

LEISURE HOLIDAYS HOLDINGS SDN BHD

(Company No. 198001002186 (55969-T))

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51200 Kuala Lumpur

Tel No. : 03-56295869

7th April 2023

DATO' LOY TEIK NGAN

LOY TEIK INN

PUAN SRI LING MAH LEE @ LING LEE HUNG

c/o Taylor's University Lakeside Campus

Level 5, Block A

No. 1, Jalan Taylor's

47500 Subang Jaya

Selangor Darul Ehsan

The Board of Directors

MBf CORPORATION BERHAD

1023, Level 10, Block B1

Pusat Dagang Setia Jaya (Leisure Commerce Square)

No. 9 Jalan PJS 8/9

46150 Petaling Jaya

Selangor Darul Ehsan

Dear Sir/Madam,

PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF MBF CORPORATION BERHAD ("MBfCORP" OR "COMPANY") PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016

1. INTRODUCTION

- 1.1 We, Leisure Holidays Holdings Sdn Bhd ("**LHHSB**"), Puan Sri Ling Mah Lee @ Ling Lee Hung ("**Puan Sri Ling**"), Dato' Loy Teik Ngan ("**Dato' Loy**") and Loy Teik Inn (collectively, the "**Non-Entitled Shareholders**"), in our collective capacity as the major shareholders of MBfCorp, write to notify the Board of Directors of MBfCorp ("**Board**") of our intention to privatise MBfCorp by way of selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act 2016 ("**Act**") ("**Proposed SCR**") ("**Letter**").
- 1.2 We wish to request MBfCorp to undertake the Proposed SCR and upon the deliberation by the Board (save for the Interested Directors as defined in Section 8(i) of this Letter), to present the Proposed SCR to all the shareholders of the Company for their consideration and approval.
- 1.3 There is no person acting in concert with us who holds MBfCorp Shares in relation to the Proposed SCR pursuant to Sections 216(2) and 216(3) of the Capital Markets and Services Act 2007 ("**CMSA**").
- 1.4 The salient terms of the Proposed SCR are set out in the ensuing sections of this Letter.

2. PROPOSED SCR

- 2.1 The Proposed SCR will involve MBfCorp undertaking a selective capital reduction and a corresponding capital repayment pursuant to Section 116 of the Act, to all shareholders of MBfCorp (other than us, the Non-Entitled Shareholders) whose names appear in the Record of Depositors of MBfCorp as at the close of business on an entitlement date to be determined and announced later by the Board ("**Entitlement Date**") ("**Entitled Shareholders**").
- 2.2 Pursuant to the Proposed SCR, the Entitled Shareholders will receive a cash amount of **RM0.095** for each ordinary share of MBfCorp ("**MBfCorp Shares**" or "**Shares**") ("**SCR Offer Price**") held on the Entitlement Date.
- 2.3 As at 31 March 2023, being the latest practicable date of this Letter ("**LPD**"), the issued share capital of MBfCorp is RM282,033,314 comprising 282,033,314 MBfCorp Shares. For information, MBfCorp does not have any treasury shares.
- 2.4 As at the LPD, we, the Non-Entitled Shareholders collectively hold 111,387,661 MBfCorp Shares, representing approximately 39.49% of the total issued shares of MBfCorp as follows:

<u>Name</u>	<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Shares</u>	<u>%^(a)</u>	<u>No. of Shares</u>	<u>%^(a)</u>
LHHSB ⁽¹⁾	111,380,600	39.49	-	-
Puan Sri Ling ⁽²⁾	6,811	~	111,380,600 ^(b)	39.49
Dato' Loy ⁽³⁾	-	-	111,387,661 ^(c)	39.49
Loy Teik Inn ⁽⁴⁾	250	~	111,387,411 ^(d)	39.49
	111,387,661	39.49		

Notes:

~ Negligible

(1) LHHSB is the major shareholder of MBfCorp. LHHSB is owned by Puan Sri Ling (99.99%) and Dato' Loy (0.01%). The directors of LHHSB are Dato' Loy and Loy Teik Inn.

(2) Puan Sri Ling is the controlling shareholder of LHHSB. She is the mother of Dato' Loy and Loy Teik Inn.

(3) Dato' Loy is a major shareholder of LHHSB by virtue of his indirect interest through his mother, Puan Sri Ling. He is a director of LHHSB and also the Managing Director and Chief Executive Officer of MBfCorp.

(4) Loy Teik Inn is a major shareholder of LHHSB by virtue of his indirect interest through his mother, Puan Sri Ling. He is a director of LHHSB.

(a) Based on 282,033,314 issued Shares as at the LPD.

(b) Deemed interest by virtue of her interest in LHHSB.

(c) Deemed interest by virtue of his interest in LHHSB through his mother, Puan Sri Ling and the direct interest of his mother and brother, Loy Teik Inn, in MBfCorp.

(d) Deemed interest by virtue of his interest in LHHSB through his mother, Puan Sri Ling and the direct interest of his mother, in MBfCorp.

- 2.5 As at the LPD, the Entitled Shareholders (other than us) collectively hold 170,645,653 MBfCorp Shares, representing approximately 60.51% of the issued share capital of MBfCorp.
- 2.6 We are not entitled and for the avoidance of doubt, will waive all our entitlements to the capital repayment pursuant to the Proposed SCR.
- 2.7 Accordingly, at the SCR Offer Price of RM0.095 per MBfCorp Share, the Entitled Shareholders (other than us) will receive a total capital repayment of RM16,211,337.04.
- 2.8 The share capital of MBfCorp will reduce by RM16,211,337.04 by way of cancellation of 170,645,653 MBfCorp Shares held by the Entitled Shareholders at the SCR Offer Price.
- 2.9 Upon completion of the Proposed SCR, we will collectively hold the remaining 111,387,661 MBfCorp Shares that are not cancelled, representing the entire equity share capital of MBfCorp.
- 2.10 The pro forma effects of the Proposed SCR on the share capital of MBfCorp are as follows:

	<u>No. of Shares</u>	<u>RM</u>
Issued share capital as at the LPD	282,033,314	282,033,314.00
Less: Shares to be cancelled pursuant to the Proposed SCR ^(a)	(170,645,653)	(16,211,337.04)
Resultant share capital	111,387,661	265,821,976.96

Note:

- (a) Computed based on 170,645,653 MBfCorp Shares held by the Entitled Shareholders and the SCR Offer Price.

- 2.11 The Proposed SCR will be funded by way of advances from us.
- 2.12 MBfCorp is currently an unlisted public entity. For information purpose, MBfCorp was delisted and removed from the Official List of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 6 August 2007.

3. BASIS OF ARRIVING AT THE SCR OFFER PRICE

The SCR Offer Price of RM0.095 for each MBfCorp Share was arrived at after taking into consideration the pro forma revalued net asset value ("**RNAV**") per MBfCorp Share as at 31 December 2021. The SCR Offer Price is at a discount to the pro forma RNAV per MBfCorp Share as at 31 December 2021 of RM0.137.

The RNAV per MBfCorp Share of RM0.137 as at 31 December 2021 was determined as follows:

	RM
Audited consolidated net asset of MBfCorp as at 31 December 2021	3,829,964
Add: MBfCorp's share of net revaluation surplus/(deficit) ^(a)	34,707,051
Pro forma RNAV after incorporating the net revaluation surplus/(deficit)	38,537,051
Number of MBfCorp Shares in issue	282,033,314
Pro forma RNAV per Share as at 31 December 2021	0.137

(a) The net revaluation surplus/(deficit) was arrived at based on the difference between the audited net book value of the properties of the MBfCorp Group as at 31 December 2021 and their open market values appraised by the independent valuers, KGV International Property Consultants (M) Sdn Bhd and Preston Rowe Paterson Southport Pty Limited as at the dates of valuation on 3 January 2023 and 17 January 2023, respectively; and after accounting for deferred tax, if any.

4. RATIONALE FOR THE PROPOSED SCR

The Proposed SCR is undertaken in view of the following rationale:

(i) Opportunity for Entitled Shareholders to realise their holdings in the unlisted MBfCorp Shares

MBfCorp is presently an unlisted public entity. Entitled Shareholders may have experienced difficulty and limited opportunities in realising their investments in the Company as there is no formal market for the Entitled Shareholders to trade in their unlisted securities in MBfCorp. In addition, MBfCorp has not declared and paid any dividends for the last 10 years. Premised on the above, we are of the opinion that the Proposed SCR provides the most appropriate avenue for the Entitled Shareholders to exit the Company and realise their investments in the unlisted securities of MBfCorp.

(ii) Challenging operating environment

MBfCorp and its subsidiaries, except for Summerset Resort Sdn Bhd and Summerset Group Management Sdn Bhd which are under liquidation ("**MBfCorp Group**" or "**Group**") are principally involved in the promotion of timeshare memberships of units at holiday apartments and resorts and rental income from letting out of retail, office lots and apartment units. The revenue of the Group is mainly derived from its timeshare business comprising (a) annual maintenance charges billed to timeshare members/holders; (b) recognition of deferred income from the enrolment of timeshare membership fees; and (c) sale and rental income from unsold property inventories.

The timesharing business has gone through many challenges in the last 15 years, with the ageing conditions of holiday apartments and resorts; and negative perception of the industry arising from marketing abuses by some who has marred the timesharing reputation among consumers. As a result, in recent years most industry players have ceased the sale of new timeshare memberships and a few companies in the industry have received approvals to dissolve their timeshare schemes. The Group has also ceased the sale of new timeshare memberships since 2015.

In an effort to reduce operational expenses and maintain or improve the quality of accommodation units at existing holiday apartments and resorts, the Group has outsourced the management of certain holiday apartments and resorts to third-party operators to operate and manage as a business of hotel or holiday resort/residence and in turn, are responsible for the maintenance and running cost of the holiday apartments and resorts, thereby enabling the Group to have substantial savings in operational and capital expenses. The above outsourcing strategy can only be initiated in situations where the Group has surplus (excess) accommodation units in the existing holiday apartments and resorts which are not lodged under the trust deed for timesharing. There is no certainty that the third-party operators will continue to operate. If the holiday apartments and resorts are not managed by third-party operators due to its non-viability, this will increase the operational cost of the Group.

In addition, endeavours undertaken to sell and/or let out retail and office units at Leisure Commence Square, Petaling Jaya to further reduce operational expenses, had been slow and challenging due to the soft property market and glut in office spaces. This also included sales and/or letting out of accommodation units that are not under timesharing.

Revenue has been declining due to reduction in annual maintenance fees arising from non-payment and termination of memberships by timeshare members/holders. In 2020, the expiration of timeshare memberships has begun which will gradually affect revenue derived from the annual maintenance fees billed to timeshare members/holders. The revenue stream is expected to continuously decrease on a year-on-year basis as the timeshare member base expires, timeshare memberships are terminated and/or non-payment of the annual maintenance charges. As at 1 January 2022, there were approximately 4,116 timeshare members/holders (1 January 2021: 4,713). It is expected that around 2,000 timeshare memberships will expire over the next 10 years.

(iii) Greater flexibility in managing MBfCorp's operations

The Proposed SCR will accord us greater flexibility in the implementation of any business initiatives and/or operational changes of the MBfCorp Group, if any, moving forward. In addition, MBfCorp has approximately 40,000 shareholders, of which, approximately 92% hold 1,000 MBfCorp Shares and less in the Company. The Proposed SCR will also facilitate the elimination of administrative efforts and compliance costs pertaining to MBfCorp's obligations to its shareholders.

5. FUTURE PLANS FOR THE MBFCORP GROUP AND ITS EMPLOYEES

Our intended future plans for the MBfCorp Group are set out below:

(i) Continuation of MBfCorp Group's business

We acknowledge there is subsisting obligation by Leisure Holidays Berhad to the timeshare members/holders. Save as disclosed below, as at the LPD, we, the Non-Entitled Shareholders intend to continue with the existing business and operations of the MBfCorp Group and do not have any immediate plans and/or intention to liquidate any companies within the MBfCorp Group:

- (a) Summerset Resort Sdn Bhd, a 65.01% indirect subsidiary of MBfCorp, which was placed under creditors' voluntary winding up on 17 July 2012 is pending dissolution. The financial statement of Summerset Resort Sdn Bhd was deconsolidated from the MBfCorp Group in the FYE 31 December 2012; and
- (b) Summerset Group Management Sdn Bhd, a 65.01% indirect subsidiary of MBfCorp, which was placed under creditors' voluntary winding up on 21 June 2011 is pending dissolution. The financial statement of Summerset Group Management Sdn Bhd was deconsolidated from the MBfCorp Group in the FYE 31 December 2011.

Nevertheless, we may review the business and operations of the MBfCorp Group and make such arrangements, rationalisation and reorganisation of the Group as they consider suitable and in the best interest of the MBfCorp Group. We retain and reserve the right and flexibility at any time and from time to time to consider any option or opportunity in relation to MBfCorp and which we may regard to be in the best interest of the MBfCorp Group.

(ii) Major changes to the MBfCorp Group's business

We do not have any immediate plans and/or intention to introduce or effect any major changes to the existing business of the MBfCorp Group, dispose of any major assets or undertake any major redeployment of the fixed assets of the MBfCorp Group upon completion of the Proposed SCR, except where such change, disposal and/or redeployment is necessary as part of the process to rationalise the business activities to further improve the use of resources.

(iii) Employees

We have no immediate plans to dismiss or make redundant any of the MBfCorp Group's existing employees by way of a retrenchment exercise as a direct consequence of the Proposed SCR. Nevertheless, some changes with regard to staff employment and redeployment may take place as a result of rationalisation and/or streamlining the business activities and/or to further improve efficiency of the operations and/or to optimise human resources requirements and efficiency, in the best interest of the Group. Any such action taken involving employees will be dealt with in accordance with the relevant legislation and the terms of employment of the employees concerned.

6. DISTRIBUTION

If MBfCorp declares, makes or pays any dividends and/or distributions of any nature whatsoever ("**Distribution**") in favour of its shareholders whereby the entitlement date for such Distribution is on or after the date of this Letter up to the completion of the Proposed SCR and the shareholders are entitled to retain such Distribution, the SCR Offer Price will be reduced by the quantum of the Distribution per Share. For the avoidance of doubt, no adjustment shall be made to the SCR Offer Price in the event the entitlement date for the Distribution is after the completion of the Proposed SCR.

7. COVENANTS

7.1 From the date of your acceptance of the terms of this Letter until the completion of the Proposed SCR, MBfCorp shall agree with and undertake to us that:

- (i) MBfCorp will not conduct any capital or fund raising exercise, whether in the form of debt or equity and will not grant any options over MBfCorp Shares or issue any new MBfCorp Shares;
- (ii) The MBfCorp Group will not enter into any material commitment or material contract or undertake any obligation to acquire or dispose of any of its assets or create a security interest over any of its assets outside the ordinary course of business;
- (iii) MBfCorp will not pass any resolution in general meeting (other than in respect of any ordinary business tabled in an annual general meeting or in connection with the Proposed SCR) or make any alternation to the provisions of the Constitution of MBfCorp or any of its subsidiaries, unless it is in relation to the Proposed SCR;
- (iv) MBfCorp will not acquire its own Shares; and
- (v) MBfCorp will not do or cause, or allow to be done or omitted, any act or thing which would result (or to be likely to result) in a breach of any lawful or contracted obligation of the MBfCorp Group,

without our prior written consent.

7.2 In addition, MBfCorp shall not enter into any discussion, negotiation or agreement with any other party with respect to the sale of the assets and liabilities of the Group or any privatisation proposal involving the Group at any time until the completion of the Proposed SCR without our prior written consent.

7.3 MBfCorp also undertakes that, as from the date of this Letter until the completion of the Proposed SCR, it (using reasonable endeavours to cause and procure that each of its subsidiaries) shall carry on its business only in the usual, regular and ordinary course of business in substantially the same manner as the same is carried on as at the date of this Letter so as to preserve its relationships with all parties and its goodwill and going concern shall not be materially impaired at the completion of the Proposed SCR, save as otherwise agreed in writing by us.

8. CONDITIONS OF THE PROPOSED SCR

The Proposed SCR is subject to and conditional upon the following being obtained:

- (i) approval of the non-interested shareholders of MBfCorp, defined as all shareholders of MBfCorp other than us and persons acting in concert with us ("**Non-Interested Shareholders**"), for the Proposed SCR via the special resolution to be tabled at an EGM to be convened by the Company ("**Special Resolution**"). The Special Resolution is required to be approved by at least:
 - (a) a majority in number of the Non-Interested Shareholders and 75% in value to the votes attached to the MBfCorp Shares held by the Non-Interested Shareholders that are cast either in person or by proxy at a duly convened EGM; and
 - (b) the value of the votes cast against the Special Resolution for the Proposed SCR at such duly convened EGM is not more than 10% of the votes attaching to all disinterested shares of the total voting shares of MBfCorp;
- (ii) the grant of the order by the High Court of Malaya confirming the reduction of the issued share capital of MBfCorp in accordance with Section 116 of the Act ("**Order**") giving effect to the Proposed SCR, followed by the lodgement of an office copy of the Order with the Registrar of Companies ("**Lodgement**"); and
- (iii) approval and/or consent of the existing financiers and/or creditors of the MBfCorp Group for the Proposed SCR, if required.

The Proposed SCR will become effective upon the Lodgement. We envisage that the payment of the SCR Offer Price to the Entitled Shareholders will be made as soon as practicable following the Lodgement, but in any event shall not be later than 10 days from the date of Lodgement. The Proposed SCR is not conditional upon any other corporate exercise of MBfCorp.

9. OTHER MATTERS

- (i) Angelina Sahaya Mary, the Non-Independent Non-Executive Director of MBfCorp is a nominee of Dato' Loy. Angelina Sahaya Mary is not a director or shareholder of LHHSB. She is also not a Non-Entitled Shareholder. Although Angelina Sahaya Mary has no interest in the Proposed SCR, she is deemed interested in the Proposed SCR by virtue of her association with Dato' Loy. Save for Dato' Loy and Angelina Sahaya Mary (collectively, the "**Interested Directors**"), to the best of our knowledge, there is no other Director of MBfCorp who has any interest, directly or indirectly, in the Proposed SCR.

As such, the Interested Directors will abstain and will continue to abstain from deliberating and voting on the Proposed SCR at the relevant Board meetings pertaining to the Proposed SCR and will also abstain from voting in respect of their direct and/or indirect shareholdings in MBfCorp if any, on the Special Resolution to be tabled at the Company's forthcoming EGM.

We, being the interested major shareholders of MBfCorp, will also abstain from voting in respect of our direct and/or indirect shareholdings in MBfCorp, on the Special Resolution pertaining to the Proposed SCR to be tabled at an EGM to be convened by the Company. We and the Interested Directors will also ensure persons connected with us/them will abstain from voting in respect of their direct and/or indirect shareholdings in MBfCorp, if any, on the Special Resolution to be tabled at the Company's forthcoming EGM.

- (ii) We confirm that as at the LPD:
 - (a) we have not received any irrevocable undertaking from any of the Entitled Shareholders to vote in favour of or against the Special Resolution; and
 - (b) we are not aware of any existing or proposed agreement, arrangement or understanding in relation to MBfCorp Shares between us and persons acting in concert with us and any of the Entitled Shareholders.
- (iii) In addition, the Principal Adviser to the Non-Entitled Shareholders for the Proposed SCR is satisfied that the Proposed SCR will not fail by reason of insufficient financial capacity of MBfCorp and every Entitled Shareholder will be fully paid in cash.

10. GOVERNING LAW AND DISPUTE RESOLUTION

The Proposed SCR and any agreement constituted by the acceptance of this Letter shall be governed by the laws of Malaysia and each party will submit to the non-exclusive jurisdiction of the Courts of Malaysia.

11. ACCEPTANCE PERIOD

If the Board (save for the Interested Directors) is agreeable to take the necessary steps to implement the Proposed SCR and to recommend the Proposed SCR to the Entitled Shareholders of MBfCorp upon the terms envisaged in this Letter, please execute the enclosed duplicate of this Letter and return the same to us no later than 5.00 p.m. on 30 April 2023 (or such other date as may be extended by us in writing) after which the proposal in this Letter shall lapse.

We trust the above is sufficient for the Board's kind consideration and deliberation. Pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission, the Board is required to immediately inform the Securities Commission Malaysia upon the receipt of this Letter, of our request to MBfCorp to undertake the Proposed SCR.

Yours faithfully,
For and on behalf of,
LEISURE HOLIDAYS HOLDINGS SDN BHD



Dato' Loy Teik Ngan
Director



Loy Teik Inn
Director

**TO: LEISURE HOLIDAYS HOLDINGS SDN BHD
DATO' LOY TEIK NGAN
LOY TEIK INN
PUAN SRI LING MAH LEE @ LING LEE HUNG**

PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF MBf CORPORATION BERHAD PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016

We, MBf Corporation Berhad (save for the Interested Directors) hereby agree to implement the Proposed SCR and to recommend the Proposed SCR to the Entitled Shareholders of the Company on the terms of your Letter dated 7th April 2023 as set out above.

Yours faithfully,
For and on behalf of,
MBf CORPORATION BERHAD

Name :
Designation :
Date :