

SUNSURIA BERHAD (FORMERLY KNOWN AS MALAYSIA AICA BERHAD) ("SUNSURIA" OR THE "COMPANY")

- **PROPOSED ACQUISITION OF ONE (1) ORDINARY SHARE OF RM1.00 EACH IN SIME DARBY SUNSURIA DEVELOPMENT SDN BHD ("SDSDSB") ("SDSDSB SHARE") ("SALE SHARE"), REPRESENTING 50% EQUITY INTEREST IN SDSDSB FROM SIME DARBY PROPERTY (SUNGAI KAPAR) SDN BHD ("SIME DARBY PROPERTY"), A WHOLLY OWNED SUBSIDIARY OF SIME DARBY PROPERTY BERHAD WHICH IN TURN, IS A WHOLLY OWNED SUBSIDIARY OF SIME DARBY BERHAD ("SIME DARBY") ("PROPOSED SDSDSB ACQUISITION"); AND**
 - **PROPOSED VARIATION TO THE PROPOSED SGSB TRANSACTIONS.**
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1. INTRODUCTION

We refer to the announcement made by RHB Investment Bank Berhad ("**RHB Investment Bank**"), AmlInvestment Bank Berhad ("**AmlInvestment Bank**") and Astramina Advisory Sdn Bhd ("**Astramina**") (collectively, the "**Joint Advisers**"), on behalf of the Board of Directors of Sunsuria ("**Board**") on 10 March 2015 ("**Initial Announcement**") in relation to amongst others, the proposed subscription by Sunsuria for securities in Sunsuria Gateway Sdn Bhd ("**SGSB**") by way of:-

- (a) proposed subscription for 1,000,000 new ordinary shares of RM1.00 each in SGSB ("**SGSB Shares**"), representing 99.99% equity interest in SGSB at a cash subscription price of RM1,000,000 and proposed subscription for 237,000,000 new redeemable preference shares-Class B of RM0.01 each in SGSB ("**SGSB RPS-B**") at a subscription price of RM237,000,000 (collectively, the "**Proposed SGSB Subscription**"); and
- (b) proposed subscription for 102,040,816 new ordinary shares of RM0.50 each in Sunsuria ("**Sunsuria Share(s)**") at an issue price of RM0.98 per Sunsuria Share by Datuk Ter Leong Yap ("**Datuk Ter**") ("**Proposed Reinvestment**")

(the Proposed SGSB Subscription and the Proposed Reinvestment are collectively referred to as the "**Proposed SGSB Transactions**"). Unless otherwise stated, the terms used herein shall bear the same meaning as those defined in the Initial Announcement.

On behalf of the Board, the Joint Advisers wish to announce that the Company had, on 20 April 2015, entered into:-

- (i) a conditional share purchase agreement with Sime Darby Property ("**SDSDSB SPA**") for the Proposed SDSDSB Acquisition for a total cash consideration of RM173.4 million, comprising RM157.0 million ("**SDSDSB Consideration**") for the Proposed SDSDSB Acquisition as well as approximately RM16.4 million for the settlement of the Sime Darby Advances referred to in Section 2.6.5 of this Announcement; and
- (ii) a supplemental agreement to vary the terms of the SGSB Subscription Agreement dated 9 March 2015 entered into between Sunsuria, SGSB, Datuk Ter and Datin Kwan (as existing shareholders of SGSB) ("**Supplemental SGSB Subscription Agreement**") to fix the maximum redemption sum payable for full and final capital redemption of all SGSB RPS-A issued by SGSB and held by Datuk Ter amounting to a maximum RM168,390,000 ("**Proposed Full and Final Capital Return of RPS-A**") and thereafter there shall be no further issuance of SGSB RPS-A under the terms of the SGSB Subscription Agreement (collectively referred to as the "**Proposed Variations**").

Arising from the Proposed Variations, there will be an amount of RM69,610,000 in SGSB in which Sunsuria will hold 99.99% effective equity interest, which is intended to be utilised for *inter-alia*, working capital purposes, including the payment of the remaining unpaid Suria Serenia Land purchase consideration by SDSDSB.

Accordingly, the Proposed SGSB Transactions will hereinafter include the Proposed Variations.

As announced in the Initial Announcement, Sunsuria would have approximately 50% effective equity interest in SDSDSB via SGSB arising from the Proposed SGSB Transactions. The Proposed SDSDSB Acquisition is an extension of the Proposed SGSB Transactions wherein Sunsuria now proposes to acquire the remaining one (1) SDSDSB Share held by Sime Darby Property, representing 50% equity interest in SDSDSB. As a result of the Proposed SGSB Transactions and the Proposed SDSDSB Acquisition, Sunsuria would have an effective equity interest of approximately 100% in SDSDSB. Following the completion of the Proposed SDSDSB Acquisition and the Proposed SGSB Transactions, SGSB, Sime Darby Property and SDSDSB will enter into a deed of termination to terminate the existing shareholders' agreement dated 6 August 2013 in respect of SDSDSB ("**SDSDSB Shareholders' Agreement**").

As set out in the Initial Announcement, SDSDSB is a 50:50 joint venture between SGSB and Sime Darby Property. SDSDSB was incorporated to undertake a proposed property development project on the Suria Serenia Land, which surrounds the upcoming Xiamen University Malaysia Campus. The Suria Serenia project is an integrated development surrounding the upcoming Xiamen University Malaysia Campus and is strategically connected with the Express Rail Link and highways.

Details of the Proposed SDSDSB Acquisition and the Proposed Variations are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED SDSDSB ACQUISITION

The Proposed SDSDSB Acquisition entails Sime Darby Property agreeing to sell and Sunsuria agreeing to purchase the Sale Share for a cash consideration of RM157.0 million and Sunsuria shall also, as a term of the SDSDSB SPA, pay and settle on behalf of SDSDSB, the Sime Darby Advances (as defined under Section 2.6.5 of this Announcement) (the aggregate of the SDSDSB Consideration and Sime Darby Advances as at 31 March 2015 of approximately RM173.4 million shall collectively be referred to as the "**Total SDSDSB Consideration**").

The sale and purchase of the Sale Share will be (i) free from all claims, liens, charges and encumbrances and with full legal and beneficial title; and (ii) with all rights attaching thereto (including all dividends and distributions, whether declared or undeclared, in respect thereof) with effect from the date of completion of the SDSDSB SPA.

Further details on SDSDSB are set out in Appendix I of this Announcement.

2.1 Basis and justification of arriving at the Total SDSDSB Consideration

The Total SDSDSB Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration, *inter-alia* the following:

- (i) the market value of the Suria Serenia Land as at 10 February 2015 of RM35 per square feet ("**Market Value psf**") as appraised by WTW based on the Comparison Method of Valuation ("**WTW Valuation**") vis-a-vis the implied gross price per square feet of the Total SDSDSB Consideration payable by Sunsuria under the Proposed SDSDSB Acquisition amounting to RM41 per square feet ("**SDSDSB Price psf**") which is based on an agreed land valuation of RM590.0 million for 100% of the Suria Serenia Land and the adjusted land area of the Suria Serenia Land of approximately 331.27 acres instead of the previous 346.58 acres as well as after adjustment to the remaining unpaid land purchase consideration payable by SDSDSB for the purchase of the Suria Serenia Land, and also after taking into account that the Sale Share represents 50% of the issued and paid-up share capital of SDSDSB. However, notwithstanding that the SDSDSB Price psf represents a premium of approximately 17.1% to the Market Value psf, consideration was also given to the future prospects of the Suria Serenia Land as set out in the indicative fair market value of SGSB as appraised by EY which ranges from RM230.0 million to RM250.0 million ("**EY Valuation**"). The indicative fair market value of SGSB was appraised based on the enterprise valuation of SGSB with its 50% share of the interest in SDSDSB as at 31 December 2014 which was derived using the discounted cash flow method to take into account the future development and earnings potential of the Suria Serenia project after deducting the remaining unpaid land purchase consideration by SDSDSB, for the purposes of the Proposed SGSB Transactions; and
- (ii) the Proposed Variations to the Proposed SGSB Transactions wherein the amount receivable by Datuk Ter under the Proposed SGSB Transactions (after the Proposed Variations) amounts to a maximum of approximately RM168.4 million. As set out above, Sunsuria and Datuk Ter have mutually agreed to vary the terms of the Proposed SGSB Transactions such that a maximum of approximately RM168.4 million will now be paid to Datuk Ter for the Proposed Full and Final Capital Return of RPS-A.

2.2 Mode of settlement of Total SDSDSB Consideration

The Total SDSDSB Consideration will be satisfied in the following manner:-

- (a) approximately RM15.7 million in cash, representing 10.0% of the SDSDSB Consideration, has been paid by Sunsuria upon execution of the SDSDSB SPA as deposit and part payment of the SDSDSB Consideration, as follows:-
 - (i) a sum of approximately RM4.7 million, equivalent to 3% of the SDSDSB Consideration, has been paid to Sime Darby Property's solicitors towards the retention sum in accordance with Section 2.6.8(b)(i) of this Announcement; and
 - (ii) a sum of approximately RM11.0 million, equivalent to 7% of the SDSDSB Consideration, has been paid to Sime Darby Property;

- (b) a fixed sum of approximately RM141.3 million, representing 90.0% of the SDSDSB Consideration, shall constitute a debt due and owing by Sunsuria to Sime Darby Property which shall be paid by Sunsuria to Sime Darby Property in cash ("**SDSDSB Balance Cash Purchase Consideration**") on or before the business day falling no later than 31 July 2015, or such other date as the parties may mutually agree upon ("**SDSDSB Balance Cash Purchase Consideration Payment Date**"); and
- (c) Sunsuria shall pay and settle on behalf of SDSDSB, the Sime Darby Advances referred to in Section 2.6.5 of this Announcement on or before the expiry of twelve (12) months after the completion date as contemplated under the SDSDSB SPA, which is 30 June 2015, or such other date as may be agreed upon between Sunsuria and Sime Darby Property upon which completion of the Proposed SDSDSB Acquisition is to take place ("**SDSDSB Completion Date**").

Sunsuria shall on the SDSDSB Completion Date deliver to Sime Darby Property a deed of assignment of proceeds, executed by Sunsuria in favour of Sime Darby Property for the assignment of proceeds of the Rights Issue With Warrants of no less than the SDSDSB Balance Cash Purchase Consideration and any late payment interest (if any) payable on such sum under the SDSDSB SPA ("**Assignment of Proceeds**") unto Sime Darby Property for the purposes of securing Sunsuria's obligations and liabilities in respect of the settlement of the SDSDSB Balance Cash Purchase Consideration and any late payment interest (if any) payable under the SDSDSB SPA. The completion of the SDSDSB SPA is subject to the fulfilment by Sunsuria of its obligations to deliver to Sime Darby Property the Assignment of Proceeds and all other documents as referred to in Section 2.6.6 of the Announcement, and subject further to the occurrence of the books closure date in respect of the Rights Issue With Warrants.

2.3 Liabilities to be assumed by Sunsuria

There are no liabilities, contingent liabilities or guarantees to be assumed by Sunsuria pursuant to the Proposed SDSDSB Acquisition.

2.4 Source of funding

The deposit for the Proposed SDSDSB Acquisition amounting to approximately RM15.7 million was funded via the internally generated funds of Sunsuria and has been paid to Sime Darby Property and its solicitors.

The SDSDSB Balance Cash Purchase Consideration and the settlement of Sime Darby Advances are expected to be funded via a combination of internally-generated funds, funds from the Fund Raising Exercise as well as bank borrowings, the quantum of which has not been determined as at the date of this Announcement.

2.5 Estimated financial commitments

The Board does not foresee any other material financial commitments required to put Suria Serenia on-stream, save for the remaining unpaid Suria Serenia Land purchase consideration by SDSDSB which amounts to approximately RM246.7 million ("**Remaining Suria Serenia Land Cost**") (after completion of the Proposed SGSB Transactions and the Proposed SDSDSB Acquisition) and the development costs to be incurred for Suria Serenia. The Remaining Suria Serenia Land Cost and costs to undertake the development of Suria Serenia may be funded by the Sunsuria Group via bank borrowings, partial proceeds from the SGSB Subscription Consideration and/or internally generated funds after taking into consideration the Group's future gearing level and its working capital requirements.

The actual development costs to be incurred by the Group will depend on, amongst others, development time frame of the various phases of Suria Serenia, the type of development to be undertaken, financing cost as well as cost of raw materials, construction cost and other miscellaneous cost. The development plans and details have not been finalised as at the date of this Announcement.

2.6 Salient terms of the SDSDSB SPA

The salient terms of the SDSDSB SPA for the Proposed SDSDSB Acquisition are as follows:-

2.6.1 Due Diligence Exercise

- (a) Sunsuria shall be entitled to embark on and complete the process of examination and verification of the financial and other affairs of SDSDSB by accountants, valuers, solicitors or such other professionals (if required) appointed by Sunsuria for the purposes of the SDSDSB SPA ("**SDSDSB Due Diligence**") at its own costs and expenses by 2 June 2015 ("**Due Diligence Period**"), whereby Sunsuria shall examine and verify the financial and accounting matters, legal affairs, share capital and structure, commitments, contracts and other affairs of SDSDSB and Sime Darby Property, being the vendor shall extend all reasonable assistance to cooperate with and assist Sunsuria in carrying out the SDSDSB Due Diligence.
- (b) Should the SDSDSB Due Diligence yield findings that certain events or circumstances are present which are not satisfactory to Sunsuria, Sunsuria or its solicitors shall notify Sime Darby Property or Sime Darby Property's solicitors of such unsatisfactory matter(s) at any time prior to the expiry of a period of three (3) business days after the last day of the Due Diligence Period, failing which Sunsuria shall be deemed to have waived the right to terminate the SDSDSB SPA by virtue of non-fulfilment of the condition precedent relating to the SDSDSB Due Diligence referred to in Section 2.6.2(g)(i) herein.
- (c) Sime Darby Property shall be entitled to issue a disclosure letter disclosing inconsistencies or exceptions to the representations and warranties given by Sime Darby Property under the terms of the SDSDSB SPA within fourteen (14) days after the date of the SDSDSB SPA ("**Disclosure Letter**"). Sunsuria shall within a period of fourteen (14) days from the date of receipt of the Disclosure Letter issue a written confirmation to Sime Darby Property confirming whether it is satisfied with the contents of the Disclosure Letter. Sunsuria shall be deemed to be satisfied with the contents of the Disclosure Letter if Sime Darby Property does not receive any written confirmation to the contrary from Sunsuria within such fourteen (14) days period.

2.6.2 Conditions precedent

The Proposed SDSDSB Acquisition is conditional upon the following conditions precedent being obtained/fulfilled or waived (as the case may be) by 25 June 2015, or such later date as the parties to the SDSDSB SPA may mutually agree upon ("**SDSDSB SPA Cut-Off Date**"):-

- (a) the approval of the shareholders of Sunsuria at an EGM to be convened for the Proposed SDSDSB Acquisition in accordance with the terms and conditions of the SDSDSB SPA;

- (b) the approval or consent of the financiers/creditors of SDSDSB for, *inter alia*, the sale and transfer of the Sale Share in favour of Sunsuria, upon the terms and subject to the conditions of the SDSDSB SPA, if applicable;
- (c) Sime Darby Property being the vendor having received a letter of consent and undertaking from SGSB that SGSB agrees to waive the rights of pre-emption granted by Sime Darby Property to SGSB pursuant to the terms of the SDSDSB Shareholders' Agreement and undertakes to do such acts so as to facilitate the sale and purchase of the Sale Share under the SDSDSB SPA, and not to commit any act which will impede, restrict, prevent or frustrate the sale and purchase of the Sale Share under the SDSDSB SPA or cause the breach of any warranty or undertaking entered into by Sime Darby Property under the SDSDSB SPA;
- (d) Sime Darby Property being the vendor having furnished an undertaking to SGSB that it shall do such acts so as to facilitate the transaction as contemplated under the SGSB Subscription Agreement, and not to commit any act which will impede, restrict, prevent or frustrate such transaction contemplated therein or cause the breach of any warranty or undertaking entered into by SGSB under the SGSB Subscription Agreement;
- (e) the execution of an underwriting agreement entered or to be entered into between Sunsuria (as issuer) and the relevant underwriters relating to the Rights Issue With Warrants, pursuant to which the underwriters agree to underwrite the subscription by shareholders of Sunsuria for the remaining open portion of the rights shares to be issued under the Rights Issue With Warrants in relation to which substantial shareholders of Sunsuria have not given their respective subscription undertakings, subject to the terms and conditions contained in such underwriting agreement by Sunsuria with the relevant underwriter(s);
- (f) the announcement of the books closure date in respect of the Rights Issue With Warrants by the Board or its advisers; and
- (g) Sunsuria being satisfied with (i) the results of the SDSDSB Due Diligence and (ii) the contents of the Disclosure Letter.

2.6.3 Termination in the event any conditions precedent is not fulfilled

If –

- (a) on the expiry of the SDSDSB SPA Cut-Off Date, any of the conditions precedent shall have been refused and appeal or appeals to the relevant authorities or persons against such refusal have not been successful;
- (b) on the expiry of the SDSDSB SPA Cut-Off Date, any of the conditions precedent have not been obtained or fulfilled or waived;

- (c) at any time prior to the expiry of the SDSDSB SPA Cut-Off Date, any of the conditions precedent shall have been granted subject to terms and conditions which are not acceptable to any party being terms and conditions which affect that party, and further representations to the relevant authorities or persons to vary such terms and conditions have not been successful, and that party is not willing to accept such terms and conditions then imposed by the relevant authorities or persons; or
- (d) at any time prior to the expiry of a period of three (3) business days after the last day of the Due Diligence Period, Sunsuria has notified Sime Darby Property in writing that it is not satisfied in respect of any part of the results of the SDSDSB Due Diligence,

then any party shall be entitled to terminate the SDSDSB SPA by giving a notice of termination to that effect to the other party, whereupon Sime Darby Property shall refund and repay to Sunsuria, or procure the refund and repayment to Sunsuria of all moneys paid by Sunsuria including the deposit referred to in Section 2.2(a) of this Announcement, free of interest, save for the retention sum referred to in Section 2.6.8 herein if the same has been paid to the Director-General of Inland Revenue pursuant to the SDSDSB SPA and in such event, Sime Darby Property shall refund such retention sum upon receipt of the same from the Director-General of Inland Revenue free of interest, and thereafter, the parties shall not have any further rights under the SDSDSB SPA except in respect of –

- (i) any obligation under the SDSDSB SPA which is expressed to apply after the termination of the SDSDSB SPA; and
- (ii) any rights or obligations which have accrued in respect of any breach of any of the provisions of the SDSDSB SPA to either party prior to such termination.

For the purposes of this paragraph, Sime Darby Property shall use its best endeavours to obtain a refund in favour of Sunsuria of the retention sum from the Director-General of Inland Revenue.

2.6.4 Waiver of pre-emption rights

Sime Darby Property represents, confirms and warrants that other than the right of pre-emption granted to SGSB pursuant to the terms of the SDSDSB Shareholders' Agreement, there are no rights of pre-emption or any other similar rights over any of the Sale Share in favour of any third party, whether conferred by the memorandum and articles of association of SDSDSB or by virtue of any other document, covenant or undertaking. If there are any such rights of pre-emption or other similar rights subsisting in respect of the Sale Share, Sime Darby Property shall be deemed to have breached this clause and without prejudice to the rights of Sunsuria under the SDSDSB SPA in respect of such breach, in the event that Sunsuria shall elect to partly or wholly waive such breach and proceed to the completion of SDSDSB SPA, Sime Darby Property shall procure that such rights of pre-emption or other similar rights shall be waived by the relevant party or parties having the benefit of such rights unconditionally prior to the completion of the SDSDSB SPA.

2.6.5 Settlement of Sime Darby Advances

- (a) Sunsuria and Sime Darby Property acknowledge and accept that shareholder's advances amounting to RM16,390,700 (as at 31 March 2015) are due and payable by SDSDSB to Sime Darby Property and/or persons connected with them (which shall for the avoidance of doubt exclude SGSB and its related company or affiliate) and Sime Darby Property may have provided and may be required to provide further shareholder's advances (free of interest) to SDSDSB for the purposes of the ongoing business or operations of SDSDSB pending the completion of the SDSDSB SPA (collectively, the existing shareholder's advances as at 31 March 2015 and any additional advances granted by Sime Darby Property pending completion of the Proposed SDSDSB Acquisition are referred to as the "**Sime Darby Advances**").
- (b) Sunsuria shall pay and settle for and on behalf of SDSDSB, all outstanding Sime Darby Advances on or before the expiry of twelve (12) months after the SDSDSB Completion Date. For the avoidance of doubt, no further interest or other charges shall accrue or be payable on the Sime Darby Advances and this clause shall survive the completion of the SDSDSB SPA.

2.6.6 Security for payment of the SDSDSB Balance Cash Purchase Consideration

- (a) Sunsuria shall on the SDSDSB Completion Date, deliver to Sime Darby Property the Assignment of Proceeds executed by Sunsuria in favour of Sime Darby Property for the purposes of securing Sunsuria's obligations and liabilities in respect of the settlement of the SDSDSB Balance Cash Purchase Consideration and any late payment interest (if any) payable on such sum under the SDSDSB SPA, in or substantially in the form set out in the SDSDSB SPA. The Assignment of Proceeds shall be delivered by Sunsuria to Sime Darby Property on the SDSDSB Completion Date in exchange for the delivery of the completion documents by Sime Darby Property to Sunsuria as contemplated under the SDSDSB SPA.
- (b) Within five (5) business days after the payment of the SDSDSB Balance Cash Purchase Consideration and any late payment interest (if any) payable under the SDSDSB SPA by Sunsuria to Sime Darby Property, Sime Darby Property or its solicitors shall:-
 - (i) return and re-deliver the original Assignment of Proceeds to Sunsuria;
 - (ii) deliver an executed deed of receipt and reassignment in respect of the Assignment of Proceeds in favour of Sunsuria, in or substantially in the form set out under the SDSDSB SPA ("**Deed of Receipt and Reassignment**") to Sunsuria; and
 - (iii) deliver an executed Form 42B under the Companies Act in respect of the discharge of the charge created in respect of the Assignment of Proceeds to Sunsuria.

If the SDSDSB Balance Cash Purchase Consideration is not paid on or before the SDSDSB Balance Cash Purchase Consideration Payment Date, Sime Darby Property shall be authorised and entitled to exercise all its rights and entitlements in respect of the assigned moneys under the Assignment of Proceeds to enforce payment of the SDSDSB Balance Cash Purchase Consideration.

2.6.7 Termination of SDSDSB Shareholders' Agreement

Sunsuria shall procure SGSB to execute a deed of termination with Sime Darby Property to terminate the SDSDSB Shareholders' Agreement on the SDSDSB Completion Date.

2.6.8 Tax

- (a) Sunsuria and Sime Darby Property warrant and confirm that SDSDSB is deemed by the relevant tax authorities to be a 'real property company' under the Real Property Gains Tax Act 1976 ("**RPGT Act**") and Sunsuria shall ensure that SDSDSB will not take any actions which will result in SDSDSB ceasing to be a 'real property company' under the RPGT Act at any time up to the SDSDSB Completion Date for the purpose of compliance with the RPGT Act and submission of the relevant return forms (where required) to the Director-General of Inland Revenue. Sime Darby Property and Sunsuria will accordingly within sixty (60) days following from the date of disposal as prescribed under the RPGT Act (being *inter alia* the date of receipt of all requisite approvals of the government or a state government or an authority or committee appointed by the government or a state government pursuant to Section 16 of Schedule 2 of the RPGT Act) comply with the RPGT Act by submitting the relevant return forms (where required) to the Director-General of Inland Revenue and comply with all necessary directions that may be issued by the Director-General of Inland Revenue in respect thereto.
- (b) Sunsuria and Sime Darby Property expressly and irrevocably authorise:—
 - (i) Sunsuria to pay to Sime Darby Property's solicitors a sum equivalent to 3% of the SDSDSB Consideration pursuant to Section 21B of the RPGT Act;
 - (ii) Sime Darby Property's solicitors to pay and/or deal with such retention sum or any portion thereof in any manner that may be directed by the Director-General of Inland Revenue or the RPGT Act or any amendments or statutory modification or any orders thereof with the submission by Sime Darby Property of the necessary forms to the Director General of Inland Revenue and comply with all necessary directives that may be issued by the Director General of Inland Revenue (if applicable).
- (c) If such retention sum is insufficient to pay for the RPGT payable on the disposal of the Sale Share pursuant to the SDSDSB SPA, Sime Darby Property will upon being notified thereof, immediately pay the difference to the Director-General of Inland Revenue.

- (d) Sime Darby Property is responsible for paying and settling all RPGT (if any) payable on the disposal of the Sale Share and the deemed disposal of the real property assets of SDSDSB pursuant to the SDSDSB SPA as may be assessed by the Director-General of Inland Revenue under the provisions of the RPGT Act.
- (e) Sime Darby Property agrees, covenants and undertakes with Sunsuria to keep Sunsuria indemnified against all claims, costs, damages, fines or penalties which may be brought, suffered or levied against Sunsuria as a result of Sime Darby Property not complying with any of the provisions of the RPGT Act, including any claims by the Director-General of Inland Revenue arising from any default in payment of any RPGT payable on the disposal of the Sale Share and the deemed disposal of the real property assets of SDSDSB pursuant to the SDSDSB SPA and holding of and dealings with the retention sum by Sime Darby Property's solicitors pursuant to the terms of the SDSDSB SPA.

2.6.9 Termination of the SDSDSB SPA

- (a) Each party to the SDSDSB SPA shall be entitled to issue a notice of termination to the other party, if, at any time prior to the completion of the SDSDSB SPA, the other party commits any continuing or material breach of any of its obligations under the SDSDSB SPA which is incapable of remedy or if capable of remedy, is not remedied within fourteen (14) days of it being given notice to do so, or *inter alia*, a winding up or insolvency events occurs.
- (b) If the SDSDSB SPA is terminated by Sime Darby Property and Sime Darby Property elects not to pursue the remedy of specific performance, a sum equivalent to 10% of the SDSDSB Consideration shall be absolutely forfeited in favour of Sime Darby Property as agreed liquidated damages, and Sunsuria shall within fourteen (14) days after its receipt of the notice of termination, return to Sime Darby Property all documents, if any, delivered to it by or on behalf of SDSDSB or Sime Darby Property and Sime Darby Property shall simultaneously in exchange with the performance by Sunsuria of such obligations return, refund and repay to Sunsuria any and all moneys in excess of a sum equivalent to 10% of the SDSDSB Consideration (which shall be forfeited as agreed liquidated damages) held by or on behalf of Sime Darby Property pursuant to the terms of the SDSDSB SPA, free of interest (if any) and return to Sunsuria all documents, if any, delivered to them by or on behalf of Sunsuria.
- (c) If the SDSDSB SPA is terminated by Sunsuria and Sunsuria elects not to pursue the remedy of specific performance, Sime Darby Property shall, within fourteen (14) days after receipt of the notice of termination, return to Sunsuria all documents, if any, delivered to it by or on behalf of Sunsuria, procure that SDSDSB to return to Sunsuria all such documents (if any), return, refund and repay to Sunsuria any and all moneys (including the deposit) (if any) received by it towards account of the SDSDSB Consideration held by or on behalf of Sime Darby Property pursuant to the terms of the SDSDSB SPA, together with any interest accrued thereon (if any), and pay a sum equivalent to 10% of the SDSDSB Consideration as agreed liquidated damages to Sunsuria. Sunsuria shall, in exchange for the performance by Sime Darby Property of such obligations, return to Sime Darby Property all documents, if any, delivered to it by or on behalf of SDSDSB or Sime Darby Property.

2.6.10 Sime Darby Property's rights upon non-payment of the SDSDSB Balance Cash Purchase Consideration

- (a) Sime Darby Property agrees, confirms and acknowledges that in the event that Sunsuria breaches its obligation under the SDSDSB SPA to pay and settle any part of the SDSDSB Balance Cash Purchase Consideration on or before the SDSDSB Balance Cash Purchase Consideration Payment Date, Sime Darby Property shall be entitled to, without prejudice to its right exercisable under the Assignment of Proceeds, initiate such action as may be available to it in law to recover or claim for the outstanding part of the SDSDSB Balance Cash Purchase Consideration solely on the basis of the SDSDSB Balance Cash Purchase Consideration being a debt due from Sunsuria to Sime Darby Property.
- (b) Sime Darby Property agrees, confirms and acknowledges that notwithstanding any other provisions of the SDSDSB SPA, Sime Darby Property shall not be entitled to terminate the SDSDSB SPA on account of any such non-payment of the SDSDSB Balance Cash Purchase Consideration or to initiate any action which may require Sunsuria to re-transfer the Sale Share to Sime Darby Property or to discharge any charge or other security entered over the Sale Share on behalf of Sunsuria or otherwise howsoever for beach on the part of Sunsuria arising from such non-payment.

3. DETAILS OF THE PROPOSED VARIATIONS

On 9 March 2015, Sunsuria had entered into, *inter-alia* the SGSB Subscription Agreement with SGSB, Datuk Ter and Datin Kwan for the Proposed SGSB Transactions.

Sunsuria, SGSB, Datuk Ter and Datin Kwan have on 20 April 2015 entered into the Supplemental SGSB Subscription Agreement to vary certain terms of the SGSB Subscription Agreement whereby SGSB shall on the SGSB Payment Date undertake the Proposed Full and Final Capital Return of RPS-A and thereafter there shall be no further issuance of SGSB RPS-A under the terms of the SGSB Subscription Agreement.

For the avoidance of doubt, other than the Proposed Variations, all other terms of the SGSB Subscription Agreement as per the Initial Announcement remain unchanged.

3.1 Salient terms of the Supplemental SGSB Subscription Agreement for the Proposed Variations

3.1.1 Sunsuria, SGSB, Datuk Ter and Datin Kwan (being the existing shareholders of SGSB) mutually and expressly agreed that with retroactive effect from the date of the SGSB Subscription Agreement, the SGSB Subscription Agreement shall be varied, amended and altered in the following manner and to the following extent:

- (a) the following new clause 4.4 shall be inserted immediately after the existing clause 4.3 of the SGSB Subscription Agreement:

'4.4 Maximum aggregate redemption sum

Notwithstanding any such further issuance of SGSB RPS-A pursuant to clause 4.3 and notwithstanding any other provision of the SGSB Subscription Agreement, the aggregate maximum redemption sum payable for full and

final capital redemption of all SGSB RPS-A issued or to be issued by SGSB shall be fixed and not under any circumstances whatsoever exceed a sum of RM168,390,000.'

- (b) Clause 6.1 of the SGSB Subscription Agreement shall be wholly deleted and replaced with the following restated 6.1:

'6.1 Full redemption of SGSB RPS-A

SGSB shall on the SGSB Payment Date redeem and cancel all SGSB RPS-A then in issue which are held by Datuk Ter ("**RPS-A Redemption**"). For the avoidance of doubt, the full and final capital redemption amount payable to redeem all outstanding SGSB RPS-A shall in aggregate amount to a maximum sum of RM168,390,000, as referred to in clause 4.4.'

- (c) Clause 6.2 of the SGSB Subscription Agreement shall be wholly deleted and replaced with the following restated 6.2:

'6.2 Subscription by Datuk Ter for Reinvestment Shares and set-off arrangement

- (a) Datuk Ter irrevocably undertakes that immediately upon SGSB notifying Datuk Ter of the RPS-A Redemption, Datuk Ter shall on the SGSB Payment Date subscribe for, and Sunsuria agrees to allot and issue to Datuk Ter or his nominee(s), 102,040,816 Reinvestment Shares at the Reinvestment Shares Issue Price, amounting to an aggregate subscription price of RM100,000,000 ("**Reinvestment Amount**").
- (b) The parties have agreed that upon Datuk Ter subscribing for the Reinvestment Shares:-
- (1) the Reinvestment Amount shall be wholly set-off against part of the redemption sum payable by SGSB in respect of the RPS-A Redemption (the aggregate maximum amount of which is RM168,390,000); and
 - (2) a corresponding sum of RM100,000,000 shall be deemed to have been paid-up towards the subscription price payable in respect of the SGSB RPS-B under clause 3.1(b).
- (c) The parties agree and covenant that SGSB shall pay the sum of RM68,390,000 in cash to Datuk Ter after the completion of the set-off arrangement referred to in clause 6.2(b) above, being the remaining capital redemption sum payable by SGSB to Datuk Ter in respect of the RPS-A Redemption.'

3.1.2 The parties agree that the Supplemental SGSB Subscription Agreement is executed in furtherance of and in addition to the terms and provisions of the SGSB Subscription Agreement and all the terms and provisions of the SGSB Subscription Agreement shall remain in full force and continue to take effect and be binding on the parties as if the same were specifically set out in the Supplemental SGSB Subscription Agreement.

4. VARIATION TO THE LAND SIZE OF THE SURIA SERENIA LAND

The Company wishes to inform that the land size of the Suria Serenia Land is now revised to approximately 331.27 acres ("**Adjusted Land Area**") instead of the previous 346.58 acres as announced in the Initial Announcement, as 15.31 acres of land are required to be surrendered for major infrastructural works in conjunction with the master plan. Correspondingly, the following changes will apply to the Initial Announcement:

- (i) the estimated financial commitment by SDSDSB for the remaining unpaid Suria Serenia Land purchase consideration is expected to reduce from approximately RM259.03 million to approximately RM246.7 million; and
- (ii) the market value of the Suria Serenia Land as appraised by WTW will decrease from RM528.0 million to RM505.0 million.

Nevertheless, the Adjusted Land Area will not result in a change to the SGSB Subscription Consideration. There will also be no change to the valuation of SGSB undertaken by EY which ranges from RM230.0 million to RM250.0 million, as the Adjusted Land Area does not result in a material change in the projected cash flow of the future development and earnings potential of the Suria Serenia project in which the enterprise valuation of SGSB was derived from.

Other than as set out above and pursuant to the Proposed Variations, all other details of the Initial Announcement remain unchanged.

5. RATIONALE

5.1 Rationale for the Proposed SDSDSB Acquisition

The Proposed SDSDSB Acquisition would enable Sunsuria to consolidate the future earnings to be generated from the development on the Suria Serenia Land ("**Suria Serenia Development**") as compared with the initial 50% sharing of the joint venture's earnings under the Proposed SGSB Transactions. In addition, the full control by Sunsuria over the Suria Serenia Development pursuant to the Proposed SDSDSB Acquisition will enable Sunsuria to better manage the risks and enjoy the full benefits from the Suria Serenia Development. Post-completion of the Proposed SDSDSB Acquisition, Sunsuria's effective landbank would amount to approximately 364.2 acres (based on the adjusted land size) with a total estimated GDV of RM7.726 billion (based on Sunsuria's effective interest in Suria Serenia, Sunsuria Medini and Suria Hills 2A and 2B).

5.2 Rationale for the Proposed Variations

Concurrently with the Proposed SDSDSB Acquisition wherein Sime Darby Property will be receiving approximately RM173.4 million in aggregate, Sunsuria, SGSB, Datuk Ter and Datin Kwan had renegotiated and agreed to vary the terms of the Proposed SGSB Transactions. Arising therefrom, SGSB shall now on the SGSB Payment Date undertake a full and final capital redemption of all the SGSB RPS-A currently held by Datuk Ter. In view that a higher amount is currently allocated for the RPS-A Redemption as compared to RM100.0 million as set out in the Initial Announcement, Datuk Ter has agreed that this amount will constitute full and final capital return of all the existing SGSB RPS-A held by Datuk Ter and thereafter there will be no further issuance of SGSB RPS-A by SGSB. Arising from the Proposed Variations, there will be an amount of RM69,610,000 in SGSB in which Sunsuria will hold 99.99% effective equity interest, which is intended to be utilised for *inter-alia*, working capital purposes, including the payment of the remaining unpaid Suria Serenia Land purchase consideration by SDSDSB.

6. RISK FACTORS IN RELATION TO THE PROPOSED SDSDSB ACQUISITION

6.1 Non-completion of the Proposed SDSDSB Acquisition

There is a possibility that the SDSDSB SPA pursuant to the Proposed SDSDSB Acquisition may not be completed due to failure in fulfilling the conditions precedent as set out in the SDSDSB SPA within the timeframe prescribed therein.

Nevertheless, the Board will take reasonable steps to ensure that such conditions precedent are met and fulfilled within the prescribed timeframe in order to complete the Proposed SDSDSB Acquisition in a timely manner.

In addition, the Proposed SDSDSB Acquisition is conditional upon the approvals from the shareholders of the Company as well as the relevant authorities and/or parties being obtained, as disclosed in Section 10 of this Announcement. There is no assurance that the Proposed SDSDSB Acquisition can be completed within the time period prescribed under the SDSDSB SPA.

Nevertheless, the Company shall ensure that every effort is made to obtain all the necessary approvals for the Proposed SDSDSB Acquisition in order for the Proposed SDSDSB Acquisition to be completed in a timely manner.

6.2 Investment risk and exit of joint venture partner

The Proposed SDSDSB Acquisition will result in the exit of Sime Darby Property as a joint-venture partner, and SDSDSB will effectively become a wholly-owned subsidiary of Sunsuria. Although the Proposed SDSDSB Acquisition is expected to contribute positively to the Sunsuria Group based on the rationale as stated in Section 5 of this Announcement, following the exit of Sime Darby Property as a joint-venture partner, Sunsuria would now bear all the risks associated with the Suria Serenia Development entirely. There can also be no assurance that the exit of Sime Darby Property as a partner in SDSDSB will not have a material adverse effect on SDSDSB's financial performance, and any impact to the profits of Sunsuria as a result of the occurrence of any negative events or failure of implementation of the Suria Serenia Development will be fully recognised by Sunsuria. There can be no assurance that the anticipated benefits from the Proposed SDSDSB Acquisition will be realised or that Sunsuria will be able to generate sufficient returns from the Suria Serenia Development to offset the associated development costs. There is also no assurance that the Proposed SDSDSB Acquisition will enable the Sunsuria Group to improve its financial performance and the duration required to recoup the development costs could be longer than anticipated if the take-up rate for the developed units is not as expected.

Furthermore, following the completion of the Proposed SDSDSB Acquisition, any future financing requirements of SDSDSB will be borne entirely by Sunsuria which may strain the cash flows and/or gearing of the Group.

Nevertheless, the Board has and will continue to exercise due care in considering the potential risks and benefits associated with the Proposed SDSDSB Acquisition and believes that the benefits associated with such investment should outweigh the cost and its associated risk.

6.3 Inability to obtain funding

As set out in Section 2.4 of this Announcement, it is the intention of the Board to fund the SDSDSB Balance Cash Purchase Consideration via, *inter-alia* the proceeds from the Fund Raising Exercise. As at the date of this Announcement, the Fund Raising Exercise has yet to be implemented (although the approval of the shareholders of the Company for the Rights Issue With Warrants and the Private Placement has been obtained). There is no guarantee that the Fund Raising Exercise will be implemented successfully, such that the intended full amount of proceeds are raised or that any proceeds will be able to be raised at all. In the event that the Fund Raising Exercise is not implemented or completed for any reason whatsoever, there is also no guarantee that the Company will be able to obtain sufficient borrowings to fund the SDSDSB Balance Cash Purchase Consideration.

Nevertheless, the Company is confident that the Fund Raising Exercise can be implemented successfully as the shareholders of Sunsuria had approved the Fund Raising Exercise on 12 May 2014 and Datuk Ter and Ter Equity had provided an undertaking for the Minimum Subscription Level.

6.4 Risks inherent in property development

By virtue that the Group is a property developer, there are risks similar to those that it is accustomed to. However, the Company believes that the experience and expertise of its management team will enable the Group to mitigate these risks effectively.

6.4.1 Risk of failure in or delays in obtaining requisite governmental approvals for future property development projects

The Proposed SDSDSB Acquisition includes the acquisition of vacant land for future development, which will require various permits, licences, certificates and approvals from various governmental authorities at various stages of development. There is no assurance that all such permits, licences, certificates and approvals will be successfully obtained within the scheduled timeframe for each development project. Failure or delays in obtaining such approvals may result in significant delays in the development schedules and/or cost overruns for the project which may in turn affect the profitability of the Group.

Nevertheless, the Company, with its experienced team, will seek to limit these risks through, *inter alia*, careful planning and proactive and close monitoring of the progress of the development project and endeavour, to the best of its ability, to obtain all the necessary permits, licences, certificates and approvals required for the development project.

6.4.2 Performance of the property market

The Group's financial performance is largely dependent on the performance of the property market in Malaysia. Any adverse developments affecting the property market such as the deterioration in property demand and the rates of property rental may have an adverse impact on the Group's business operations and financial performance.

The performance of the property market is also affected by the regulatory environment. In efforts to promote a more stable and sustainable property market, local authorities in Malaysia have introduced certain regulatory restrictions and schemes.

RPGT was reinstated by the Government in 2010 to deter speculative activities in the secondary property market. Subsequent to 2010, the RPGT rates were revised higher by the Government as part of its efforts to further curb speculation in the property market.

Additionally, the Government had also imposed a minimum purchase price of RM1,000,000 on properties purchasable by foreigners in the Malaysian Budget 2014 as part of the Government's plans to restrict speculative activities in the property market. While this measure may affect foreigners' demand for properties in Malaysia, Sunsuria Group's development are targeted to the local market and as such the Board is of the opinion that the measures will not adversely affect the Group's property sales. In addition to that, the Group's investment in Medini Iskandar is not subject to the floor price of RM1,000,000.

In 2010, BNM had also introduced a maximum LTV ratio of 70% with regards to third home purchases. Under the ruling, potential third home purchasers are only able to obtain loan-financing facility of up to 70% of the value of their proposed third home purchases. This ruling was introduced with the aim of discouraging speculation in the property market. In November 2013, BNM issued a ruling that banks are required to give out property loans based on net selling price of the properties, which excludes rebates and discounts as opposed to the gross selling price of the subject properties.

In addition, banks are no longer providing financing for projects with DIBS. DIBS is generally a form of promotional incentive offered to potential purchasers in a bid by property developers to attract property buyers. Under DIBS, interests of the loan undertaken by the buyers are borne by the property developers until the property has been completely constructed. However, the Board is of the view that such restriction should not have a material impact on the Group's operations and financial performance as the Group believes that it is able to attract potential purchasers with the good product quality and strategic locations of its development together with the offering of other forms of promotional incentives. However, any further introduction of cooling measures by the Government or BNM to control price levels of the Malaysian property market may adversely impact the Group's property development business.

6.4.3 Cost fluctuation and demand for properties

Sunsuria being a property developer is subject to certain risks inherent to property development, such as oversupply of the properties to be developed, changes in demand for types of residential and commercial properties, labour and material supply shortages. The Group's profitability may also be affected by any increase in land acquisition costs and fluctuation of construction costs which are inherent to the property development industry. Higher cost of materials (including steel, cement and tiles), labour costs, contractor fees and overheads, will reduce the Group's profit margin in the event the Sunsuria Group is unable to pass these increased costs to customers in the form of higher selling prices. Selling prices of properties are largely determined by product differentiation in terms of location, reputation, quality design and the conditions of the property market in Malaysia.

There can be no assurance that any changes in development cost will not have any material impact on the Group's financial performance. Nevertheless, Sunsuria Group seeks to limit this risk by continuing to closely monitor and manage the construction costs as well as leverage on its track record and experienced, capable and dedicated management team in place, to manage these risks closely while making all reasonable efforts to maintain the quality of the Group's products.

The demand for the Group's properties is affected by the economic climate, conditions of the property market, buyers' perception and consumer sentiment and changes in market rental yields and interest rates, which the Group may not have any control over. The Group continuously seeks to mitigate these risks by constantly reviewing its development and marketing strategies in response to the ever-changing market conditions and adopting different development concepts and techniques that position the Group to meet the needs of its target market.

6.4.4 Scarcity of commercially viable landbanks for development

Moving forward, for the Group to be successful in the property development industry, the Group relies on its ability to identify and acquire suitable landbanks with development potential to deliver sustainable growth and profitability. However, the Group also faces intense competition from other established property developers in identifying and acquiring strategically located land bank at commercially viable prices. The competition among industry players has to a certain extent, created some scarcity in strategically located land, which may result in higher land acquisition cost, thus may lead to a potential decrease in the Group's profitability and adversely affect its prospects.

Post Proposed SDSDSB Acquisition, Sunsuria Group will have an effective 364.2 acres of landbanks. However, the Group shall continuously source to increase its landbanks at strategic locations with development potential. Nevertheless, there can be no assurance that the Group will be able to continue to identify new landbanks and replenish existing land banks on commercially-viable prices and on suitable terms, or be able to secure opportunities to jointly develop lands with land owners on commercially viable profit sharing terms and with good development potential to spur growth, as the Group continue to undertake its development plans.

6.5 Implementation of Goods and Services Tax (“GST”)

In Budget 2014, the Government of Malaysia announced the implementation of the GST, which is a multi-stage consumption tax which has taken effect from 1 April 2015. The GST will be imposed on goods and services unless they do not fall within the scope of the GST. The GST is to be charged and levied on supply of goods or services made or provided in Malaysia.

The GST is expected to impact all property developers via increase in the cost of construction as well as the increase in selling prices of properties. Higher construction cost including cost of materials may reduce the profit margins of property developers for residential properties, if the higher costs are not reflected in the final selling price. As property developers of the Suria Serenia Land, Sunsuria will face the challenge in striking the right balance between getting the desired margins and securing the desired sales volume in the Suria Serenia Development.

However, the Group will seek to limit this risk by continuously monitoring the changing market demand to maximise sales of properties while managing the construction cost of the Suria Serenia Development by *inter-alia*, leveraging on the relationship with and maintaining a large pool of suppliers and sub-contractors.

7. PROSPECTS OF THE PROPOSED SDSDSB ACQUISITION

7.1 Overview and prospects of the Malaysian economy

Growth of the Malaysian economy accelerated to 6.4% in the second quarter of 2014 from 6.2% in the first quarter, making the strongest growth since the fourth quarter in 2010, and bringing the first half growth to 6.3%. Growth was supported by the resilient domestic demand and reinforced by higher exports. The faster pace of recovery, particularly in the United States of America (“US”) and United Kingdom and selected euro area economies as well as moderate growth in the emerging economies provided strong support to the Malaysian export-oriented industries and trade-related services. Of significance, global semiconductor demand also rebounded strongly as business confidence and consumer spending in the US improved amid diminishing inventory overhang. Consequently, gross exports rebounded strongly by 10.7% during the first seven months of 2014 from a contraction of 2.8% in the corresponding period in 2013.

Meanwhile, the Malaysian economy has benefited from several initiatives and reforms taken over the years to enhance its resilience and competitiveness. Consequently, Malaysia is now well placed to gain further from the gradual global recovery with a more broad-based growth. The nation’s strengths include: strong macroeconomic fundamentals such as a diversified economy; low unemployment; strong international reserves; growing role of the private sector as the driver of growth with its share of investment currently accounting for 68.9% of total investment during the first half of 2014; and a healthy financial system to support economic activity. Thus, the domestic economy will continue to expand in the second half of the year, albeit moderately, mainly due to the high-base effect of export performance from the previous year. For 2014, the economy is projected to grow 5.5% - 6% (2013: 4.7%), which is higher than the initial forecast of 4.5% - 5.5% in early 2014.

On the demand side, growth will be underpinned by resilient consumer spending, strong private investment activity and improving global demand. Consumer spending is envisaged to be sustained, albeit at a moderate pace, supported by favourable labour market conditions, continued wage growth and firm export earnings. Private investment is expected to sustain its strong growth momentum supported by the ongoing projects under the Economic Transformation Programme (ETP) and investment in the regional economic growth corridors. Meanwhile, public expenditure is envisaged to expand at a slower pace in line with the Government's commitment to fiscal consolidation. Public consumption is expected to moderate due to lower growth on emoluments, while public investment will continue to expand supported by higher capital spending of Non-Financial Public Enterprises (NFPEs).

On the supply side, all sectors are expected to record positive growth in 2014, with the services and manufacturing sectors spearheading growth. The services sector is expected to grow strongly, with the wholesale trade, transport and storage benefitting from higher trade-related activities. Meanwhile, activities in retail trade, accommodation and restaurants as well as communication are expected to increase amid sustained household spending. The manufacturing sector is estimated to grow at a faster pace on higher exports of electronics and electrical (E&E) products as external demand improves. Sales and exports of personal computers (PCs) and related parts have rebounded supported by improved global demand and declining inventory. Growth of the domestic-orientated industries such as food and beverage as well as transportation equipment and machinery is expected to remain favourable, in line with resilient domestic consumption and robust private investment. The construction sector is expected to further expand supported by the civil engineering and residential subsectors. The civil engineering subsector will be driven by oil and gas as well as transportation projects. Meanwhile, growth in the residential subsector is mainly due to the construction of private residential projects ranging from medium to high-end properties, particularly in the Klang Valley, Pulau Pinang and Johor. Prospects for the agriculture sector in 2014 will also remain favourable, supported by higher production of crude palm oil and food, especially poultry, fruits and vegetables. The mining sector is expected to grow backed by the increase in production of natural gas and crude oil (including condensates) following capacity enhancement and new production facilities.

(Source: Economic Report 2014/2015, Ministry of Finance)

The Malaysian economy is expected to register real GDP growth of 5.7% in 2014, decelerating to 4.7% in 2015 before normalizing to 5.1% in 2016. As consumers adjust to the implementation of the GST and the elimination of fuel subsidies, as well as further moderation in credit growth, private consumption will slow somewhat. Fixed investment will expand at a moderate pace due to the decline in commodity prices that is likely to reduce capital expenditures in the oil and gas industry. Exports will continue to expand in line with the gradual global recovery, but the contribution of external demand will return to negative territory especially as firms import parts and components to rebuild inventories depleted in 2013 and 2014.

(Source: Malaysia Economic Monitor, Towards a Middle-Class Society, World Bank dated December 2014)

7.2 Overview and outlook of the Malaysian property market

The construction sector continued to register a double-digit growth of 14.3% during the first half of 2014 (January-June 2013: 12%). During the period, 19,649 construction projects were undertaken with contract value of RM50.1 billion. The residential subsector contributed 29.6% to the total construction work. The growth in residential subsector is mainly due to the construction of the private residential projects ranging from medium-high end properties particularly in Klang Valley, Pulau Pinang and Johor.

The residential subsector expanded strongly by 22.1% during the first half of 2014 (January-June 2013: 15.7%) supported by higher growth in incoming supply at 9.5% (January- June 2013). Meanwhile, new housing approvals increased significantly by 32.6% to 96,115 units (January- June 2013: 6.8%; 72,461 units). Despite the decline in housing starts at 5.3% to 70,346 units (January-June 2013: 21.1%, 74,270 units), residential activity is expected to remain stable. The take-up rate for houses priced between RM500,001 and RM1,000,000, within 6 months after launch, was lower at 11.6% (January- June 2013: 34.2%) following several measures to cool the housing sector. Meanwhile, the highest take-up rate was recorded for houses priced between RM200,001 and RM250,000 at 49.3%. With regard to the provision of adequate houses for the low-income group, the Government continues to allocate fund to build affordable houses under various Government programs, such as Rumah Mesra Rakyat (RMR), Rumah Mampu Milik (RMM), and Rumah Idaman Rakyat (RIR). The Government also allocated RM1billion under 1 Malaysia Housing Program (PR1MA) to build 80,000 housing units.

Meanwhile, the value of total property transactions increased to RM82 billion (January-June 2013: RM68.8 billion), with volume expanding 3.3% to 193,405 transactions during the first six (6) months of 2014. Residential property transactions formed the bulk with a share of 63.5%. However, following several cooling measures imposed to curb speculative activity in the property sector, the number of residential property transactions decreased 2.7% in the first half of 2014 (July-December 2013: 5.1%). During the same period, residential transactions declined in Kuala Lumpur (-4.8%) and Selangor (-2.1%), while Johor and Pulau Pinang registered positive growth of 17.5% and 2.7%, respectively. Meanwhile, the residential overhang declined 11.5% to 12,105 units during the first half of 2014 (January-June 2013: -15.1%; 13,673 units), with a total value of RM4.5 billion (January-June 2013: RM5 billion).

House prices in Malaysia continue to rise, albeit at a slower pace, amid several measures to curb rising house prices since 2010. The increase in house prices was driven by strong demand following favourable labour market conditions and growing household income. The Malaysian House Price Index, which measures the change in prices paid for an average house, increased moderately by 6.6% in the second quarter of 2014, compared with 11.3% in the corresponding period in 2013. This was the lowest quarterly rate of increase since the third quarter of 2010.

(Source: Economic Report 2014/2015, Ministry of Finance)

7.3 Prospects of SDSDSB

The land held by SDSDSB is situated in a strategic location in the Klang Valley, namely in the south of Putrajaya. Due to the scarcity of development land in prime areas, demand for properties is expected to remain positive. In general, the property market in Klang Valley has good mid- to long-term prospects, benefiting from the existing and planned transportation infrastructure such as airports, light rail transit, mass rapid transit and highways.

The 331.27 acres of freehold Suria Serenia Land held by SDSDSB, a 50:50 joint venture company between SGSB and Sime Darby Property, is located south of Putrajaya and 18km from Kuala Lumpur International Airport (“**KLIA**”). The site is strategically adjacent to the Salak Tinggi KLIA express station, which takes about 6 minutes from KLIA and 28 minutes to KL Sentral via KLIA express rail link. With the Suria Serenia Land surrounding the Xiamen University Malaysia Campus, its strategic location which is easily accessible via rail and close proximity to KLIA will be a major selling point, in particular to the local and foreign students enrolling into the campus. The initial section of the campus is targeted to be completed by year 2015 to cater for the first (1st) intake of students. Upon completion of the entire campus building, the campus will have a full capacity to cater for 10,000 students. The Suria Serenia Land is expected to be transformed into a university township complete with commercial and residential properties catering to the staff and students of Xiamen University Malaysia Campus, with an estimated GDV of approximately RM6.4 billion.

(Source: Management of Sunsuria)

8. EFFECTS OF THE PROPOSED SDSDSB ACQUISITION AND THE PROPOSALS

The proforma effects of the Proposed SDSDSB Acquisition and the Proposals (including the Proposed Variations) on the share capital, substantial shareholders’ shareholding and the net assets (“**NA**”) as well as gearing of Sunsuria are illustrated on the basis that the Proposed SDSDSB Acquisition and the Proposals (including the Proposed Variations) are completed prior to the Fund Raising Exercise and are based on the following scenarios:-

Minimum Scenario: Based on the minimum subscription level of 238,102,032 Rights Shares together with 79,367,344 Warrants based on the written irrevocable and unconditional undertakings dated 28 March 2014 provided by Datuk Ter and Ter Equity (“**Undertakings**”) as well as 10% of the shares to be issued pursuant to the Private Placement after the Rights Issue With Warrants.

Maximum Scenario: Based on the assumption that all the shareholders of the Company entitled for the Rights Shares subscribe for their respective entitlements under the Rights Issue With Warrants and approximately 8.6% of the shares to be issued pursuant to the Private Placement after the Rights Issue With Warrants.

The Proposed Variations will not have any effect on the share capital, substantial shareholders’ shareholding, earnings and earnings per share (“**EPS**”) as well as gearing of Sunsuria as set out in the Initial Announcement. The effects of the Proposed Variations (together with the Proposed SDSDSB Acquisition and the Proposals) on the NA and NA per share are set out below.

8.1 Share capital and substantial shareholders’ shareholding

The Proposed SDSDSB Acquisition will not have any effect on the issued and paid-up share capital of Sunsuria as well as Sunsuria’s substantial shareholders’ shareholdings, as the consideration for the Proposed SDSDSB Acquisition shall be satisfied entirely by cash and does not involve any issuance of new Sunsuria Shares.

8.2 Earnings and EPS

The Proposed SDSDSB Acquisition is expected to be completed in the second quarter of calendar year 2015, and are expected to contribute positively to the earnings and EPS of Sunsuria for the FYE 31 March 2016 and the future earnings and EPS of the Group for the ensuing financial years, due to, amongst others, the full recognition of the earnings contribution from the Suria Serenia Development being undertaken by SDSDSB.

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8.3 NA and gearing

Based on the latest audited consolidated financial statements of Sunsuria Group for the FYE 31 March 2014, the proforma effects of the Proposed SDSDSB Acquisition and the Proposals (including the Proposed Variations) on the consolidated NA per Sunsuria Share and gearing of the Group are as follows:-

Minimum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 31 March 2014	After the Proposed SDSDSB Acquisition and Proposals ⁽¹⁾	After (I) and Rights Issue With Warrants ⁽²⁾	After (II) and Private Placement ⁽²⁾	After (III) and assuming full exercise of the Warrants ⁽²⁾
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	79,180	130,201	249,252	274,177	313,860
Share premium	13,296	62,275	67,750	80,213	210,631
Warrant reserve	-	-	27,240	27,240	-
Capital redemption reserve	-	100	100	168	168
Capital Reserve	815	815	815	815	815
Retained profits	(5,037)	43,217 ⁽³⁾	43,217	43,149	43,149
Shareholders equity / NA	88,254	236,608	388,374	425,762	568,623
Number of ordinary shares ('000)	158,361	260,402	498,504	548,354	627,721
NA per share (RM)	0.56	0.91	0.78	0.78	0.91
Total bank borrowings	-	-	-	196,122	196,122
Gearing ratio (times)	-	-	-	0.46	0.34

Note:-

- (1) Based on the Reinvestment Shares Issue Price of RM0.98 and the issuance of 102,040,816 Reinvestment Shares pursuant to the Proposed Reinvestment.
- (2) The above proforma illustrates the effects of the Fund Raising Exercise under the Minimum Scenario and the assumptions set out in the Circular to Shareholders as if the Fund Raising Exercise had been effected as at 31 March 2014.
- (3) The above proforma illustrates the effects of the Proposed SDSDSB Acquisition and the Proposals based on the assumptions set out in the Initial Announcement, and after taking into consideration the additional estimated expenses to be incurred of approximately RM1.95 million for the Proposed SDSDSB Acquisition as well as the lower net gain on bargain purchase.

Maximum Scenario

	Audited as at 31 March 2014	(I)	(II)	(III)	(IV)
		After the Proposed SDSDSB Acquisition and the Proposals ⁽¹⁾	After (I) and Rights Issue With Warrants ⁽²⁾	After (II) and Private Placement ⁽²⁾	After (III) and assuming full exercise of the Warrants ⁽²⁾
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	79,180	130,201	367,743	399,415	478,596
Share premium	13,296	62,275	74,008	89,844	350,244
Warrant reserve	-	-	54,530	54,530	-
Capital Redemption Reserve	-	100	100	168	168
Capital Reserve	815	815	815	815	815
Retained profits	(5,037)	43,217 ⁽³⁾	43,217	43,149	43,149
Shareholders equity / NA	88,254	236,608	540,413	587,921	872,972
Number of ordinary shares ('000)	158,361	260,402	735,486	798,831	957,192
NA per share (RM)	0.56	0.91	0.73	0.74	0.91
Total bank borrowings	-	-	-	33,963	33,963
Gearing ratio (times)	-	-	-	0.06	0.04

Note:-

- (1) Based on the Reinvestment Shares Issue Price of RM0.98 and the issuance of 102,040,816 Reinvestment Shares pursuant to the Proposed Reinvestment.
- (2) The above proforma illustrates the effects of the Fund Raising Exercise under the Maximum Scenario and the assumptions set out in the Circular to Shareholders as if the Fund Raising Exercise had been effected as at 31 March 2014.
- (3) The above proforma illustrates the effects of the Proposed SDSDSB Acquisition and the Proposals based on the assumptions set out in the Initial Announcement, and after taking into consideration the additional estimated expenses to be incurred of approximately RM1.95 million for the Proposed SDSDSB Acquisition as well as the lower net gain on bargain purchase.

8.4 Convertible securities

As at the date of this Announcement, the Company does not have any existing convertible securities.

9. HIGHEST PERCENTAGE RATIOS APPLICABLE

The highest percentage ratio applicable to the Proposed SDSDSB Acquisition (upon aggregating with the highest percentage ratio of the Proposals of 397.38%) as per Paragraph 10.02(g) Chapter 10 of the MMLR is 593.84%, calculated based on the Total SDSDSB Consideration as compared to the NA of the Sunsuria Group based on the Company's latest audited financial statements for the FYE 31 March 2014.

10. APPROVALS REQUIRED

The Proposed SDSDSB Acquisition is subject to *inter-alia* the following approvals being obtained:-

- (i) the approval of shareholders of Sunsuria at an EGM to be convened;
- (ii) the financiers/creditors of SDSDSB pursuant to the Proposed SDSDSB Acquisition, if required;
- (iii) approval or consent of any other party which has entered into any subsisting arrangement, contract or undertaking or guarantee with or involving SDSDSB to the extent that at the completion date the same remain to be completed or performed or remain in force; and
- (iv) any other relevant authorities and/or parties, if required.

The Proposed SDSDSB Acquisition is not conditional or inter-conditional upon any other corporate exercises being or proposed to be undertaken by the Company, including the Proposals. For information purposes, the Proposed SDSDSB Acquisition is conditional upon the announcement of the books closure date and the execution of the underwriting agreement in respect of the Rights Issue With Warrants.

For the avoidance of doubt, the Proposed Variations will not affect the approvals sought for the Proposed SGSB Transactions as set out in the Initial Announcement.

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the directors and/or major shareholders of the Company and/or persons connected to them have any interest, direct or indirect, in the Proposed SDSDSB Acquisition.

12. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed SDSDSB Acquisition and after careful deliberation, is of the opinion that the Proposed SDSDSB Acquisition is in the best interests of the Company.

13. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application(s) to the relevant authorities in relation to the Proposed SDSDSB Acquisition is expected to be submitted within three (3) months from the date of this Announcement.

14. ADVISERS

AmlInvestment Bank, Astramina and RHB Investment Bank have been appointed as the Joint Advisers for the Proposed SDSDSB Acquisition.

15. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed SDSDSB Acquisition is expected to be completed by the second (2nd) quarter of calendar year 2015.

16. DOCUMENTS FOR INSPECTION

The SDSDSB SPA and the Supplemental SGSB Subscription Agreement will be made available for inspection during normal business hours at Sunsuria's registered office at Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 20 April 2015.