

Type : **General Announcement**
Subject : **Others**
Description : **Sunsuria Berhad (“Sunsuria” or “Company”) – Proposed Joint Development Agreement (“Proposed JDA”)**

1. INTRODUCTION

The Board of Directors of Sunsuria (“Board”) wishes to announce that on 15 February 2018, Library Mall Development Sdn Bhd (“LMDSB”), its wholly-owned subsidiary, has entered into a Joint Development Agreement (“JDA” or “the Agreement”) with CI Medini Sdn Bhd (“Leaseowner”) whereby LMDSB via its wholly-owned subsidiary, Dreamsphere Sdn Bhd (“DSB”) and the Leaseowner shall jointly carry out and undertake the development of a 6-storey stratified multi-storey shops known as “Pusat Perdagangan ION Akses” (“Development”) on all that piece of freehold land known as Plot C17 held under PTD201442 (HSD559037) in the Mukim of Pulai in the District of Johor Bahru in the State of Johor Darul Ta’zim (“Land”) and the disposal of the individual parcels of stratified multi-storey shops within the Development (“Disposals”) (collectively referred to as “the Project”).

Pursuant to the JDA, LMDSB shall be entitled to a 20% share of profit of the net sales revenue for all units sold less aggregate Development Project Expenditure on the Project completion i.e. 6 months after the date of issuance of the Certificate of Completion and Compliance for all units. The Leaseowner shall be entitled to the balance of the profit less LMDSB’s share of profit.

The Proposed JDA is subject to the terms and conditions of the JDA, as detailed out in Section 3 of this announcement.

2. BACKGROUND INFORMATION

2.1 Information on LMDSB

LMDSB is a private limited company incorporated in Malaysia on 31 March 2014 under the Companies Act, 2016 (“Companies Act”) under its former name, Arrowstone Acres Sdn Bhd. It assumed its present name on 10 September 2015. As at the date of this announcement, the issued share capital of LMDSB is two (2) ordinary shares. As at the date of this announcement, LMDSB is a wholly-owned subsidiary of Sunsuria and is principally engaged in investment holding.

As at the date of this announcement, LMDSB has the following subsidiary:

Name of Company	Date of Incorporation / Place of incorporation	Effective Equity Interest held (%)	Principal Activity
Dreamsphere Sdn Bhd (“DSB”)	22 January 2018 / Malaysia	100.00	Dormant. Intended principal activities of DSB will be in the business of general trading, real property holding, investment holding, etc.

2.2 Information on DSB

DSB was incorporated on 22 January 2018 as a private limited company under the Companies Act with an issued share capital of one (1) ordinary share. DSB is currently a dormant company and has not commenced any business operation since the date of its incorporation. The intended principal activities of DSB will be in the business of general trading, real property holding, investment holding, etc.

Type : **General Announcement**
Subject : **Others**
Description : **Sunsuria Berhad (“Sunsuria” or “Company”) – Proposed Joint Development Agreement (“Proposed JDA”)**

2.3 Information on the Leaseowner

The Leaseowner is a private limited company incorporated in Malaysia on 3 August 2009 under the Companies Act under its former name, Platinum Solaris Sdn Bhd. It subsequently changed its name to Sunsuria Medini Sdn Bhd on 10 June 2013 and assumed its present name on 16 November 2015. As at the date of this announcement, the Leaseowner has an issued share capital of 257,113,200 ordinary shares. The Leaseowner is principally involved in property development and property investment.

As at the date of this announcement, the directors of the Leaseowner are Takeshi Matsukata, Toshihiko Muneyoshi and Masahiro Ohmura whilst the shareholders of the Leaseowner and their corresponding shareholdings are as follows:

Shareholders	Number of shares held in the Leaseowner	Shareholding
Concord Property Management Sdn Bhd	250,000	0.097%
CI South Sdn Bhd	750,000	0.292%
Creed Investment Pte Ltd	256,113,200	99.611%
TOTAL	257,113,200	100.00%

2.4 Information on the Project

Information on the Project as at the date of this announcement, which may be subject to further refinement, is set out below:-

Project Name	:	Pusat Perdagangan ION Akses
Type of Development	:	355 units of 6-storey stratified multi-storey shops with a Roof Commercial Deck
Surroundings	:	<p>The Development is located in the heart of the urban township of Medini in Iskandar Malaysia, Johor, which is strategically situated just 5km from the Singapore Second Link and is minutes away from EduCity, Pinewood Iskandar Malaysia Studios, Legoland Malaysia and Sanrio Hello Kitty Town.</p> <p>The Development has the leverage of being in the middle of booming surroundings wherein the Medini township is targeted for commercial centres, SME business parks, hotels and hospitality, residential, communal and leisure facilities thereby attracting multinational corporations such as Huawei Technologies Co Ltd, Forst & Sullivan, Pinewood Iskandar Malaysia Studios, Goldbury Communications and Samsung C&T Corporation. The township certainly offers the best in connectivity and sets the perfect breeding ground for the growth of business investment.</p>
Estimated development value	gross :	RM187 million
Estimated development cost	gross :	RM135 million

Type : **General Announcement**
Subject : **Others**
Description : **Sunsuria Berhad (“Sunsuria” or “Company”) – Proposed Joint Development Agreement (“Proposed JDA”)**

Estimated net Development Profit	:	RM52 million
Commencement Date and expected completion date of development	:	The Project was launched in first quarter of year 2017 and expected to be completed by second quarter of year 2019
Current stage or percentage of completion	:	20.31% based on site progress
Status of approvals for development and date obtained	:	Planning approval was dated 23 June 2016 and Building Plan was approved on 20 Dec 2016
Source of funds to finance the development cost	:	The Leaseowner is responsible to procure funding and working capital required to undertake the Project.

2.5 Information on the Land

The Land is located at Mukim of Pulau in the District of Johor Bahru in the State of Johor Darul Ta'zim. Further details of the Land are as follows:

Title Description	:	All that piece of freehold land in Medini Iskandar Malaysia known as Plot C17 held under PTD201442 (HSD559037) in the Mukim of Pulau in the District of Johor Bahru in the State of Johor Darul Ta'zim
Category of land use	:	Commercial
Terms of tenure	:	99 years lease to use, with option for 30 years lease extension
Land area	:	6.27 acres
Registered Owner	:	Iskandar Investment Berhad
Development type	:	Commercial shop

3. SALIENT TERMS OF THE JDA

3.1 Nature of the JDA

The nature of the JDA is to regulate the relationship and respective roles between LMDSB, DSB and the Leaseowner in making good use of their complementary strength and specialties in undertaking the Development on the Land.

3.2 Condition Precedent

- (a) the JDA is subjected to the condition precedent that DSB shall procure an end-financier to serve as a panel financier for the Project for the purpose of providing end-financing to the purchasers of the units within the Project within 6 months from the date of the JDA (“CP Period”).

Type : **General Announcement**
Subject : **Others**
Description : **Sunsuria Berhad (“Sunsuria” or “Company”) – Proposed Joint Development Agreement (“Proposed JDA”)**

(b) If the Condition Precedent is not satisfied due to any reasons whatsoever on or before the expiry of the CP Period:

- (i) the joint venture shall not proceed;
- (ii) neither party shall be obliged to perform any further terms under the JDA; and
- (iii) neither party shall have any claim against the other save in respect of any antecedent breach of the terms therein,

and thereafter the JDA shall be deemed null and void.

3.3 Responsibilities of parties under the JDA

The joint responsibilities of the Leaseowner and DSB under the JDA, amongst others include:

- (a) co-ordinate, superintend and supervise the carrying out of the Development;
- (b) complete the Development and building works in such manner and in accordance with the projected Development timetable as determined by the Leaseowner;
- (c) maintain and manage the Land and Development until project completion;
- (d) determine and implement promotional and marketing campaigns for the Disposals in accordance with the applicable laws and conducting negotiations with unit purchasers for the Disposals;
- (e) co-ordinate and undertake the delivery of vacant possession to all unit purchasers and manage any complaints by Unit purchasers and defects in the units delivered; and
- (f) execute as joint developer, written amendment to the existing sale and purchase agreement executed with the unit purchasers or execute the new sale and purchase agreement with new unit purchasers in respect of each unit sold after the date of the JDA.

3.4 Working Capital and Funding

The Leaseowner shall be responsible to procure funding and working capital required to undertake the Project.

3.5 Share of Profit

The parties agreed that LMDSB shall be entitled to a 20% share of profit of the net sales revenue for all units sold less aggregate development project expenditure on the Project completion i.e. 6 months after the date of issuance of the Certificate of Completion and Compliance for all units under the Project (“LMDSB Share of Profit”).

Type : **General Announcement**
Subject : **Others**
Description : **Sunsuria Berhad (“Sunsuria” or “Company”) – Proposed Joint Development Agreement (“Proposed JDA”)**

LMDSB and DSB are not required to absorb any loss incurred under the Project in the event of a loss at the Project completion.

4. RATIONALE FOR THE PROPOSED JDA

The Board believes that the Proposed JDA is expected to contribute positively to its future earnings and improve the financial position of Sunsuria and its subsidiaries (“Sunsuria Group” or “Group”). The additional contribution from the Proposed JDA is expected to enhance the Company's profitability and returns on the shareholders' funds and improve the shareholders' value over the medium to long term.

5. SOURCE OF FUNDING

The Leaseowner is responsible to procure funding and working capital required to undertake the Project. The parties agreed that the Land and/or Development may be charged to or an encumbrance may be created in favour of a financial institution or a third party to secure any funding obtained or required to be obtained by the Leaseowner for the sole purpose of funding of the Project and development project expenditure and not for other projects undertaken or to be taken by the Leaseowner.

LMDSB and DSB shall not be required to provide any form of financial assistance or security or credit support for the purpose of the Project.

6. PROSPECTS OF THE DEVELOPMENT

As highlighted in Section 2.4 of this announcement, Medini is a flagship development poised to be a new urban township in Iskandar Malaysia. The support shown by the Malaysian and Singaporean governments makes Medini an ideal place for developers. Medini has a master developer responsible for planning and making the overall township a success and also offers corollary benefits to developers with projects within Medini. The comprehensive network of infrastructure put in place by the government makes Medini an economic corridor and a growth driver for the country. Plot C17 located within Medini is connected to major highways and is only a five-minute drive to the Second Link Expressway that connects Johor to Singapore and is located minutes away from EduCity, Pinewood Iskandar Malaysia Studios, Legoland Malaysia and Sanrio Hello Kitty Town. The Development has the leverage of being in the middle of booming surroundings wherein the Medini township is targeted for commercial centres, SME business parks, hotels and hospitality, residential, communal and leisure facilities. Investors in Medini are also entitled to an array of attractive incentives including entitlement to specific tax exemptions.

7. RISK FACTORS

The Proposed JDA is subject to normal business, market and global economic risks, and certain risks inherent in the property development and construction industry. These may include, amongst others, the risks of weather conditions, entry of new players, shortage of labour, availability and cost fluctuations of raw materials, increase in the cost of labour and cost of operations, renegotiations and nullification of existing contracts and unfavourable changes in government policies affecting the industry. These inherent risks shall be assumed solely by the Leaseowner as LMDSB and DSB will not share any loss in the Project other than the agreed share of profit as referred to Section 3.5 above.

Type : **General Announcement**
Subject : **Others**
Description : **Sunsuria Berhad (“Sunsuria” or “Company”) – Proposed Joint Development Agreement (“Proposed JDA”)**

8. FINANCIAL EFFECTS OF THE PROPOSED JDA

8.1 Share capital and substantial shareholders' shareholding

The Proposed JDA will not have any effect on the share capital and substantial shareholders' shareholding of the Company as the Proposed JDA does not involve issuance of new ordinary shares in the Company.

8.2 Earnings and earnings per share (“EPS”)

Barring unforeseen circumstances, the Proposed JDA is expected to contribute positively to the future earnings and EPS of the Group.

8.3 Net assets and gearing

The Proposed JDA is not expected to have any immediate material impact on the net assets and gearing of Sunsuria Group. However, the Proposed JDA is expected to improve the net assets of the Group upon the recognition of profits from the Development.

9. APPROVALS REQUIRED

The Proposed JDA are not subject to the approval of the shareholders of Sunsuria.

The Proposed JDA is subject to the approval of the relevant authorities, if necessary or required under the applicable act, ordinance, enactment, regulation or by-law to enable the Project to be implemented and the works in relation thereto be commenced, carried out or completed.

10. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed JDA is expected to be completed in the year 2019.

11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed JDA pursuant to Paragraph 10.02(g) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad is 1.32% respectively.

12. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the directors and/or major shareholders of Sunsuria Group and/or persons connected with them have any interests, direct or indirect, in the Proposed JDA.

13. DIRECTORS' STATEMENT

Having considered all aspects of the Proposed JDA including the rationale, prospects and effects of the Proposed JDA, the Board is of the opinion that the Proposed JDA is fair and reasonable and in the best interest of the Company.

Type : **General Announcement**
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14. ADVISER

Astramina Advisory Sdn Bhd is the appointed Financial Advisor for Sunsuria Group in relation to the Proposed JDA.

15. DOCUMENTS FOR INSPECTION

The JDA is available for inspection at the registered office of Sunsuria at Suite 8, Main Tower, Sunsuria Avenue, Persiaran Mahogani, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 15 February 2018.