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**MEDIA CHINESE INTERNATIONAL LIMITED**

**世界華文媒體有限公司**

*(Incorporated in Bermuda with limited liability)*

(Malaysia Company No. 995098-A)

(Hong Kong Stock Code: 685)

(Malaysia Stock Code: 5090)

**ANNOUNCEMENT**

**PROPOSED CAPITAL REDUCTION  
AND  
PROPOSED DIVIDEND**

The Board is pleased to announce that the Company is proposing to undertake a distribution via a proposed special dividend to the Shareholders of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) or USD0.13 (equivalent to RM0.41 or HKD1.01) per Share.

To facilitate the Proposed Dividend, the Company proposes to implement the Proposed Capital Reduction which involves the following:

- (a) an amount of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) standing to the credit of the Company's share premium account will be reduced; and
- (b) the credit arising from the reduction of the share premium account of the Company will be transferred to the contributed surplus account of the Company.

The credit arising from the Proposed Capital Reduction and thereafter the credit standing in the contributed surplus account of the Company will be applied towards the Proposed Dividend.

The Proposed Dividend is inter-conditional with the Proposed Capital Reduction.

A circular containing further details concerning the Proposals and a notice convening the SGM will be despatched to the Shareholders in due course.

## DETAILS OF THE PROPOSALS

The Board is pleased to announce that the Company is proposing to undertake a distribution via a proposed special dividend to the Shareholders of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) or USD0.13 (equivalent to RM0.41 or HKD1.01) per Share.

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The credit arising from the Proposed Capital Reduction and thereafter the credit standing in the contributed surplus account of the Company will be applied towards the Proposed Dividend.

As at 31 March 2012, the unaudited amount standing to the credit of the share premium account of the Group stood at USD280,818,000 (equivalent to RM894,405,330 or HKD2,177,771,672). The Group has nil balance in the contributed surplus account as at 31 March 2012.

The Proposed Capital Reduction does not involve any reduction in the authorised or issued share capital of the Company, nor does it involve the diminution of any liability in respect of unpaid share capital or the repayment to any Shareholder of any paid up share capital of the Company.

The Proposed Dividend entails a distribution of USD0.13 (equivalent to RM0.41 or HKD1.01) per Share to the entitled shareholders whose names appear on the register of members/record of depositors of the Company as at an entitlement date to be determined later by the Board.

The Proposed Dividend will be financed via internal funds amounting to approximately USD62.795 million (equivalent to RM200.00 million or HKD486.98 million) and new bank borrowings of approximately USD156.985 million (equivalent to approximately RM500.00 million or HKD1,217.43 million).

## **CONDITIONS**

The Proposals are conditional upon the following:

- (a) the passing of a special resolution approving the Proposed Capital Reduction by the Shareholders at the SGM;
- (b) the passing of an ordinary resolution approving the Proposed Dividend by the Shareholders at the SGM;
- (c) the compliance by the Company with the requirements of Section 46 of the Companies Act of Bermuda, the Listing Rules and the Listing Requirements to effect the Proposed Capital Reduction and/or the Proposed Dividend; and
- (d) approvals / consents of other relevant authorities/persons, if required.

The Proposed Dividend is inter-conditional with the Proposed Capital Reduction.

## **EXPECTED EFFECTIVE DATE OF THE CAPITAL REDUCTION**

Subject to the above conditions being fulfilled, it is expected that the Proposed Capital Reduction will become effective on the date of the passing the special resolution by the Shareholders approving the Proposed Capital Reduction. The legal advisers to the Company as to Bermuda laws have confirmed that, subject to the conditions of the Proposed Capital Reduction as set out above being satisfied, the proposed reduction of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) standing to the credit of the share premium account of the Company will be in compliance with the laws of Bermuda.

## **RATIONALE FOR THE PROPOSALS**

The Company believes in effective capital management and hence, with the Proposed Dividend, the Company is seeking to reward its Shareholders for their continued support and loyalty to the Group over the years, after taking into consideration the existing cash level, business prospects and the capital commitments of the Group.

The Board believes that by part financing the Proposed Dividend via new bank borrowings, the Company would be able to enhance its capital structure and mix without unduly burdening the Group in terms of its cashflow and earnings capability. The increase in gearing as a result of the Proposals is not expected to impede the Company's ability to embark on new business opportunities that are synergistic and earnings-accretive as and when such opportunity arises, given that as a public listed company, the Company is able to tap on the capital (equity and/or debt) markets to fund its expansion plans, in addition to conventional borrowings.

Under the Companies Act of Bermuda, amounts standing to the credit of the share premium account of the Company are not available for distribution to Shareholders. However, in certain circumstances, a Bermuda company may pay dividends or distributions to its members out of a contributed surplus account. As such, to facilitate the Proposed Dividend, the Company will undertake the Proposed Capital Reduction according to the requirements set out in the Bermuda law.

## EFFECTS OF THE PROPOSALS

### (i) Share capital and substantial shareholders

The Proposals will not have any effect on the share capital or the substantial shareholders of the Company.

### (ii) Net assets per Share and gearing

Based on the audited consolidated statement of financial position as at 31 March 2011 and on the assumption that the Proposals had been fully implemented on that date, the proforma effect of the Proposals on the net assets per Share and gearing of the Group are as follows:

	<b>Audited as at 31 March 2011</b>	<b>After the Proposals</b>
	<b>(USD'000)</b>	<b>(USD'000)</b>
Share capital	21,681	21,681
Share premium	280,299	60,519
Other reserves	(67,757)	(67,757)
Retained earnings	160,185	160,185 <sup>(1)</sup>
<b>Total Equity</b>	<b>394,408</b>	<b>174,628</b>
No. of Shares in issue ('000)	1,684,586	1,684,586
Net assets per Share (USD)	0.23	0.10
Total borrowings <sup>^</sup>	15,589	172,574 <sup>(2)</sup>
Gearing (times) <sup>(3)</sup>	0.04	0.99
Net borrowings	-*	124,850 <sup>(4)</sup>
Net gearing (times)	-*	0.71 <sup>(5)</sup>

#### Notes:

\* *Not applicable as it is net cash position.*

<sup>^</sup> *Inclusive of finance lease obligations.*

(1) *The estimated expenses incidental to the Proposals have not been included. Nevertheless, the aforesaid information shall be disclosed in the circular to be issued to the Shareholders.*

(2) *Including the new bank borrowings of approximately USD156.985 million to part-finance the Proposed Dividend.*

- (3) *Gearing is defined as total borrowings over total equity.*
- (4) *Being total borrowings less the cash and cash equivalent of USD110.519 million and less USD62.795 million to be distributed via internal funds pursuant to the Proposed Dividend.*
- (5) *Net gearing is defined as net borrowings over total equity.*

The Company does not expect the new bank borrowings to burden the Group because based on the Group's audited net operational cashflows for the FYE 31 March 2011 of USD94.854 million, the Board believes that the Company has sufficient cashflow to service the interest expense associated with the new bank borrowings. Further, taking into consideration of the Group's audited cash and cash equivalent of USD110.519 million as at 31 March 2011, the new bank borrowings would result in the net gearing ratio of 0.71 times which the Board believes to be manageable.

### (iii) Earnings and EPS

For illustrative purposes only, assuming that the Proposals had been fully implemented on 1 April 2010, being the beginning of the FYE 31 March 2011, the proforma effect of the Proposals on the Group's earnings and EPS are as follows:

	<b>Before the Proposals</b>	<b>After the Proposals</b>
	<b>(USD'000)</b>	<b>(USD'000)</b>
PAT for FYE 31 March 2011	54,825	54,825
Less:		
Interest income loss on monies proposed to be distributed	-	(1,067) <sup>(1)</sup>
Interest expense on new bank borrowings	-	(7,849) <sup>(2)</sup>
<b>Adjusted PAT</b>	<b>54,825</b>	<b>45,909<sup>(3)</sup></b>
No. of Shares in issue ('000)	1,684,586	1,684,586
Net EPS (US cents)	3.26	2.73
Return on equity (%)	13.9	26.3 <sup>(4)</sup>

#### *Notes:*

- (1) *Based on the average effective interest rate on short term deposits of 1.7% per annum (taking into consideration of both the Malaysian and Hong Kong financial markets) on USD62.795 million to be distributed via internal funds.*
- (2) *Based on an assumed interest rate of 5.0% per annum.*
- (3) *The estimated expenses incidental to the Proposals have not been included. Nevertheless, the aforesaid information shall be disclosed in the circular to be issued to the Shareholders.*
- (4) *Calculated based on adjusted PAT over the total equity.*

## **INTERESTS OF CONNECTED PERSONS IN THE PROPOSALS**

None of the Directors, substantial Shareholders or their respective associates or any other connected persons have any interest, direct or indirect, in the Proposals save for their respective entitlements as Shareholders (as the case may be) under the Proposals.

## **DIRECTORS' STATEMENT**

Having considered all aspects of the Proposals including the rationale and effects of the Proposals and after careful deliberation, the Board is of the opinion that the Proposals are in the best interest of the Company and the Shareholders as a whole.

## **ADVISER**

Maybank Investment Bank Berhad has been appointed as Adviser to the Company for the Malaysian requirement in respect of the Proposals.

## **ESTIMATED TIMEFRAME FOR THE PROPOSALS**

Barring any unforeseen circumstances, the Proposals are expected to be completed by the fourth (4th) quarter of 2012 calendar year.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from second-half of 13 July 2012 pending the release of this Announcement. An application has been made by the Company to the Bursa Securities and the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 17 July 2012.

## **GENERAL**

A circular containing further details concerning the Proposals and a notice convening the SGM will be despatched to the Shareholders in due course.

## DEFINITIONS

In this Announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors of the Company
“Bursa Securities”	Bursa Malaysia Securities Berhad (Malaysia Company No. 635998-W)
“Companies Act of Bermuda”	the Companies Act 1981 of Bermuda as amended, supplemented or modified from time to time
“Company”	Media Chinese International Limited (Malaysia Company No. 995098-A), a company incorporated in Bermuda with limited liability and the Shares of which are dual listed on Bursa Securities and the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EPS”	Earnings per Share
“FYE”	Financial year ended
“Group”	the Company and its subsidiaries, collectively
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Listing Requirements”	the Main Market Listing Requirements issued by Bursa Securities
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PAT”	Profit after tax
“Proposals”	Proposed Capital Reduction and Proposed Dividend, collectively
“Proposed Capital Reduction”	(i) the reduction of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) standing to the credit of the Company’s share premium account; and (ii) the transfer of the credit arising from the reduction of the share premium account of the Company to the contributed surplus account of the Company

“Proposed Dividend”	the proposed distribution of approximately USD219.78 million (equivalent to approximately RM700.00 million or HKD1,704.41 million) or USD0.13 (equivalent to RM0.41 or HKD1.01) per Share to the Shareholders via a special dividend
“SGM”	The special general meeting of the Company in Hong Kong and the extraordinary general meeting of the Company in Malaysia to be convened and held for the Shareholders to consider and, if thought fit, approve the Proposals
“Share(s)”	the ordinary share(s) in the capital of the Company
“Shareholder(s)”	Holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RM”	Ringgit Malaysia and sen, the lawful currency of Malaysia
“USD”	United States dollar(s), the lawful currency of the United States of America

For illustration purposes, the exchange rates of USD1.00 = RM3.1850 and HKD1.00 = RM0.4107, being the middle rates as published by Bank Negara Malaysia at 12:00 p.m. on 12 July 2012 and USD1.00 = HKD7.7551 have been used throughout this Announcement.

This Announcement is dated 16 July 2012.

By order of the Board  
**Media Chinese International Limited**  
**Tiong Kiew Chiong**  
*Director*

*As at the date of this Announcement, the Board comprises Tan Sri Datuk Sir Tiong Hiew King, Dato’ Sri Dr Tiong Ik King, Mr Tiong Kiew Chiong, Mr Ng Chek Yong and Ms Siew Nyoke Chow, being executive Directors; Mr Leong Chew Meng, being non-executive Director; and Mr David Yu Hon To, Tan Sri Dato’ Lau Yin Pin and Temenggong Datuk Kenneth Kanyan Anak Temenggong Koh, being independent non-executive Directors.*