

MUAR BAN LEE GROUP BERHAD (“MBL” OR THE “COMPANY”)

• PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE ISSUED SHARES OF MBL

1. INTRODUCTION

On behalf of the Board of Directors of MBL (“**Board**”), Inter-Pacific Securities Sdn Bhd (“**IPS**”) wishes to announce that the Company proposes to undertake a private placement of up to 10% of the issued shares of MBL (“**Proposed Private Placement**”).

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act, 2016 (“**Act**”) obtained from the shareholders of the Company at its 11th Annual General Meeting (“**AGM**”) convened on 30 May 2017, whereby the Board had been authorised to allot and issue new ordinary shares of MBL (“**MBL Shares**”) not exceeding 10% of the issued shares of the Company (“**Shareholders’ Mandate**”).

Further details of the Proposed Private Placement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

As at 10 October 2017, being the latest practicable date preceding the date of this announcement (“**LPD**”), MBL has:

- (i) 730,200 ordinary shares held as treasury shares (“**Treasury Shares**”);
- (ii) an issued share and paid-up share capital of RM45,429,314 (excluding Treasury Shares) comprising 91,269,800 MBL Shares; and
- (iii) 46,000,000 outstanding warrants 2012/2022 (“**Warrants**”).

The Proposed Private Placement will entail the issuance of up to 9,126,980 new MBL Shares (“**Placement Share(s)**”) representing not more than 10% of the issued shares of the Company, at an issue price to be determined and announced at a later date.

The actual number of MBL Shares to be issued pursuant to the Proposed Private Placement will be determined at a later date, after obtaining Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) approval for the listing of and quotation for the Placement Shares. Subject to the prevailing market conditions, the Proposed Private Placement may be implemented in multiple tranches, if required, within 6 months from the date of approval to be obtained from Bursa Securities for the listing of and quotation for the Placement Shares (depending on investors’ interest at the point of implementation) or any extended period as may be approved by Bursa Securities, until the conclusion of the next AGM of the Company, to provide the Company with the flexibility to secure interested investors and to maximise the number of Placement Shares to be placed out.

As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation. However, the Company must not issue the Placement Shares if the Placement Shares when aggregated with the nominal value of MBL Shares or convertible securities issued during the preceding 12 months, exceeds 10% of issued shares of MBL (excluding Treasury Shares),

The details of placees and the amount of securities to be placed to each placee in accordance with Paragraph 6.15 of the Main Market Listing Requirements of Bursa Securities (“MMLR”) will be submitted to Bursa Securities before the listing of the Placement Shares to be issued pursuant to the Proposed Private Placement.

In conjunction with the Proposed Private Placement, the Company has undertaken not to purchase and/or resell any additional MBL Shares pursuant to its share buy-back exercise until the completion of the Proposed Private Placement and the Company has no intention to deal with the Treasury Shares prior to the completion of the Proposed Private Placement.

2.1. Basis and justification on arriving at the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares, where applicable, shall be determined separately and fixed by the Board at a later date after obtaining Bursa Securities’ approval for the listing of and quotation for the Placement Shares.

The Board will take into consideration amongst others, the prevailing market conditions and the provisions of Paragraph 6.04(a) of the MMLR, in determining the issue price of the Placement Shares at a discount of not more than 10% to the volume weighted average market price (“VWAP”) of MBL Shares for the five (5) market days immediately preceding the price fixing date(s).

For illustrative purposes, assuming the Placement Shares are issued at an indicative issue price of RM1.10 per Placement Share (“**Indicative Issue Price**”) based on an approximate 5.80% discount to the VWAP of MBL Shares for the five (5) market days up to the LPD of RM1.1677, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM10.04 million.

2.2. Placement arrangement

The Placement Shares are proposed to be placed to independent third party investor(s) (“**Placee(s)**”) to be identified at a later date. In accordance with Paragraph 6.04(c) of the MMLR, the Placement Shares will not be placed to the following parties:

- (i) a director, major shareholder or chief executive of MBL or a holding company of MBL (if applicable), or person(s) connected with such director, major shareholder or chief executive; and
- (ii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

Placees shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

2.3. Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank equally in all respects with the existing MBL Shares, save and except that the holder of the Placement Shares will not be entitled to any dividends, rights, allotment and/or any other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the Placement Shares, as the case may be.

2.4. Listing of and quotation for the Placement Shares

MBL shall make an application to Bursa Securities for the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities.

2.5. Utilisation of proceeds

For illustration purposes, based on the proposed placement size of up to 9,126,980 Placement Shares and assuming the Placement Shares are issued at an indicative issue price of RM1.10 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of approximately up to RM10.04 million. The proceeds raised are expected to be utilised in the following manner:

	Note	RM'000	Expected time frame for utilisation of proceeds (from the date of listing of the Placement Shares)
Repayment of bank borrowings	(i)	9,890	Within 12 months
Estimated expenses for the Proposed Private Placement	(ii)	150	Within 6 months
Total estimated proceeds		10,040	

Notes:

- (i) MBL and its subsidiaries ("**Group**") will utilise approximately RM9.89 million of the total gross proceeds from the Proposed Private Placement to reduce the bank borrowings of the Group. The repayment of the borrowings is expected to result in an estimated saving in interest payment of approximately RM272,000 per annum. The total borrowings of the Group as at 30 September 2017 amounted to approximately RM21.19 million.

The details of the bank borrowings of the Group that MBL proposes to repay are as follows:

Description	Current interest rate per annum as at LPD (%)	Outstanding amount as at 30 September 2017 (RM'000)	Amount proposed to repay (RM'000)
Term loans	4.65 to 5.85	13,404	9,890
Bankers acceptance	4.53 to 4.82	6,641	-
Revolving credits	3.25 to 3.50	1,149	-
Total		21,194	9,890

- (ii) This includes payment of fees to Bursa Securities, advisory and placement fees. If the actual expenses are higher than the amount budgeted, the deficit will be funded out of the working capital. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for the working capital of the Group.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the issue price(s) of the Placement Shares and actual number of Placement Shares issued. Any excess or shortfall of the actual proceeds raised will be adjusted against the utilisation for the working capital of the Group.

Pending the full utilisation of the proceeds raised from the Proposed Private Placement, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital of the Group.

3. RATIONALE

As set out in Section 2.5 of this announcement and based on the indicative issue price of RM1.10 per Placement Share, the Proposed Private Placement will enable MBL to raise gross proceeds of approximately RM10.04 million mainly to pare down its debt through the repayment of bank borrowings and thus result in an estimated interest savings of approximately RM272,000 per annum. As set out in Section 4.2 of this announcement, the gearing ratio of MBL will improve from 0.20 times to 0.09 times upon the part repayment of the bank borrowings of the Group.

The Board is of the opinion that the Proposed Private Placement is the most cost-effective method to raise capital to meet the Group's working capital needs in the short-term and the most expeditious way of fund raising from the capital market as opposed to other forms of fund raising, as the Company had already obtained the approval from its shareholders pursuant to the Shareholders' Mandate.

4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

4.1. Share capital

The pro forma effect of the Proposed Private Placement on the share capital of MBL is as follows:

	No. of MBL Shares ('000)	RM'000
Share capital as at the LPD	92,000	47,158
Treasury shares	(730)	(571)
To be issued pursuant to the Proposed Private Placement	9,127	⁽ⁱ⁾ 10,040
Enlarged share capital	100,397	56,627

Note:

(i) The Placement Shares are assumed to be issued at the Indicative Issue Price.

4.2. Net assets ("NA") and gearing

The pro forma effects of the Proposed Private Placement on the consolidated NA per MBL Share and gearing of the Group based on the latest audited consolidated financial statement of financial position of the Group as at 31 December 2016 and assuming 9,126,980 Placement Shares are issued at the Indicative Issue Price, are as follows:

	Audited as at 31 December 2016 RM'000	After the Proposed Private Placement RM'000
Share capital	46,000	⁽ⁱ⁾⁽ⁱⁱ⁾ 57,198
Share premium	1,158	⁽ⁱⁱⁱ⁾ -
Treasury shares	(571)	(571)
Revaluation reserve	6,559	6,559
Discount on shares	(13,340)	(13,340)
Warrant reserves	17,940	17,940
Foreign currency translation reserve	357	357
Retained earnings	39,234	⁽ⁱⁱⁱ⁾ 39,084
Total equity attributable to owners of the Company/NA	97,337	107,227
Number of MBL Shares in issue ('000)	^(iv) 91,270	^(iv) 100,397
NA per MBL Share (RM)	^(v) 1.07	^(v) 1.07
Total borrowings	19,696	9,806
Gearings (times)	0.20	0.09

Notes:

- (i) *The Placement Shares are assumed to be issued at the Indicative Issue Price.*
- (ii) *Pursuant to Section 618(2) of the Companies Act, 2016, the share premium account of the Company shall become part of the Company's share capital.*
- (iii) *After adjusting for the estimated expenses relating to the Proposed Private Placement of approximately RM150,000.*
- (iv) *After excluding 730,200 Treasury Shares.*
- (v) *The NA per MBL Share is computed after the exclusion of 730,200 Treasury Shares.*

4.3. Earnings and earnings per share (“EPS”)

The Proposed Private Placement is expected to be earnings accretive arising from the utilisation of proceeds from the Proposed Private Placement primarily to repay bank borrowings of the Group. The Proposed Private Placement is expected to contribute positively to the earnings of the Group for the financial year ending 31 December 2018 and for the future years when the benefits of the utilisation of proceeds are realised. The EPS of the Group will however be proportionately diluted as a result of the increase in the number of MBL Shares after the Proposed Private Placement.

4.4. Dividends

The Proposed Private Placement will not have any effect on the dividend policy of the Company. Future dividends to be declared by the Company will be dependent on, inter-alia, the future financial performance as well as the cash position of the Group.

4.5. Convertible securities

As at the LPD, MBL has 46,000,000 outstanding Warrants. The Proposed Private Placement will not result in any adjustment to the exercise price or number of the Warrants.

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4.6. Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:

Substantial shareholders	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of MBL Shares held ('000)	⁽ⁱ⁾ %	No. of MBL Shares held ('000)	⁽ⁱ⁾ %	No. of MBL Shares held ('000)	⁽ⁱ⁾ %	No. of MBL Shares held ('000)	⁽ⁱ⁾ %
MBL Realty Sdn. Bhd. (" MBL Realty ")	41,606	45.59	-	-	41,606	41.44	-	-
Tan Sri Dato' Seri Tan King Tai @ Tan Khoon Hai	6,347	6.95	⁽ⁱⁱ⁾ 3,351	3.67	6,347	6.32	⁽ⁱⁱ⁾ 3,351	3.34
Dato' Chua Ah Ba @ Chua Eng Ka	666	0.73	⁽ⁱⁱⁱ⁾ 41,756	45.75	666	0.67	⁽ⁱⁱⁱ⁾ 41,756	41.59
Chua En Hom	150	0.16	^(iv) 41,612	45.59	150	0.15	^(iv) 41,612	41.44
Chua Eng Hui	150	0.16	^(v) 41,606	45.59	150	0.15	^(v) 41,606	41.44
Chua Heok Wee	150	0.16	^(v) 41,606	45.59	150	0.15	^(v) 41,606	41.44

Notes:

- (i) After excluding 730,200 Treasury Shares.
- (ii) Deemed interested under Section 59(11) of the Act by virtue of the shares held by his spouse, Puan Sri Datin Seri Chan Mei Cheng, his son, Tan Kean Aik and his daughter, Tan Hui Lun.
- (iii) Deemed interested under Section 8(4) of the Act by virtue of his interest in MBL Realty and under Section 59(11) of the Act by virtue of shares held by his son, Chua Heok Wee.
- (iv) Deemed interested under Section 8(4) of the Act by virtue of his interest in MBL Realty and under Section 59(11) of the Act by virtue of shares held by his son, Chua Chang Huat.
- (v) Deemed interested under Section 8(4) of the Act by virtue of his interest in MBL Realty.

5. APPROVALS REQUIRED

The Proposed Private Placement is subject to the approval of Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

Approval has been obtained from the shareholders of MBL at the 11th AGM convened on 30 May 2017 authorising the Board to allot and issue new MBL Shares not exceeding 10% of the issued shares of the Company pursuant to Sections 75 and 76 of the Act. The approval is valid, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of MBL. Therefore, the Proposed Private Placement does not require another specific approval from the shareholders of MBL.

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken or to be undertaken by MBL.

6. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of MBL and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

7. DIRECTOR'S RECOMMENDATION

The Board, after having considered all aspects of the Proposed Private Placement (including, but not limited to the rationale as set out in Section 3 of this announcement and the effects as set out in Section 4 of this announcement), is of the opinion that the Proposed Private Placement is in the best interest of the Group and its shareholders.

8. ADVISER AND PLACEMENT AGENT

IPS has been appointed as the Adviser and Placement Agent to the Company for the Proposed Private Placement.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Private Placement is expected to be made within 1 month from the date of this announcement.

The Proposed Private Placement is expected to be completed by the 1st quarter of 2018.

This announcement is dated 13 October 2017.