

SUNSURIA BERHAD
Registration No.: 196801000641 (8235-K)
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE FIFTY-FIRST ANNUAL GENERAL MEETING (“51ST AGM”) CONDUCTED VIRTUALLY THROUGH LIVE STREAMING AND ONLINE REMOTE VOTING VIA REMOTE PARTICIPATION AND VOTING FACILITIES HELD AT COMMITTED MEETING ROOM, SUITE 8, MAIN TOWER, SUNSURIA AVENUE, PERSIARAN MAHOGANI, KOTA DAMANSARA PJU 5, 47801 PETALING JAYA, SELANGOR DARUL EHSAN ON FRIDAY, 12 JUNE 2020 AT 10.00 A.M.

ATTENDEES

- 1) All members of the Board of Directors
- 2) Company Secretary
- 3) Representatives from Messrs Deloitte PLT, the external auditors
- 4) Shareholders/Proxies/Authorised Representative/Invitees and others as per the attendance list

CHAIRMAN

Tan Sri Datuk Ter Leong Yap (“Tan Sri Chairman”) chaired the Meeting and welcomed all shareholders/proxy holders/invitees present at the Fifty-First Annual General Meeting (“51st AGM” or “Meeting”) of the Company. The Chairman introduced the members of the Board and Company Secretary at the head table and the key senior management to all who had dialled-in to attend the Meeting held virtually.

QUORUM

The presence of quorum was confirmed by the Company Secretary pursuant to Article 80 of the Company’s Constitution.

NOTICE

The Company had on 17 March 2020 announced the postponement of the 51st AGM initially scheduled on Thursday, 19 March 2020 in view of the Movement Control Order (“MCO”) imposed by the Government of Malaysia to contain the COVID-19 outbreak.

Subsequently, on 14 May 2020, a new Notice of the 51st AGM to convene the Meeting fully virtual was issued and circulated, with the permission of the Meeting, the Notice of the 51st AGM was taken as read.

POLL VOTING

All resolutions as set out in the Notice of the 51st AGM dated 14 May 2020 were conducted by way of poll. The Company had appointed Boardroom Share Registrars Sdn Bhd as Poll Administrator to conduct the polling process by way of electronic voting (“e-voting”) and Quantegic Services Sdn Bhd appointed as Independent Scrutineers to verify and confirm the results of the poll.

SUMMARY OF KEY MATTERS DISCUSSED AT THE 51ST AGM

At the invitation of the Chairman, Mr. Simon Kwan Hoong Wai, the Chief Operating Officer (“COO”) presented the performance of the Group for the financial year ended 30 September 2019.

The Company received a letter dated 12 February 2020 from the Minority Shareholder Watch Group (“MSWG”) raising some questions pertaining to strategic and financial matters of the Group, management had on 17 March 2020 responded to MSWG. The Questions and Answers were provided thereto as shown on the slides shared during the Meeting. A copy of the reply letter to MSWG is attached herewith marked as Appendix A.

At the question-and-answer session between the Shareholders/Proxies and the Directors/Management, the following salient points were duly discussed:

- (a) The group had achieved RM107.17 million converted sales with Sales and Purchase Agreement duly signed, for the period commencing from 1 January 2020 to 31 March 2020. The converted sales are sales bookings which meet the pre-determined criteria for them to be converted to sales for recognition in the financial results of the Company.
- (b) During the implementation of MCO and the Conditional MCO, between the period of 18 March 2020 to 2 June 2020, the Sales Team had been conducting sales activities virtually and managed to secure in total RM146 million sales.
- (c) The unbilled sales for the Group as at 31 March 2020 was recorded at RM336 million.
- (d) In view of the implementation of MCO, all the project construction sites had stop work since 18 March 2020. As at to-date, 2 out of 5 of the construction sites had resumed operations with adherence to the required Standard Operating Procedure. To address the issue on the possible delay in the completion of on-going projects due to the implementation of MCO, Management had submitted the necessary application for Extension of Time (“EOT”) to the relevant Authority and with the approved EOT, the late delivery charges, if any, could be minimised.
- (e) The National Economic Recovery Plan (“Penjana”) introduced by the Government of Malaysia has augured well for property developers like Sunsuria Berhad in the following ways:
 - The Home Ownership Campaign 2020 (“HOC 2020”) - HOC 2020 provides stamp duty exemption for purchase of properties from 1 June 2020 to 31 May 2021 will attract buyers to buy properties.
 - Exemption from Real Property Gains Tax (“RPGT”) - for gains arising from disposal of residential property from 1 June 2020 to 31 December 2021, up to disposal of three residential properties per individual, will help to boost new property sales especially targeting the upgraders’ market.
 - Lifting of 70% loan to value on housing loan for a third residential property will enable investor buyers to buy.

THE POLL RESULTS

The following poll results, which were duly verified and confirmed by the independent scrutineer, Quantec Services Sdn Bhd as presented to the Shareholders/Proxies:

Resolution	For		Against	
	Number of Shares	%	Number of Shares	%
Ordinary Resolution 1 - To approve the payment of Directors’ fees	734,034,850	99.9990	7,001	0.0010
Ordinary Resolution 2 - To re-elect Dato’ Quek Ngee Meng as Director pursuant to Clause 114 of the Company’s Constitution	735, 914,850	99.9990	7,001	0.0010

Resolution	For		Against	
	Number of Shares	%	Number of Shares	%
Ordinary Resolution 3 - To re-appoint Auditors	735,914,850	99.9990	7,001	0.0010
Ordinary Resolution 4 - To approved the Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016	735,914,850	99.9990	7,001	0.0010
Ordinary Resolution 5 - To approve the renewal of proposed shareholders' mandate as specified in the Circular to Shareholders dated 31 January 2020	181,099,930	99.9961	7,041	0.0039
Ordinary Resolution 6 - To approve the renewal of Share-Buy Back Authority	735,914,650	99.9990	7,201	0.0010

Based on the poll results, all resolutions as set out in the Notice of the 51st AGM of the Company were duly carried.

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Our Ref: SB/202003/003

BY EMAIL & BY HAND

17 March 2020

MINORITY SHAREHOLDERS WATCH GROUP

11th floor, Bangunan KWSP
 No. 3, Changkat Raja Chulan
 Off Jalan Raja Chulan
 50200 Kuala Lumpur

Attention: Mr Devanesan Evanson, Chief Executive Officer

Dear Sirs

RE: 51st Annual General Meeting of Sunsuria Berhad (“the Group” or “the Company”)

We refer to your letter dated 12 February 2020 in relation to your questions that you would like to raise at the 51st Annual General Meeting of the Company.

Accordingly, we set out below our respond to the following points and questions raised for your attention:

Strategic and Financial Matters

1) Question

The Group intended to launch the M8HEXA e-sports hub at Bell Avenue in Sunsuria City, the first e-sports hub of its kind in Selangor (Page 10 of the Annual Report).

- (a) When is the e-sports hub commencing its construction? When is the expected time of completion?
- (b) What is the expected cost of constructing the e-sports hub?
- (c) When is the e-sports hub expected to break-even?

Answer

- (a) We would like to inform that M8HEXA e-sports hub at Bell Avenue in Sunsuria City has started operation on 1 November 2019 and it is the first MOBILE e-sports hub.
- (b) The e-sports hub occupies a total area of 9,128 sf and incurred renovation cost of RM603,160. The monthly operating cost is about RM55,000/-.
- (c) The e-sports operation is expected to breakeven within 3 financial years.

2) Question

The ongoing property projects listed in the table below have secured low take-up rates as at FY2019 (page 13 of Annual Report).

	Project Name	Take-up rate at year ended 30/9/2019	Latest take-up rate @ 31/1/2020
1	Monet Springtime	52.3%	63%
2	3-storey terrace homes, Monet Garden	2.5%	9%
3	Giverny Walk	18.7%	27%
4	Tangerine Suites	11.2%	17%

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- (a) Please provide the latest take-up rates of each project as highlighted above.
- (b) What measures have been taken to improve the take-up rates of each property project mentioned above? Have the measures been successful?
- (c) What are the latest take-up rates for the Office Tower and the Service Suites Tower of Forum 2 that were launched towards the end of 2019?

Answer

	Project Name	Take-up rate at year ended 30/9/2019	Latest take-up rate @ 29/2/2020
1	Monet Springtime	52.3%	61%
2	3-storey terrace homes, Monet Garden	2.5%	9%
3	Giverny Walk	18.7%	32%
4	Tangerine Suites	11.2%	20%

- (a) The latest sales take up rates are shown in the table above.
- (b) The Group has taken the following measures to improve the sales take up rates:
- (i) Rolling out attractive sales packages comprising sales rebates, rental guarantees, free maintenance charges for a certain period after vacant possession, selling with partial furnishing, offering free legal fees on Sale & Purchase and Loan Agreements.
 - (ii) For the Monet Garden 3 -storey terrace which targets both the local and foreign buyers, we also have shown units to showcase our products besides offering fully furnished packages, free maintenance charges, rental guarantees and also dual keys units to enable 2 generations from a family to stay under one roof with independent access.
 - (iii) The Group also embarked on various marketing campaigns such as “October Awesome Lucky Pick” campaign which offered additional rebates to encourage buyers to quickly sign Sales & Purchase Agreements, “Win a Car” campaign and CNY Angpao Giveaway campaigns;
 - (iv) Offering referral fees to existing buyers, introducers, business associates, staff, bankers for referring new buyers to buy the Group’s development projects:
 - (v) Increase the frequency of road shows at shopping malls, hyper markets and participate in property showcase exhibitions to reach out to more prospect via direct sales approach;
 - (vi) Conduct private sales presentation to private businesses/companies;
 - (vii) Embark on door to door sales canvassing;
 - (viii) Holding weekend events at Sales Galleries and extend invitation to buyers and prospects;
 - (ix) Recruiting more external sales agencies to sell the Group’s projects;
 - (x) Running on-line advertisement campaigns to generate new sales lead; and
 - (xi) Create catalytic contents that are in line with one of our pillars i.e. making the world a better place by promoting our Sunsuria City township as an Education hub and our Forum development at Setia Alam as a community hub focusing on child enrichment, education and wellness.
- (c) The latest take up rates of Office Tower and Service Suites Tower at Forum 2 are 32% and 16% respectively.

3) Question

The Group's subsidiary, Sunsuria Forum Sdn Bhd ("SFSB") reported a lower revenue of RM21 million in FY2019 as compared to RM255.3 million in FY2018.

SFSB recorded a loss after tax of RM7.3 million in FY2019 as compared to a profit after tax of RM101.3 million in FY2018 (pages 124 & 125 of Annual Report).

(a) What are the reasons for SFSB recording a lower revenue and a higher loss in FY2019?

(b) What is the outlook of SFSB in FY2020?

(c) Why did the Company subscribe for the 2.55 million new SFSB shares for RM44.37 million (issue price of RM17.4 per share) on 4 April 2019?

Answer

(a)

	FY2019	FY2018	
	Audited	Restated	Audited
	RM'000	RM'000	RM'000
Revenue	21,019	255,315	84,085
(Loss) Profit after taxation	(7,282)	101,331	31,915

The table above showed SFSB's results for FY2019 and FY2018. In the Group's FY2019 Annual Report, SFSB's revenue and profit and loss figure were restated (pages 124 and 125). SFSB's FY2018 Audited figures which were different from the restated figures were not shown in FY2019 Annual Report.

SFSB's revenue for FY2018 was restated because the Group was required to apply MFRS 1 First-time adoption of Malaysian Financial Reporting Standards in its financial statements for FY2019; being the first set of financial statements prepared in accordance with the new MFRS Framework.

Accordingly, the Group also adopted MFRS 15 on Revenue on Contracts with Customers for the first time in FY2019. Upon the review of SFSB's contracts with its customers, it was established that the recognition of revenue from the sale of retail shops/offices at Forum 1 should be based on completion basis ("point in time") instead of on progressive basis ("over time").

Consequently, the revenue which has been recognised progressively by SFSB previously in FY2015 to 2017 has to be "derecognised" and was recognised at one-off in FY2018 upon the project completion; which explains the huge surge in SFSB's revenue of RM255.3 million for restated FY2018.

The revenue of RM21 million for FY2019 was derived from Forum 2 SOHO and Office Tower projects which were recognised on progressive basis. The low revenue in FY2019 was also because the Forum 2 projects were at preliminary stage i.e. piling works are still on-going as at FY2019 year end.

SFSB's FY2018 restated profit after taxation of RM101.3 million was contributed by the one-off recognition of profit upon the completion of Forum 1 retail shops/offices project. Meanwhile, although revenue and cost of development were restated and recognised at one-off in FY2018, total administrative and other expenses and finance cost were not restated and were still charged in the respective financial years since FY2015.

In FY2019, the Forum 2 SOHO and Office Tower were still at initial stage of development and profit was recognised on progressive basis. The RM7.3 million loss after taxation was mainly caused by:

- 1) Finance and financing related costs totalling RM5.152 million;
- 2) Sales and marketing costs of RM3.08 million comprising namely promotional and road shows and expenses incurred to construct show units off site and scale models; and
- 3) Management fees charged by Sunsuria Berhad totalling RM5.88 million.

Finance and financing related costs were fully charged out in FY2019 i.e. in the year they were incurred instead of being capitalised and gradually charged out as part of the project development cost as in the previous financial years. This is because the Group has effective 1 October 2018 elected to early adopt MFRS123 on Borrowing Costs.

The management fees charged by Sunsuria Berhad has to be charged out in SFSB's operational costs but because it is an intra group transaction, the management fees will be eliminated at Sunsuria Group level.

- (b) Based on the Group's business plan for FY2020, SFSB is expected to be profitable in FY2020 if the sales and works progress targets were achieved.
- (c) The rationale for the subscription of 2.55 million new SFSB shares for RM44.37 million (issue price of RM17.4 per shares) on 4 April 2019 was to meet the capital funding requirements of SFSB for the development of Forum 2 which has a Gross Development Value ("GDV") of RM963.4 million (Forum 2 SOHO, Office Tower and Serviced Apartments which has GDV totalling RM811 million and Retail Podium and Car Parks totalling RM152.4 million). The Forum 2 SOHO, Office Tower and Serviced Apartments are expected to generate gross development profit of RM343.3 million.

Arising from the capital call requirements, Sunsuria Berhad's shareholdings stake in SFSB increase to 95.625%.

4) Question

The gross and net rental income of the Group's investment properties (for FYs2019 and 2018) are tabulated below (page 135 of the Annual Report).

		FY2019	FY2018
	Item	RM	RM
a	Rental Income	710,000	637,000
b	Direct Operating Expenses	601,000	142,000
c	Net Rental Income	109,000	495,000
d	Investment Properties*	32,110,000	33,645,000
e	Gross Yield (a/d)	2.2%	1.89%
f	Net Yield (c/d)	0.34%	1.47%

*excludes freehold land and long-term leasehold land that normally do not generate rental income.

- (a) What are the reasons for the 323.2% increase in direct operating expenses in FY2019 as compared to FY2018 while the rental income increased by 11.5% in FY2019?
- (b) What are the measures that have been taken to reduce the direct operating expenses and to increase the rental income?
- (c) What are the occupancy rates for the investment properties (excluding freehold land and long-term leasehold land) both FYs 2019 and 2018?

Answer

- (a) Shown in the table below is the details of Investment Properties held by the Group and the Direct Operating Expenses incurred for the Investment Properties:

		Fair Value (RM'000)	
	Investment Properties	FY2019	FY2018
1	Factory at Mak Mandin Industrial area @ Lot 1772	1,350	1,400
2	Factory at Mak Mandin Industrial area @ Lot 1780	2,700	2,985
3	3 storey shop @ 15, Jalan Zainal Abidin, Penang	-	300
4	3 storey shop @ 9, Jalan Zainal Abidin, Penang	-	1,900

		Fair Value (RM'000)	
Investment Properties		FY2019	FY2018
5	Office Suite 11-G @ Sunsuria Avenue	880	880
6	Office Suite 3-6 @ Sunsuria Avenue	780	780
7	Retail units F-01 and kiosks @ Forum1 Setia Alam	15,000	14,000
8	Car Parks @ Forum 1 Setia Alam	11,400	11,400
Total		32,110	33,645

		Direct Operating Expenses (RM'000)	
Investment Properties		FY2019	FY2018
1	Factory at Mak Mandin Industrial area @ Lot 1772	21	18
2	Factory at Mak Mandin Industrial area @ Lot 1780	66	49
3	3 storey shop @ 15, Jalan Zainal Abidin , Penang	2	5
4	3 storey shop @ 9 ,Jalan Zainal Abidin , Penang	133	70
5	Office Suite 11-G @ Sunsuria Avenue	3	-
6	Office Suite 3-6 @ Sunsuria Avenue	3	-
7	Retail units F-01 and kiosks @ Forum1 Setia Alam	373	-
8	Car Parks @ Forum 1 Setia Alam	-	-
Total		601	142

The RM459,000 increase in direct operating expenses for FY2019 as compared to FY2018 was mainly due to operational and maintenance cost of retail units at Forum1 (which was only completed towards last quarter FY2018) comprising the followings:

Type of expenses	RM
Quit rent & Assessment	34,202
Property maintenance charges paid to Joint Management Body	145,158
Insurances	3,354
Additional work for provision of power and water supply	168,150
	350,864
Other operational expenses related to retail activities at Forum 1 and property agency expenses	104,968
Total additional expenses	455,832

Meanwhile, the 11.5% increase in rental income was mainly from Lot 1780 Factory at Mak Mandin, retail units F-01 and kiosks and car parks @ Forum 1 Setia Alam.

		Rental Income (RM'000)	
Investment Properties		FY2019	FY2018
1	Factory at Mak Mandin Industrial area @ Lot 1772	134	134
2	Factory at Mak Mandin Industrial area @ Lot 1780	378	360
3	3 storey shop @ 15, Jalan Zainal Abidin , Penang	48	48
4	3 storey shop @ 9, Jalan Zainal Abidin , Penang	12	42
5	Office Suite 11-G @ Sunsuria Avenue	-	-
6	Office Suite 3-6 @ Sunsuria Avenue	-	-
7	Retail unit F-01 @ Forum1 Setia Alam	122	53
8	Car Parks @ Forum 1 Setia Alam	16	-
Total		710	637

- (b) From the breakdown of the direct operating expenses, the cost of additional works done for Retail units at Forum 1 is not expected to recur.

Meanwhile, we have a leasing and marketing team to work on increasing footfall at Forum 1 and thus, we expect rental income from the retail units and car parks at Forum 1 will increase over time; as the businesses of the tenants get better and grow in volume so will be the rental as the rental charge are based on both base rent and turnover rental.

- (c) The 2 factories at Mak Mandin Industrial area and the office suites at Sunsuria Avenue are fully tenanted. The retail units at Forum 1 is currently 77% occupied. We have also converted 16,900 sf of the car park areas to become lettable area mainly renting to BookXcess where we are generating rental based on the BookXcess's turnover. SFSB will start collecting car park fees once the occupancy rate of the entire Forum 1 development reached 85% - 90%.

Thank you.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Lee Swee Kheng', written over a horizontal line.

Lee Swee Kheng

Company Secretary/ Chief Financial Officer