

RELIANCE PACIFIC BERHAD (“RPB” OR “COMPANY”)

PROPOSED DISPOSAL OF CERTAIN SUBSIDIARIES OF RELIANCE PACIFIC BERHAD FOR A SALE CONSIDERATION OF RM52.23 MILLION

1. INTRODUCTION

On behalf of the Board of Directors of RPB (“**Board**”), OSK Investment Bank Bhd (“**OSK**”) wishes to announce that the Company had on 24 January 2011, entered into a conditional share sale agreement (“**SSA**”) with Alpha Vantage Sdn Bhd (formerly known as Superlative Achievement Sdn Bhd) (Company No. 926415-M) (“**AVSB**”) for the disposal of its entire equity interest in certain subsidiaries of the travel division for an aggregate cash consideration of RM52.23 million (“**Sale Consideration**”) (“**Proposed Disposal**”).

The identified subsidiaries of RPB earmarked for disposal are set out below:

(i) Wholly-owned subsidiaries of RPB

(a) Reliance Shipping & Travel Agencies Sdn Berhad and its wholly-owned subsidiaries comprised of:

- (aa) Reliance Shipping and Travel Agencies (Damansara) Sdn Bhd;
- (bb) Reliance Shipping and Travel Agencies (Penang) Sdn Bhd;
- (cc) Reliance Shipping and Travel Agencies (Johore) Sdn Bhd;
- (dd) Reliance Shipping and Travel Agencies (Malacca) Sdn Bhd;
- (ee) Reliance Shipping and Travel Agencies (N.S.) Sdn Bhd;
- (ff) Reliance Shipping and Travel Agencies (Kuching) Sdn Bhd;
- (gg) Reliance Shipping and Travel Agencies (BKI) Sdn Bhd;
- (hh) Ideal Malaysian Support Sdn Bhd;
- (ii) PYO Travel (MY) Sdn Bhd;
- (jj) Reliance Travel.Com Services Sdn Bhd;
- (kk) Relianceworld International Sdn Bhd;
- (ll) M.I.C.E World Sdn Bhd;
- (mm) Maricuti.Com Sdn Bhd;
- (nn) Cuticuti.Com Sdn Bhd;
- (oo) Reliance Malaysiaworld Sdn Bhd;
- (pp) Reliance Tourworld Sdn Bhd; and
- (qq) Reliance Hotelworld Sdn Bhd.

(b) Reliance Sightseeing Sdn Bhd and its wholly-owned subsidiary comprised of:

- (aa) Reliance Sightseeing (Labuan) Ltd.

(c) RPB Travel Holdings Sdn Bhd and its wholly-owned subsidiaries comprised of:

- (aa) Vacation Asia International Sdn Bhd (formerly known as Hotemart Travel Services Sdn Bhd); and
- (bb) Hotemart International (Labuan) Ltd.

(ii) Fifty percent (50%) owned subsidiary of RPB

(a) Layang Layang Island Resort Sdn Bhd.

(Collectively referred to as the “**Identified Subsidiaries**”)

2. INFORMATION OF THE IDENTIFIED SUBSIDIARIES AND AVSB

2.1 Information of the Identified Subsidiaries

(i) Reliance Shipping & Travel Agencies Sdn Berhad

Reliance Shipping & Travel Agencies Sdn Berhad was incorporated in Malaysia on 1 November 1969 as a private limited company. As at 15 January 2011, being the latest practicable date prior to the announcement (“**LPD**”), its authorised share capital is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each, of which 7,858,440 ordinary shares of RM1.00 each have been issued and fully paid up.

The principal activities of Reliance Shipping & Travel Agencies Sdn Berhad and its wholly-owned subsidiaries are travel services, outbound tours and other related services.

Reliance Shipping & Travel Agencies Sdn Berhad owns two (2) properties and details of the properties are as follows:

(a) Development land held under Geran 61619, Lot 2067, Mukim of Pasir Panjang, district of Port Dickson, Negeri Sembilan (“**PD Land**”)

PD Land is located approximately 15.5 kilometres due south of Port Dickson town centre. The land is held under term in perpetuity (freehold) and is zoned for commercial and services development purpose.

The PD Land is fairly regular in shape encompassing a surveyed land area of approximately 1.5934 hectares (3.937 acres). It is generally flat in terrain and lies slightly below the level of the frontage metalled road. The PD Land has been overgrown by wild vegetation such as bushes, trees and heavy undergrowth.

Further details of the PD Land are set out in Appendix E.

(b) The five (5) retail shoplots identified as unit nos. T079, T080, T081, T082 and T083, third floor, Sungei Wang Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur (“**Sungei Wang Property**”)

The Sungei Wang Property comprise five (5) units of retail shoplot identified as T079, T080, T081, T082 & T083, third floor, Sungei Wang Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur.

Each unit has a surveyed floor area of 59 sq.m. (635 sq.ft.)

The Sungei Wang Property is located within Sungei Wang Plaza which in turn is sited along the stretch of Bintang Walk between Bukit Bintang Plaza and Plaza Imbi (Jalan Sultan Ismail) on the fringe of the Golden Triangle, an established commercial precinct and prime-shopping district. The property is easily accessible from the city centre via Jalan Pudu, Jalan Imbi and finally onto Jalan Sultan Ismail leading to the subject property. The road is well linked to other main thoroughfares such as Jalan Bukit Bintang, Jalan Raja Chulan and Jalan Tun Razak, which lead to other parts of the Golden Triangle commercial precinct. Jalan Bukit Bintang is renowned as the tourist belt of Kuala Lumpur and is characterized by its vibrant tourist shopping attractions and night entertainment activities.

Details of the financial information of Reliance Shipping & Travel Agencies Sdn Berhad are set out in Appendix A of this announcement.

(ii) Reliance Sightseeing Sdn Bhd

Reliance Sightseeing Sdn Bhd was incorporated in Malaysia on 26 June 1985 as a private limited company. As at the LPD, its authorised share capital is RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each of which 2,000,000 ordinary shares of RM1.00 each have been issued and fully paid up.

The principal activities of Reliance Sightseeing Sdn Bhd and its wholly-owned subsidiary are inbound travel services and tours, coach hire and other related services.

Details of the financial information of Reliance Sightseeing Sdn Bhd are set out in Appendix B of this announcement.

(iii) RPB Travel Holdings Sdn Bhd

RPB Travel Holdings Sdn Bhd was incorporated in Malaysia on 18 May 1985 as a private limited company. As at the LPD, its authorised share capital of RM25,000,000 divided into 25,000,000 ordinary shares of RM1.00 each of which 10,000,000 ordinary shares of RM1.00 each have been issued and fully paid up.

The principal activity of RPB Travel Holdings Sdn Bhd is investment holding whereas the principal activities of its wholly-owned subsidiaries are the sale and marketing of hotel accommodations and hotel chains, travel services and tours and other related services.

Details of the financial information of RPB Travel Sdn Bhd are set out in Appendix C of this announcement.

(iv) Layang Layang Island Resort Sdn Bhd

Layang Layang Island Resort Sdn Bhd was incorporated in Malaysia on 14 November 1991 as a private limited company. As at the LPD, its authorised share capital is RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid up.

The principal activities of Layang Layang Island Resort Sdn Bhd are diving and resort operation.

Details of the financial information of Layang Layang Island Resort Sdn Bhd are set out in Appendix D of this announcement.

2.2 Information on AVSB

AVSB was incorporated in Malaysia on 22 December 2010 as a private limited company. As at the date of the announcement, the shareholders of AVSB are as follows:

Shareholders	No of ordinary shares of RM1.00 each	Shareholding percentages
Dato' Gan Eng Kwong (" Dato Gan ")	500,000	50%
Datin Irene Tan (" Datin Irene ")	500,000	50%
TOTAL	1,000,000	100%

As at the date of this announcement, AVSB has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

The directors and major shareholders of AVSB are Dato' Gan and Datin Irene. Dato' Gan and Datin Irene are also directors and major shareholders of RPB.

The principal activities of AVSB are that of investment holding and provision of management services.

3. DETAILS OF THE PROPOSED DISPOSAL

3.1 Basis of the Sale Consideration

The Sale Consideration was arrived at based on a willing-buyer willing-seller basis after taking into consideration the total aggregated adjusted audited net assets (“NA”) of the Identified Subsidiaries for the financial year ended (“FYE”) 31 March 2010 of approximately RM52.23 million. The adjusted audited NA was arrived at after taking into consideration the following:

- (i) the effects of the winding-up of subsidiaries of the Identified Subsidiaries amounting to approximately RM3.61 million, and write-offs of the plant and equipment amounting to approximately RM0.22 million after the FYE 31 March 2010; and
- (ii) after taking into consideration of the aggregate revaluation surplus of RM0.41 million based on the indicative valuation of the PD Land and Sungei Wang Property as appraised by Henry Butcher (NS) Malaysia Sdn Bhd (“**Henry Butcher (NS)**”) and Henry Butcher Malaysia Sdn Bhd (“**Henry Butcher**”) respectively, the independent valuers. The indicative aggregate market value of the PD Land and Sungei Wang Property of approximately RM9.77 million is higher as compared to the aggregate net carrying amount of PD Land and Sungei Wang Property as at 31 March 2010 of approximately RM9.36 million.

As at the FYE 31 March 2010, the adjusted audited NA of RM52.23 million consists of the following:

	RM 'million
Net tangible assets	34.42
Add: Intangible assets ⁽¹⁾	17.81
NA	52.23

Note:

- (1) Represents the goodwill arising from the acquisition of some of the Identified Subsidiaries in the prior years.

The rest of this page is intentionally left blank

3.2 Mode of settlement of the Sale Consideration

The Sale Consideration of RM52.23 million shall be fully satisfied by AVSB to RPB in cash in the manner set out below:

Mode of settlement	Timing	RM million
(i) A refundable deposit constituting 2% of the Sale Consideration	Upon execution of the SSA	1.04
(ii) Completion payment (58% of the Sale Consideration)	Upon fulfillment of all conditions precedent	30.30
(iii) Balance full payment (40% of the Sale Consideration)	6 months from completion date ⁽¹⁾	20.89
TOTAL		52.23

Note:

(1) *the repayment of the RM20.89 million can be extended for another six (6) months subject to a written agreement of RPB.*

3.3 Liabilities to be assumed by AVSB

Save for the liabilities in the accounts of the Identified Subsidiaries and the Sale Consideration, there are no liabilities to be assumed by AVSB in respect of the Proposed Disposal.

3.4 Salient terms of the SSA

3.4.1 Conditions precedent:

- (i) The obligations of the parties under the SSA are in all respects conditional upon:
 - (a) where required, the approval of the Ministry of Tourism to the acquisition of the ordinary shares of the Identified Subsidiaries;
 - (b) the approval of the shareholders of RPB in a general meeting for the Proposed Disposal; and
 - (c) where required, the approvals of the lenders of RPB and the Identified Subsidiaries; and
- (ii) application for approval will take place within 90 days of the date of the SSA;

The rest of this page is intentionally left blank

3.4.2 Sale and purchase:

- (i) RPB agrees to sell and to procure its subsidiaries to sell and AVSB agrees to purchase, the ordinary shares of the Identified Subsidiaries.
- (ii) the Sale Shares are sold:
 - (a) free from all liens, charges and encumbrances and with full legal and beneficial title;
 - (b) with all rights attaching thereto (including all dividend and distributions declared in respect of thereof) with effect from the date of the SSA; and
 - (c) on the basis of the warranties.
- (iii) AVSB is not obliged to complete the purchase unless the sale and purchase of all the Identified Subsidiaries shares is completed simultaneously.

3.4.3 Consideration:

- (i) the consideration for the Identified Subsidiaries is RM52.23 million computed on the basis of the adjusted audited NA of the Identified Subsidiaries.
- (ii) the consideration is to be satisfied as follows:
 - (a) on the date of the SSA, as a refundable deposit and towards part payment of the consideration the sum of RM1.04 million;
 - (b) on the Completion Date, towards part payment of the consideration the sum of RM30.30 million;
 - (c) subject to interest on final payment, on or before the day falling six (6) months from the Completion Date ("**Initial Final Payment Period**") with an extension of a further 6 months ("**Extended Final Payment Period**"), towards full payment of balance of the consideration, the sum of RM20.89 million, subject to the written agreement by RPB.
- (iii) interest on final payment:
 - (a) interest on the outstanding final payment as stated above is as follows:
 - (i) during the Initial Final Payment Period at a rate of 5% per annum from the Completion Date until the date of payment; and
 - (ii) during the Extended Final Payment Period at the rate of 7% per annum from the date of expiry of the initial final payment period until the date of payment.

3.4.4 Completion:

- (i) completion will take place at the offices of RPB on the business day falling one (1) month after the unconditional date, or such other date as may be agreed upon between the parties upon which completion is to take place ("**Completion Date**").

- (ii) final payment:
 - (a) AVSB must pay RPB the final payment on or before the expiry of the Initial Final Payment Period or the Extended Final Payment Period, as the case may be; and
 - (b) until the final payment is paid by AVSB to RPB, AVSB shall not in any manner sell, transfer, charge, pledge or deal in any way the shares of the Identified Subsidiaries shares and AVSB shall deposit all share certificates representing the Identified Subsidiaries shares and the share transfer forms, duly completed and executed by the registered holders, in favour of RPB in respect of the Identified Subsidiaries shares ("**Stakeholder Documents**") with RPB solicitors.
- (iii) right to use Identified Subsidiaries' intellectual property:
 - (a) AVSB agrees that notwithstanding completion, the other subsidiaries which are currently using the Intellectual Property as set out in the SSA ("**Reliance Overseas Subsidiaries**") are entitled to use the Identified Subsidiaries' intellectual property for free, subject to the agreement of AVSB for business purposes as usual as at completion;
 - (b) the right as stated above shall cease upon the Reliance Overseas Subsidiaries ceasing to be subsidiaries of RPB; and
 - (c) RPB undertakes to ensure that the Reliance Overseas Subsidiaries will not use the Identified Subsidiaries' intellectual properties in competition with the Identified Subsidiaries. The undertaking will cease upon the Reliance Overseas Subsidiaries ceasing to be subsidiaries of RPB.

3.4.5 Termination:

- (i) RPB may at any time while such default subsists, give a notice of termination to AVSB in the event that AVSB defaults in the satisfaction of the consideration in accordance with the provisions of the SSA;
- (ii) AVSB may at any time give a notice of termination to RPB in the event that RPB fails, neglects or refuses to complete the sale in accordance with the provisions of the SSA or comply with any of its undertakings and covenants on its part; and

The rest of this page is intentionally left blank

- (iii) a party may at any time, give a notice of termination to the other party if the other party is or becomes, or is adjudicated or found to be, bankrupt or insolvent or suspends payment of its debts or is unable to or admits inability to pay its debts as they fall due or proposes or enters into any composition or other agreement for the benefit of its creditors generally or proceedings are commenced in relation to that party under any law regulation or procedure relating to reconstruction or adjustment of debts or an administrator or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of the other party.
- (iv) consequences of termination:
 - (a) in the event of a notice of termination being duly given by RPB, AVSB must within 7 days from the notice of termination return all documents, if any, delivered to them by or on behalf of RPB to RPB and execute such documents and take such steps to return full title of the Identified Subsidiaries shares to RPB and RPB solicitors are authorised to release the Stakeholder Documents to RPB. RPB is obliged to do the same in kind must within 7 days from the notice of termination and refund to AVSB any part of the consideration paid by AVSB less the deposit which shall absolutely be forfeited in favour of RPB;
 - (b) in the event the notice of termination being duly given by AVSB, AVSB must within 7 days from the notice of termination, return all documents, if any, delivered to them on behalf of RPB to RPB. RPB is obliged to do the same in kind and shall refund to AVSB, free of interest, all sums paid by AVSB under the SSA agreement and pay to AVSB a sum equivalent to the deposit; and
 - (c) in the event the notice of termination being duly given under any other provisions of the SSA agreement, AVSB must within 7 days from the notice of termination return all documents, if any, delivered to them by or on behalf of RPB to RPB. RPB is obliged to do the same in kind and shall refund to AVSB, free of interest, all sums paid by AVSB under the SSA agreement.

3.5 Original cost of investment

The original costs of investment of RPB in the Identified Subsidiaries are set out below:

Date	Subsidiaries	Amount (RM '000)
26 April 1993	Reliance Shipping & Travel Agencies Sdn Berhad	10,059
12 May 1993	Reliance Sightseeing Sdn Bhd	2,414
27 June 1997	RPB Travel Holdings Sdn Bhd	10,000
23 February 1994	Layang Layang Island Resort Sdn Bhd	500
	TOTAL	22,973

3.6 Related Party Transactions for the preceding twelve (12) months

Save as disclosed below, there are no other related party transactions with Dato' Gan and Datin Irene and persons connected to them for the preceding twelve (12) months:

Related Party	Interested Directors/Major Shareholders and persons connected to them	Nature of Transaction	Amount transacted from 16 th Jan 2010 to 15 th Jan 2011 (RM'000)	
			Receivable	Payable
<ul style="list-style-type: none"> • Reliance Tours (UK) Limited <i>(Incorporated in UK)</i> 	Dato' Gan, Datin Irene and Thong Swe Cheong	Provision of tourism, leisure and hospitality services		81
<ul style="list-style-type: none"> • Vacation Europa Ltd <i>(Incorporated in UK)</i> 	Dato' Gan, Datin Irene and Thong Swe Cheong	Provision of tourism, leisure and hospitality services		2,458
<ul style="list-style-type: none"> • Japan Insight Travel Inc <i>(Incorporated in Japan)</i> 	Dato' Gan, Datin Irene and Thong Swe Cheong	Provision of tourism, leisure and hospitality services		2,671
<ul style="list-style-type: none"> • Reliance Travel (Thailand) Ltd <i>(Incorporated in Thailand)</i> 	Dato' Gan, Datin Irene and Thong Swe Cheong	Provision of tourism, leisure and hospitality services		113
<ul style="list-style-type: none"> • Relvest Management Services Sdn Bhd (100052 H) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, Thong Swe Cheong and Tan Bee Leng	Provision of secretarial and management services		216
<ul style="list-style-type: none"> • Relvest Management Services Sdn Bhd (100052 H) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, Thong Swe Cheong and Tan Bee Leng	Provision of 542.23 sq. ft office space at Unit A-5-3, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur for a tenure of 2 years on a monthly rental.	14	
<ul style="list-style-type: none"> • Reliance College Sdn Bhd (120103 D) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene and Thong Swe Cheong	Provision of tertiary education and human resource training for the tourism industry		
<ul style="list-style-type: none"> • Reliance College Sdn Bhd (120103 D) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene and Thong Swe Cheong	Provision of office maintenance & other related services	18	
<ul style="list-style-type: none"> • Reliance Computer Centre Sdn Bhd (78576 U) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, Tan Sin Chong and Chong Set Fui	Provision of marketing of computer hardware and software for business solutions		362
<ul style="list-style-type: none"> • Reliance Computer Centre Sdn Bhd (78576 U) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, Tan Sin Chong and Chong Set Fui	Provision of ticketing and other related services		

Related Party	Interested Directors/Major Shareholders and persons connected to them	Nature of Transaction	Amount transacted from 16 th Jan 2010 to 15 th Jan 2011 (RM'000)	
			Receivable	Payable
<ul style="list-style-type: none"> Reliance Computer Centre Sdn Bhd (78576 U) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, Tan Sin Chong and Chong Set Fui	Provision of 2,988.13 sq. ft office space at Unit A-6-3, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur for a tenure of 2 years on a monthly rental	30	
<ul style="list-style-type: none"> World Net Services Sdn Bhd (525674 H) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, and Thong Swe Cheong	Provision of 1,572 sq. ft. office space at Unit A-6-4, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur for a tenure of 2 years on a monthly rental	64	
<ul style="list-style-type: none"> World Net Services Sdn Bhd (525674 H) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, and Thong Swe Cheong	Provision of ticketing and other related services	2	
<ul style="list-style-type: none"> World Net Services Sdn Bhd (525674 H) <i>(Incorporated in Malaysia)</i> 	Dato' Gan, Datin Irene, and Thong Swe Cheong	Provision of booking engine, software and website maintenance		710
Total			128	6,611

3.7 Utilisation of proceeds

The gross proceeds of RM52.23 million arising from the Proposed Disposal is earmarked to be utilised in the following manner:

Details	Notes	RM 'million	Estimated timing of utilisation
Working capital	(1)	10.00	12 months
Repayment of borrowings	(2)	41.23	12 months
Estimated expenses in relation to the Proposed Disposal	(3)	1.00	Upon completion
TOTAL		52.23	

Notes:

- (1) *The Company intends to allocate approximately RM10.00 million from the gross proceeds arising from the Proposed Disposal to refurbish and expand the facilities of the existing hotel and property division.*
- (2) *As at 31 March 2010, the Group has total borrowings of RM234.97 million. The completion of the Proposed Disposal will result in an interest saving of RM3.13 million per annum arising from the repayment of bank borrowings amounting to RM41.23 million (based on an average interest rate of 7.6% per annum).*
- (3) *Estimated expenses in relation to the Proposed Disposal comprising the adviser, lawyers, independent adviser, regulatory fees and other related costs. Any unutilised proceeds allocated for defraying the estimated expenses relating to the Proposed Disposal would be reallocated for working capital purposes.*

4. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Proposed Disposal under Paragraph 10.02(g) of the Main Market Listing Requirement is 38.28% based on the latest audited financial statements of RPB for the FYE 2010.

5. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal provides a good opportunity for RPB to dispose the Identified Subsidiaries. The Identified Subsidiaries earmarked for disposal are involved in the Malaysian outbound and inbound travel business and the online travel business.

The Proposed Disposal will benefit RPB based on the following reasoning:

- (i) the travel business of the RPB Group operates in a highly fragmented and competitive industry with a thin margin which has been eroding. The Board of RPB is of the opinion that it would be more beneficial to focus and utilise resources on higher profit margin divisions within the RPB Group; and
- (ii) the growth of the online travel business of RPB requires further investment in the form of investment in technology, marketing, research and development, suitable manpower and opening new markets, to turn around the online travel business. RPB would be able to reduce its operating cost without having to further incur in such infrastructure.

Set out below are the profit before taxation margins of the Identified Subsidiaries as compared to the overseas outbound and inbound travel business, hotel division and property division:

	FYE 2008 (%)	FYE 2009 (%)	FYE 2010 (%)
Identified Subsidiaries	4.81	3.87	(0.32)
Overseas outbound and inbound travel business	4.63	2.16	0.83
Property division	11.31	6.45	5.33
Hotel division	24.82	23.31	19.80

On completion of the Proposed Disposal, the RPB Group would be able to focus on the higher profit margin divisions. The Proposed Disposal will result in a cash inflow for the RPB Group of approximately RM52.23 million which would be utilised for:

- (i) Repaying the borrowing of the RPB Group and reduction in borrowings.

As a result of the Proposed Disposal, the RPB Group would have an interest savings of approximately RM5.22 million per annum based on the average interest rate of the RPB Group of 7.60% per annum. The interest savings would contribute positively to the overall profitability of the RPB Group; and

- (ii) working capital for the hotel and property divisions.

6. EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal are as follows:

6.1 Issued and paid-up share capital and substantial shareholders' shareholdings

The Proposed Disposal will not have any effect on the issued and paid-up share capital of RPB and the substantial shareholders' shareholdings of RPB respectively as the Proposed Disposal does not involve any issuance of new shares of RPB.

6.2 NA, NA per share and gearing

The proforma effects of the Proposed Disposal on the consolidated NA of RPB, consolidated NA per share of RPB and the gearing of the RPB Group based on the adjusted audited consolidated balance sheets of RPB as at 31 March 2010 are set out in the table below:

	Audited as at 31 March 2010 RM'000	Adjusted Audited as at 31 March 2010 (1) RM'000	After the Proposed Disposal RM'000
Share capital	171,710	171,710	171,710
Share premium	19,911	19,911	19,911
Share Buy-Back Reserve	8,930	8,930	8,930
Currency translation reserve	(3,150)	(3,150)	(456)
Revaluation reserve	79,171	79,804	73,111
Accumulated profit	63,674	59,734	62,733 ⁽²⁾
Shareholders' equity/ NA	340,246	336,939	335,939
Minority Interest	(650)	(760)	(1,061)
Total equity	339,596	336,179	334,878
No. of ordinary shares in issue ('000)	858,552	858,552	858,552
NA per share (RM)	0.40	0.39	0.39
Borrowings (interest-bearing debts)	234,970	234,970	166,251
Gearing (times)	0.69	0.70	0.49

Notes:

(1) After taking into consideration the effects of the winding-up of subsidiaries of the Identified Subsidiaries amounting to approximately RM3.61 million, write-off of plant and equipment amounting to RM0.22 million and net surplus in revaluation amounting to RM0.41 million after the FYE 2010.

(2) After taking into consideration the increase in the retained profits of approximately RM4.00 million as a result of the transfer of revaluation reserves and the foreign exchange reserve, and the defrayment cost of RM1.00 million.

6.3 Earnings and earnings per share ("EPS")

The Proposed Disposal is not expected to have any impact on the earnings and earnings per share of RPB for the FYE 31 March 2011 as there is no gain or loss arising from the Proposed Disposal.

The Proposed Disposal will result in a reduction of borrowings due to the repayment of borrowings as set out in Section 3.7 and the reduction of the borrowings attributable to the Identified Subsidiaries. Set out below are the reduction of borrowings as a result of the Proposed Disposal and the interest savings as a result of the reduction in borrowings:

	Borrowings (RM million)	Interest savings (RM million)
Attributable to the Identified Subsidiaries	27.49	2.09
Repayment of borrowings	41.23	3.13
Total	68.72	5.22

7. RISK FACTORS

Shareholders should consider the following risk factors arising from the Proposed Disposal (which may not be exhaustive):

(i) Failure/Delay in the completion of the Proposed Disposal

The Proposed Disposal is conditional upon the approvals among others, approvals of relevant authorities, amongst others, the approval from the Ministry of Tourism for the transfer of shares of the Identified Subsidiaries and the approval from financiers of RPB and the Identified Subsidiaries. There is no assurance that the Proposed Disposal can be completed within the time period permitted under the SSA. In the event that approvals are not obtained within the permitted time period or in the event any of the approvals shall contain terms, which are not acceptable to AVSB, the parties may either mutually extend the said period. Failing which, the SSA shall be terminated, the deposit shall be refunded to AVSB and the benefits arising from the Proposed Disposal will not be realised.

Nevertheless, RPB shall ensure that every effort is made to obtain all the necessary approvals for the Proposed Disposal, those which are RPB's obligations to procure.

(ii) Contractual risks

RPB may be subjected to certain contractual risks such as specific performance and payment of liquidated damages as a result of non-fulfillment of its obligations under the SSA.

Nevertheless, the Company endeavors to ensure full compliance in relation to fulfillment of its part of the obligations under the SSA.

(iii) Default Risk

Upon completion of the Proposed Disposal, there will remain an outstanding amount of RM20.89 million representing 40% of the balance of the Sale Consideration ("**Balance Consideration**"). In the event that the Balance Consideration remain outstanding six (6) months post the Completion Date, AVSB is further granted another six (6) months by RPB to settle the Balance Consideration inclusive of all the interest accrued based on the interest rates as set out in Section 3.4.3 (iii) for the outstanding amount.

Nonetheless, our Board has procured personal guarantees from the major shareholders of AVSB, namely Dato' Gan and Datin Irene to settle the Balance Consideration in the event that AVSB is unable fulfil its obligation for the Balance Consideration under the SSA. In addition to the personal guarantees, pursuant to the SSA, the share certificates of the Identified Subsidiaries will be deposited with the solicitors of RPB until the settlement of the Balance Consideration.

8. APPROVALS REQUIRED

The Proposed Disposal is conditional upon approvals being obtained from the following:

- (i) the shareholders of RPB at an EGM to be convened;
- (ii) the approval of the Ministry of Tourism to grant the transfer of license;
- (iii) the financiers of RPB and the Identified Subsidiaries, to be obtained by RPB, if required; and
- (i) any other authorities/relevant parties approval (if required).

The Proposed Disposal is not conditional upon any other corporate proposals of RPB.

9. ESTIMATED TIMEFRAME TO COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Disposal to be completed by the first quarter of the calendar year 2011.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed below, none of the Directors and/or major shareholders of the Company or any persons connected with them have any interest, whether direct or indirect, in the Proposed Disposal:

- (a) Dato' Gan, the Chairman and a major shareholder of RPB is also a director and shareholder of AVSB;
- (b) Datin Irene, the Chief Executive Officer and a major shareholder of RPB is also a director and shareholder of AVSB;
- (c) Tan Sin Chong is a director of certain subsidiaries and investments of RPB and also a shareholder of RPB; and
- (d) Thong Swe Cheong is a shareholder of RPB and is a director and/or shareholder of other corporations owned by Dato' Gan and/or Datin Irene.

Accordingly, Dato' Gan and Datin Irene have and will continue to abstain from voting and deliberating on the Proposed Disposal at all Board meetings of the Company. The abovementioned Directors and shareholders will also abstain and have undertaken to ensure that any persons connected to them will abstain from voting on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming Extraordinary General Meeting in respect to their direct and/or indirect shareholding in RPB.

The shareholdings of the aforementioned interested persons as at 31 December 2010 are as follows:

	Direct		Indirect	
	Number of RPB shares	% of issued and paid up	Number of RPB shares	% of issued and paid up
Dato' Gan	11,782,750	1.37	487,274,595 ⁽¹⁾	56.76
Datin Irene	-	-	499,057,345 ⁽²⁾	58.13
Tan Sin Chong	1,107,700	0.13	9,617,300 ⁽³⁾	1.12
Thong Swe Cheong	15,981,625	1.86	43,887,575 ⁽⁴⁾	5.11

Notes:

- (1) Deemed interested by virtue of Section 6A (4) of the Companies Act 1965 held through Reliance Holdings Sdn Bhd and nominees.
- (2) Deemed interested by virtue of Section 122 (A) of the Companies Act, 1965 being the spouse of Dato' Gan Eng Kwong and by virtue of Section 6A (4) of the Companies' Act, 1965 held through Reliance Holdings Sdn Bhd and nominees.
- (3) Deemed interested by virtue of Section 6A(4) of the Companies' Act, 1965 held through nominees.
- (4) Deemed interested by virtue of Section 6A(4) of the Companies' Act, 1965 held through nominees and Section 122(A) of the Companies' Act 1965 held through spouse.

11. DIRECTORS' STATEMENT

The Board of RPB, save for Dato' Gan and Datin Irene whom are deemed interested in the Proposed Disposal and therefore abstained from expressing their opinion, after having considered all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of RPB.

12. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee of RPB, having considered all aspects of the Proposed Disposal, is of the opinion that:

- (i) it is in the best interest of RPB and not detrimental to the interest of the non-interested shareholders of RPB as the Proposed Disposal is expected to have a positive effect on the earnings of the RPB Group;
- (ii) the basis of arriving at the Sale Consideration as set out in Section 3.1 is fair and reasonable based on normal commercial terms as the Sale Consideration for the Proposed Disposal were arrived at after taking into consideration the total aggregated adjusted audited NA of RM52.23 million of the Identified Subsidiaries for the FYE 31 March 2010 and the indicative valuations by Henry Butcher (NS) and Henry Butcher; and
- (iii) the rationale of the Proposed Disposal as set out in Section 5 above.

Also, the Audit Committee of RPB has sought the opinion of an Independent Adviser, namely Public Investment Bank Berhad, ("**PIVB**") in forming its views in relation to the Proposed Disposal and concurred that the Proposed Disposal is fair and reasonable and not to the detriment of non-interested shareholders of RPB.

13. ADVISERS

OSK has been appointed by the Company to act as the Adviser to the Company for the Proposed Disposal.

In view of the interests of a certain Director as set out in Section 10 above, the Proposed Disposal is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. In this respect, PIVB has been appointed by the Company to act as an independent adviser to provide the non-interested Directors of RPB and shareholders of RPB with an independent evaluation of the Proposed Disposal.

14. APPLICATION TO THE AUTHORITIES

The application to the relevant authority for the Proposed Disposal is expected to be made within one (1) month from the date of this announcement.

15. DOCUMENTS FOR INSPECTION

The SSA dated 24 January 2011 is available for inspection during normal office hours at the registered office of RPB located at Block A, Unit A-5-3, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur from Mondays to Fridays (except public holidays) for a period of three (3) months from date of this announcement.

The valuation reports for the PD Land and Sungei Wang Property shall be available for inspection on a later date when the valuation reports are completed.

This announcement is dated 24 January 2011.

Appendix A – Audited financial information of Reliance Shipping & Travel Agencies Sdn Berhad and its wholly-owned subsidiary companies (“RSTA Group”)

<----- Audited ----->
<----- FYE 31 March ----->

	2008 RM'000	2009 RM'000	2010 RM'000
Revenue	220,193	220,680	158,493
Profit/(Loss) before taxation	5,389	1,170	(138)
Taxation	(122)	(975)	(128)
Profit/(Loss) after taxation	5,267	195	(266)
Shareholders' equity / NA	17,734	23,989	23,721
Borrowings	14,909	18,910	17,438

Note:

The proforma consolidated financial statements were prepared for purpose of the Proposed Disposal. There were no exceptional items recorded for the FYE 31 March 2008 to 31 March 2010.

Commentary

FYE 31 March 2008

The revenue of the RSTA Group has increased by 32.20% as compared to FYE 31 March 2007 as a result of aggressive promotion on selected destinations and the increase in the prices of air tickets charged to customers as a result of the imposition of airline fuel surcharge. The increase in revenue has resulted in an increase of profit after taxation by 23.40% as compared to the FYE 31 March 2007.

FYE 31 March 2009

For the FYE 31 March 2009, the RSTA Group has registered a slight growth of revenue of approximately 0.22. The profit after taxation has reduced from approximately RM5.27 million for the FYE 31 March 2008 to approximately RM0.20 million for the FYE 31 March 2009 representing a decrease of 96.4% as a result of eroding margins due to competitions and the continued investment the technology, exploration of new markets, hiring of talents and the adverse impact of the global economic recession.

FYE 31 March 2010

The revenue of the RSTA Group has decreased from approximately RM220.68 million in the FYE 31 March 2009 to approximately RM158.49 million for the FYE 31 March 2010 as a result of the global economic recession and the adverse impact of the Influenza A(H1N1) disease outbreak. The reduction in revenue has contributed to the loss after taxation of approximately RM0.27 million.

Appendix B – Audited financial information of Reliance Sightseeing Sdn. Bhd. and its wholly-owned subsidiary (“Reliance Sightseeing Group”)

	----- Audited ----->		
	----- FYE 31 March ----->		
	2008	2009	2010
	RM'000	RM'000	RM'000
Revenue	27,035	29,226	19,622
(Loss)/Profit before taxation	6,259	5,328	550
Taxation	(20)	-	-
(Loss)/Profit after taxation	6,239	5,328	550
Shareholders' equity / NA	18,272	20,755	20,235
Borrowings	4,047	8,962	8,791

Note:

The proforma consolidated financial statements were prepared for purpose of the Proposed Disposal. There were no exceptional items recorded for the FYE 31 March 2008 to 31 March 2010.

Commentary

FYE 31 March 2008

The reduction in revenue by 21.70% as compared to the FYE 31 March 2007 was due to the Reliance Sightseeing Group having lesser number of customers recorded for the period under review. The reduction in revenue has also resulted in the reduction in the profit after taxation of the Reliance Sightseeing Group by 54.60% as compared to the FYE 31 March 2007.

FYE 31 March 2009

For the FYE 31 March 2009, the revenue of the Reliance Sightseeing Group has increased by 8.10% as compared to the FYE 31 March 2008 due to more inbound customers recorded in the period under review. The profit after taxation of the Reliance Sightseeing Group has decreased by 14.60% as compared to the FYE 31 March 2008 as a result of competition from other travel agencies.

FYE 31 March 2010

The revenue of the Reliance Sightseeing Group has reduced from approximately RM29.23 million in the FYE 31 March 2009 to approximately RM19.62 million in the FYE 31 March 2010 representing a decrease of 32.88% mainly due to the reduction of European customers and from other countries as a result of global recession and Influenza A (H1N1) during the financial year. The reduction in revenue and eroding margin has resulted in the reduction of profit after tax.

Appendix C – Audited financial information of RPB Travel Holdings Sdn. Bhd. and its wholly-owned subsidiary companies (“RPB Travel Group”)

	<----- Audited ----->		
	<----- FYE 31 March ----->		
	2008	2009	2010
	RM'000	RM'000	RM'000
Revenue	-	23,383	9,714
(Loss)/Profit before taxation	(4)	2,473	(1,413)
Taxation	-	(126)	65
(Loss)/Profit after taxation	(4)	2,347	(1,348)
Shareholders' equity / NA	10,290	9,219	7,567
Borrowings	-	1,480	1,257

Note:

The proforma consolidated financial statements were prepared for purpose of the Proposed Disposal. There were no exceptional items recorded for the FYE 31 March 2008 to 31 March 2010.

Commentary

FYE 31 March 2008

RPB Travel Holdings Sdn Bhd was a dormant in the FYE 31 March 2008.

FYE 31 March 2009

In the FYE 31 March 2009, RPB Travel Holdings Sdn Bhd had acquired two (2) operating subsidiaries. The increase in revenue and profit after taxation was as a result of the contributions from the subsidiaries acquired.

FYE 31 March 2010

The revenue of the RPB Travel Group has reduced by from approximately RM23.38 million in the FYE 31 March 2009 to approximately RM9.71 million representing a decrease of approximately 58.46% mainly due to global economic recession and Influenza A (H1N1) disease outbreak. The loss after taxation of the RPB Travel Group was mainly due to competition from other travel agencies, the investment into the online travel business.

Appendix D – Audited financial information of Layang Layang Island Resort Sdn Bhd

	<-----Audited----->		
	<-----FYE 31 March----->		
	2008	2009	2010
	RM'000	RM'000	RM'000
Revenue	7,155	7,230	6,857
(Loss)/Profit before taxation	594	384	383
Taxation	-	(91)	(15)
(Loss)/Profit after taxation	594	293	368
Shareholders' equity / NA	162	455	823
Borrowings	-	-	-

Note:

The proforma consolidated financial statements were prepared for purpose of the Proposed Disposal. There were no exceptional items recorded for the FYE 31 March 2008 to 31 March 2010.

Commentary

FYE 31 March 2008

The revenue of Layang Layang Island Resort Sdn Bhd has increased by 22.10% as compared to the FYE 31 March 2007 due to the increase in overseas customers in the FYE 31 March 2008. The profit after taxation has increased in tandem with the increase in the revenue.

FYE 31 March 2009

Layang Layang Island Resort Sdn Bhd registered a slight growth of revenue of approximately 1.05% despite a slowdown in the general economy in the second half of the FYE 31 March 2009. The profit after taxation reduced from approximately RM0.59 million for the FYE 31 March 2008 to approximately RM0.29 million for the FYE 31 March 2009 representing a decrease of 50.67% as a result of higher fuel costs used for our generators, increase in the costs of charter flights which were not passed on to our customers and property maintenance cost.

FYE 31 March 2010

The revenue of Layang Layang Island Resort Sdn Bhd has reduced by 5.16% as a result of global economic recession and the Influenza A (H1N1) disease outbreak in the FYE 31 March 2010. The profit after taxation of Layang Layang Island Resort Sdn Bhd has increased in the FYE 31 March 2010 as a result of cost reductions made by Layang Layang Island Resort Sdn Bhd during the FYE 31 March 2010.

Appendix E - Description of PD Land

(a)	Lot	Lot No. 2067
(b)	Mukim	Mukim of Pasir Panjang
(c)	District	District of Seremban.
(d)	State	Negeri Sembilan
(e)	Description	Land area of approximately 1.5934 hectares (3.937 acres). Generally flat in terrain and lies slightly below the level of the frontage metalled road. Subject property has been overgrown by wild vegetation such as bushes, trees and heavy undergrowth. The compound is not enclosed with any form of fencing.
(f)	Existing Use	Vacant land
(g)	Tenure	Freehold (Term in perpetuity)
(h)	Independent Valuer	Henry Butcher Malaysia (NS) Sdn Bhd
(i)	Date of Valuation	13 January 2011
(j)	Methods of Valuation	Comparison method
(k)	Market Value	RM1,200,000
(l)	Audited Net Book Value as at 31 March 2010	RM1,424,989
(m)	Encumbrances	Nil

Appendix F - Description of Sungei Wang Property

(a)	Address	Unit nos. T079, T080, T081, T082 and T083, third floor, Sungei Wang Plaza, Jalan Sultan Ismail, 50250 Kuala Lumpur.
(b)	Description	The subject property comprises of 5 retail shoptlot each unit with a floor area of 59 square metre (635 square feet). Located in Sungei Wang Plaza on the fringe of the Golden Triangle, an established commercial precinct. The main entrances of the subject units are secured with metal roller shutter. The floor finishes for the shop areas are of ceramics tiles in general. On the day of inspection Lot T079, T080 & T081 has been renovated and amalgamated to become one singular shop lot and are owner occupied.
(c)	Age of Building	30 years
(d)	Existing Use	Unit nos. T082 and T083 is currently rented to third parties whereas T079, T080 and T081 is currently occupied by Reliance Shipping and Travel Agencies Sdn Berhad
(e)	Tenure	Freehold (Term in perpetuity)
(f)	Independent Valuer	Henry Butcher Malaysia Sdn Bhd
(g)	Date of Valuation	18 January 2011
(h)	Methods of Valuation	Comparison method and Investment method
(i)	Market Value	RM8,572,500
(j)	Audited Net Book Value as at 31 March 2010	RM7,940,000
(k)	Encumbrances	Nil