10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

10.1 RELATED PARTY TRANSACTIONS

For the relationships between MBC and its related parties, please refer to Section 7.7 of this Prospectus.

In addition:

(i) PACC is a wholly-owned subsidiary of PCL;
(ii) Pacnav is 50% owned by PCL;
(iii) Mr Wu Long Peng is a director of PACC; and
(iv) Mr Phua Cheng Tar is a director of PACC.

The following are transactions entered into by MBC Group and its substantial shareholders, directors or persons connected with substantial shareholders or directors in the last 2 years immediately preceding the date of this prospectus.

10.1.1 Commercial Agreement with PCL

Pursuant to the Joint Venture Agreement dated 16 May 1995, between BSCL, MSM and GMV, PSM, (which was then a wholly-owned subsidiary of PCL) was appointed as the technical and commercial manager of the vessels owned by MBC Group. The functions undertaken by PSM pursuant to this appointment were carried out by PSM and partly contracted out to other entities in PCL Group, namely PCL, PPSB and PACC, which have the necessary and appropriate resources and expertise to perform the various functions.

Under a Commercial Agreement dated 16 June 2003 between MBC and PCL, the commercial relationship between the parties was formalized with effect from 1 January 2003 whereby PCL provides MBC Group with:

(a) Strategic management – advises the Board of Directors of MBC and recommends strategies on fleet investment and divestment, identifies newbuildings and negotiates newbuilding contracts;

(b) Commercial deployment – evaluates the short, medium and long term opportunities available for each type of vessels, balancing their deployment over the various time horizons in an effort to achieve optimal results for the MBC fleet; and

(c) Operational management – monitors the deployment of the vessels to ensure that the terms of the charters are fulfilled, appoints port agents at the various ports of call to ensure that the vessels are properly managed at the ports of call, ensures that charter hires are collected on time; and assist to resolve disputes arising from the charters.

The advice provided by PCL is considered by MBC's Board of Directors in formulating the strategic direction of the MBC Group, in particular, in key areas such as vessel investment and divestment. These decisions are carefully made, taking into consideration latest market trends and development in the industry, the freight market and the global supply of vessels of various capacities.

PCL's remuneration under this Commercial Agreement is equivalent to US$120,000 per month* covering MBC Group's entire fleet plus 2.5% brokerage commission of all fixtures concluded and the total represents commission and brokerage cost to MBC Group. This agreement shall continue unless either party gives 30 days' notice and the terms of this agreement are subject to annual review.

Within the scope of the above services, PCL has been managing MBC Group's foreign-flagged vessels under the following agreements:

Companies in MBC Group	Vessel	Date of Agreement and Effective Date
AMBI**	Alam Makmur and Alam Mesra	13 July 1999
SRG	Ikan Serong	25 October 2001
SJ	Ikan Suji	20 September 2001

Notes:

* *Prior to this Commercial Agreement, MBC Group paid RM3 million and RM2.5 million in 2001 and 2002 respectively to PCL Group for the above services.*

** *The services provided to this joint venture company include administrative and accounting services referred to in Section 10.1.8 of this Prospectus.*

10.1.2 Ship Management Agreements with PACC

Certain MBC subsidiaries have entered into ship management agreements with PACC. Details of these are set out below.

Companies in MBC Group	Vessel	Date of Agreement
SRG	Ikan Serong	25 October 2001
SJ	Ikan Suji	2 October 2001
AB	Alam Budi	27 March 2001
BSTRS	Alam Bistari	22 May 2001
BTRS	Alam Bitara	24 February 2000
AMBI	Alam Makmur and Alam Mesra	13 July 1999

Under each of the relevant management agreements, PACC is authorised to act on behalf of the companies in MBC Group on all matters expedient or necessary relating to the management of the relevant vessels. Such matters include, but are not limited to, inspection of vessel, periodic drydocking supervision, routine and casualty repairs, engagement and provision of crew.

Under the management agreements, PACC is entitled to a monthly remuneration which is subject to review in January each year. Any adjustments must be mutually agreed between PACC and the relevant companies in MBC Group.

The total monthly fees payable by MBC Group to PACC for the above ship management services is US$34,890.

10.1.3 Procurement agreements with PACC

Where ship management services do not include procurement of supplies, certain MBC subsidiaries have entered into separate procurement agreements with PACC. Details of these are set out below.

Companies in MBC Group	Vessel	Date of Agreement
AB	Alam Budi	27 March 2001
AG	Alam Gula	24 February 2000
ASLS	Alam Selaras	24 February 2000
ASNG	Alam Senang	24 February 2000
AMTK	Alam Sentosa	24 February 2000
ATSN	Alam Selamat	24 February 2000
BSTRS	Alam Bistari	22 May 2001
BTRS	Alam Bitara	24 February 2000
RSP	Alam Sejahtera	24 February 2000
TKMT	Alam Sempurna	24 February 2000

Under each of these agreements, PACC is authorised to act on behalf of these companies in MBC Group to render all services necessary for the procurement of spares, stores and inventory ("Goods") in relation to the relevant vessels. PACC's duties will include liaising with vendors on behalf of the companies and placing orders for the Goods , notifying the companies in MBC Group of delivery delays of the Goods, inspecting the Goods according to the MBC Group's standard procedures for acceptance to ensure compliance with the MBC Group's specifications, checking the vendors' invoices for compliance with the terms of applicable purchase orders, notifying the vendors of defective or unacceptable Goods received, obtaining and submitting samples of the Goods to the companies in MBC Group, and sourcing bunker fuel and/or lubricating oil contracts for their vessels, if required.

The procurement agreements shall continue unless either party gives 30 days' notice. Under the procurement agreements, PACC is entitled to a monthly remuneration which is subject to review in January each year. Any adjustments must be mutually agreed between PACC and the relevant companies in MBC Group and the parties may withdraw from the agreement if no agreement has been reached in respect of the revised remuneration within 2 months from the date of review.

The total monthly fees payable by MBC Group for the above procurement services provided by PACC is US$45,500.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

10.1.4 Crewing Agreement

PPSB has entered into crewing agreements (also referred to as crew management agreements) with both PCL Ship Services GMBH and Paccship (UK) Limited. Details of these are set out below:

Counter-party	**Vessel**	**Date of Agreement**
PCL Ship Services GMBH	Alam Jaya II	24 February 2000
PCL Ship Services GMBH	Pac Bali	24 February 2000
PCL Ship Services GMBH	Pac Bangka	24 February 2000
PCL Ship Services GMBH	Pac Bintan	24 February 2000
Paccship (UK) Limited	Pac Athena, Pac Antares, Pac Acrux, Pac Adara, Pac Altair, Pac Alkaid and Pac Alnath	1 August 2002

Under the crewing agreements, PPSB provides manning services including acting as crew manager, dealing with engagement and provision of crew for the vessels (master, officers and ratings), attending to all matters pertaining to discipline, labour relations, welfare and amenities of such crew and ensuring that all crew are suitably qualified. In addition, PPSB is authorised to do and perform all acts necessary for the proper and efficient crewing of the vessel. If requested, PPSB is also authorised to appoint agents and sub-agents for the vessel.

The crew agreements with PCL Ship Services GMBH may be terminated by either party giving at least 2 months' written notice. The total fees payable by PCL Ship Services GMBH to PPSB for crew management is US$1,372 per month. This fee is subject to annual review and agreement by the parties.

The crewing agreement with Paccship (UK) Limited shall continue unless either party gives 60 days' notice. PPSB is entitled to a monthly crew management fee of US$45 per head per month which is subject to annual review and agreement.

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10.1.5 Supervision Agreements

MBC and certain of its subsidiaries have entered into supervision agreements with PACC. Details of these are set out below.

Companies in MBC Group	Newbuilding Hull No.	Date of Agreement
PAS	1449	28 May 2002
VTRX	1450	28 May 2002
ADG	1469	8 October 2002
LWD	1479	11 February 2003
PD	1521	2 May 2003
PP	1522	2 May 2003
MBC	3183	12 December 2002
MBC	3184	12 December 2002
MBC	3185	12 December 2002
MBC	3186	30 January 2003
MBC	3187	17 April 2003

Under each of the relevant supervision agreements, PACC is appointed as supervisor in all matters pertaining to the construction and taking delivery of the newbuildings pursuant to the shipbuilding contracts entered into between the relevant companies in the MBC Group and the shipbuilders.

The total fees payable by MBC Group to PACC for the above supervision services is US$1,525,000.

10.1.6 Share Sale Agreement between the Company and PCL

On 1 October 2003, MBC entered into a share sale agreement with PCL to acquire the entire issued and fully paid-up share capital of PSM comprising 200,000 ordinary shares of RM1.00 each for a total consideration of RM1,938,000.00 which was satisfied by cash on completion. Prior to this, PSM had been a wholly-owned subsidiary of PCL since 25 February 1998.

The 200,000 ordinary shares of RM1.00 each in PSM acquired are free from all charges, liens, pledges, trusts and other encumbrances and with all rights, benefits and entitlements attaching thereto from the date of completion of the acquisition. The total purchase consideration of RM1,938,000.00 was arrived at based on the audited net assets of the PSM Group as at 31 December 2002 of RM1,938,000.00 and taking into account the expertise and support services available in the PSM Group and the need for such support for the future growth and prospect of MBC Group.

Save as disclosed above, there has been no other transfer relating to the share capital of PSM in the past 2 years preceding the date of this Prospectus.

10.1.7 Share Sale Agreement between the Company and KSL

On 1 October 2003, MBC entered into a share sale agreement with KSL to acquire the entire issued and fully paid-up share capital of AWNPR comprising 143,604 ordinary shares of RM1.00 each for a total consideration of RM2.00 which was satisfied by cash on completion. The purchase consideration of RM2.00 was arrived at based on the fair value of the net assets of AWNPR as at 30 September 2003. On completion, MBC extended a shareholder's loan of RM12,867,259.00 to AWNPR which was used to discharge the previous shareholder's loan. Prior to this, AWNPR had been a wholly-owned subsidiary of KSL since 24 May 1995.

The 143,604 ordinary shares of RM1.00 each in AWNPR acquired are free from all charges, liens, pledges, trusts and other encumbrances and with all rights, benefits and entitlements attaching thereto from the date of completion of the acquisition.

The primary asset of AWNPR is the Land which was valued at RM13,060,000.00 based on a valuation by a firm of professional valuers, Messrs CH Williams Talhar & Wong Sdn Bhd on an open market basis. The acquisition takes into account the strategic importance of the Land to IID's operation.

Save as disclosed above, there has been no other transfer relating to the share capital of AWNPR in the past 2 years preceding the date of this Prospectus.

10.1.8 Inter-Group Support Services

PSM, together with the support services division of PCL (legal and treasury), is a common service center to both MBC Group and PCL Group. Both of them bear their respective share of these common services and benefit from the efficient cost management through these joint services. This sharing of services, and thereby cost, will continue unless both MBC Group and PCL Group mutually agree to terminate, allowing sufficient notice and period for the respective parties to set up their alternative support services.

PSM provides accounting, information technology, and internal audit services to PCL Group. Conversely, PCL also provides information technology, internal audit and in addition, corporate secretarial, legal and treasury services to MBC Group.

MBC Group and PCL Group have been sharing cost on support services in relation to corporate secretarial, finance, information technology, legal, internal audit and treasury services.

The above arrangement is documented in a Cost Sharing Agreement dated 1 October 2003

10.1.9 Charterparty Contracts between MBC Group and PCL Group

Pacnav accounts for 6.68% of MBC Group's revenue for the year ended 31 December 2002. It is one of the top 10 customers of MBC Group. These contracts were entered into with Pacnav on market terms.

10.1.10 Provision of Share Registrar Services by PPB Corporate Services Sdn Bhd to MBC

On 26 May 2003, MBC appointed PPB Corporate Services Sdn Bhd, a wholly-owned subsidiary of PPB, as its share registrar. Under this agreement, PPB Corporate Services Sdn Bhd will provide share registrar services, including the setting-up and maintenance of registers, attending general_meetings, preparing semi-annual returns for submission to KLSE and annual returns for submission to SC and liaising with MCD.

MBC pays to PPB Corporate Services Sdn Bhd an annual fee at the rate of RM3.00 per shareholder of the Company and a monthly charge of RM750.00.

10.1.11 Purchase of Hull & Machinery Policies from Jerneh Insurance Berhad

MBC Group purchases hull & machinery policies from Jerneh Insurance Berhad for its vessels. The total premiums paid for such policies covering the existing vessels for the period from 1 May 2003 to 30 April 2004 is about US$622,925.00.

KBSB, a substantial shareholder in MBC, is also a substantial shareholder in Jerneh Insurance Berhad.

10.1.12 Lease Agreement with Pengedar Bahan Pertanian Sdn Bhd

MBC leases part of its property known as Level 17, East Wing, PJ Tower, Jalan Persiaran Barat, Off Jalan Timur, 46050 Petaling Jaya, Selangor, amounting to an aggregate area of 5,500 square feet to Pengedar Bahan Pertanian Sdn Bhd, under a lease agreement dated 13 March 2002. Pengedar Bahan Pertanian Sdn Bhd pays a monthly rental of RM16,500.00 to MBC.

Pengedar Bahan Pertanian Sdn Bhd is a Kuok Group company.

10.1.13 Transactions Involving the Interest of Tay Beng Chai, a Director of MBC

Tay Beng Chai is the managing partner of Tay & Partners, a law firm which is on the panel of lawyers of MBC. Tay & Partners has on occasions acted for MBC and is currently acting as the solicitor for MBC in the restructuring and listing of MBC on the KLSE.

10.1.14 Allocation Agreement with BSCL, GMV and MSM

On 15 October 2003, MBC entered into an allocation agreement with BSCL, GMV and MSM 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.

10.1.15 Priority Agreement with PCL

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.

10.2 FUTURE RELATED PARTY TRANSACTIONS

MBC Group has ongoing business arrangements with PCL Group, which may give rise to potential conflicts of interests. The Group will continue to have contractual and other business relationships with PCL Group and may engage in transactions with them from time to time that are material to the Group. For example, MBC Group may in future pool similar type vessels with those owned or chartered in by PCL Group in order to achieve optimum freight revenue for the benefit of both groups.

10.2.1 Review by Audit Committee

The Audit Committee will periodically review the procedures set by the Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms which are not more favourable to the related party than those generally available to the shareholders. Reviews by the Audit Committee are reported to the Board for its further action.

10.3 CONFLICTS OF INTEREST

10.3.1 Potential Conflicts of Interests with Substantial Shareholders

10.3.1.1 Ship chartering business

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

I. *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.

10.3.1.2 Management services

PCL Group currently provides commercial management and ship management services (which include procurement, technical and supervision) to MBC Group. On the other hand, PSM Group procures crew for PCL Group.

The principal activities of PCL Group include ship management services which they provide to a wider customer base comprising MBC Group, PCL Group and third parties. The outsourcing of these services by MBC Group also avoids stretching the resources of MBC Group's smaller commercial management team. MBC Group pays normal commercial terms for these services. The terms of these agreements are in writing and are subjected to periodic reviews and renewals by the Audit Committee.

Historically, PSM Group has always procured crew and provided accounting services for PCL Group. PSM Group will continue to provide such revenue generating services on normal commercial terms to PCL Group.

10.3.2 Potential Conflict of Interest with Directors

In addition to disclosures elsewhere in this Prospectus, Mr. Eu Peng Meng @ Leslie Eu, a director of MBC, is also an independent and non-executive director of Gaya Shipping Sdn Bhd and Ecobulk Shipping Sdn Bhd.

Gaya Shipping Sdn Bhd presently owns a 6,000 dwt chemical tanker chartered to Petroliam Nasional Bhd. MBC does not own any chemical tanker and is not in this sector. Thus, there is no conflict of interest.

Ecobulk Shipping Sdn Bhd, on the other hand, owns 6 Handysize of about 24,000 dwt each. These vessels are dedicated to the carriage of Australian ore into the Far East. These vessels are commercially managed by Austbulk Sdn Bhd, in which Leslie Eu is not a director. Leslie Eu is also not involved in the day to day management and activities of Ecobulk Shipping Sdn Bhd, thus removing any conflict of interest.

10.4 DECLARATION BY DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in Sections 5.2.3, 5.2.4 and 10.1.13 of this Prospectus, none of the substantial shareholders or Directors have any interest, direct or indirect, in the promotion of, or in any material assets which have been, within the 2 years preceding the date of this Prospectus, acquired or disposed of by or leased to or proposed to be acquired, disposed of by or leased to the Group.

10.5 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

There are no existing or potential conflicts of interest between MBC Group and its Adviser, Lead Manager, Sole Bookrunner, Managing Underwriter and Placement Agent, Auditors and Reporting Accountants and Valuers as set out in the Corporate Directory of this Prospectus.

Tay & Partners has confirmed that as at the date of this Prospectus, save for Tay Beng Chai who is a Director of MBC and also the managing partner of Tay & Partner, there is no conflict of interest in its capacity as solicitor for MBC in the restructuring and listing of MBC on the KLSE.

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