

MEMORANDUM OF UNDERSTANDING MUAR BAN LEE GROUP BERHAD ("MBL" OR "THE COMPANY") MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTEREST IN SOKOR GEMILANG LADANG SDN BHD BY MBL PLANTATION SDN BHD TO EVERHOME INTERNATIONAL (M) SDN. BHD. ("PROPOSED DISPOSAL")

MUAR BAN LEE GROUP BERHAD

Type	Announcement
Subject	MEMORANDUM OF UNDERSTANDING
Description	MUAR BAN LEE GROUP BERHAD ("MBL" OR "THE COMPANY") MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTEREST IN SOKOR GEMILANG LADANG SDN BHD BY MBL PLANTATION SDN BHD TO EVERHOME INTERNATIONAL (M) SDN. BHD. ("PROPOSED DISPOSAL")

1. INTRODUCTION

The Board of Directors ("Board") of Muar Ban Lee Group Berhad ("MBL" or "the Company"), wishes to announce that MBL Plantation Sdn. Bhd. ("MBLPSB"), a wholly-owned subsidiary of the Company, has today entered into a Memorandum of Understanding ("MOU") with Everhome International (M) Sdn. Bhd. ("EISB" or Proposed share acquirer") to outline the basic principles for the disposal of entire issued and paid-up ordinary share capital of Sokor Gemilang Ladang Sdn. Bhd. ("SGLSB") to EISB ("Proposed Disposal").

2. THE MOU

- i) The Proposed Disposal shall have no binding effect until the entering into a definite agreement ("DA"). The MOU sets out the understanding and intention of the parties during this interim exploratory period. The DA is expected to be executed within (6) months from the date of the MOU. Full announcement of the Proposed Disposal will be made in the event the parties execute a DA.
- ii) Pursuant to the MOU, MBLPSB will dispose 2,000,000 ordinary shares in SGLSB ("Sale Shares"), representing 100% equity interest in SGLSB and novation of the sum owing from the creditors of SGLSB to EISB for a total consideration of RM35,100,000 ("Sale Consideration") to be satisfied by cash.
- iii) The Sale Consideration was arrived at on a willing buyer-willing seller basis and after taking into account the proposed offer price based on the land use right bind in the plantation land development agreement between SGLSB and Perbadanan Pembangunan Ladang Rakyat Negeri Kelantan ("PPLRNK") on Lot 2282, Mukim Sokor, District of Sokor, Jajahan Kuala Krai, Kelantan.

3. INFORMATION ON SGLSB

SGLSB was incorporated under the Companies Act 1965 on 28 July 2006 in Malaysia as a private limited company. The principal activities of SGLSB consist of cultivation of oil palm plantation.

As today, the issued share capital of SGLSB is RM2,000,000 comprising 2,000,000 ordinary shares. SGLSB is a whole-owned subsidiary of MBLPSB.

SGLSB had on 27 August 2006 entered into a Plantation Development Agreement with PPLNK wherein SGLSB acquired the right to develop the plantation land into oil palm plantation and/or rubber plantation for such periods and subject to such terms and conditions contained therein. The plantation land measuring 789 hectares or approximately 1,949.7 acres is located in Mukim Sokor, District of Sokor, Jajahan Kuala Krai, Kelantan. Currently the plantation land is planted with oil palm.

4. INFORMATION ON EISB

EISB was incorporated under the Companies Act 1965 on 10 March 1997 in Malaysia as a private limited company. The principal activities of EISB are trading of furniture and related products.

As today, the issued share capital of EISB is RM300,000 comprising 300,000 ordinary shares.

5. RATIONALE

The Proposed Disposal will represent a strategic opportunity for MBL Group to cash out an avenue to realise its investment. The proceeds from the Disposal would provide future cash flow for the Group's working capital purposes, reduce its borrowings and/or contribute towards expansion of its core business.

6. EFFECTS OF THE PROPOSED DISPOSAL

The effects of the Proposed Disposal will only be determined upon finalisation of the terms of Proposal Disposal.

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and major shareholders of MBL or persons connected with them has any interest, direct or indirect, in the MOU.

8. AUDIT COMMITTEE & DIRECTORS' OPINION

The Audit Committee of MBL, after giving due consideration, is of the opinion that the entering into the MOU is in the best interest of the MBL Group.

The Board of Directors of MBL is also the opinion that the MOU is in the best interest of the MBL Group.

9. APPROVALS REQUIRED

The MOU is not subject to the approval of the shareholders of MBL or any regulatory authority. However, the Proposed Disposal is subject to due diligence exercise and prior approval from shareholders of MBL and relevant authorities. Appropriate announcement(s) will be made on the proposal in due course.

10. DOCUMENTS AVAILABLE FOR INSPECTION

The MOU will be made available for inspection at the registered office of MBL at 85, Muntri Street, 10200 Penang from Monday to Friday (except public holiday) for a period of three (3) months from the date of this announcement.

This announcement is dated 28 March 2017.