the Offerors have also entered into the Underwriting Agreement B with CIMB, as the underwriter in respect of the 5,000,000 MBC Shares reserved for eligible directors, employees, business associates and persons who have contributed to the success of the MBC Group ("the Offerees"). Some of the salient terms of the Underwriting Agreement B are as follows:

i. MBC and the Offerors will pay to CIMB an underwriting commission of 1.5% of the Final Retail Price of the underwritten shares;

ii. MBC and the Offerors represent, warrant and undertake with CIMB that, *inter alia*:

a. this Prospectus shall be in form and substance satisfactory and acceptable to and approved by SC;

b. this Prospectus shall not contain any untrue statement or omit to state a material fact required to be so stated;

c. all consents and approvals required by MBC under the laws of Malaysia or in connection with the Initial Public Offering and the Listing and Quotation will (if not already obtained) be obtained and be in force;

d. the Initial Public Offering, the Listing and Quotation, the Prospectus and this Agreement are not in contravention of its memorandum and articles of association, any trust deeds, agreements or other instruments or obligations to which MBC is a party or is bound; and

e. MBC has obtained its shareholders and board of directors' approvals for the Initial Public Offering, the Listing and Quotation and this Agreement.

iii. the obligations of the Underwriters are conditional upon:

a. SC approving this Prospectus;

b. SC and MITI approving the offering of the MBC Shares;

c. the registration of this Prospectus with the Registrar of Companies;

d. MBC undertaking not to issue additional new shares within a period of 6 months from the date of the Listing and Quotation;

e. the Offerors undertaking not to sell their MBC Shares as at the date of the Listing and Quotation within a lock-up period of 180 days from the date of the Listing and Quotation; and

f. the launching of this Prospectus and the opening of the Retail Offering and the Institutional Offering taking place not later than 3 November 2003.

iv. If any of the conditions mentioned in Section 3.14.2(iii) above is not satisfied on or before 3 November 2003, the Underwriters will be entitled to terminate the agreement and, except for the liability of MBC for the payment of the costs and expenses, the parties shall be released and discharged from their obligations. However, the Underwriters has the discretion to waive compliance with any of the said conditions.

v. If after the conditions mentioned in Section 3.14.2(iii) above have been complied with and MBC decides not to proceed with the Initial Public Offering, the Underwriters may treat themselves as so released or discharged from their obligations and MBC shall remain liable for the payment of:

a. the reasonable costs and expenses reasonably incurred by the Managing Underwriter and the Underwriters in connection with the underwriting of the underwritten shares; and

b. a termination charge equivalent to 10% of the intended underwriting commission.

vi. Notwithstanding anything contained in this agreement, CIMB may at any time before the closing date, terminate its obligations under this Agreement if:

a. in the reasonable opinion of CIMB, there shall have been such a change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates that would materially prejudice the success of the offering of the underwritten shares; or

b. the Kuala Lumpur Composite Index has dropped to below 650 points and has stayed below 650 points for at least 5 consecutive market days.

3.15 SALIENT TERMS OF THE BOOKBUILDING AGREEMENT

A bookbuilding agreement was entered into between the Company, the Offerors and CIMB on 15 October 2003. Some of the salient terms of the bookbuilding agreement are as follows:

i. CIMB will procure, on a best effort basis, Malaysian institutions and selected investors to subscribe or purchase the Placement Shares at the Institutional Price;

ii. The Institutional Price will be determined using the bookbuilding process and the fixing of the Institutional Price will be done on the Price Determination Date;

iii. MBC and the Offerors will pay to CIMB a lead manager fee of RM250,000, and management and selling commission of 2% of the aggregate price of the Placement Shares based on RM1.19;

iv. If KLSE's approval for the Listing and Quotation is not obtained within 6 weeks from the date of the Prospectus or such longer period as may be mutually agreed to by MBC and CIMB, CIMB may terminate this agreement and treat itself as released and discharged from its obligations thereunder;

v. MBC and the Offerors represent, warrant and undertake to CIMB that, *inter alia*:

   a. this Prospectus shall be in form and substance satisfactory and acceptable to and approved by SC, KLSE and the Registrar of Companies;

   b. this Prospectus shall not contain any untrue statement or omit to state a material fact required to be so stated;

   c. all consents and approvals required by MBC under the laws of Malaysia or in connection with the Initial Public Offering and the Listing and Quotation will (if not already obtained) be obtained and be in force;

   d. the Initial Public Offering, the Listing and Quotation, the Prospectus and this Agreement are not in contravention of its memorandum and articles of association, any trust deeds, agreements or other instruments or obligations to which MBC is a party or is bound; and

   e. MBC has obtained its shareholders and board of directors' approvals for the Initial Public Offering, the Listing and Quotation and this Agreement.

vi. In the event there are any shares clawed back from the underwritten shares under the Underwriting Agreements to be placed out under this Agreement, CIMB will not be charging any placement fee or brokerage fee in respect of such placements.

vii. The Offerors hereby appoint and authorise MBC (and MBC in turn can authorise any of its Directors) as their agent:

a. to fix the Institutional Price on the advice of CIMB;

b. to act on their behalf in relation to matters arising under this agreement;

c. to amend and finalise the Prospectus; and

d. to communicate, liaise and generally deal with CIMB as Lead Manager in this agreement.

viii. CIMB agrees that it will accept MBC as the agent of the Offerors for all matters arising from this Agreement in addition to MBC acting on its own behalf.

3.16 ALLOCATION AGREEMENT

MBC and the Offerors have entered into an agreement dated 15 October 2003 to distribute the total proceeds from the Initial Public Offering and to bear all costs, commissions, fees and expenses incurred in or incidental to the Initial Public Offering in proportion to the shares issued or offered by them in the Initial Public Offering.

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4. RISK FACTORS

Applicants for the MBC Shares should carefully consider the following factors (which may not be exhaustive) which may have an impact on the future performance of the Group, in addition to other information contained elsewhere in this Prospectus, before applying for the MBC Shares.

The Board of Directors and management of MBC Group, mindful of the risks listed in the foregoing, shall endeavour to exercise due care to anticipate such risks. In Section 5 of this Prospectus, MBC describes its diversification strategy into double hull tankers resulting in a suitable mix of vessels to cater to the freighting needs of the transportation industry. In view of the increasingly regulatory environment, MBC has taken further steps to replace its older vessels and embarked on an active acquisition program to stay ahead of the competition.

MBC's efforts to benefit from economy of scale has enabled it to manage its operating cost at optimum levels. In addition, MBC practises continuing preventive maintenance and inspection procedures which enhances the safety of its fleet and reduces unexpected repair cost.

Notwithstanding the above, it should be noted that certain risk such those described in Section 4.5 may not be within the abilities of the Group to anticipate. For example, the outbreak of Severe Acute Respiratory Syndrome ("SARS") caused, for a period of time, severe inabilities on the part of many companies to operate efficiently due to lengthy quarantine rules. However, the Group shall endeavour to manage and where possible mitigate the adverse impact on its business due to such events.

4.1 IMBALANCE OF DEMAND AND SUPPLY

The shipping industry has traditionally experienced fluctuations in freight and charter rates and vessel values, which are dependent on factors including the respective demand for, and supply of, shipping capacity. These factors may contribute to the volatility of the Group's financial performance, where a decrease in demand or an increase in supply of shipping capacity may result in an adverse impact on the financial performance of the Group. The demand for shipping capacity would depend on factors such as trade, changes in seaborne and other transportation patterns, seasonal and weather conditions, port congestion and political uncertainties. The supply factors would include the total number of vessels in operating condition, that are in compliance with governmental and industry regulation of the maritime industry, as well as newbuildings to be delivered less tonnage to be scrapped.

4.2 ECONOMIC COSTS OF REGULATORY COMPLIANCE

The ship owning and managing industry is highly regulated and the vessels have to operate within the rules of the international conventions set out by Assembly of the International Maritime Organisation ("IMO") such as:

- the International Convention for the Safety of Life at Sea ("SOLAS");
- the International Convention for the Prevention of Pollution from Ships ("MARPOL");
- the International Convention for the Seafarers' Training, Certification and Watchkeeping ("STCW"); and
- the International Management for the International Safety Management ("ISM") Code.

All these conventions have been ratified by the majority of maritime nations, including Malaysia, and apply to all vessels registered in these countries or calling in the waters of these countries. Compliance with such regulations requires managers who are highly professional, as well as a competent crew to man the vessels, which increases operating costs. Non-compliance with any of these regulations can have dire consequences which include heavy fines and detention of the vessel in the port. For a breach of MARPOL, in the event of a discharge by a vessel of a pollutant (for example, oil, chemical, garbage or plastic) into the sea, the shipowner would be liable to pay for the costs of any measures taken to remove or reduce the contamination caused by the pollutant. MARPOL also sets out regulations aimed at the prevention and reduction of various types of gases and discharges.

In addition, all of the Group's vessels have to meet the safety standards set out in SOLAS which prescribes a series of regulations which are essential for the safety of a vessel and/or its crew.

IMO may from time to time adopt new regulations requiring compliance by the Group's vessels. For example, with the threat of international terrorism, new security measures centered around a proposed International Ship and Port Facility Security ("ISPS") Code, Part A is expected to be made mandatory on 1 July 2004 through amendments to SOLAS. In the event that new rules are introduced locally and internationally, costs of operations may increase and this would subsequently have an adverse effect on the profitability of MBC Group. MBC has a team of personnel who have the necessary experience and training to help ensure that the MBC Group's vessels comply with the relevant international regulations.

4.3 RISKS RELATING TO THE NATURE OF MBC GROUP'S BUSINESS

The Group's vessels are largely fixed on single voyage, contract of affreightment, trip or period charters. Depending on market condition and its outlook, the most appropriate charter will be sought for the vessels. However, the nature of charter entered into and the operations involved will present different risks. The potential risks that may erode vessels' earnings or add to overall expenses includes unexpected labour strikes or boycotts, severe weather conditions, lengthy quarantines, force majeure, down time or off hires due to mechanical failures or human error, collision, grounding, war, terrorism, arrest action due to failure to pay debts (including arrest action taken by creditors against third parties chartering the Group's vessels) and business interruptions. Any of these events may result in substantial loss of revenue and increased expenses.

There is no assurance that the type of vessels invested by the Group will continue to be in vogue due to changes in global trading pattern or economic conditions. Such negative developments will impact on tonnage demand and accordingly, on the value of vessels. Excessive newbuildings, unless matched by a corresponding increase in demand or scrapping, will also affect the second-hand value of vessels and the asset worth of the Group's fleet as a whole will accordingly be eroded.

4.4 RISKS OF INCREASES IN BUNKER COSTS

Increases in bunker costs subsequent to any voyage charters or contracts of affreightment rates whereby the freight rates are fixed would affect the voyage results and accordingly, the Group's financial performance. However, where vessels have been fixed on trip or period time charters, such increases on bunker prices would be covered by the charterers and as such would have minimal or no impact on that particular vessel's performance. However, the impact of an increase in bunker cost vis-à-vis voyage charters or such contracts of affreightment is limited to one occurrence since the market will accordingly react to such increases through higher rates.

4.5 UNFAVOURABLE ECONOMIC, SOCIAL AND POLITICAL CONDITIONS

As in all businesses, the shipping industry is susceptible to global economic, social and political conditions. A general economic slowdown may affect trade in general or demand for specific goods, which may lead to contraction in maritime transport. Geopolitical uncertainties, such as the threat of war, also weakens consumer confidence, which in turn leads to lower production output and reduced demand for shipment of raw materials and finished goods. Should such developments occur, the Group's financial results would be affected.

The Group's vessels are traded globally. The international nature of the Group's business exposes the Group to greater political and economic risks that the Group would not face if its vessels ply domestic or limited regional routes. Should there be adverse developments in any of the trading areas, the Group's vessels may not be able to enter or berth in the ports of these areas or to perform the necessary shipments contracted. Such developments may include wars, political and social unrests and riots, severe bad weather, trade sanctions and embargoes, and lengthy quarantines (such as the case with the outbreak of SARS).

Further, in an emergency or war, a government could requisite for title or seize the Group's vessels. Although the government would normally be required to pay compensation for the requisitions, they could dictate charter rates to the Group.

The amount or timing of any payments under these circumstances and the down time is uncertain. Any of these events may result in substantial loss of revenue and increased expenses.

Global or regional economic crises, such as the Asian financial crisis of 1997, can lead to a contraction in funding to companies domiciled in the affected countries. Should such an event apply to Malaysia, it will adversely impact on MBC's ability to expand or to borrow at attractive or competitive rates. The Group may also be required to provide onerous financial covenants and mortgages over the vessels to obtain financing.

4.6 CUSTOMER RISKS

There is no assurance that the charterers of the Group's vessels would not default and expose the Group to unfavourable market conditions which require the Group's vessels to complete the voyage at considerable cost without the corresponding compensation from the defaulting charterers. The MBC Group is currently working directly with several major global charterers which provide quality relationships which mitigate the attendant customer risk.

4.7 COMPETITION

Shipping, as in any industry, is governed by the forces of demand and supply and will accordingly be cyclical in nature, experiencing volatility in profitability and asset values.

The industry in which the Group operates is highly competitive. Some of the Group's competitors may have more resources while others may have lower operating costs. Under any market condition, the Group's vessels' competitiveness vis-a-vis its competitors will invariably depend on where such vessels come open. Vessels that are open near loading areas will be better able to compete for business due to proximity to load ports.

Where aggressive pricing is necessary to compete against better-positioned tonnage, such aggressive pricing will lead to a reduction in profit margins.

The market is also determined by the views of various market players. There will always be shipowners who may be more bearish of the market or who may wish to break into certain markets by the lowering their freights. Where such business has to be protected and secured against such aggressive competition, this would have an adverse impact on the Group's financial performance.

4.8 RISKS OF OIL SPILL

The Group's fleet of vessels operate internationally and are therefore governed by international maritime law and laws of the respective countries for trading areas under their jurisdiction. In the event of a major oil spill caused by human error, natural calamities such as typhoons or other adverse weather conditions, acts of terrorism, sabotage or accidental leakage arising from its normal course of operations, the Group may incur liability for containment, clean-up and salvage costs.

Any major claim would also adversely affect the claims record of the Group's fleet and result in increases in its insurance coverage rates and premiums paid. The MBC Group continuously trains its employees to ensure that there is a high standard of safety and to reduce the risk of oil spill as a result of human error. Additionally, the MBC Group has P&I Club insurance coverage of up to USD 1 billion for oil spills and environmental pollution.

MBC's active diversification strategy into double hull tankers also mitigate this risk.

4.9 RISKS OF INSUFFICIENT INSURANCE COVERAGE

MBC Group performs an annual review on its insurance coverage to ensure that it is protected against accident-related risks arising from the conduct of its business as well as marine environmental damage and pollution. The Directors believe that MBC Group is adequately insured against all risks known to it at this time.

The Group has not taken up any loss of hire insurance in view of such policy's high premiums relative to its probability. Consequently, such downtime as when the Group's vessels are not chartered or are off-hired due to breakdown or when repairs are required by a Classification Society before the vessels can continue on their voyage, are not covered by insurance and will impact on the Group's earnings negatively. The Directors' assessment is that the currently available loss of hire insurance premiums are expensive relative to the low risk involved in loss of hire. It has therefore decided to manage its operations without loss of hire insurance coverage.

Furthermore, if environmental regulations become even more stringent, the Group's insurance expenses may increase further or make insurance unavailable against the risks of environmental damage or pollution.

4.10 RISKS OF FUNDING CALLS BY PROTECTION AND INDEMNITY CLUBS

MBC Group is indemnified for legal liabilities incurred while operating its vessels through membership in P & I Clubs. P & I Clubs are mutual insurance clubs whose members must contribute to cover losses sustained by other club members. The objective of a P & I Club is to provide mutual insurance based on the aggregate tonnage of a member's vessels entered into the club. Claims are paid through the aggregate premiums of all members of the club, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the club. Claims submitted to the club may include those incurred by members of the club, as well as claims submitted to the club from other P & I Clubs which the club has entered into interclub agreements. There is a risk that the P & I Club to which MBC Group belongs will call for additional funding from its members and such funding calls might affect MBC Group's profitability. The risk of funding calls are justified if weighed against self-insurance.

4.11 UNEXPECTED REPAIR COSTS

The timing and costs of such unexpected repairs of its vessels are difficult to predict with any reasonable certainty and may be substantial. However, where such repairs arise due to damage to hull or machinery by insured perils, they are normally covered by the Group's Hull and Machinery insurance subject to a deductible to be borne by the Group. As the Group is not insured for "loss of hire", such downtime is not recoverable and if such repair involves an extended period of time, loss of revenue may be substantial. Large repair expenses could decrease the Group's profits.

However, as the Group's fleet is still relatively modern and is managed under a programmed maintenance schedule, such unexpected repair costs and downtime should be minimal. MBC undertakes continuous preventive maintenance on its vessels with additional attention to safety, which contributes towards mitigating unexpected repair costs due to breakdowns or accidents.

4.12 ARREST AND REQUISITION OF VESSELS

Should the Group be unable to pay its debts to crew members, suppliers of goods or services to its vessels, shippers of cargo or other parties that have obtained maritime liens, such parties may be entitled to arrest one or more of its vessels. Likewise, the Group's vessels can be detained or arrested due to oil spills or other third party claims (such as claims by creditors of third parties chartering the Group's vessels, against the third parties, for their failure to pay their debts). The arrest or attachment of one or more of the Group's vessels may result in a significant loss of earnings for the resulting off-hire period.

4.13 DEPENDENCE ON DIRECTORS, KEY PERSONNEL AND PCL GROUP

MBC Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and senior management. It should be noted that some of the Directors also serve on the boards of PCL Group and GMV Group. The loss of any of MBC Group's directors or key members of the senior management could adversely affect MBC Group's ability to compete effectively in the shipping industry.

MBC Group has a strategic relationship with PCL Group and in this respect has outsourced some of its ship management services to PCL Group. Details of the services provided by PCL Group to MBC Group's vessels appear in Section 10.1 of this Prospectus.

4.14 CURRENCY RISKS

Presently, as the Group's revenues and expenses (and therefore its receipts and payments) are predominantly denominated in US$, there is a natural hedge against any unfavourable foreign exchange movements of US$. Further, as RM is the Group's base and reporting currency, any translation risk is minimal since RM is currently pegged to US$ at the rate of US$1 to RM3.80. However, in the event the RM to US$ peg is removed or re-pegged, the Group may potentially experience an unfavourable translation loss if RM strengthens against US$.

4.15 POTENTIAL CONFLICTS OF INTEREST WITH SUBSTANTIAL SHAREHOLDERS

MBC has three substantial shareholders with whom it may have potential conflicts of interest. They are PCL, GMV and PPB.

1. *PCL*

In the recent years following the start up of MBC, PCL has shifted its focus of activities towards that of a freight trader. Its principal activity is to take speculative positions in the freight market either in the form of contracts of affreightment or vessels on period charters. This shift in focus helped to minimise potential conflicts, enabling MBC to focus on being a shipowner operator, deriving its income and profits from the deployment of its vessels and in the form of capital gains when its vessels are sold.

The distinct difference between MBC's and PCL's activities, is that MBC is primarily a shipowner operator, whereas PCL, being a freight trader is in a different risk paradigm. PCL's primary modus operandi is to secure cargo contracts against which it will identify vessels to perform the contracted shipments. In view of PCL's interest in MBC, PCL will offer first priority to perform these cargo contracts to MBC Group's fleet. In the event that MBC Group's vessels are already commercially deployed, or are not in a position to perform these contracts, then such cargo will be offered to third party vessels chartered-in from the open market.

On 17 October 2003, MBC entered into a priority agreement with PCL whereby PCL will offer first priority to MBC Group's vessels to perform cargo contracts which PCL Group is in a position to award to third parties outside the PCL Group. Such contracts will be entered into on an arms-length basis if MBC Group's vessels were to be awarded the cargo contracts. This arrangement will cease if PCL's interest in MBC falls below 20% of the ordinary share capital of MBC or if both parties agree that the circumstances no longer impart a conflict of interest situation between PCL Group and MBC Group.

Potential conflicts of interest may arise in the event that PCL charters in on period charter vessels which are similar in type to MBC's fleet or acquires such vessels. Shipping is a global business and for the potential conflict to materialize, vessels of the same class have to seek employment at the same port and at the same time. In the event, which is unlikely, that such a situation should arise, PCL will accord MBC's vessels priority over PCL's chartered in vessels or wholly-owned vessels. This priority will continue until such time as when the potential conflict ceases.

In addition to the above, MBC will be have an option as to whether it wishes to exercise a pool option whereby MBC's vessels of similar types are pooled together with PCL's period charter vessels and wholly-owned vessels. This merging of similar vessels into a common pool, would benefit both MBC and PCL, as the pool will cover a larger geographical market and thus enabling both MBC and PCL to enjoy optimum revenue whilst mitigating location risk.

PCL's other shipping activities, through its wholly-owned subsidiaries and associates are:

(a) PACC Container Line Pte Ltd ("PACL"), a wholly-owned subsidiary, is a container feeder and break-bulk liner service operator. It currently operates a fleet of 9 container feeder vessels, of which 1 is owned and 8 chartered from third parties, and 2 barges of which 1 is owned and 1 is chartered. Presently, it also operates 9 Multi Purpose Vessels ("MPV") deployed into a South East Asia / US break-bulk liner service, of which 6 are on financial lease and 3 are chartered from the open market. The MPVs are triple decks. However these have specific trade routes and are therefore, different from MBC's vessels which are specifically in the tramp bulk market. Furthermore, the economics of such a vessel does not make it viable to operate in these bulk markets.

(b) Pacnav is an equal joint venture between PCL and Seagull Maritime S.A., and it owns and operates 8 Handymax vessels. The commercial management of these vessels is presently undertaken by Seagull Maritime S.A.

(c) PCL has a 35% equity interest in Pacsari, a joint venture with an Indonesian party. Pacsari owns 2 Post-Panamax vessels. These vessels were built primarily for PT Indofood Sukses Makmur's grain imports. From time to time when these vessels are not servicing PT Indofood Sukses Makmur, they are released into the open maket through PCL.

(d) PCL owns 3 Panamax vessels through its wholly-owned subsidiaries Ikan Bawal Shipping Pte Ltd, Ikan Beliak Shipping Pte Ltd and Ikan Kerisi Shipping Pte Ltd. Presently MBC Group does not have vessels of a similar class.

2. GMV

GMV Group through its 70% interest in Mutiara Navigation Sdn Bhd, Intan Navigation Sdn Bhd, Nilam Navigation Sdn Bhd, Permata Navigation Sdn Bhd, Gemala Navigation Sdn Bhd, Ratna Navigation Sdn Bhd, Kencana Navigation Sdn Bhd, Sari Navigation Sdn Bhd, Mayang Navigation Sdn Bhd and Kasa Navigation Sdn Bhd, currently owns similar type vessels with MBC i.e. 2 Handymax bulk carriers, 2 Handysize bulk carriers and 6 MR product tankers. In addition to the above, GMV's subsidiaries Ayu Navigation Sdn Bhd and Tiara Navigation Sdn Bhd, also own 2 Panamax bulk carriers, Selendang Ayu and Selendang Tiara. The potential conflict of interests between MBC and GMV is also largely minimised because GMV is incorporated as a shipping venture capital company. Hence GMV's investment is passive in nature and it is not involved in the commercial management of its vessels. The vessels owned by GMV Group are participants in a pool which is managed by third parties.

3. PPB

Katella Sdn Bhd, a wholly-owned subsidiary of PPB, currently owns a Handymax dry bulk carrier, Alam Aman II. Traditionally, the PPB owns only one vessel at any point in time and the vessel is deployed on a dedicated service for the PPB's wheat imports. From time to time when this vessel is not employed for its intended purpose, the vessel is released into the open market. This vessel is commercially managed by PSM.

4.16 NO PRIOR MARKET FOR MBC SHARES

Prior to this Initial Public Offering, there has been no public market for MBC shares. There can be no assurance that an active market for MBC shares will develop upon the Listing and Quotation or, if developed, that such market will be sustained. The Retail Price and the indicative Institutional Price have been determined after taking into consideration a number of factors including but not limited to, the Group's operating and financial history and conditions, its prospects and that of the industry in which the Group operates, the management of the Group and prevailing market conditions prior to the issue of this Prospectus, and in the case of the Institutional Price by the bookbuilding process. The price at which MBC shares will trade on the Main Board of the KLSE after the Initial Public Offering may be influenced by a number of factors, including the depth and liquidity of the market for MBC shares and investors' perception of MBC Group. There can be no assurance that the issue price will correspond to the price at which the MBC shares will trade on the Main Board of the KLSE or that an active market for the MBC shares will develop upon or subsequent to its Listing and Quotation.

4.17 CONTROL BY SUBSTANTIAL SHAREHOLDERS

Following the Initial Public Offering, 3 substantial shareholders of MBC, namely PCL, GMV and MSM directly hold 70% of the Company's enlarged issued and paid-up share capital. The aforesaid shareholders, if acting together, may be able to influence the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law or by the relevant authorities.

4.18 UNDERWRITING RISKS

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should the Underwriters fail to honour their obligations under the Underwriting Agreements.

4.19 FAILURE OR DELAY IN THE LISTING AND QUOTATION EXERCISE

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur:

(i) the identified investors fail to subscribe for the portion of MBC Shares placed to them despite having given irrevocable undertakings to subscribe;

(ii) the Underwriters or Lead Manager exercising their rights pursuant to the Underwriting Agreements or Bookbuilding Agreement to discharge themselves from their obligations thereunder; or

(iii) the Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each upon completion of the Initial Public Offering and at the point of Listing and Quotation.

4.20 FORWARD LOOKING STATEMENTS

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

All forward looking statements are based on estimate and assumptions made by the Directors, and although believed to be reasonable are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievement expressed or implied in such forward-looking statements. Such factors include, *inter alia*, general economic and business conditions, competition, the impact of new laws and regulations affecting MBC Group and the industry, changes in interest rates and changes in foreign exchange rate.

4.21 PROFIT ESTIMATE AND FORECAST AND CASHFLOW ESTIMATE AND FORECAST

This Prospectus contains the consolidated profit and cashflow estimate for the financial year ending 31 December 2003 and forecast for the financial year ending 31 December 2004 of MBC Group that have been prepared based on assumptions which the Directors believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Owing to this, there can be no assurance that the estimate and forecast contained herein will be achieved and actual results may be materially different from the estimate and forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the estimate and forecast contained herein.

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