

## SUNSURIA BERHAD (“SUNSURIA” OR “COMPANY”)

### PROPOSED LEASE DISPOSAL

#### 1. INTRODUCTION

The Board of Directors (“**Board**”) of Sunsuria wishes to announce that Maica Wood Industries Sdn Bhd (“**MWISB**” or the “**Vendor**”), a 99%-owned subsidiary company of Sunsuria, has on 19 October 2015, entered into a lease purchase agreement (“**LPA**”) with Always Ahead (M) Sdn Bhd (“**AAMSB**” or the “**Purchaser**”), wherein the Vendor has agreed to sell and Purchaser has agreed to purchase a lease for a total cash consideration of RM8,600,000 (“**Purchase Price**”). Information of the lease as follow:

- (a) H.S.(M) 7859 Plot No. 23, Bandar Kulim, Daerah Kulim, Negeri Kedah (“**said Land**”) registered under Perbadanan Kemajuan Negeri Kedah (“**PKNK**” or “**Land Proprietor**”);
- (b) A lease of Sixty (60) years commencing on 10 November 1981 and expiring on 9 November 2041 granted by the Land Proprietor to the Vendor over the said Land (“**the Lease**”) measuring approximately 59,755.974 square metres together with a factory erected thereon (“**the Property**”);
- (c) A portion of the Property was subleased to Lembaga Letrik Negara, Tanah Melayu (currently vested in Tenaga Nasional Berhad) for a period of 30 years commencing on 20 June 1986 and ending on 19 June 2016 (“**TNB Lease**”).

The proposed disposal of the Lease is hereinafter referred to as the “**Proposed Lease Disposal**”.

Further details of the Proposed Lease Disposal are set out in the ensuing sections.

#### 2. DETAILS OF THE PROPOSED LEASE DISPOSAL

##### 2.1 Details on the Lease

The Lease on a land with an area of approximately 59,755.974 square metres with a factory erected thereon.

Details of the Lease are as follows:

Title No./ Lot No.	H.S.(M) 7859 Plot No. 23
Mukim/ District/ State	Bandar Kulim, Daerah Kulim, Negeri Kedah
Postal Address	Plot 23, Lorong Perusahaan 2, Kawasan Perusahaan Kulim, 09000 Kulim, Kedah
Description	Tenanted leasehold industrial land with a factory erected thereon
Registered Owner	PKNK
Registered Lease Holder	MWISB
Category of Land Use	Industrial
Existing Usage	Factory
Tenure	A lease of Sixty (60) years commencing on 10 November 1981 and expiring on 9 November 2041
Land Area	Approximately 59,755.974 square metres.
Lease Age	Approximately 33 years
Lettable Area	Approximately 59,755.974 square metres.
Occupancy of Lettable Area	100%
Rental income per month	RM45,000.00
Encumbrances	Free from encumbrances
Audited Net Book Value	RM3.04 million (as at 31 March 2014)
Purchase Price	RM8,600,000

Pursuant to the LPA, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Lease at the Purchase Consideration, free from all encumbrances but subject to all conditions of title whether express or implied, restriction in interest and the category of land use contained in the document of title to the Land upon the terms and conditions contained in the LPA.

No valuation was carried out on the Lease in conjunction with the Proposed Lease Disposal.

## 2.2 Information on AAMSB

AAMSB was incorporated in Malaysia as a private limited company under the Companies Act 1965 on 7 September 2015. It has an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each, and paid-up share capital of RM2,200 comprising 2,200 ordinary shares of RM1.00 each. The principal activity of AASB is logistics and transportation, investment and property management and general trading.

The current directors of AASB are Lim Hooi Luan and Hazuli bin Hamzah, and shareholders are Ekatuju Sdn Bhd (existing tenant of the Property) which hold 99.95% equity interest and Lim Hooi Luan who holds 0.05% equity interest in AAMSB.

## 2.3 Salient terms and conditions of the LPA

The salient terms and conditions of the LPA include, among others, the following:

- (i) Condition(s) precedent:
  - (a) the Vendor shall have obtained written consent of the Land Proprietor for the sale and transfer of the said Lease in favour of the Purchaser (hereinafter referred to as the “**Proprietor’s Consent**”)
  - (b) the Vendor shall have obtained the written consent of Tenaga Nasional Berhad for the sale and transfer of said Lease in favour of the Purchaser subject to the TNB Lease (hereinafter referred to as the “**TNB Consent**”).

The parties hereby agree that the date at which this Agreement becomes unconditional shall be the date of the Vendor’s Solicitors’ receipt of the Proprietor’s consent or the TNB Consent whichever is the later (hereinafter referred to as the “**Unconditional Date**”).

- (ii) Payment terms for the Sales Consideration are as follows:
  - (a) Earnest Deposit

The Purchaser has prior to the execution of the LPA paid to the Vendor 2% of the Purchase Price as earnest deposit (“**Earnest Deposit**”).
  - (b) Balance Deposit

Upon execution of the LPA, the Purchaser shall pay to the Vendor, the balance 8% of the Purchase Price (“**Balance Deposit**”).

The Earnest Deposit and Balance Deposit are collectively referred to as the “**Deposit Sum**”
  - (c) Balance Purchase Price

Within Three (3) Months from the Unconditional Date (“**Completion Period**”) the Purchaser shall pay the balance 90% of the Purchase Price (“**Balance Purchase Price**”) to the Vendor’s Solicitors as stakeholders.

In the event that the Purchaser is unable to pay the Balance Purchase Price within the Completion Period for any reason, the Vendor shall grant to the Purchaser an extension of one (1) month from the date of expiry of the Completion Period (hereinafter referred to as the “**Extended Completion Period**”) to pay the Balance Purchase Price PROVIDED ALWAYS that the Purchaser shall pay to the Vendor interest on the Balance Purchase Price or any outstanding balance thereof at the rate of 8% per annum calculated on a day to day basis from the first day of the Extended Completion Period until the date of receipt of full payment by the Vendor’s Solicitors which is to be paid together with the Balance Purchase Price or any outstanding balance thereof.

- (iii) The receipt by the Vendor’s Solicitors of the Balance Purchase Price (together with the late payment interest, if any) shall be deemed sufficient discharge to the Purchaser of the sum so received.

## 2.4 Basis of arriving at the Purchase Consideration

The Purchase Consideration was arrived at a willing-buyer willing-seller basis, after taking into consideration the following:

- (i) The original cost of investment and net book value of the Land as disclosed in Section 2.1 above;
- (ii) The expected net gain of approximately RM5.42 million as disclosed in Section 2.5 below; and
- (iii) The prevailing market value of lease in the Kulim area.

## 2.5 Expected net gain and utilisation of proceeds

- (i) The expected net gain from the Proposed Land Disposal is approximately RM5.42 million and is derived as follows:

	RM'mil
Sales Consideration	8.60
<b>Less:</b>	
Audited Net Book value as at 31 March 2014	(3.04)
Incidental Cost (stamp duty, legal fees & etc)	(0.04)
Tax payable	(0.10)
<b>Expected Net Gain</b>	<b>5.42</b>

- (ii) The gross proceeds (net of incidental selling cost) arising from the Proposed Lease Disposal are expected to be utilised for the working capital of the Sunsuria Group.

## 3. RATIONALES

The rationales for the Proposed Lease Disposal are:

- (i) to realise the capital gain from the investment in the Lease; and
- (ii) to raise necessary funds as working capital for Sunsuria Group.

## 4. RISK FACTORS

There will be no assurance that condition(s) precedent stated therein will be able to fulfill, or the Proposed Lease Disposal can be completed within time frame set. Any delay or non-completion of the Proposed Lease Disposal will delay or preclude the Company from receiving the proceeds from the Proposed Land Disposal.

## 5. EFFECTS OF THE PROPOSED LESAE DISPOSAL

### 5.1 Share capital and substantial shareholders' shareholding

The Proposed Lease Disposal will not have any effect on the issued and paid-up share capital of Sunsuria and the substantial shareholders' shareholding in Sunsuria, as the Proposed Lease Disposal does not involve any issuance of shares in Sunsuria.

### 5.2 Earnings, earnings per share, net assets and gearing

The Proposed Lease Disposal is expected to generate a one-off net gain of approximately RM5.42million for the Sunsuria Group for the financial year ending 30 Sept 2016.

Based on the latest Audited Financial Report for the financial year ended 31 March 2014 with the issued and paid-up share capital of RM79,180,736 divided into 158,361,472 ordinary shares of RM0.50 each, the Proposed Lease Disposal is expected to increase the earnings per share of the Sunsuria Group by approximately 3.43 sen. On the other hand, based on the position after issuance of the Rights Issue which was completed in July 2015 with the issued and paid-up share capital of RM367,743,352 divided into 735,486,704 ordinary shares of RM0.50 each, the Proposed Lease Disposal is expected to increase the earnings per share of the Sunsuria Group by approximately 0.01 sen for the financial year ending 30 September 2016.

The Proposed Lease Disposal is also expected to increase the net assets of the Sunsuria Group by approximately RM5.42 million for the financial year ending 30 September 2016 but will not have a material effect on the gearing of the Sunsuria Group for the financial year ending 30 September 2016.

**6. APPROVALS REQUIRED**

The Proposed Lease Disposal is not subject to the approval of the shareholders of the Company but subject to consent from PKNS and TNB.

The Proposed Lease Disposal is not conditional upon any corporate exercise undertaken or to be undertaken by Sunsuria.

**7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED**

None of the Directors and/or major shareholders of the Company and its subsidiaries and/or persons connected to them have any interest, direct or indirect in the Proposed Lease Disposal.

**8. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Proposed Lease Disposal, is of the opinion that the Proposed Lease Disposal is in the best interest of the Company.

**9. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Lease Disposal pursuant to Paragraph 10.02 (g) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements is approximately 9.74% based on the latest audited financial statements of the Group as at 31 March 2014.

**10. ESTIMATED TIME FRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Lease Disposal is expected to be completed in the 1<sup>st</sup> half of 2016.

**11. DOCUMENTS FOR INSPECTION**

The LPA is available for inspection by the shareholders of Sunsuria at the registered office of Sunsuria at Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya , Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 19 October 2015.