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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

- (A) **PROPOSED SUBSCRIPTION OF BANGSAR HILL PARK DEVELOPMENT SDN BHD (“BHP DEVELOPMENT”);**
- (B) **PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BHP DEVELOPMENT;**
- (C) **PROPOSED ACQUISITION OF BUMILEX CONSTRUCTION SDN BHD; AND**
- (D) **PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO MONTFLEX SDN BHD**

(COLLECTIVELY, “PROPOSALS”)

PART B

INDEPENDENT ADVICE LETTER FROM M&A SECURITIES SDN BHD TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

*Principal Adviser
for Part A*



Maybank Investment Bank Berhad
(Registration No. 197301002412 (15938-H))
(A Participating Organisation of Bursa Securities)

*Financial Adviser
for Part A*



Newfields Advisors Sdn Bhd
(Company No. 199401010372 (296051-V))
(A Corporate Finance Adviser licensed by Securities Commission Malaysia)

*Independent Adviser
for Part B*



M&A Securities Sdn Bhd
(Registration No. 197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Securities)

The Notice of Extraordinary General Meeting (“**EGM**”) of Sunsuria Berhad (“**Sunsuria**” or “**Company**”), together with the Form of Proxy are enclosed in this Circular. The details of our EGM, which will be conducted in a fully virtual manner through live streaming, are as follows:

Date and time of our EGM : Friday, 5 February 2021 at 10.00 a.m. (or its adjournment)
Broadcast venue of our EGM : Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia
Last date and time for lodging the Form of Proxy : Wednesday, 3 February 2021 at 10.00 a.m.

If you are entitled to attend and vote at our EGM, you may appoint a proxy or proxies to attend and vote remotely via the Remote Participating and Voting facilities on your behalf. If you decide to do so, you must lodge the completed Form of Proxy with the Share Registrar of our Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, by 10.00 a.m. on 3 February 2021, which is not less than 48 hours before the time stipulated for holding our EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting remotely at our EGM should you subsequently decide to do so.

This Circular is dated 21 January 2021

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE FOLLOWING:

PART A

- (A) PROPOSED SUBSCRIPTION BY OUR COMPANY OF 4,488,520 NEW ORDINARY SHARES IN BHP DEVELOPMENT (“BHP DEVELOPMENT SHARES”), REPRESENTING 51.0% EQUITY INTEREST OF THE ENLARGED ISSUED SHARE CAPITAL OF BHP DEVELOPMENT, AT AN ISSUE PRICE OF RM1.88 PER BHP DEVELOPMENT SHARE FOR A SUBSCRIPTION CONSIDERATION OF RM8,438,417.60 TO BE SATISFIED IN CASH (“PROPOSED SUBSCRIPTION OF BHP DEVELOPMENT”);**
- (B) PROPOSED PROVISION OF FINANCIAL ASSISTANCE BY OUR COMPANY TO BHP DEVELOPMENT AFTER THE COMPLETION OF THE PROPOSED SUBSCRIPTION OF BHP DEVELOPMENT OF UP TO RM276.1 MILLION, OF WHICH AN AMOUNT OF UP TO RM102.1 MILLION IN CASH WILL BE USED FOR THE WORKING CAPITAL REQUIREMENT OF BHP DEVELOPMENT WHICH IS IN PROPORTION TO OUR COMPANY’S PROPOSED 51.0% SHAREHOLDING IN BHP DEVELOPMENT AND AN AMOUNT OF UP TO RM174.0 MILLION IN THE FORM OF CORPORATE GUARANTEE FOR 51.0% OF THE FINANCING FACILITIES OBTAINED BY BHP DEVELOPMENT (“PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BHP DEVELOPMENT”);**
- (C) PROPOSED ACQUISITION BY OUR COMPANY OF 100,000 EXISTING ORDINARY SHARES IN BUMILEX CONSTRUCTION SDN BHD (“BUMILEX”), REPRESENTING 100% EQUITY INTEREST IN BUMILEX, FOR A PURCHASE CONSIDERATION OF RM2.00 TO BE SATISFIED IN CASH (“PROPOSED ACQUISITION OF BUMILEX”); AND**
- (D) PROPOSED PROVISION OF FINANCIAL ASSISTANCE BY OUR COMPANY (EITHER DIRECTLY OR THROUGH BUMILEX) TO MONTFLEX SDN BHD (“MONTFLEX”) AFTER THE COMPLETION OF THE PROPOSED ACQUISITION OF BUMILEX OF UP TO RM33.3 MILLION, OF WHICH AN AMOUNT OF UP TO RM20.6 MILLION IN CASH WILL BE USED FOR THE WORKING CAPITAL REQUIREMENT OF MONTFLEX WHICH IS IN PROPORTION TO BUMILEX’S 51.0% SHAREHOLDING IN MONTFLEX AND AN AMOUNT OF UP TO RM12.7 MILLION IN THE FORM OF CORPORATE GUARANTEE FOR 51.0% OF THE FINANCING FACILITIES OBTAINED BY MONTFLEX (“PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO MONTFLEX”)**

PART B

INDEPENDENT ADVICE LETTER FROM M&A SECURITIES SDN BHD TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act 2016
Agreements	:	Collectively, the SSSA, SSPA and Montflex SHA
Bangsar Land	:	Collectively, the parcel of residential development land held under PN 15226 Lot 365 Section 96 ¹ and the parcel of residential detached plot held under GRN 31910 Lot 223 Section 96, all located within Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur, details of which are set out in Section 2.2 of Part A and Appendix III of this Circular
BHP Development	:	Bangsar Hill Park Development Sdn Bhd (Registration No. 199901017855 (492755-M))
BHP Development Corporate Guarantee	:	The provision of corporate guarantee by our Company of up to RM174.0 million for the benefit of BHP Development
BHP Development Existing Shareholders	:	Collectively, Sunsuria KL, Suez Capital and Dasar Temasek
BHP Development Share(s)	:	Ordinary shares in BHP Development
BHP Development Subscription Consideration	:	The subscription consideration of RM8,438,417.60 at the issue price of RM1.88 per BHP Development Share for the 4,488,520 new BHP Development Shares in relation to Proposed Subscription of BHP Development
Board	:	Board of Directors of our Company
Bumilex	:	Bumilex Construction Sdn Bhd (Registration No. 200701026935 (784956-H))
Bumilex Group	:	Collectively, Bumilex and its subsidiary, Montflex
Bumilex Purchase Consideration	:	The purchase consideration of RM2.00 in relation to the Proposed Acquisition of Bumilex
Bumilex Shares	:	Ordinary shares in Bumilex
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CA 1965	:	Companies Act 1965
CBRE WTW	:	C H Williams Talhar & Wong Sdn Bhd (Registration No. 197401001098 (18149-U))

¹ The land title has been cancelled following the subdivision of the land and the issuance of new land titles dated 14 October 2020 held under:

- (1) H.S.(D) 121639, No. PT 50001 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur;
- (2) H.S.(D) 121640, No. PT 50002 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur; and
- (3) H.S.(D) 121641, No. PT 50003 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur.

DEFINITIONS *(Cont'd)*

Circular	: This circular to our shareholders dated 21 January 2021 in relation to the Proposals
Dasar Temasek	: Dasar Temasek Sdn Bhd (Registration No. 201501017000 (1142334-K))
Datuk Bandar	: Datuk Bandar Kuala Lumpur, a corporation sole established under the Federal Capital Act, 1960 and having its registered office at Menara DBKL, Jalan Raja Laut, 50350 Kuala Lumpur
DBKL	: Dewan Bandaraya Kuala Lumpur
EGM	: Extraordinary general meeting
EPS	: Earnings per Sunsuria Share
Excel Logic	: Excel Logic Sdn Bhd (Registration No. 200701022857 (780872-P))
FYE	: Financial year ended / ending, as the case may be
GDC	: Gross development cost
GDV	: Gross development value
Government	: Government of Malaysia
GRN	: Geran
Group	: Collectively, our Company and its subsidiaries
Independent Advice Letter	: The independent advice letter from M&A Securities to our non-interested shareholders in relation to the Proposals, as set out in Part B of this Circular
Interested Shareholders	: Collectively, Tan Sri Datuk Ter, Ter Equity, Ter Capital and THK Capital
JVA	: Joint venture agreement dated 21 March 2017 between Datuk Bandar and Montflex, the salient terms of which are set out in Appendix II(D) of this Circular
LAT	: Loss after taxation
LATAMI	: Loss after taxation and minority interest
LBT	: Loss before taxation
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 31 December 2020, being the latest practicable date prior to the date of this Circular
M&A Securities	: M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
Maybank IB	: Maybank Investment Bank Berhad (Registration No. 197301002412 (15938-H))
MFRS	: Malaysian Financial Reporting Standards

DEFINITIONS (Cont'd)

Montflex	:	Montflex Sdn Bhd (Registration No. 200601000536 (720283-P)), a 51.0% owned subsidiary of Bumilex and 49.0% owned subsidiary of Excel Logic
Montflex Corporate Guarantee	:	The provision of corporate guarantee by our Company of up to RM12.7 million for the benefit of Montflex
Montflex SHA	:	A conditional shareholders' agreement dated 2 October 2020 entered into between Bumilex with Montflex and Excel Logic, the salient terms of which are set out in Appendix II(C) of this Circular
MPERS	:	Malaysian Private Entities Reporting Standards
NA	:	Net assets
NBV	:	Net book value
Newfields	:	Newfields Advisors Sdn Bhd (Registration No. 199401010372 (296051-V))
NL	:	Net liabilities
PAT	:	Profit after taxation
PATAMI	:	Profit after taxation and minority interest
PBT	:	Profit before taxation
PN	:	Pajak Negeri
Proposals	:	Collectively, the Proposed Subscription of BHP Development, Proposed Provision of Financial Assistance to BHP Development, Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex
Proposed Acquisition of Bumilex	:	Proposed acquisition by our Company of 100,000 existing ordinary shares in Bumilex, representing 100% equity interest in Bumilex, for a purchase consideration of RM2.00 to be satisfied in cash
Proposed Provision of Financial Assistance to BHP Development	:	Proposed provision of financial assistance by our Company to BHP Development after the completion of the Proposed Subscription of BHP Development of up to RM276.1 million, of which an amount of up to RM102.1 million in cash will be used for the working capital requirement of BHP Development which is in proportion to our Company's proposed 51.0% shareholding in BHP Development and an amount of up to RM174.0 million in the form of corporate guarantee for 51.0% of the financing facilities obtained by BHP Development
Proposed Provision of Financial Assistance to Montflex	:	Proposed provision of financial assistance by our Company (either directly or through Bumilex) to Montflex after the completion of the Proposed Acquisition of Bumilex of up to RM33.3 million, of which an amount of up to RM20.6 million in cash will be used for the working capital requirement of Montflex which is in proportion to Bumilex's 51.0% shareholding in Montflex and an amount of up to RM12.7 million in the form of corporate guarantee for 51.0% of the financing facilities obtained by Montflex

DEFINITIONS (Cont'd)

Proposed Subscription of BHP Development	: Proposed subscription by our Company of 4,488,520 new BHP Development Shares, representing 51.0% equity interest of the enlarged issued share capital of BHP Development, at an issue price of RM1.88 per BHP Development Share for a subscription consideration of RM8,438,417.60 to be satisfied in cash
PTGWP	: Pejabat Pengarah Tanah dan Galian Wilayah Persekutuan
sq ft	: Square feet
sqm	: Square metres
SSPA	: The conditional shares sale and purchase agreement dated 2 October 2020 between our Company and the Vendors, the salient terms of which are set out in Appendix II(B) of this Circular
SSSA	: The conditional shares subscription and shareholders' agreement dated 2 October 2020 between our Company and BHP Development Existing Shareholders and BHP Development, the salient terms of which are set out in Appendix II(A) of this Circular
Suez Capital	: Suez Capital Sdn Bhd (Registration No. 200101002786 (538542-X))
Sunsuria KL	: Sunsuria KL Sdn Bhd (Registration No. 200701039769 (797801-D))
Sunsuria or Company	: Sunsuria Berhad (Registration No. 196801000641 (8235-K))
Sunsuria Share(s)	: Ordinary shares in our Company
Tan Sri Datuk Ter	: Tan Sri Datuk Ter Leong Yap
TAR Land	: The 2 parcels of freehold land held under GRN 79019 Lot 316 and PN 51109 Lot 20002, Section 40, all within Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur, details of which are set out in Section 4.2 of Part A and Appendix III of this Circular
Ter Capital	: Ter Capital Sdn Bhd (Registration No. 201401011564 (1087641-X))
Ter Equity	: Ter Equity Sdn Bhd (Registration No. 201401001422 (1077495-T))
THK Capital	: THK Capital Sdn Bhd (Registration No. 201001006712 (891329-X))
UKAS, JPM	: Public Private Partnership Unit, Prime Minister's Department
Vendors	: Collectively, Johari bin Said and Aizul Akma binti Awang

CURRENCY

RM and sen	: Ringgit Malaysia and sen
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Unless specifically referred to, words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

All references to "**our Company**" or "**Sunsuria**" in this Circular are to Sunsuria. All references to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company.

DEFINITIONS *(Cont'd)*

All references to “**you**” or “**your**” in this Circular are to our shareholders.

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

Any reference to time of day in this Circular is a reference to Malaysian time and date, unless otherwise stated.

Any reference in this Circular to any provisions of the statutes, rules, regulations, guidelines or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, guidelines or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment of the statutes, rules, regulations, guidelines or rules of stock exchange for the time being in force.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group’s plans and objectives will be achieved.

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PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE ENTIRE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

Key Information	Summary	Reference to Circular
Details of the Proposed Subscription in BHP Development	<ul style="list-style-type: none"> • Proposed subscription by our Company of 4,488,520 new ordinary shares in BHP Development, representing 51.0% equity interest of the enlarged issued share capital of BHP Development, for a subscription consideration of RM8,438,417.60 to be satisfied in cash. • BHP Development is the registered owner of the Bangsar Land located along Lorong Maarof, Bangsar, Kuala Lumpur. The summary information of the Bangsar Land is as follows: 	Section 2

	Lot 365 Section 96 ⁽¹⁾	Lot 223 Section 96
Size	38,993.0 sqm ⁽¹⁾	562.5 sqm
Title	Leasehold	Freehold
Land use	Building	Nil
Market value	RM320.0 million (appraised by CBRE WTW using the income approach (residual method) and comparison approach)	RM7.0 million (appraised by CBRE WTW using the comparison approach)

Note:

(1) *The land title has been cancelled following the subdivision of the land and the issuance of new land titles dated 14 October 2020 held under:*

Land title	Land area
<i>H.S.(D) 121639, No. PT 50001 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur</i>	<i>10,156.0 sqm</i>
<i>H.S.(D) 121640, No. PT 50002 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur</i>	<i>23,784.0 sqm</i>
<i>H.S.(D) 121641, No. PT 50003 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur</i>	<i>5,053.0 sqm</i>
	<i>38,993.0 sqm</i>

Key Information

Summary

- The key financial information of BHP Development is as follows:

	FYE 31 December 2019 (RM'000)
Revenue	83
PAT / (LAT)	(4,149)
NA / (NL)	7,603

- The BHP Development Subscription Consideration will be funded via our Company's internally generated funds and/or bank borrowings, the proportion of which will be determined later.

Details of the
Proposed Provision
of Financial
Assistance to BHP
Development

- Proposed provision of financial assistance by our Company to BHP Development after the completion of the Proposed Subscription of BHP Development of up to RM276.1 million, of which:
 - an amount of up to RM102.1 million in cash ("**BHP Development Shareholder Advances**") will be used for working capital requirement of BHP Development which is in proportion to our Company's proposed 51.0% shareholding in BHP Development; and
 - an amount of up to RM174.0 million in the form of corporate guarantee, which is equivalent to 51.0% of the total financing facilities amount obtained by BHP Development for the development of the Bangsar Land.
- The BHP Development Shareholder Advances will be funded via our Company's internally generated funds and/or bank borrowings, the proportion of which will be determined later.

Section 3

Key Information

Summary

Details of the Proposed Acquisition of Bumilex

- Proposed acquisition by our Company of 100,000 existing ordinary shares in Bumilex representing 100% equity interest in Bumilex, for a purchase consideration of RM2.00 to be satisfied in cash.
- Bumilex, through its 51.0% owned subsidiary, Montflex, owns the development rights of the TAR Land ("**Development Rights**") located along Lorong Tuanku Abdul Rahman, Kuala Lumpur. The summary information of the TAR Land is as follows:

Section 4

	Lot 316 Section 40	Lot 20002 Section 40
Size	3,176.0 sqm	1,547.0 sqm
Title	Freehold	Leasehold 99 years expiring on 28 June 2111
Land use	Building	Building
Market value of the Development Rights	RM25.0 million (appraised by CBRE WTW using the income approach (residual method))	

- The key financial information of the Bumilex Group is as follows:

	FYE 31 December 2019 (RM'000)
Revenue	-
PAT / (LAT)	(1,418)
NA / (NL)	(1,901)

- The Bumilex Purchase Consideration will be funded via our Company's internally generated funds.

EXECUTIVE SUMMARY (Cont'd)

Key Information	Summary	Reference to Circular
Details of the Proposed Provision of Financial Assistance to Montflex	<ul style="list-style-type: none">• Proposed provision of financial assistance by our Company (either directly or through Bumilex) to Montflex after the completion of the Proposed Acquisition of Bumilex of up to RM33.3 million, of which:<ul style="list-style-type: none">○ an amount of up to RM20.6 million in cash as advances to Montflex, which is in proportion to 51.0% shareholding of Bumilex in Montflex ("Montflex Shareholder Advances"); and○ an amount of up to RM12.7 million in the form of corporate guarantee which is equivalent to 51.0% of the total financing facilities amount obtained by Montflex for the development of the TAR Land.• The Montflex Shareholder Advances will be funded via our Company's internally generated funds and/or bank borrowings, the proportion which will be determined later.	Section 5
Rationale and benefits for the Proposals	<ul style="list-style-type: none">• The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex provide our Group with the opportunity to participate in the development projects of the Bangsar Land and TAR Land that are located in the prime locations within Kuala Lumpur.• The Proposed Acquisition of Bumilex provides the opportunity for our Group to collaborate with Datuk Bandar to develop the TAR Land.• The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex will allow our Group to secure the controlling interest in the development projects of the Bangsar Land and TAR Land without the need to incur significant cash outlay.• The development of the Bangsar Land and TAR Land are expected to facilitate the continuing growth of our Group's core business in property development by enhancing the estimated GDV for our Group's property development projects by RM3.5 billion.• The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex also provide opportunities to our Group to tender for the construction contracts for the development on the Bangsar Land and TAR Land.	Section 6

EXECUTIVE SUMMARY (Cont'd)

Key Information	Summary	Reference to Circular
	<ul style="list-style-type: none"> The Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex are intended to provide working capital to BHP Development and Montflex to fund the developments on the Bangsar Land and TAR Land, repay the surplus of advances made by the existing shareholders of BHP Development and Montflex, and facilitate the respective companies to obtain the necessary financing facilities. 	
Key risks of the Proposals	<ul style="list-style-type: none"> Completion - The completion of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex is subject to, among others, the fulfilment of the terms and conditions by the parties to the respective Agreements and conditions precedent in the said Agreements. Financing and interest rate - Our Group may seek external financing to settle the BHP Development Subscription Consideration, BHP Development Shareholder Advances, development of the Bangsar Land, Montflex Shareholder Advances and development of the TAR Land. Default by BHP Development and Montflex - The BHP Development Corporate Guarantee and Montflex Corporate Guarantee will be recognised as contingent liabilities of our Group and may be called upon or claimed by the financial institutions in any event of default by BHP Development and Montflex. Investment for the Bangsar Land and the Development Rights - There can be no assurance that the developments of these lands will generate the expected returns on investment. 	Section 8
Parties involved and the element of conflict of interests	<ul style="list-style-type: none"> Tan Sri Datuk Ter, our Executive Chairman and a major shareholder of the Company, is deemed interested in the Proposals by virtue of him being the director and an indirect major shareholder of BHP Development, and an indirect major shareholder of Montflex. Ter Equity, Ter Capital and THK Capital, the shareholders of our Company, are deemed interested in the Proposals by virtue of Tan Sri Datuk Ter's direct and indirect shareholdings in these companies. All advisers and expert involved in the Proposals are independent parties who have no conflict of interest arising from their role as advisers or expert for the Proposals. 	Section 13 and Appendix V
Directors' recommendation	<p>Our Board (save for Tan Sri Datuk Ter) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.</p>	Section 16



SUNSURIA

Building Today Creating Tomorrow

SUNSURIA BERHAD

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

Registered Office

Suite 8, Main Tower, Sunsuria Avenue
Persiaran Mahogani, Kota Damansara PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia

21 January 2021

Board of Directors

Tan Sri Datuk Ter Leong Yap (*Executive Chairman*)
Tan Pei Geok (*Senior Independent Non-Executive Director*)
Dato' Quek Ngee Meng (*Independent Non-Executive Director*)
Datin Loa Bee Ha (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

- (I) **PROPOSED SUBSCRIPTION OF BHP DEVELOPMENT;**
 - (II) **PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BHP DEVELOPMENT;**
 - (III) **PROPOSED ACQUISITION OF BUMILEX; AND**
 - (IV) **PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO MONTFLEX**
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1. INTRODUCTION

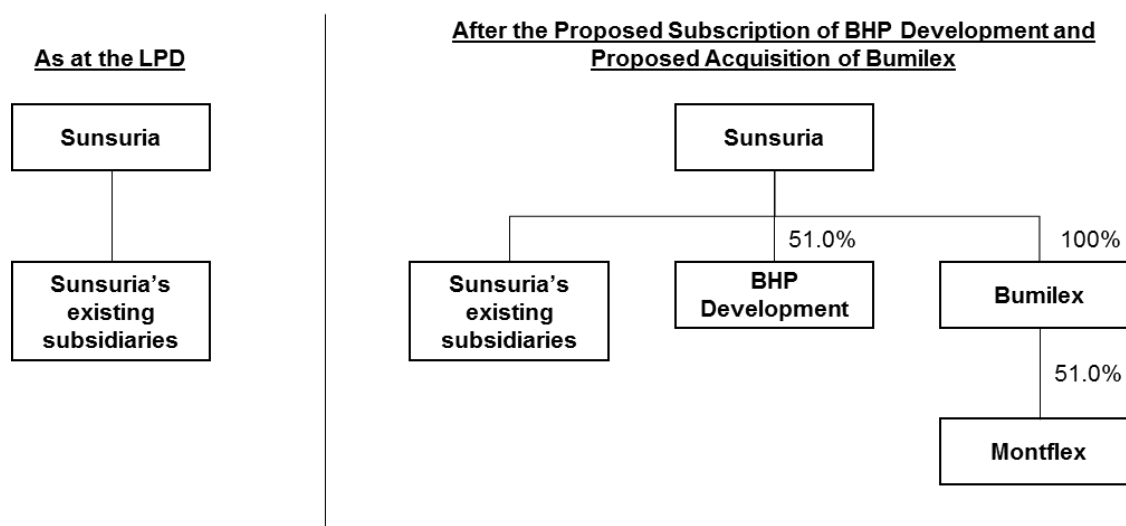
1.1 On 2 October 2020, Maybank IB had, on behalf of our Board, announced that our Company had on even date entered into the following agreements:

- (a) the SSSA for the following:
 - (i) Proposed Subscription of BHP Development;
 - (ii) to regulate the relationship between our Company and BHP Development Existing Shareholders as shareholders of BHP Development upon the completion of the Proposed Subscription of BHP Development; and
 - (iii) Proposed Provision of Financial Assistance to BHP Development; and
- (b) the SSPA for the Proposed Acquisition of Bumilex.

In conjunction with the Proposed Acquisition of Bumilex, Bumilex had on even date entered into the Montflex SHA to regulate the relationship between Bumilex and Excel Logic as the shareholders of Montflex upon completion of the Proposed Acquisition of Bumilex.

Subsequent to the completion of the Proposed Acquisition of Bumilex, our Company will be obligated to undertake the Proposed Provision of Financial Assistance to Montflex.

1.2 The corporate structure of our Company before and after the Proposals are as follows:



1.3 The Proposals are deemed related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Shareholders in the Proposals as set out in **Section 13 of Part A** of this Circular. As such, M&A Securities has been appointed as the Independent Adviser to advise our non-interested shareholders on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to our minority shareholders. The Independent Advice Letter is set out in **Part B** of this Circular.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM AND FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE INDEPENDENT ADVICE LETTER AS SET OUT IN PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

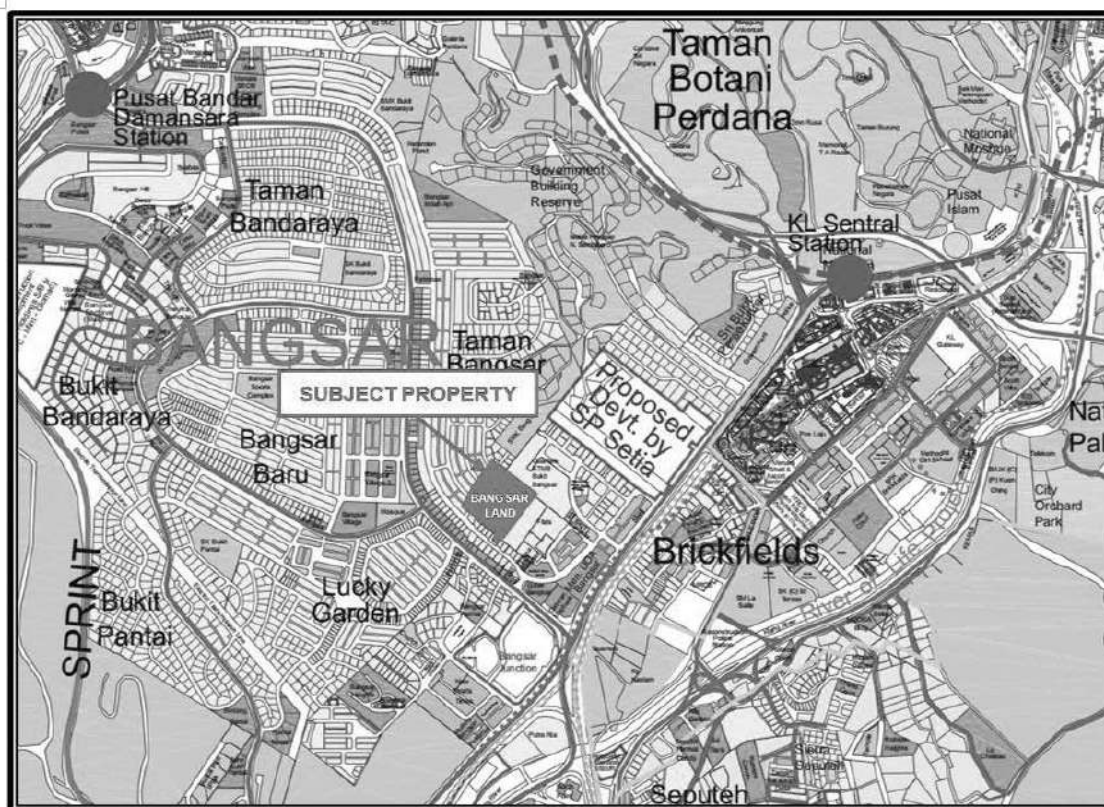
2. PROPOSED SUBSCRIPTION OF BHP DEVELOPMENT

2.1 Details of the Proposed Subscription of BHP Development

The Proposed Subscription of BHP Development involves the subscription by our Company of 4,488,520 new BHP Development Shares, representing 51.0% equity interest of the enlarged issued share capital of BHP Development, free from all charges, pledges or liens or any other encumbrances for the BHP Development Subscription Consideration to be satisfied in cash on the completion date of the Proposed Subscription of BHP Development.

BHP Development was incorporated as a private limited company in Malaysia under the CA 1965 on 30 August 1999 under the name of Pro Green Generation Sdn Bhd and is deemed registered under the Act. It assumed its present name on 8 September 2017. The principal activity of BHP Development is property development and it commenced its operations on 24 September 1999.

BHP Development is the registered owner of the Bangsar Land, the location of which is shown in the map below:



Upon completion of the Proposed Subscription of BHP Development, the total number of issued shares of BHP Development will increase from 4,312,500 BHP Development Shares to 8,801,020 BHP Development Shares and the shareholding structure of BHP Development will be as follows:

	No. of BHP Development Shares	%
Sunsuria	4,488,520	51.0
Sunsuria KL ⁽¹⁾	2,156,250	24.5
Suez Capital	1,859,250	21.1
Dasar Temasek	297,000	3.4
	8,801,020	100.0

Note:

(1) *Sunsuria KL is not a company within our Group.*

Further information on BHP Development and the BHP Development Existing Shareholders are set out in **Appendix I(A)** and **Appendix I(B)** of this Circular.

The salient terms of the SSSA are set out in **Appendix II(A)** of this Circular.

2.2 Information on the Bangsar Land

Details of the Bangsar Land are as follows:

	Lot 365 Section 96 ⁽²⁾	Lot 223 Section 96
Address	Along Lorong Maarof, Bangsar, 59000 Kuala Lumpur	
Land area	38,993.0 sqm ⁽²⁾ (approximately 9.6 acres)	562.5 sqm (approximately 0.1 acres)
Category of land use	Building	Nil
Tenure	Leasehold 99 years expiring on 13 October 2119	Freehold
Market value	RM320.0 million	RM7.0 million
Date of valuation	1 September 2020	
Independent registered valuer	CBRE WTW	
Method of valuation	Income approach (residual method) and comparison approach ⁽³⁾	Comparison approach ⁽³⁾
Audited NBV as at 31 December 2019	RM299.0 million	RM8.2 million
Encumbrances	Charged to OCBC Bank (Malaysia) Berhad	
Express conditions	Bangunan yang didirikan diatas tanah ini hendaklah digunakan untuk perumahan awam dan lain-lain kemudahan awam yang berkaitan (<i>Buildings erected on this land shall be used for public housing units and other related public amenities</i>). ⁽⁴⁾	<ul style="list-style-type: none"> • That the Government may control all water-courses and that this land shall continue to be subject to all existing rights of way and other easements. • That land-marks defining the boundaries of this land, will be set up and maintained to the satisfaction of the Collector of Land Revenue or other officer appointed for the time being by the Government. • That this lease be subject to the State Land Regulations in force for the time being and that this land shall not be transferred, subdivided or mortgaged, except in accordance with the provisions therein contained. (Full information to these provisions will be given in any District Land Office)⁽⁶⁾ • That this lease may be forfeited if Bila Bin Patianoo or those claiming under him, fail to comply with any of the foregoing conditions.⁽⁶⁾

	Lot 365 Section 96⁽²⁾	Lot 223 Section 96
Details of the development	<ul style="list-style-type: none"> • Block A – 843 units of DBKL apartment; • Block B – 410 units of residential apartment; • Block C – 392 units of residential apartment; • Block D – 406 units of residential apartment⁽⁵⁾; • Block E – 406 units of residential apartment; • Block F – 232 units of residential apartment; • Block G – 232 units of residential apartment; and • Block H – 174 units of DBKL apartment and 162 of affordable housing apartment. 	Alternate access road for the development of the Bangsar Land. ⁽⁷⁾
Estimated GDV⁽¹⁾	RM3,012.0 million	
Estimated GDC (including land cost)⁽¹⁾	RM1,861.6 million	
Estimated profit⁽¹⁾	RM1,150.4 million	
Commencement / expected completion of the development	August 2020 / September 2028	
Stage / percentage of completion	<ul style="list-style-type: none"> • The land clearing and demolition works on Blocks A, B, C, D and E are about 99% completed as at the LPD. • The piling works for Blocks D and E have commenced on 17 September 2020. 	-
Approval obtained for the development	<ul style="list-style-type: none"> • Approval for Master Planning Permission (Kebenaran Merancang) obtained on 23 August 2017. • Approval for Building Plans obtained for the following: <ul style="list-style-type: none"> ○ Block A – 3 April 2019 ○ Blocks B and C – 3 April 2019; ○ Blocks D and E – 21 May 2018 and 22 August 2019; and ○ Blocks F and G – 27 June 2019. 	-(7)

Notes:

(1) The estimated GDV and GDC are based on the preliminary studies conducted by our Company and have not been verified by CBRE|WTW.

- (2) *The land title has been cancelled following the subdivision of the land and the issuance of new land titles dated 14 October 2020 held under:*

Land title	Land area
<i>H.S.(D) 121639, No. PT 50001 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur</i>	<i>10,156.0 sqm</i>
<i>H.S.(D) 121640, No. PT 50002 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur</i>	<i>23,784.0 sqm</i>
<i>H.S.(D) 121641, No. PT 50003 Section 96, Town of Kuala Lumpur, Federal Territory of Kuala Lumpur</i>	<i>5,053.0 sqm</i>
	<i>38,993.0 sqm</i>

- (3) *The methods of valuation adopted by CBRE|WTW are summarised as follows:*

<i>Income approach (residual method)</i>	<i>Under this approach, consideration is given to the GDV (being the estimated gross proceeds obtainable from the completed development) of the project and deducting therefrom the estimated costs of development including construction costs, professional fees, contribution to authorities, marketing, administrative and legal fees, financing charge, contingencies and developer's profit. The resultant answer is then deferred over the period of time required for the completion of the project to arrive at market value.</i>
<i>Comparison approach</i>	<i>This approach entails analysing the recent transactions and asking prices of similar property in the locality for comparison purposes with adjustments made for difference in location, accessibility, terrain, size and shape of land, tenure, planning status, title restrictions, if any, and other relevant characteristics to arrive at the market value.</i>

The comparison approach was the only method of valuation adopted for Lot 223 Section 96 of the Bangsar Land ("Lot 223") as it is a parcel of residential detached plot with no planning approval.

- (4) *The updated express conditions of Lot 365 Section 96 of the Bangsar Land following the subdivision of the land and the issuance of new land titles dated 14 October 2020 are as follows:*

H.S.(D) 121639	<i>Tanah ini hendaklah digunakan untuk pembangunan bercampur bagi tujuan apartment, kedai, klinik dan pejabat sahaja (This land shall be used for mixed development for the purposes of apartments, shops, clinics and offices only).</i>
H.S.(D) 121640	<i>Tanah ini hendaklah digunakan untuk bangunan kediaman bagi tujuan apartment sahaja (This land shall be used for residential buildings for the purpose of apartments only).</i>
H.S.(D) 121641	<i>Tanah ini hendaklah digunakan untuk bangunan kediaman bagi tujuan rumah mampu milik sahaja (This land shall be used for residential buildings for the purpose of affordable housing units only).</i>

- (5) *The sale of Block D was launched in mid-September 2020. As at the LPD, a total of 135 units out of 406 units have been sold.*
- (6) *These express conditions were imposed before the National Land Code 1965 came into force and can be amended/removed via an application to PTGWP in accordance with its letter dated 8 February 2019. BHP Development will make an application to PTGWP to amend/remove these express conditions in due course.*
- (7) *There is no planning approval for Lot 223 given that there may be changes to the proposed development on Lot 223. BHP Development will make the necessary applications to the relevant authorities once the proposed development on Lot 223 is finalised.*

2.3 Basis and justification for the BHP Development Subscription Consideration

The BHP Development Subscription Consideration was arrived at on a willing-subscriber willing-issuer basis after taking into consideration the following:

- (a) market value of the Bangsar Land of RM327.0 million as appraised by CBRE|WTW; and
- (b) adjusted NA of BHP Development which was arrived at as follows:

	<u>RM'000</u>	<u>RM'000</u>
Unaudited NA as at 31 July 2020		3,949
<u>Adjustment to the fair value of the Bangsar Land</u>		
Market value of the Bangsar Land	327,000	
Less: NBV of the Bangsar Land	<u>(321,539)</u>	
	5,461	
Less: Deferred tax liabilities of 24%	<u>(1,310)</u>	
		4,151
Adjusted NA		<u>8,100</u>
Adjusted NA represented by the existing issued share capital of BHP Development	(A)	8,100
Equity interest represented by the new BHP Development Shares to be issued pursuant to the Proposed Subscription of BHP Development	(B)	51.0%
Effective NA represented by the new BHP Development Shares	(C) = [(A) / (100% - (B)) x (B)]	8,431

In justifying the BHP Development Subscription Consideration, our Board (save for Tan Sri Datuk Ter) has taken into consideration the intended shareholding of our Company in BHP Development after the Proposed Subscription of BHP Development, the market value of the Bangsar Land as appraised by CBRE|WTW, the rationale and benefits of the Proposed Subscription of BHP Development as set out in **Section 6.1 of Part A** of this Circular and the prospects of BHP Development as set out in **Section 7.2 of Part A** of this Circular.

2.4 Source of funding

The BHP Development Subscription Consideration will be funded via our Company's internally generated funds and/or bank borrowings, the proportion of which will be determined later after taking into consideration, among others, gearing level, interest costs and internal cash requirements of our Group.

2.5 Liabilities to be assumed

Save for the liabilities in the financial statements of BHP Development which will be consolidated into the results of our Group and the BHP Development Corporate Guarantee, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by our Company arising from the Proposed Subscription of BHP Development.

2.6 Additional financial commitment

Save for the estimated cost of RM1.6 billion for the development of the Bangsar Land, which is expected to be incurred over a period of 8 years, our Company does not foresee any other material financial commitment required to put the development under BHP Development on-stream after the completion of the Proposed Subscription of BHP Development. The cost of development of the Bangsar Land may be funded via internally generated funds, shareholders' advances, bank borrowings and/or sale proceeds of the development project on the Bangsar Land identified as 'Bangsar Hill Park' after taking into consideration BHP Development's gearing level and working capital requirement.

3. PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO BHP DEVELOPMENT

Pursuant to the terms of the SSSA, the current shareholders' advances in BHP Development is required to be adjusted in proportion to the respective shareholders' shareholding in BHP Development after the completion of the Proposed Subscription of BHP Development. In this respect and based on the estimated shareholders' advances requirement of BHP Development of RM200.2 million ("**Estimated BHP Development Shareholders' Advances**"), our Company may be required to provide the BHP Development Shareholder Advances which is in proportion to our Company's 51.0% shareholding in BHP Development after the completion of the Proposed Subscription of BHP Development.

The advances to BHP Development from the respective shareholders as at the LPD and after the Proposed Subscription of BHP Development are as follows:

	After the Proposed Subscription of BHP Development		
	As at the LPD ⁽¹⁾	Based on the shareholders' advances to BHP Development as at the LPD	Based on the Estimated BHP Development Shareholders' Advances
	(RM'000)	(RM'000)	(RM'000)
Sunsuria KL	44,542	30,835	49,042
Suez Capital	79,441	28,962	42,236
Dasar Temasek	1,872	1,872	6,805 ⁽³⁾
Sunsuria	-	64,186 ⁽²⁾	102,087 ⁽⁴⁾
	<u>125,855</u>	<u>125,855</u>	<u>200,170</u>

Notes:

- (1) *The shareholders' advances do not include any interest payable by BHP Development to the respective shareholders.*
- (2) *For illustrative purposes, based on the shareholders' advances as at the LPD, our Company will need to advance RM64.2 million to BHP Development, representing its 51.0% shareholding, over a period of 12 months from the completion date of the Proposed Subscription of BHP Development subject to a minimum monthly advance of RM3.0 million to BHP Development.*

*Thereafter, BHP Development will use the funds to be received from our Company to repay the surplus of advances made by Sunsuria KL and Suez Capital so that the advances from the BHP Development Existing Shareholders and our Company are adjusted in proportion to reflect their respective shareholdings in BHP Development after the completion of the Proposed Subscription of BHP Development ("**Adjustment of BHP Development Shareholders' Advances**").*

For the avoidance of doubt, Sunsuria KL, Suez Capital and Dasar Temasek are not obligated to extend any further advances to BHP Development until the Adjustment of BHP Development Shareholders' Advances is completed.

- (3) *In the event that Dasar Temasek is unable to provide all or any part of its shareholder's advances, the shortfall of the shareholder's advances shall be contributed by Suez Capital.*
- (4) *Based on the Estimated BHP Development Shareholders' Advances, our Company is expected to advance the remaining shareholders' advances of RM37.9 million over a period of 24 months from the completion date of the Adjustment of BHP Development Shareholders' Advances.*

The BHP Development Shareholder Advances will be funded via our Company's internally generated funds and/or bank borrowings, the proportion of which will be determined later after taking into consideration, among others, gearing level, interest costs and internal cash requirements of our Group.

In addition, our Company may be required to provide corporate guarantees equivalent to 51.0% of the total financing facilities amount obtained by BHP Development for the development of the Bangsar Land. Based on the financing facilities of BHP Development as at the LPD of RM341.1 million, our Company may be required by BHP Development's financiers to provide the BHP Development Corporate Guarantee which is in proportion to our Company's 51.0% shareholding in BHP Development upon completion of the Proposed Subscription of BHP Development. Our Company has the financial capability to provide the BHP Development Corporate Guarantee after taking into consideration the current financial position of our Group.

Apart from the above, our Company may also be required to provide additional advances to BHP Development and/or corporate guarantees for the financing facilities to be obtained by BHP Development, the actual quantum of which cannot be determined at this juncture as the amount will depend on the cost of development of the Bangsar Land. In any event, our Company will observe and comply at all times with the provisions in the Listing Requirements with regards to the additional provision of financial assistance by our Company to BHP Development.

4. PROPOSED ACQUISITION OF BUMILEX

4.1 Details of the Proposed Acquisition of Bumilex

The Proposed Acquisition of Bumilex involves the acquisition by our Company of 100,000 existing Bumilex Shares, representing 100% of the issued share capital of Bumilex, free from all charges, pledges or liens or any other encumbrances from the Vendors for the Bumilex Purchase Consideration to be satisfied in cash on the completion date of the Proposed Acquisition of Bumilex.

Bumilex was incorporated as a private limited company in Malaysia under the CA 1965 on 16 August 2007 and is deemed registered under the Act. The principal activity of Bumilex is investment holding and it commenced its operations on 15 November 2017.

4.2 Information on the TAR Land

Details of the TAR Land are as follows:

	Lot 316 Section 40	Lot 20002 Section 40
Address	Along Lorong Tuanku Abdul Rahman	
Land area	3,176.0 sqm	1,547.0 sqm
Category of land use	Building	Building
Tenure	Freehold	Leasehold 99 years expiring on 28 June 2111 ⁽¹⁾
Market value of the Development Rights	RM25.0 million ⁽¹⁾	
Date of valuation	1 September 2020	
Independent registered valuer	CBRE WTW	
Method of valuation	Income approach (residual method) ⁽³⁾	
Audited NBV as at 31 December 2019	RM29.5 million	
Encumbrances	Nil	
Express conditions⁽¹⁾	Tanah ini hendaklah digunakan untuk pembangunan campuran bagi tujuan kediaman dan perdagangan sahaja (<i>This land shall be used for mixed development for the purposes of residential and commercial buildings only</i>).	Tanah ini hendaklah digunakan hanya untuk tujuan tapak pembangunan bercampur sahaja (<i>This land shall be used for the purpose of mixed development site only</i>).
Details of the development	<ul style="list-style-type: none"> • 7 storey of retail space; • 22 storey of office suites with office lobby • 10 storey of parking lot; • 3 storey of office space with multipurpose hall and mechanical and electrical room; and • 1 storey of retail space with mechanical and electrical room <p>(collectively, "Development Unit")</p>	
Estimated GDV⁽²⁾	RM524.8 million	
Estimated GDC⁽²⁾	RM361.0 million	
Estimated profit⁽²⁾	RM163.8 million	
Expected commencement / completion of the development	June 2021 / November 2025	
Stage / percentage of completion	2% as at the LPD	
Approval obtained for the development	<ul style="list-style-type: none"> • Development Order obtained on 21 August 2014. • Amended Development Order obtained on 6 March 2018 ("Amended DO"). • Approval for Building Plan with conditions obtained on 25 May 2018.⁽⁴⁾ • Conditional approval for the building permits (Kebenaran Mendirikan Bangunan) obtained on 19 March 2019. 	

Notes:

- (1) PTGWP had, vide its letter dated 7 December 2018, approved the application for surrender and re-alienation of Lot 316 Section 40 and Lot 20002 Section 40 with a tenure of term in perpetuity subject to payment of premium and other related fees. As at the LPD, the premium and other related fees are still outstanding.

In addition, the updated express conditions of the TAR Land upon completion of the process of surrender and re-alienation are as follows:

“Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan ruang perniagaan, pejabat dan hotel sahaja (This land must be used for commercial buildings for the purpose of business areas, offices and hotels only).”

- (2) The estimated GDV and GDC are based on the preliminary studies conducted by our Company and have not been verified by CBRE|WTW.
- (3) The method of valuation adopted by CBRE|WTW is summarised as follows:

<i>Income approach (residual method)</i>	<i>Under this approach, consideration is given to the GDV (being the estimated gross proceeds obtainable from the completed development) of the project and deducting therefrom the estimated costs of development including construction costs, professional fees, contribution to authorities, marketing, administrative and legal fees, financing charge, contingencies and developer’s profit. The resultant answer is then deferred over the period of time required for the completion of the project to arrive at market value.</i>
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The income approach (residual method) was the only method of valuation in valuing development rights as it takes into account the rights, liabilities and obligations arising from the joint development.

- (4) The conditions imposed for the approval of building plan have to be fulfilled by 28 February 2021.

4.3 Basis and justification for the Bumilex Purchase Consideration

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

- (a) market value of the Development Rights of RM25.0 million as appraised by CBRE|WTW; and

- (b) adjusted NA of the Bumilex Group attributable to the owners of Bumilex which was arrived at as follows:

	<u>RM'000</u>	<u>RM'000</u>
Audited NL attributable to the owners of Bumilex as at 31 December 2019 ⁽¹⁾		(1,901)
(i) Adjustment to be aligned with the MFRS		(3)
(ii) Less: Reversal of goodwill arising from the acquisition of Montflex by Bumilex ⁽²⁾		(213)
		<u>(2,117)</u>
(iii) <u>Adjustment on the fair value of the Development Rights</u>		
Market value of the Development Rights	25,000	
Less: NBV of the Development Rights	<u>(29,470)</u>	
	(4,470)	
Add: Deferred tax assets of 24%	1,073	
Add: Non-controlling interest	<u>1,665</u>	
		(1,732)
(iv) <u>Adjustment on the waiver of certain liabilities</u>		
Waiver of certain liabilities from the existing creditors of Bumilex ⁽³⁾	2,490	
Waiver of certain liabilities from the existing creditors of Montflex ⁽³⁾	3,530	
Less: Deferred tax liabilities of 24%	(847)	
Less: Non-controlling interest	<u>(1,315)</u>	
		3,858
Adjusted NA attributable to the owners of Bumilex		<u>9</u>

Notes:

- (1) The audited financial statements of the Bumilex Group for the FYE 31 December 2019 was prepared in accordance with the MPERS.
- (2) Being the carrying amount of the Bumilex Group's share of the fair values of Montflex's identifiable assets and liabilities against the purchase consideration of Montflex at 15 November 2020, being the date of acquisition of Montflex by Bumilex. The carrying amount of the goodwill is reversed out when determining the adjusted NA and for the recognition of the identifiable assets acquired and liabilities assumed by our Company for the Proposed Acquisition of Bumilex.
- (3) Pursuant to the SSPA, the Vendors undertake to deliver to our Company the written waiver of certain liabilities from the existing creditors of Bumilex and Montflex respectively on the completion date of the Proposed Acquisition of Bumilex ("**Waiver of Liabilities**").

The Waiver of Liabilities were mutually agreed between the Vendors and our Company after taking into consideration the audited NL position of the Bumilex Group as at 31 December 2019 and the market value of the Development Rights of RM25.0 million as appraised by CBRE|WTW which is lower than the audited NBV of the Development Rights as at 31 December 2019 to reverse the NL position of the Bumilex Group to NA position.

In justifying the Bumilex Purchase Consideration, our Board (save for Tan Sri Datuk Ter) has taken into consideration the market value of the Development Rights as appraised by CBRE|WTW, the Waiver of Liabilities, the rationale and benefits of the Proposed Acquisition of Bumilex as set out in **Section 6.1 of Part A** of this Circular and the prospects of the Bumilex Group as set out in **Section 7.2 of Part A** of this Circular.

4.4 Source of funding

The Bumilex Purchase Consideration will be funded via our Company's internally generated funds.

4.5 Liabilities to be assumed

Save for the liabilities in the financial statements of Bumilex which will be consolidated into the results of our Group and the Montflex Corporate Guarantee, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by our Company arising from the Proposed Acquisition of Bumilex.

4.6 Additional financial commitment

Save for the estimated cost of RM361.0 million for the development of the TAR Land which is expected to be incurred over a period of 4 years, our Company does not foresee any other material financial commitment required to put the development under Montflex on-stream after the completion of the Proposed Acquisition of Bumilex. The cost of development of the TAR Land may be funded via internally generated funds, shareholders' advances, bank borrowings and/or sale proceeds of the development project on the TAR Land after taking into consideration Montflex's gearing level and working capital requirement.

4.7 Original cost and date of investment

The original cost and date of investment of the Vendors in Bumilex are as follows:

Vendor	Date of investment	No. of Bumilex Shares	Cost of investment
			(RM)
Johari Bin Said	7 November 2007	1	1
	20 February 2008	74,989	74,989
	12 July 2010	25,000	25,000
		<u>99,990</u>	<u>99,990</u>
Aizul Akma Binti Awang	20 February 2008	10	10

5. PROPOSED PROVISION OF FINANCIAL ASSISTANCE TO MONTFLEX

Pursuant to the terms of the Montflex SHA, the current shareholders' advances in Montflex is required to be adjusted in proportion to the respective shareholders' shareholding in Montflex after the completion of the Proposed Acquisition of Bumilex. In this respect and based on the estimated shareholders' advance requirement of Montflex of RM40.3 million ("**Estimated Montflex Shareholders' Advances**"), our Company may be required to provide (either directly or through Bumilex) the Montflex Shareholder Advances after the completion of the Proposed Acquisition of Bumilex which is in proportion to Bumilex's 51.0% shareholding in Montflex.

The advances to Montflex from the respective shareholders as at the LPD and after the Proposed Acquisition of Bumilex are as follows:

	After the Proposed Acquisition of Bumilex			
	As at the LPD⁽²⁾	After the Waiver of Liabilities⁽³⁾	Based on the shareholders' advances to Montflex as at the LPD after the Waiver of Liabilities	Based on the Estimated Montflex Shareholders' Advances
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Suez Capital ⁽¹⁾	16,374	14,344	7,028	11,366
Sunsuria City (KL) ⁽¹⁾	10,679	9,355	4,584	7,413
Ter Leong Boon ⁽¹⁾	712	624	306	494
Ter Hong Khim @ Tai Foong Chin ⁽¹⁾	712	624	306	494
Excel Logic	<u>28,477</u>	<u>24,947</u>	<u>12,224</u>	<u>19,767</u>
Bumilex	-	-	12,723 ⁽⁴⁾	20,574 ⁽⁵⁾
	<u>28,477</u>	<u>24,947</u>	<u>24,947</u>	<u>40,341</u>

Notes:

- (1) Suez Capital, Sunsuria City (KL), Ter Leong Boon and Ter Hong Khim are the shareholders of Excel Logic ("**Excel Logic Shareholders**").
- (2) The shareholders' advances do not include any interest payable by Montflex to the respective shareholders.
- (3) The Waiver of Liabilities includes a waiver of RM3.5 million of the advances made by the Excel Logic Shareholders to Montflex.
- (4) For illustrative purposes, based on the shareholders' advances as at the LPD, our Company will need to advance (either directly or through Bumilex) RM12.7 million to Montflex, representing Bumilex's 51.0% shareholding in Montflex, over a period of 18 months from the completion date of the Proposed Acquisition of Bumilex subject to a minimum monthly advance of RM0.7 million to Montflex.

Thereafter, Montflex will use the funds to be received from our Company (either directly or through Bumilex) to repay the surplus of advances made by the Excel Logic Shareholders so that the advances from Excel Logic or Excel Logic Shareholders, our Company and/or Bumilex are adjusted in proportion to reflect Excel Logic and Bumilex shareholdings in Montflex after the completion of the Proposed Acquisition of Bumilex ("**Adjustment of Montflex Shareholders' Advances**").

For the avoidance of doubt, Excel Logic and/or the Excel Logic Shareholders are not obligated to extend any further advances to Montflex until the Adjustment of Montflex Shareholders' Advances is completed.

- (5) Based on the Estimated Montflex Shareholders' Advances, our Company is expected to advance the remaining shareholders' advances of RM7.9 million over a period of 24 months from the completion date of the Adjustment of Montflex Development Shareholders' Advances.

The Montflex Shareholder Advances will be funded via our Company's internally generated funds and/or bank borrowings, the proportion of which will be determined later after taking into consideration, among others, gearing level, interest costs and internal cash requirements of our Group.

In addition, our Company may be required to provide (either directly or through Bumilex) corporate guarantees equivalent to 51.0% of the total financing facilities amount obtained by Montflex for the development of the TAR Land. Based on the financing facilities of Montflex as at the LPD of RM25.0 million, our Company may be required by Montflex's financiers to provide the Montflex Corporate Guarantee which is in proportion to Bumilex's 51.0% shareholding in Montflex upon completion of the Proposed Acquisition of Bumilex. Our Company has the financial capability to provide the Montflex Corporate Guarantee after taking into consideration the current financial position of our Group.

Apart from the above, our Company may also be required to provide (either directly or through Bumilex) additional advances to Montflex and/or corporate guarantees for the financing facilities to be obtained by Montflex, the actual quantum of which cannot be determined at this juncture as the amount will depend on the cost of development of the TAR Land. In any event, our Company will observe and comply at all times with the provisions in the Listing Requirements with regards to the additional provision of financial assistance by our Company to Montflex.

Further information on Excel Logic is set out in **Appendix I(F)** of this Circular.

The salient terms of the Montflex SHA are set out in **Appendix II(C)** of this Circular.

6. RATIONALE AND BENEFITS OF THE PROPOSALS

6.1 Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex

Our Group currently does not have any ongoing development project in Kuala Lumpur. The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex provide our Group with the opportunity to participate in the development projects of the Bangsar Land and TAR Land that are located in the prime locations within Kuala Lumpur. In addition, the Proposed Acquisition of Bumilex also provides the opportunity for our Group to collaborate with Datuk Bandar to develop the TAR Land located at Jalan Tuanku Abdul Rahman which is one of the famous shopping streets in Kuala Lumpur.

The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex also allow our Group to secure the controlling interest in the development projects of the Bangsar Land and TAR Land without the need to incur significant cash outlay, thus conserving the cash reserves of our Group to fund these developments after the completion of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex.

With the approved development orders, our Group will have the option of immediately undertaking the developments on the Bangsar Land and TAR Land, and market these developments to meet the market demand in these locations. The developments of the Bangsar Land and TAR Land are expected to facilitate the continuing growth of our Group's core business in property development by enhancing the GDV for our Group's property development projects as follows:

	Estimated GDV
	(RM' million)
Bangsar Land	3,012.0
TAR Land	524.8
	<u>3,536.8</u>

Although the estimated GDV of the Bangsar Land and TAR Land may be subject to change, the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex are expected to contribute positively to the earnings of our Group over the long term as our Group recognises the revenue from the developments on the Bangsar Land and TAR Land.

In addition, the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex provide opportunities to our Group's construction arm to tender for construction contracts for the developments on the Bangsar Land and TAR Land that will further enhance the earnings of our Group.

6.2 Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex

The Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex are intended to be used for the following:

- (a) to provide working capital to BHP Development and Montflex to fund the developments on the Bangsar Land and TAR Land;
- (b) to repay the surplus of advances made by the existing shareholders of BHP Development and Montflex such that the shareholders' advances are adjusted equitably to better reflect the existing shareholders' and our Group's shareholdings in BHP Development and Montflex after the completion of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex; and
- (c) to facilitate the respective companies to obtain the necessary financing facilities for the developments on the Bangsar Land and TAR Land.

7. INDUSTRY OVERVIEW AND OUTLOOK OF THE PROPERTY MARKET AND PROSPECTS OF BHP DEVELOPMENT AND BUMILEX

7.1 Overview and outlook of the property market in Malaysia

The property market performance recorded a sharp decline in the first half of 2020 (H1 2020) compared to the same period last year (H1 2019). A total of 115,476 transactions worth RM46.94 billion were recorded, showing a decrease of 27.9% in volume and 31.5% in value compared to the same period last year, which recorded 160,165 transactions worth RM68.53 billion.

The residential sub-sector led the overall property market, with 65.2% contribution. This was followed by agriculture sub-sector (20.1%), commercial (7.0%), development land and others (5.9%) and industrial (1.7%). In terms of transaction value, residential took the lead with 54.6% share, followed by commercial (18.1%), industrial (11.5%), agriculture (8.8%) and development land and others (7.0%).

Residential Property

There were 75,318 transactions worth RM25.61 billion recorded in the review period, decreased by 24.6% in volume and 26.1% in value compared to the same period last year (H1 2019). Performance across the states was not encouraging as all states recorded declines in market activity. By state, Selangor contributed the highest volume and value to the national market share, with 22.8% in volume (17,178 transactions) and 32.9% in value (RM8.44 billion). As for Wilayah Persekutuan Kuala Lumpur ("WPKL"), though only 4,100 transactions were recorded, the transaction value was the third highest at RM3.11 billion.

In the primary market, the number of new launches in the first half-year were far behind those recorded in similar half of 2019. There were 13,294 units launched, down by 43.6% against 23,591 units in similar half year of 2019.

Against the preceding half, the launches were lower by 31.6% (H2 2019: 19,444 units). Sales performance was poor at 3.3%, way lower compared to H1 2019 (30.9%) and H2 2019 (28.4%). The lower new launches and poor sales performance was probably due to the total closure of almost all business and economic activities during the movement control order ("MCO") period, which was imposed since March 18 2020.

The slow market absorption of the primary market led to the increase in residential overhang. There were 31,661 overhang units worth RM20.03 billion, increased by 3.3% in volume (H2 2019: 30,664 units) and 6.4% in value against the preceding half (H2 2019: RM18.82 billion). Meanwhile the unsold under construction recorded a marginal increase to 74,230 units, up by 2.1% whilst the unsold not constructed improved as the numbers dropped to 14,542 units, reduced by 13.3%. Construction activities remained on a low tone for starts, which declined by 28.3% to 33,493 units compared to the same period last year (H1 2019: 46,735 units), all states except Johor and Kelantan recorded lower commencement of project. Likewise, new planned supply dropped by 34.1% to 24,098 units (H1 2019: 36,578 units) as all states recorded fewer except Pulau Pinang, Negeri Sembilan and Kedah. In contrast, completion recorded a marginal increase of 0.9% to 27,529 units (H1 2019: 27,277 units); all states recorded lower completion except Selangor, Putrajaya, Melaka, Kelantan and Sarawak. Selangor contributed the highest number of completion, accounting for 25.4% (6,996 units) of the national total.

The Malaysian House Price Index continued to increase at a moderating trend. As at 2nd quarter of 2020, the Malaysian House Price Index stood at 198.3 points (at base year 2010), up by 0.4% on annual basis, the lowest annual growth recorded since year 2010. However, on quarterly movements, the index points decreased marginally by 0.7% against 1st quarter of 2020 (199.7 points).

Commercial Property

There were 8,118 transactions worth RM8.51 billion recorded, declined by 37.4% in volume and 33.2% in value (H1 2019: 12,962 transactions worth RM12.75 billion). Performance across the states worsened as all states recorded significant declines in market activity. By state, Selangor contributed the highest volume and value to the national market share, with 23.0% in volume (1,870 transactions) and 28.2% in value (RM2.4 billion); followed by Johor with 16.2% in volume (1,314 transactions) and 12.6% in value (RM1.08 billion). As for WPKL, though only 1,212 transactions (14.9% of the total) were recorded, the transaction value was the second highest at RM2.09 billion.

The overall performance of purpose-built office was stable, with occupancy rate of 80.6% in H1 2020, similar to that of H2 2019. The purpose-built office consists of 1,545 private buildings (17,088,560 sqm) and 1,003 government buildings (5,865,691 sqm).

As for the private office buildings, the average occupancy rate moderated at 74.3%, declined further from 74.8% recorded in H2 2019. WPKL and Pulau Pinang secured higher occupancy rate at 75.8% and 78.6% respectively; whereas Selangor and Johor lower than national level at 69.8% and 65.0% respectively. Private office buildings in Putrajaya recorded the lowest occupancy rate at 39.1%.

Four new completions were recorded, offering a total space of 278,576 sqm, higher than 169,023 sqm recorded in H1 2019. As at end-June 2020, there was a total of 22.95 million sqm existing office space from 2,548 buildings, while another 2.25 million sqm (48 buildings) in the incoming supply and nearly 0.67 million sqm (15 buildings) in the planned supply. WPKL dominated all three categories of supplies, contributing 40.4% of the total existing office spaces and 65.2% of the total incoming supply spaces.

2020 Outlook

The property market performance recorded a sharp decline in the first half of 2020 (H1 2020). The sharp decline was in consonant with the Malaysian economic performance, which contracted by 17.1% in 2nd quarter of 2020 (1st quarter of 2020: 0.7%). According to Bank Negara Malaysia report, Malaysian economy is expected to recover gradually in 2nd half of 2020 as the economy progressively re-opens and external demand improves. The Malaysia's gross domestic product is projected to grow within the range of -3.5% to -5.5% in 2020 and 5.5% to 8.0% in 2021.

Further assistance from the government, initiated under a new short-term Economic Recovery Plan or Penjana, proposed a recovery plan namely the proposed reintroduction of the Home Ownership Campaign, real property gains tax exemption and the uplifting of the current 70% financing margin limit for third housing loan onwards.

Notwithstanding the upturn of market activity and the proposed measures under Penjana, the property market is more than likely to remain soft for the rest of the second half 2020. The pace of improvement, will be depend on both domestic and external factors such as political stability, global oil and commodity prices as well as the Coronavirus Disease 2019 (“**COVID-19**”) pandemic development.

(Source: Property Market Report First Half 2020, JPPH Malaysia, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia)

The COVID-19 pandemic is unprecedented in nature, and as a result of the pandemic, the Government has implemented the MCO in March 2020 to contain the virus spread. Following the extensive economic impact, the property market has been under pressure due to the fact that buyers have adopted a “wait and see” attitude. Although the impact of COVID-19 on Malaysian economy, including the property market, is still ongoing and it is substantially dependent on the length of continuance of the pandemic, it is noted that the property market showed slight improvement following the gradual relaxation of the MCO in May 2020.

According to the National Property Information Centre, a total of 89,245 transactions worth RM33.78 billion were recorded in the third quarter of 2020, achieving 77.3% in volume and 71.9% in value compared to H1 2020. The residential sub-sector led the overall property market, with 62.6% contribution, followed by agriculture (23.3%), commercial (6.3%), development land and others (6.3%) and industrial (1.5%). In terms of transaction value, the residential sub-sector took lead with 57.4% share, followed by commercial (14.5%), agriculture (11.5%), industrial (10.7%) and development land and others (5.9%).

After the pandemic outbreak, the developers are seen to be offering attractive incentives or packages including discounts, rebates and many more to boost the property market. In the meantime, the Government has also introduced economic stimulus packages to stimulate the Malaysian economy which includes 6-month moratorium for loan and financing payments, Penjana, Home Ownership Campaign with exemption on stamp duty on instruments of transfer and loan agreements as well as real property gain tax.

(Source: Property Market Q3 2020 Snapshots, JPPH Malaysia, Valuation and Property Services Department Malaysia, Ministry of Finance Malaysia and CBRE|WTW)

7.2 Prospects of BHP Development and Bumilex

BHP Development

BHP Development is a property development company which owns the Bangsar Land that is strategically located at a prime location in Bangsar with immediate surrounding development comprising terraced houses, semi-detached houses, detached houses, apartments, office towers and 2 popular neighbourhood malls, namely Bangsar Village and Bangsar Shopping Centre.

The Bangsar Land is easily accessible from various parts of the Klang Valley via highways such as the Sprint Highway, Damansara Link, New Pantai Expressway and Federal Highway, and via light railway transit (“**LRT**”) with the Bangsar LRT Station within walking distance from the Bangsar Land. The Kuala Lumpur Sentral Station, the integrated rail transportation centre of Kuala Lumpur that houses 6 railway networks, i.e. KTM Intercity, KLIA Transit, KLIA Express, LRT, KTM Commuter and KL Monorail, is located within 10 minutes’ drive from the Bangsar Land.

It is also located in close proximity to Mid Valley City, an integrated development comprising 2 iconic shopping malls, namely Mid Valley Megamall and The Gardens Mall, office towers and hotels.

The Bangsar Land is proposed to be developed into a high rise residential development comprising 6 blocks of residential apartment, and one block each of DBKL and affordable housing apartment with a total number of 3,257 residential units identified as 'Bangsar Hill Park'. The estimated GDV of the project is RM3.01 billion and the estimated cost of development is RM1.6 billion. The project is expected to be constructed over a development period of 8 years and may be funded via internally generated funds, shareholders' advances, bank borrowings and/or sale proceeds of the development project on the Bangsar Land after taking into consideration BHP Development's gearing level and working capital requirement.

Notwithstanding that the outlook of property market in Malaysia remains challenging as explained in **Section 7.1 of Part A** of this Circular, our Board (save for Tan Sri Datuk Ter) expects the demand for residential properties in the Bangsar area to remain positive given the existing surrounding amenities, facilities and infrastructures, as well as the scarcity of development land in the area, and believes that the development of the Bangsar Land will contribute positively to the long-term earnings of our Group.

(Source: Valuation report on the Bangsar Land by CBRE|WTW and our Management)

Bumilex

Bumilex is an investment holding company, with its sole investment in the form of its 51.0% stake in Montflex, which owns the development rights of the TAR Land that is strategically located within Kuala Lumpur city centre and surrounded by office buildings, retail complexes, condominiums, serviced apartments, hotels and two to six storeys shop offices.

It is easily accessible from all parts of Kuala Lumpur city centre via Jalan Ampang, Jalan Munshi Abdullah and Jalan Dang Wangi and via LRT with the nearest Bandaraya LRT Station located within a short distance from the TAR Land.

Jalan Tuanku Abdul Rahman is one of the famous shopping streets in Kuala Lumpur which stretches from north-west to south-west of the TAR Land with Sogo Shopping Complex, Pertama Complex, Bangunan Majlis Amanah Rakyat and Maju Junction Mall located within the same area. The TAR Land is also located near Jakel Square which is located within the stratified urban complex of office, commercial, serviced apartment and retail premises development known as Capsquare.

The TAR Land is proposed to be developed into a 42-storey mixed commercial development comprising 7 storey of retail space, 22 storey of office suites with office lobby, 10 storey of parking lot and 3 storey of office space with multipurpose hall identified as 'Nadi @ TAR'. The estimated GDV of the development is RM524.8 million and the estimated cost of development is RM361.0 million which is expected to be incurred over the development period of 4 years, The cost of development may be funded via internally generated funds, shareholders' advances, bank borrowings and/or sale proceeds of the development project on the TAR Land after taking into consideration Montflex's gearing level and working capital requirement.

Notwithstanding that the outlook of property market in Malaysia remains challenging as explained in **Section 7.1 of Part A** of this Circular, our Board (save for Tan Sri Datuk Ter) expects the demand for mixed commercial development properties in the area to remain positive given the existing surrounding amenities, facilities and infrastructures, as well as the scarcity of development land within the Kuala Lumpur city centre area, and believes that the development of the TAR Land will contribute positively to the long-term earnings of our Group.

(Source: Valuation report on the Development Rights by CBRE|WTW and our Management)

8. RISKS FACTORS

Save as disclosed below which are by no means exhaustive, our Board (save for Tan Sri Datuk Ter) does not foresee any other additional risks arising from the Proposals given that our Group is already involved in the property development sector.

8.1 Risks relating to the Proposals

(a) Completion risk

The completion of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex is subject to, among others, the fulfilment of the terms and conditions by the parties to the respective Agreements and conditions precedent of the said Agreements. There is a possibility that the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex may not be completed if any of the conditions precedent cannot be fulfilled and/or waived, as the case may be, within the stipulated timeframe or in the event of breach of the terms and conditions of the Agreements by the parties. Any delay in the fulfilment of the conditions precedent of the Agreements may lead to a delay in the completion and/or termination of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex respectively.

In order to mitigate such risk, our Company will take reasonable steps to remedy any breach and ensure and/or procure that the conditions precedent of the Agreements are fulfilled within the stipulated timeframe and that every reasonable effort is made to fulfil the conditions precedent in order to complete the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex in a timely manner.

(b) Financing and interest rate risk

Our Group may seek external financing to settle the BHP Development Subscription Consideration as well as to fund the BHP Development Shareholder Advances, development of the Bangsar Land, Montflex Shareholder Advances and development of the TAR Land. Our Group's ability to obtain external financing and the cost of financing depend on numerous factors, such as general economic and market conditions, interest rates, credit availability from the banks and/or other lenders, any restriction imposed by the Government or the political, social and economic conditions in Malaysia.

There can be no assurance that the necessary financing will be available on terms and conditions acceptable to our Group and hence, there can be no guarantee that our Group will be able to obtain sufficient borrowings to fund the BHP Development Subscription Consideration, BHP Development Shareholder Advances, development of the Bangsar Land, Montflex Shareholder Advances and development of the TAR Land.

In addition, our Group may be exposed to fluctuation in interest rates on the financing obtained, leading to higher borrowing costs that may adversely affect our Group's financial performance and our Group's ability to service its financial obligations.

Nevertheless, our Group will continue to monitor and review our Group's debt portfolio, which takes into consideration our Group's gearing level, interest costs and cash flow.

(c) Risk associated with the default by BHP Development and Montflex

The BHP Development Corporate Guarantee and Montflex Corporate Guarantee will be recognised as contingent liabilities in our Group's financial statements and may be called upon or claimed by the financial institutions in any event of default by BHP Development and Montflex in respect of the financing facilities obtained, which as a consequence, our Group will be required to repay the indebtedness of BHP Development and Montflex to the financial institutions and may have an adverse impact on the financial position of our Group.

Nevertheless, our Group, together with BHP Development Existing Shareholders and Excel Logic, will continuously monitor and review the financing facilities obtained by BHP Development and Montflex, as well as their cash flow to ensure the ability of BHP Development and Montflex to meet their financing obligations is not compromised throughout the tenure of the financing facilities.

(d) Risk associated with the valuation of the Bangsar Land and the Development Rights

CBRE|WTW has adopted the income approach (residual method) and comparison approach in valuing the Bangsar Land, and has adopted the income approach (residual method) only in valuing the Development Rights. Under the income approach (residual method), the market value is derived after taking into consideration, among others, the estimated GDV, GDC, completion timeframe of the development and current market condition, whereas under comparison approach, the market value is derived after taking into consideration, among others, recent transactions and asking prices of similar properties within the same locality with adjustments made for the differences in the relevant characteristics of the land.

The market values of the Bangsar Land and the Development Rights as appraised by CBRE|WTW are not an indication of, and do not guarantee, an equivalent or greater sale price either at present time or at any time in the future.

(e) Risk associated with the investment for the Bangsar Land and TAR Land

The developments of the Bangsar Land and TAR Land are expected to contribute positively to the long-term earnings of our Group. However, there can be no assurance that the developments of the Bangsar Land and TAR Land will generate the expected returns on investment as the success and profitability of the developments on these lands will depend on various factors such as timely completion of the development projects, availability and cost of funding, sales level for the development projects and changes in the applicable laws and regulations.

Our Group will continue to exercise due care in the evaluation of the Bangsar Land and TAR Land, and closely monitor the progress of the developments to mitigate such risk.

8.2 Risks relating to the property sector and other risks

(a) Inherent risks

The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex are subject to risks inherent in the real estate sector which our Group is already involved in. Such risks include adverse changes in the real estate market prices, changes in demand for properties, competition from other property developers, changes in economic, social, political and regulatory conditions, delay in completion of the property development projects against the scheduled completion, risk of purchasers' default, non-performance of third party contractors and sub-contractors, labour and material supply shortages, fluctuations in the building material prices and labour costs, changes in real property gain tax and any other applicable taxes, changes in property tax assessment and other statutory charges and/or changes in government policies such as financial and fiscal policies that may affect the purchasing power and buying sentiments of purchaser.

While our Group intends to reduce the impact of such risks through conducting market research, reviewing our property development strategies, such as the concept, pricing and timing of launches based on the prevailing market conditions and continuously improving operational efficiency to ensure that the properties are competitively priced, there can be no assurance that any adverse changes economic, social and political condition of Malaysia will not have a material adverse effect on our Group.

(b) Risk associated with compulsory land acquisition by the Government

The Government has the power to compulsorily acquire any land in Malaysia pursuant to the provisions of the Land Acquisition Act 1960. In the event of any compulsory acquisition of land, the amount of compensation to be awarded shall be based on the First Schedule of the Land Acquisition Act 1960.

In the event of any compulsory acquisition of the Bangsar Land and TAR Land, there can be no assurance that the Bangsar Land and TAR Land will be acquired at the market value of the lands. Our Group will seek to minimise any potential losses from such transactions by invoking the relevant provisions in the Land Acquisition Act 1960 in relation to its rights to submit an objection in respect of the compensation, where necessary.

9. EFFECTS OF THE PROPOSALS

9.1 Issued share capital and substantial shareholders' shareholding

The Proposals will not have any effect on our issued share capital and our substantial shareholders' shareholding as they do not entail any issuance of new Sunsuria Shares and/or convertible securities in our Company.

9.2 NA per Sunsuria Share and gearing

For illustrative purposes, based on the audited consolidated statement of financial position of our Company as at 30 September 2019 and assuming that the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex had been effected on that date, the pro forma effects of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex on the NA per Sunsuria Share and gearing of our Group are as follows:

	(I)	(II)
	After the Proposed Subscription of BHP Development	After (I) and the Proposed Acquisition of Bumilex
	Audited as at 30 September 2019	Audited as at 30 September 2019
	(RM'000)	(RM'000)
Ordinary share capital	640,288	640,288
Reserves	359,282	364,834 ⁽³⁾
Equity / NA attributable to the owners of the Company	999,570	1,005,122
Non-controlling interest	16,304	31,543 ⁽⁴⁾
Total equity / NA	1,015,874	1,036,665
No. of Sunsuria Shares in issue (excluding treasury shares) ('000)	895,917	895,917
NA per Sunsuria Share (RM) ⁽¹⁾	1.12	1.12
Total borrowings	183,398	462,341 ⁽⁵⁾⁽⁶⁾
Gearing (times) ⁽²⁾	0.18	0.45

Notes:

(1) Calculated based on NA attributable to the owners of our Company divided by number of Sunsuria Shares in issue (excluding treasury shares).

(2) Calculated based on total borrowings divided by total equity / NA.

(3) The reserves are arrived at after taking into consideration the following:

	<u>RM'000</u>
Audited reserves as at 30 September 2019	359,282
Add: Estimated negative goodwill arising from the Proposed Subscription of BHP Development*	7,423
Less: Estimated expenses relating to the Proposals	(1,871)
	<u>364,834</u>
Add: Estimated negative goodwill arising from the Proposed Acquisition of Bumilex*	9
	<u>364,843</u>

* Being the excess of the following:

	<u>RM'000</u>
<u>Estimated negative goodwill arising from the Proposed Subscription of BHP Development</u>	
The share of the adjusted audited NA of BHP Development as at 31 December 2019 after taking into consideration the market value of the Bangsar Land as appraised by CBRE WTW	15,861
Less: BHP Development Subscription Consideration	(8,438)
	<u>7,423</u>
<u>Estimated negative goodwill arising from the Proposed Acquisition of Bumilex</u>	
The share of the adjusted audited NA of the Bumilex Group as at 31 December 2019 after taking into consideration the market value of the Development Rights as appraised by CBRE WTW and the Waiver of Liabilities	9
Less: Bumilex Purchase Consideration	(#)
	<u>9</u>

RM2.00.

- (a) the share of the adjusted audited NA of BHP Development as at 31 December 2019 after taking into consideration the market value of the Bangsar Land as appraised by CBRE|WTW against the BHP Development Subscription Consideration; and
- (b) the share of the adjusted audited NA of the Bumilex Group as at 31 December 2019 after taking into consideration the market value of the Development Rights as appraised by CBRE|WTW and the Waiver of Liabilities against the Bumilex Purchase Consideration.

The final determination of the negative goodwill will be based on the share of the fair value of the NA of BHP Development / the Bumilex Group on the completion date of the Proposed Subscription of BHP Development / Proposed Acquisition of Bumilex which may differ from what is reflected in the pro forma effects on the NA per Sunsuria Share and gearing of our Group.

- (4) After taking into consideration the non-controlling interest in BHP Development and Montflex.
- (5) After taking into consideration the outstanding borrowings of BHP Development as at 31 December 2019 amounting to RM176.9 million.
- (6) Assuming that the BHP Development Shareholder Advances of RM102.1 million pursuant to the Proposed Provision of Financial Assistance to BHP Development and the Montflex Shareholder Advances of RM20.6 million pursuant to the Proposed Provision of Financial Assistance to Montflex are provided on 30 September 2019 and fully funded via bank borrowings.

9.3 EPS

For illustrative purposes, based on the audited consolidated statement of profit or loss and other comprehensive income of our Company for the FYE 30 September 2019 and assuming that the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex had been effected on 1 October 2018, being the beginning of the FYE 30 September 2019, the pro forma effects of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex on our EPS are as follows:

	Audited FYE 30 September 2019	(I) After the Proposed Subscription of BHP Development	(II) After (I) and the Proposed Acquisition of Bumilex
	(RM'000)	(RM'000)	(RM'000)
"PAT attributable to the owners of our Company	135,465	138,902 ⁽¹⁾	138,197 ⁽¹⁾
No. of Sunsuria Shares in issue (excluding treasury shares) ('000)	895,917	895,917	895,917
EPS (sen)	15.12	15.50	15.43

Note:

- (1) The PAT attributable to the owners of our Company is arrived at after taking into consideration the following:

	RM'000	RM'000
Audited PAT for the FYE 30 September 2019		135,465
Add: Estimated negative goodwill arising from the Proposed Subscription of BHP Development*		7,423
Less: Share of audited LAT attributable to the owners of BHP Development for the FYE 31 December 2019		(2,115)
Less: Estimated expenses relating to the Proposals		(1,871)
		138,902
Add: Estimated negative goodwill arising from the Proposed Acquisition of Bumilex*		9
Less: Audited LAT attributable to the owners of Bumilex for the FYE 31 December 2019#	(737)	
Add: Adjustment to be aligned with the MFRS	(3)	
Less: Reversal of goodwill arising from the acquisition of Montflex by Bumilex	26	
		(714)
		138,197

* Being the excess of the following:

- (a) the share of the adjusted audited NA of BHP Development as at 31 December 2019 after taking into consideration the market value of the Bangsar Land as appraised by CBRE|WTW against the BHP Development Subscription Consideration; and
- (b) the share of the adjusted audited NA of the Bumilex Group as at 31 December 2019 after taking into consideration the market value of the Development Rights as appraised by CBRE|WTW and the Waiver of Liabilities against the Bumilex Purchase Consideration.

The final determination of the negative goodwill will be based on the share of the fair value of the NA of BHP Development / the Bumilex Group on the completion date of the Proposed Subscription of BHP Development / Proposed Acquisition of Bumilex which may differ from what is reflected in the pro forma effects on the EPS of our Group.

The audited financial statements of the Bumilex Group for the FYE 31 December 2019 was prepared in accordance with the MPERS.

Assuming that the BHP Development Shareholder Advances pursuant to the Proposed Provision of Financial Assistance to BHP Development and the Montflex Shareholder Advances pursuant to the Proposed Provision of Financial Assistance to Montflex are provided on 30 September 2019 and fully funded via bank borrowings, the Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex will not have any effect on our EPS for the FYE 30 September 2019. Nevertheless, the Proposals are expected to contribute positively to the earnings of our Group over the long term upon recognition of income arising from the developments on the Bangsar Land and TAR Land.

10. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements are as follows:

- (a) 28.5% for the Proposed Subscription of BHP Development and Proposed Provision of Financial Assistance to BHP Development computed based on the aggregate value of consideration pursuant to the Proposed Subscription of BHP Development and Proposed Provision of Financial Assistance to BHP Development compared with the audited consolidated NA attributable to the owners of our Company as at 30 September 2019; and
- (b) 3.3% for the Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex computed based on the aggregate value of consideration pursuant to the Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex compared with the audited consolidated NA attributable to the owners of our Company as at 30 September 2019.

11. APPROVALS AND CONSENTS REQUIRED

The Proposals are subject to the following being obtained:

- (a) approval of our non-interested shareholders at our forthcoming EGM;
- (b) approval and/or consent of financiers, including financiers of our Company, BHP Development and Bumilex, if required;
- (c) approval of the UKAS, JPM for the change in the shareholder of Bumilex, if required; and
- (d) approval, waiver and/or consent of any other relevant authority and/or party, if required.

12. CONDITIONALITY OF THE PROPOSALS

The conditionality or inter-conditionality of the Proposals is as follows:

- (a) the Proposed Subscription of BHP Development, Proposed Provision of Financial Assistance to BHP Development, Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex are inter-conditional upon each other in terms of the approval of our non-interested shareholders to be obtained at our forthcoming EGM;

- (b) the Proposed Provision of Financial Assistance to BHP Development is conditional upon the completion of the Proposed Subscription of BHP Development and not vice versa; and
- (c) the Proposed Provision of Financial Assistance to Montflex is conditional upon the completion of the Proposed Acquisition of Bumilex and not vice versa.

The Proposals are not conditional upon any other corporate exercise or scheme of our Company.

13. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

Tan Sri Datuk Ter is the Executive Chairman and a major shareholder of our Company through his direct and indirect shareholdings held via Ter Equity, Ter Capital and THK Capital. He is also a director and an indirect major shareholder of BHP Development, and an indirect major shareholder of Montflex. Accordingly, Tan Sri Datuk Ter, Ter Equity, Ter Capital and THK Capital are deemed interested in the Proposals.

Tan Sri Datuk Ter has abstained and will continue to abstain from all deliberations and voting at the relevant meetings of our Board in relation to the Proposals.

The Interested Shareholders will abstain from voting in respect of their direct and/or indirect shareholding in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM. They will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholding in our Company, if any, on the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

The shareholdings of the Interested Shareholders in our Company as at the LPD are as follows:

	Direct		Indirect	
	No. of Sunsuria Shares	%	No. of Sunsuria Shares	%
	('000)		('000)	
Tan Sri Datuk Ter	168,839	18.9	368,666 ⁽¹⁾	41.2
Ter Equity	182,557	20.4	-	-
Ter Capital	181,467	20.3	-	-
THK Capital	4,642	0.5		

Note:

- (1) Deemed interested by virtue of his interest in Ter Equity, Ter Capital and THK Capital pursuant to Section 8 of the Act.

Save as disclosed above, none of our directors and/or major shareholders as well as persons connected with them have any interest, direct or indirect, in the Proposals.

14. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save for the Proposals and recurrent related party transactions set out in the circular to the shareholders of our Company dated 31 January 2020, our Company has not entered into any transaction with the Interested Shareholders and persons connected with them for the past 12 months preceding the LPD.

15. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company, after having considered all aspects of the Proposals, including the salient terms of the Agreements, the market value of the Bangsar Land and the Development Rights as appraised by CBRE|WTW, the rationale and benefits of the Proposals, the prospects of BHP Development and Bumilex, as well as the opinion of the Independent Adviser, M&A Securities, is of the view that the Proposals are:

- (a) in the best interest of our Company;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the interest of our non-interested shareholders.

16. DIRECTORS' STATEMENT / RECOMMENDATION

Our Board (save for Tan Sri Datuk Ter), after having considered all aspects of the Proposals, including the salient terms of the Agreements, the market value of the Bangsar Land and the Development Rights as appraised by CBRE|WTW, the rationale and benefits of the Proposals, the prospects of BHP Development and Bumilex, as well as the opinion of the Independent Adviser, M&A Securities, is of the opinion that the Proposals are in the best interest of our Company.

Accordingly, our Board (save for Tan Sri Datuk Ter) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

17. INDEPENDENT ADVISER

The Proposals are deemed related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, M&A Securities has been appointed as the Independent Adviser to undertake the following in relation to the Proposals:

- (a) comment as to whether the Proposals are:
 - (i) fair and reasonable so far as our non-interested shareholders are concerned; and
 - (ii) to the detriment of our non-interested shareholders,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (b) advise our non-interested shareholders on whether they should vote in favour of the Proposals; and
- (c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (a) and (b) above.

18. TENTATIVE TIMELINE

The tentative timeline for the implementation of the Proposals is as follows:

<u>Event</u>	<u>Tentative timing</u>
EGM to seek our non-interested shareholders' approval for the Proposals	5 February 2021
Completion of the Proposals	First quarter of 2021

Barring any unforeseen circumstances and subject to the approvals and consents of the Proposals as set out in **Section 11 of Part A** of this Circular being obtained, the Proposals are expected to be completed by the first quarter of 2021.

19. CORPORATE EXERCISE / SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other outstanding corporate exercise or scheme which has been announced but not yet completed as at the LPD.

20. EGM

The resolutions on the Proposals will be tabled at our forthcoming EGM, the notice of which is enclosed in this Circular. Our EGM, which will be conducted in a fully virtual manner through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, on 5 February 2021 at 10.00 a.m. or any adjournment thereof, for the purpose of considering, and, if thought fit, passing the resolutions, with or without any modifications, to give effect to the Proposals.

If you are unable to attend and vote remotely via the Remote Participation and Voting facilities provided at our forthcoming EGM, you may appoint proxy(ies) to attend and vote on your behalf by completing, executing and returning the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible, so as to arrive at the office of the Share Registrar of our Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for holding our forthcoming EGM. The lodgement of the Form of Proxy does not preclude you from attending and voting remotely at our EGM should you subsequently wish to do so.

21. FURTHER INFORMATION

You are advised to refer to the enclosed appendices for further information.

Yours faithfully
For and on behalf of the Board
SUNSURIA BERHAD

DATO' QUEK NGEE MENG
Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM M&A SECURITIES TO
OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS**

EXECUTIVE SUMMARY

All words and expression used in this Independent Advice Letter (“IA Letter”) shall have the same meanings as defined in Part A, except where the context requires otherwise or as otherwise defined in this IA Letter.

This executive summary, highlighting the salient information pertaining to the Proposals, is intended to be a brief summary of the IA Letter prepared by M&A Securities. Non-interested shareholders of Sunsuria are advised to read and understand this IA Letter carefully together with Part A and the appendices, to consider carefully the recommendation contained herein before voting on the resolutions to give effect to the Proposals at the forthcoming EGM. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

1. INTRODUCTION

On 2 October 2020, Maybank IB had, on behalf of the Board, announced that the Company had on even date entered into the following agreements:

- (a) the SSSA for the Proposed Subscription of BHP Development and Proposed Provision of Financial Assistance to BHP Development and to regulate the relationship between the shareholders of BHP Development upon the completion of the Proposed Subscription of BHP Development; and
- (b) the SSPA for the Proposed Acquisition of Bumilex together with the Montflex SHA to regulate the relationship between the shareholders of Montflex upon the completion of the Proposed Acquisition of Bumilex.

The Proposals are deemed related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Shareholders in the Proposals as set out in Section 13 of Part A. As such, the Board had on 23 July 2020 appointed M&A Securities as the Independent Adviser to advise Sunsuria’s non-interested directors and non-interested shareholders on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to Sunsuria’s non-interested shareholders.

The purpose of this IA Letter is to provide the non-interested shareholders with an independent evaluation on the fairness and reasonableness of the terms of the Proposals together with our recommendation on the resolutions pertaining to Proposals to be tabled at the forthcoming EGM, subject to the scope of our role and evaluation specified herein.

2. EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have considered the following:

Section in the IA Letter	Factors evaluated	Comments						
7.1	Rationale for the Proposals	<p>We note that the Proposals will provide the following benefits:</p> <table border="1" data-bbox="638 387 1398 1232"> <thead> <tr> <th data-bbox="638 387 922 421"><u>Proposal</u></th> <th data-bbox="922 387 1398 421"><u>Benefits</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="638 421 922 887">Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex</td> <td data-bbox="922 421 1398 887"> <ul style="list-style-type: none"> • Opportunity to secure controlling interest and participate in property development projects in Kuala Lumpur via the Bangsar Land and TAR Land • Immediate enhancement of Sunsuria's existing GDV by RM3,536.8 million • Opportunity to tender for construction contracts for the developments on the Bangsar Land and the TAR Land </td> </tr> <tr> <td data-bbox="638 887 922 1232">Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex</td> <td data-bbox="922 887 1398 1232"> <ul style="list-style-type: none"> • To partially fund the property development business of BHP Development and Montflex; and • Any surplus shall be used to level the Existing BHP Development Shareholder Advances and Existing Montflex Shareholder Advances respectively to the proportion of each shareholders' shareholdings </td> </tr> </tbody> </table> <p>We are of the opinion that the rationale of the Proposals are fair and reasonable and are not detrimental to the non-interested shareholders of Sunsuria, as it will enable Sunsuria to benefit from the development of the lands.</p>	<u>Proposal</u>	<u>Benefits</u>	Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex	<ul style="list-style-type: none"> • Opportunity to secure controlling interest and participate in property development projects in Kuala Lumpur via the Bangsar Land and TAR Land • Immediate enhancement of Sunsuria's existing GDV by RM3,536.8 million • Opportunity to tender for construction contracts for the developments on the Bangsar Land and the TAR Land 	Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex	<ul style="list-style-type: none"> • To partially fund the property development business of BHP Development and Montflex; and • Any surplus shall be used to level the Existing BHP Development Shareholder Advances and Existing Montflex Shareholder Advances respectively to the proportion of each shareholders' shareholdings
<u>Proposal</u>	<u>Benefits</u>							
Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex	<ul style="list-style-type: none"> • Opportunity to secure controlling interest and participate in property development projects in Kuala Lumpur via the Bangsar Land and TAR Land • Immediate enhancement of Sunsuria's existing GDV by RM3,536.8 million • Opportunity to tender for construction contracts for the developments on the Bangsar Land and the TAR Land 							
Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex	<ul style="list-style-type: none"> • To partially fund the property development business of BHP Development and Montflex; and • Any surplus shall be used to level the Existing BHP Development Shareholder Advances and Existing Montflex Shareholder Advances respectively to the proportion of each shareholders' shareholdings 							
7.2	Basis and justification of the consideration of the Proposed Subscription of BHP Development and Proposed Provision of Financial Assistance to BHP Development	<p><u>Proposed Subscription of BHP Development</u></p> <p>We note that the BHP Development Subscription Consideration was arrived at taking into consideration:</p> <p>(a) the market value of Bangsar Land of RM327.0 million as appraised by CBRE WTW; and</p> <p>(b) the adjusted NA of BHP Development as at 31 July 2020 of RM8.1 million after taking into account the adjustment to the fair value of Bangsar Land based on the market value as set out in (a) above.</p> <p>The BHP Development Subscription Consideration is then proportionately calculated based on the adjusted NA of BHP Development of RM8.1 million attributable to the 49% stake.</p> <p>Given that BHP Development is a property development company, the assessment of the BHP Development</p>						

Section in the IA Letter	Factors evaluated	Comments
		<p>Subscription Consideration is based on the adjusted NA methodology to take into account the current fair market value of Bangsar Land.</p> <p><u>Proposed Provision of Financial Assistance to BHP Development</u></p> <p>We note the commitment of up to RM102.1 million cash to be advanced by Sunsuria to BHP Development, which is reflective of its 51% shareholdings in BHP Development vis-à-vis BHP Development's total requirement of RM200.2 million.</p> <p>We also note Sunsuria may be required to provide corporate guarantees equivalent to 51.0% of the total financing facilities amount obtained by BHP Development for the development of the Bangsar Land.</p> <p>Under the SSSA, Sunsuria is required to level the advances gradually over a period of 12 months from the date of the SSSA. Any surplus after the provision for reserves, capital commitment and working capital of BHP Development shall be repaid to BHP Development Existing Shareholders to level their advances.</p> <p>Although part of the proceeds from the Company's advance is used to repay existing advances from Sunsuria KL and Suez Capital who are related parties, it is to level the existing advances to reflect the shareholdings of BHP Development post completion of the Proposed Subscription of BHP Development. These existing advances were used by BHP Development towards their property development projects. Thereafter, any additional working capital requirement will be injected by the shareholders of BHP Development in proportion to their shareholdings.</p> <p>We are of the opinion that the basis and justification of the subscription consideration and provision of financial assistance is <u>fair and reasonable</u> and are <u>not detrimental</u> to the non-interested shareholders of Sunsuria.</p>
7.3	Basis and justification of the consideration of the Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex	<p><u>Proposed Acquisition of Bumilex</u></p> <p>We note that the Bumilex Purchase Consideration was arrived at taking into consideration:</p> <p>(a) the market value of the Development Rights of RM25.0 million as appraised by CBRE WTW; and</p> <p>(b) the adjusted NA of Bumilex Group as at 31 December 2019 attributable to the owners of Bumilex of RM9,000 after taking into account the adjustment to the fair value of TAR Land based on the market value as set out in (a) above, accounting adjustment to be aligned with MFRS and adjustment for waiver of certain liabilities in Bumilex and Montflex.</p> <p>Given that the Bumilex Group is a property investment group,</p>

Section in the IA Letter	Factors evaluated	Comments
		<p>the current fair market value of TAR Land. In addition, the MFRS adjustment is to benchmark to international standards, while the adjustment for waiver of certain liabilities in Bumilex and Montflex is by virtue of undertakings granted by the Vendors under the SSPA.</p> <p>Post adjustments, we note that Bumilex's adjusted NA attributable to the owners of Bumilex is RM9,000, vis-à-vis the Bumilex Purchase Consideration of RM2.</p> <p><u>Proposed Provision of Financial Assistance to Montflex</u></p> <p>We note the commitment of up to RM20.6 million cash to be advanced by Bumilex into Montflex, which is reflective of its 51% shareholdings in Montflex vis-à-vis Montflex's total requirement of RM40.3 million.</p> <p>We also note Sunsuria may be required to provide (either directly or through Bumilex) corporate guarantees equivalent to 51.0% of the total financing facilities amount obtained by Montflex for the development of the TAR Land.</p> <p>Under the SHA, Sunsuria is required to level the advances gradually over a period of 18 months from the date of the SHA. Any surplus after the provision for reserves, capital commitment and working capital of Montflex shall be repaid to Excel Logic Shareholders to level their advances.</p> <p>Although part of the proceeds from the Company's advance is used to repay existing advances from Excel Logic Shareholders who are related parties, it is to level the existing advances to reflect the shareholdings of Bumilex post completion of the Proposed Acquisition of Bumilex. These existing advances were used by Montflex for its property development projects. Thereafter, any additional working capital requirement will be injected by the shareholders of Montflex in proportion to their shareholdings.</p> <p>We are of the opinion that the basis and justification of the acquisition consideration and provision of financial assistance is <u>fair and reasonable</u> and are <u>not detrimental</u> to the non-interested shareholders of Sunsuria.</p>
7.4	Salient terms of the transaction agreements relating to the Proposals	<p>The conditions precedent set out in the transaction agreements are common in such transactions.</p> <p>We are of the opinion that the salient terms and conditions of the SSSA, SSPA and Montflex SHA are <u>fair and reasonable</u> and are <u>not detrimental</u> to the non-interested shareholders of Sunsuria.</p>
7.5	Industry overview and prospects	<p>We note the lacklustre sector performance or outlook of the property market at this juncture. We also note the recovery plans initiated by the government under the Economic Recovery Plan or Penjana which aims to address the health and economic challenges of the Coronavirus disease 2019 pandemic. In addition, in the Budget 2021, the government has also proposed several initiatives to increase home ownership in Malaysia.</p>

Section in the IA Letter	Factors evaluated	Comments
		<p>We are of the opinion that the long-term prospects of the Company following the Proposals appears to be favourable with the expected eventual recovery from the Covid-19 pandemic situation and barring unforeseen circumstances, is poised to improve its financial performance in the future. We note that based on preliminary studies conducted by Sunsuria, Bangsar Land and TAR Land are estimated to generate net profit of RM1,150.4 million and RM163.8 million to BHP Development and Montflex respectively, of which Sunsuria will have 51% equity interest.</p>
7.6	Risk factors of the Proposals	<p>We note the risks relating to the Proposals and property sector.</p> <p>We are of the view that the risk factors are common risks associated with such transactions/investments. In addition, we note that the Group is already involved in the property development sector; and thus already exposed to the risk inherent in the property sector.</p> <p>However, we wish to highlight that although efforts and measures will be taken by the Group to mitigate the risks associated with the Proposals and property sector, no assurance can be given that one or a combination of the risk factors will not occur and materially and adversely affect the Group.</p>
7.7	Effects of the Proposals	<p>We note that:</p> <p>(a) The Proposals will not have any effect on the issued share capital and shareholding structure of Sunsuria;</p> <p>(b) The Proposals are not dilutive to the Group's NA and NA per share although its borrowings and gearing are expected to increase due to financing to be assumed for the Proposals. Moving forward, however, the Group's shareholders' equity is expected to increase upon recognition of profits from the developments of Bangsar Land and TAR Land. Given the early stages of these developments, an increased gearing level is expected and such gearing is expected to reduce over time in line with the progress of these development projects and recognition of profits thereon;</p> <p>(c) The incremental increase in earnings and EPS are mainly attributable to estimated negative goodwill arising from the Proposed Subscription of BHP Development.</p> <p>We are of the opinion that the effects of the Proposals are <u>fair and reasonable</u> and are <u>not detrimental</u> to the non-interested shareholders of Sunsuria.</p>

3. CONCLUSION AND RECOMMENDATION

Based on our evaluation and comments on the Proposals, we are of the opinion that the terms of the Proposals are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of Sunsuria.

Accordingly, we recommend that the non-interested shareholder to vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

Non-interested shareholders should also note on the conditionality and inter-conditionality of the Proposals as set out under Section 3 of this IA Letter.



M & A SECURITIES SDN BHD

(197301001503 (15017-H))

(A Wholly-Owned Subsidiary of INSAS BHD)

A PARTICIPATING ORGANISATION OF BURSA MALAYSIA SECURITIES BERHAD

Principal Office

Level 1 - 3, No. 45 & 47, Level 11, No. 45 & 47 (Corporate Finance) and No. 43-6, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia

Tel : +603-2282 1820 (GL) +603-2284 2911 (CF) Fax : +603-2283 1019 (Admin) +603-2284 2718 (CF)

Date: 21 January 2021

To: The Non-Interested Shareholders of Sunsuria Berhad

Dear Sir/Madam,

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

• INDEPENDENT ADVICE LETTER (“IA LETTER”) TO THE NON-INTERESTED SHAREHOLDERS OF SUNSURIA IN RELATION TO THE PROPOSALS

This IA Letter is prepared for inclusion as Part B and should be read in conjunction with the same. All definitions used in this IA Letter shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 2 October 2020, Maybank IB had, on behalf of the Board, announced that the Company had on even date entered into the following agreements:

- (a) the SSSA for the following:
 - (i) proposed subscription by the Company of 4,488,520 BHP Development Shares, representing 51.0% of the enlarged issued share capital of BHP Development, for the BHP Development Subscription Consideration to be satisfied in cash;
 - (ii) to regulate the relationship between the Company and BHP Development Existing Shareholders as shareholders of BHP Development upon the completion of the Proposed Subscription of BHP Development; and
 - (iii) provision of financial assistance by the Company to BHP Development after the completion of the Proposed Subscription of BHP Development of up to RM276.1 million, of which an amount of up to RM102.1 million in cash will be used for the working capital requirement of BHP Development which is in proportion to the Company’s 51.0% shareholding in BHP Development and an amount of up to RM174.0 million in the form of corporate guarantee for 51.0% of the financing facilities obtained by BHP Development; and

- (b) the SSPA for the proposed acquisition by the Company of 100,000 Bumilex Shares, representing 100% of the issued share capital of Bumilex, for the Bumilex Purchase Consideration to be satisfied in cash.

In conjunction with the Proposed Acquisition of Bumilex, Bumilex had, on the same date, entered into the Montflex SHA to regulate the relationship between Bumilex and Excel Logic as the shareholders of Montflex upon the completion of the Proposed Acquisition of Bumilex.

Subsequent to the completion of the Proposed Acquisition of Bumilex, the Company will be obligated to provide (either directly or through Bumilex) financial assistance to Montflex of up to RM33.3 million, of which an amount of up to RM20.6 million in cash will be used for the working capital requirement of Montflex which is in proportion to Bumilex's 51.0% shareholding in Montflex and an amount of up to RM12.7 million in the form of corporate guarantee for 51.0% of the financing facilities obtained by Montflex.

The Proposals are deemed related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Shareholders in the Proposals as set out in Section 13 of Part A. As such, the Board had on 23 July 2020 appointed M&A Securities as the Independent Adviser to advise Sunsuria's non-interested directors and non-interested shareholders on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to Sunsuria's non-interested shareholders.

The purpose of this IA Letter is to provide the non-interested shareholders of the Company with an independent evaluation on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company as well as to provide a recommendation thereon on the voting of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

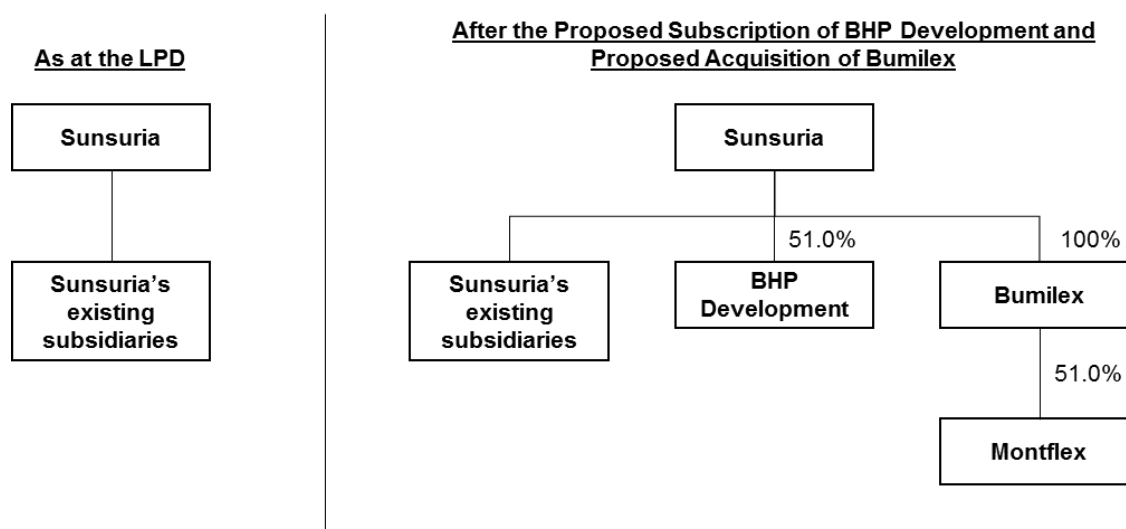
This IA Letter is prepared solely for the use of the non-interested shareholders of the Company to consider the Proposals and should not be used or relied upon by any other third party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IA LETTER AND THE LETTER TO SHAREHOLDERS AS SET OUT IN PART A TOGETHER WITH THE ACCOMPANYING APPENDICES THEREON, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH LETTER BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT ABOUT THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE PROPOSALS

The corporate structure of Sunsuria before and after the Proposals is as follows:



2.1 Proposed Subscription of BHP Development

The Proposed Subscription of BHP Development involves the subscription by the Company of 4,488,520 new BHP Development Shares, representing 51.0% of the enlarged issued share capital of BHP Development for the BHP Development Subscription Consideration.

BHP Development is the registered owner of Bangsar Land, and its principal activity is property development.

Upon completion of the Proposed Subscription of BHP Development, the total number of issued shares of BHP Development will increase from 4,312,500 to 8,801,020 BHP Development Shares and its shareholding structure will be as follows:

	No. of BHP Development Shares	%
Sunsuria	4,488,520	51.0
Sunsuria KL ⁽¹⁾	2,156,250	24.5
Suez Capital	1,859,250	21.1
Dasar Temasek	297,000	3.4
	8,801,020	100.0

Note:

⁽¹⁾ Sunsuria KL is not a company within the Group.

Further details of the Proposed Subscription of BHP Development are set out in Section 2 of Part A.

Further information on BHP Development and the BHP Development Existing Shareholders are set out in Appendix I(A) and Appendix I(B).

The salient terms of the SSSA are set out in Appendix II(A).

2.2 Proposed Provision of Financial Assistance to BHP Development

Pursuant to the terms of the SSSA, the current shareholders' advances in BHP Development extended by the BHP Development Existing Shareholders is to be adjusted in proportion to the respective shareholders' shareholding in BHP Development after completion of the Proposed Subscription of BHP Development.

Based on the estimated shareholders' advance requirement of BHP Development of RM200.2 million, the Company may be required to advance up to RM102.1 million in cash to BHP Development, which is in proportion to its 51.0% shareholding in BHP Development after completion of the Proposed Subscription of BHP Development.

The advances to BHP Development from the respective shareholders as at LPD and after the Proposed Subscription of BHP Development are illustrated as follows:

	After Proposed Subscription of BHP Development				
	(1) As at LPD	Based on the		Based on the Estimated	
		RM'000	shareholders' advances	to BHP Development as	BHP Development
	RM'000	RM'000	%	RM'000	%
BHP Development Existing Shareholders:					
Sunsuria KL	44,542	30,835	24.5	49,042	24.5
Suez Capital	79,441	28,962	23.0	42,236	21.1
Dasar Temasek	1,872	1,872	1.5	⁽³⁾ 6,805	3.4
	125,855	61,669	49.0	98,083	49.0
Sunsuria	-	⁽²⁾ 64,186	51.0	⁽⁴⁾ 102,087	51.0
	125,855	125,855	100.0	200,170	100.0

Notes:

(1) The shareholders' advances do not include any interest payable by BHP Development to the respective shareholders.

(2) For illustrative purposes, based on the shareholders' advances as at LPD, the Company will need to advance RM64.2 million to BHP Development, representing its 51.0% shareholding. Thereafter, BHP Development will use the funds to repay the surplus advances made by Sunsuria KL and Suez Capital so that the advances from the BHP Development Existing Shareholders and the Company are adjusted in proportion to reflect their respective shareholdings in BHP Development ("**Adjustment of BHP Development Shareholders Advances**").

For the avoidance of doubt, the BHP Development Existing Shareholders are not obligated to extend any further advances to BHP Development until the Adjustment of BHP Development Shareholders Advances is completed.

(3) In the event that Dasar Temasek is unable to provide all or any part of its shareholder's advances, the shortfall shall be contributed by Suez Capital.

(4) Based on the Estimated BHP Development Shareholders' Advances, the Company is expected to advance the remaining shareholders' advances of RM37.9 million over a period of 24 months from the completion date of the Adjustment of BHP Development Shareholders' Advances.

In addition, the Company may be required to provide corporate guarantees equivalent to 51.0% of the total financing facilities amount obtained by BHP Development for the development of Bangsar Land. As at LPD, the financing facilities of BHP Development amounted to RM341.1 million, and the Company may be required to provide corporate guarantee of up to RM174.0 million, which is in proportion to the Company's 51.0% shareholding in BHP Development upon completion of the Proposed Subscription of BHP Development. The Company confirms that it has the financial capability to provide the BHP Development Corporate Guarantee after taking into consideration the current financial position of the Group.

The Company may also be required to provide additional advances to BHP Development and/or corporate guarantees for financing facilities to be obtained by BHP Development, the actual quantum of which will depend on the cost of development of Bangsar Land.

Further details of the Proposed Provision of Financial Assistance to BHP Development are set out in Section 3 of Part A.

2.3 Proposed Acquisition of Bumilex

The Proposed Acquisition of Bumilex involves the acquisition by the Company of 100,000 existing Bumilex Shares, representing 100% of the issued share capital of Bumilex, from the Vendors for the Bumilex Purchase Consideration.

The principal activity of Bumilex is investment holding. Bumilex through its 51.0%-owned subsidiary, Montflex, had on 21 March 2017 entered into the JVA to undertake the development of TAR Land. Pursuant to the terms and conditions of the JVA, Datuk Bandar allowed Montflex to take possession of TAR Land to undertake the development project of TAR Land to be identified as 'Nadi @ TAR' at Montflex's costs and expenses for a consideration of RM87.8 million to be paid progressively to Datuk Bandar via a combination of cash and payment in kind.

Further details of the Proposed Acquisition of Bumilex are set out in Section 4 of Part A.

Further information on Bumilex, the Vendors and Montflex are set out in Appendix I(C), Appendix I(D) and Appendix I(E).

The salient terms of the SSPA and JVA are set out in Appendix II(B) and Appendix II(D).

2.4 Proposed Provision of Financial Assistance to Montflex

Pursuant to the terms of the Montflex SHA, the current shareholders' advances in Montflex is required to be adjusted in proportion to the respective shareholders' shareholding in Montflex after the completion of the Proposed Acquisition of Bumilex.

Based on the estimated shareholders' advance requirement of Montflex of RM40.3 million, the Company may be required to (either directly or through Bumilex) advance up to RM20.6 million in cash to Montflex, which is in proportion to Bumilex's 51.0% shareholding in Montflex after completion of the Proposed Acquisition of Bumilex.

The advances to Montflex from the respective shareholders as at LPD and after Proposed Acquisition of Bumilex are as follows:

	After Proposed Acquisition of Bumilex					
			Based on the shareholders' advances to Montflex as at LPD after the Waiver of Liabilities		Based on the Estimated Montflex Shareholders' Advances	
	⁽²⁾ As at LPD RM'000	⁽³⁾ After Waiver of Liabilities RM'000	RM'000	%	RM'000	%
Suez Capital ⁽¹⁾	16,374	14,344	7,028	28.2	11,366	28.2
Sunsuria City KL ⁽¹⁾	10,679	9,355	4,584	18.4	7,413	18.4
Ter Leong Boon ⁽¹⁾	712	624	306	1.2	494	1.2
Ter Hong Khim@Tai Foong Chin ⁽¹⁾	712	624	306	1.2	494	1.2
	28,477	24,947	12,224	49.0	19,767	49.0
Bumilex	-	-	⁽⁴⁾ 12,723	51.0	⁽⁵⁾ 20,574	51.0
	28,477	24,947	24,947	100.0	40,341	100.0

Notes:

- (1) Suez Capital, Sunsuria City (KL), Ter Leong Boon and Ter Hong Khim are shareholders of Excel Logic ("**Excel Logic Shareholders**").
- (2) The shareholders' advances do not include any interest payable by Montflex to the respective shareholders.
- (3) Pursuant to the SSPA, the Vendors undertake to deliver to Sunsuria a written waiver of certain liabilities from the existing creditors of Bumilex and Montflex respectively on the completion date of the Proposed Acquisition of Bumilex ("**Waiver of Liabilities**"). The Waiver of Liabilities includes a waiver of RM3.5 million of the advances made by Excel Logic Shareholders to Montflex.
- (4) For illustrative purposes, based on the shareholders' advances as at LPD, the Company will need to advance (either directly or through Bumilex) RM12.7 million to Montflex, representing Bumilex's 51.0% shareholding in Montflex. Thereafter, Montflex will use the funds to repay the surplus advances made by the Excel Logic Shareholders so that the advances from Excel Logic Shareholders, the Company and/or Bumilex are adjusted in proportion to reflect Excel Logic's and Bumilex's shareholdings in Montflex ("**Adjustment of Montflex Shareholders Advances**").

For the avoidance of doubt, Excel Logic and/or Excel Logic Shareholders are not obligated to extend any further advances to Montflex until the Adjustment of Montflex Shareholders Advances is completed.
- (5) Based on the Estimated Montflex Shareholders' Advances, the Company is expected to advance the remaining shareholders' advances of RM7.9 million over a period of 24 months from the completion date of the Adjustment of Montflex Development Shareholders' Advances.

In addition, the Company may be required to provide (either directly or through Bumilex) corporate guarantees equivalent to 51.0% of the total financing facilities amount obtained by Montflex for the development of TAR Land. As at LPD, the financing facilities of Montflex amounted to RM25.0 million, and the Company may be required to provide corporate guarantee of up to RM12.7 million.

The Company may also be required to provide (either directly or through Bumilex) additional advances to Montflex and/or corporate guarantees for financing facilities to be obtained by Montflex, the actual quantum will depend on the cost of development of the TAR Land.

Further details of the Proposed Provision of Financial Assistance to Montflex are set out in Section 5 of Part A.

Further information on Excel Logic is set out in Appendix I(F).

The salient terms of the Montflex SHA are set out in Appendix II(C).

3. CONDITIONALITY OR INTER-CONDITIONALITY OF THE PROPOSALS

The conditionality or inter-conditionality of the Proposals is as follows:

- (a) the Proposed Subscription of BHP Development, Proposed Provision of Financial Assistance to BHP Development, Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex are inter-conditional upon each other in terms of the approval of our non-interested shareholders to be obtained at the forthcoming EGM;

- (b) the Proposed Provision of Financial Assistance to BHP Development is conditional upon the completion of the Proposed Subscription of BHP Development and not vice versa; and
- (c) the Proposed Provision of Financial Assistance to Montflex is conditional upon the completion of the Proposed Acquisition of Bumilex and not vice versa.

The Proposals are not conditional upon any other corporate exercise or scheme of the Company.

4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSALS

M&A Securities was not involved in the formulation of the Proposals or any deliberation and negotiation on the terms and conditions of them.

Our role as an Independent Adviser is limited to expressing an independent opinion on the terms and conditions of the Proposals and the fairness and reasonableness of the same as far as the non-interested directors and non-interested shareholders of Sunsuria are concerned. The terms and conditions of the Proposals are solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposals.

The directors and management of Sunsuria are responsible to make available to us all relevant information pertaining to our evaluation, including informing us of any material changes in the subject matters which may have an impact on our opinion. Our work includes holding discussions and making enquiries from the directors and management of Sunsuria regarding representations made by Sunsuria. We rely on the directors and management's oral and written representations and in no event shall we, our principals, directors, shareholders, agents or employees be liable for any misrepresentations by the directors and management of Sunsuria.

We have not undertaken an independent investigation into the business of BHP Development, Bumilex or Montflex. Our procedures and inquiries did not include any verification work that constitutes an audit on the information that we have relied upon in preparing this IA Letter. Further, certain information relied upon are only representations of the directors and management of Sunsuria, as well as reliance on third party experts as explained in the relevant sections of this IA Letter. Further, we have also assumed that the Proposals will be implemented based on the terms set out in the SSSA, SSPA, Montflex SHA and JVA without material waiver or modification. Accordingly, we make no representations as to the accuracy or completeness of the information provided. We have made due enquiries that were reasonable in the circumstances and as the date hereof, we are satisfied that the information provided to us is sufficient and have no reason to believe that the aforementioned information is unreliable, inaccurate, incomplete and/or misleading.

M&A Securities' views and advice as contained in this IA Letter only caters to the non-interested shareholders of Sunsuria at large and not to any non-interested shareholders individually. Hence, in carrying out our evaluation, we have not given consideration the specific investment objectives, risk profiles, financial and tax situations and needs of any individual non-interested shareholder or any specific group of non-interested shareholders.

We recommend that any individual non-interested shareholder or group of non-interested shareholders of Sunsuria who is in doubt as to the action to be taken or required advice in relation to the Proposals in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbrokers, bankers, solicitors, accountants or other professional advisers immediately. We shall not be liable for any damage or loss sustained or suffered by any individual shareholder or any group of shareholders in reliance on the opinion stated herein for any purpose whatsoever which is particular to such individual shareholder or group of shareholders.

In performing our evaluation, we have relied on the following sources of information:

- (a) information contained in Part A and the appendices attached thereto;
- (b) the SSSA, SSPA, Montflex SHA and JVA;
- (c) Audited accounts of BHP Development and Bumilex for FYE 31 December 2019;
- (d) Unaudited financial statements of BHP Development for the financial period ended 31 July 2020;
- (e) Sunsuria's annual report for FYE 30 September 2019;
- (f) Sunsuria's announcement dated 2 October 2020 in relation to the Proposals;
- (g) valuation reports prepared by CRBE|WTW on Bangsar Land as well as the Development Rights;
- (h) other relevant information furnished to us by the management of Sunsuria, Principal Adviser and Financial Adviser; and
- (i) other publicly available information which we deemed relevant to our evaluation.

The preparation of this IA Letter is based upon market, economic, industry and other conditions prevailing as at the latest practicable date as at 31 December 2020 (“**LPD**”) for the preparation of this IA Letter. Such conditions may change significantly over a relatively short period of time. No representation or warranty, whether expressed or implied, is given by M&A Securities that the information and documents provided will remain unaltered subsequent to the issuance of the IA Letter. However, should M&A Securities become aware of any significant change affecting the information contained in this IA Letter which may have an impact on M&A Securities' opinion or have reasonable grounds to believe that any statement in this IA Letter is misleading, deceptive or that there is material omission in this IA Letter, we will immediately notify the shareholders of Sunsuria. If circumstances require, a supplementary IA Letter will be despatched accordingly to the shareholders of Sunsuria.

We have obtained responsibility statements from the directors and management of Sunsuria that all material facts, financial and other information essential to our evaluation have been disclosed to us and that they have seen this IA Letter and they, individually and collectively, accept full responsibility for the accuracy of such information contained in this IA Letter and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein false or misleading.

M&A Securities confirms that it is not aware of any circumstances which exist or likely to give rise to a possible conflict of interest situation for M&A Securities to carry the role as the Independent Adviser in connection with the Proposals. M&A Securities also confirms that it has not had any professional relationship with Sunsuria as well as their related parties in the past 2 years.

5. CREDENTIALS AND EXPERIENCE OF M&A SECURITIES

M&A Securities is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, market trading and research and financing. Our corporate finance advisory team provides a full range of corporate finance advisory services including mergers and acquisitions, initial public offerings, equity fund raising and independent advisory opinions.

M&A Securities had, in the past 2 years prior to the date of the Proposals and up to LPD, been involved in the issuance of the following independent advisory opinion:

- Tropicana Corporation Berhad (“**TCB**”) : Independent adviser to non-interested shareholders of TCB in relation to the proposed disposal of equity interest in Tropicana Sanctuary Holdings Sdn Bhd to a related party, proposed acquisition of equity interest in various companies by TCB from related parties, proposed debt settlement between TCB and the related parties and proposed collaboration between TCB and the related parties for various property development projects, whereby our independent advice letter was issued on 22 August 2019;
- SWS Capital Berhad (“**SWS**”) : Independent adviser to non-interested shareholders of SWS in relation to the proposed acquisition of equity interest in Ee Jia Housewares (M) Sdn Bhd, whereby our independent advice letter was issued on 5 July 2019; and
- Halex Holdings Berhad (“**Halex**”) : Independent adviser to non-interested shareholders of Halex in relation to the proposed acquisition of equity interest in Hextar Chemicals Limited from Hextar Holdings Sdn Bhd, whereby our independent advice letter was issued on 15 March 2019.

We have also acted/are acting as Principal Adviser for the following related party transactions undertaken by public listed companies during the same period:

- Chin Hin Group Property Berhad (“**CHGP**”) : Proposed subscription by BKG Development Sdn Bhd (“**BKG**”) (a wholly-owned subsidiary of CHGP) of preference shares in a related party, proposed joint venture between a related party and BKG in relation to a property development project and proposed special issue of shares in CHGP, whereby the circular to shareholders was issued on 31 July 2019; and
- Chin Hin Group Berhad (“**Chin Hin**”) : Proposed disposal of equity interest in Ace Logistic Sdn Bhd (a wholly-owned subsidiary of Chin Hin) to a related party; proposed disposal of properties to a related party; and proposed tenancy of properties from a related party, whereby the circular to shareholders was issued on 29 May 2020.

Premised on the above, we are capable and competent in carrying out our role and responsibilities as the independent adviser to advise the non-interested directors and non-interested shareholders in relation to the Proposals.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

The interests of the Interested Director, Interested Major Shareholders, Chief Executive and/or person connected to them are set out in Section 13 of Part A.

7. EVALUATION OF THE PROPOSALS

In evaluating the Proposals, we have considered the following:

- | | | |
|-----|--|-------------|
| (a) | Rationale for the Proposals | Section 7.1 |
| (b) | Basis and justification of the consideration of Proposed Subscription of BHP Development and Proposed Provision of Financial Assistance to BHP Development | Section 7.2 |
| (c) | Basis and justification of the consideration of the Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex | Section 7.3 |

(d)	Salient terms of the transaction agreements relating to the Proposals	Section 7.4
(e)	Industry overview and prospects	Section 7.5
(f)	Risk factors of the Proposals	Section 7.6
(g)	Effects of the Proposals	Section 7.7

The views expressed by M&A Securities in this IA Letter are based on, amongst others, current economic market and political conditions prevailing as at LPD. In this respect, the non-interested shareholders of Sunsuria should take further note of any announcements relevant to their consideration of the Proposals which may be released after LPD.

7.1 Rationale for the Proposals

The rationale of the Proposals is set out in Section 6 of Part A. In particular, we note the following:

- (a) The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex provides an opportunity for the Group to secure controlling interest and participate in property development projects in Kuala Lumpur via Bangsar Land and TAR Land through its 51.0% ownership in BHP Development and Bumilex respectively. In this regard, the estimated GDV of the Bangsar Land and TAR Land are as follows:

	RM' million
Bangsar Land	3,012.0
TAR Land	524.8
	<u>3,536.8</u>

Although the above estimated GDV may be subject to change, the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex are expected to contribute positively to the earnings of the Group over the long term as the Group recognises the revenue from the developments on the Bangsar Land and TAR Land.

In addition, the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex provide opportunities to the Group's construction arm to tender for construction contracts for the developments on the Bangsar Land and TAR Land that will further enhance the earnings of the Group.

- (b) The Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex are intended to fund the developments on the Bangsar Land and TAR Land and to facilitate the respective companies to obtain the necessary financing facilities. Any surplus arising thereon will be used to level the Existing BHP Development Shareholder Advances and Existing Montflex Shareholder Advances respectively to the proportion of each shareholders' shareholdings. Additionally, the Company is expected to provide additional advances of up to RM38.9 million towards the Estimated BHP Development Shareholders' Advances and up to RM7.9 million towards the Estimated Montflex Shareholders' Advances.

Premised on the above, we are of the opinion that the rationale and benefits of the Proposals are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of Sunsuria, as Sunsuria is expected to derive benefits post completion from developing the lands. Nevertheless, non-interested shareholders of Sunsuria should note that the potential benefits arising from the Proposals, are subject to certain risk factors as disclosed in Section 8 of Part A.

7.2 Basis and justification of the consideration of the Proposed Subscription of BHP Development and Proposed Provision of Financial Assistance to BHP Development

7.2.1 Proposed Subscription of BHP Development

The BHP Development Subscription Consideration was arrived at on a willing subscriber willing issuer basis after taking into consideration the following:

- (a) market value of the Bangsar Land of RM327.0 million as appraised by CBRE|WTW; and
- (b) adjusted NA of BHP Development which was arrived at as follows:

	<u>RM'000</u>	<u>RM'000</u>
Unaudited NA as at 31 July 2020		3,949
<u>Adjustment to the fair value of Bangsar Land</u>		
Market value of Bangsar Land	327,000	
Less: NBV of Bangsar Land	<u>(321,539)</u>	
	5,461	
Less: Deferred tax liabilities of 24%	<u>(1,310)</u>	
		4,151
Adjusted NA		<u>8,100</u>
Adjusted NA represented by the existing issued share capital of BHP Development	(A)	8,100
New BHP Development Shares to be issued pursuant to the Proposed Subscription of BHP Development	(B)	51.0%
Effective NA represented by the new BHP Development Shares	(C) = [(A) / (100% - (B)) x (B)]	8,431

Given that BHP Development is a property development company, we are of the view that the assessment of the BHP Development Subscription Consideration should be based on the adjusted NA methodology to take into account the current fair market value of Bangsar Land. In this respect, we have reviewed:

- (i) the unaudited financial statements of BHP Development as at 31 July 2020. We did not note any exceptional and/or extraordinary items reported in the unaudited financial statements of BHP Development for the 7-month period ended 31 July 2020. Based on confirmation by Sunsuria, there is also no change in the accounting policies adopted by BHP Development for the 7-month period ended 31 July 2020 from that adopted in the audited financial statements for FYE 31 December 2019; and
- (ii) the Bangsar Land Valuation Certificate prepared by CBRE | WTW. We note that the valuation is prepared in accordance with the Asset Valuation Guidelines issued by SC and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisals, Estate Agents and Property Managers Malaysia. Please refer to Appendix IV(A) for the Bangsar Land Valuation Certificate.

CBRE | WTW has used the following approaches to value Bangsar Land:

- (aa) Income Approach (Residual Method) and Comparable Approach for the parcel of residential development land held under PN 15226 Lot 365 Section 96, Town of Kuala Lumpur, District of Kuala Lumpur; and
- (bb) Comparable Approach for the parcel of residential plot held under GRN 31910 Lot 223 Section 96, Town of Kuala Lumpur, District of Kuala Lumpur,

We are satisfied with the bases and assumptions used by CBRE | WTW in deriving the valuation for the Bangsar Land. As such, we have relied upon the valuation for the purposes of calculating the adjusted NA of BHP Development.

Premised on the above, we are of the view that the BHP Development Subscription Consideration is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of Sunsuria.

7.2.2 Proposed Provision of Financial Assistance to BHP Development

We note the following:

- (a) As at LPD, the BHP Development Existing Shareholders have collectively advanced RM123.9 million to BHP Development ("**Existing BHP Development Shareholder Advances**");
- (b) Under the terms of the SSSA, the Company shall first advance RM63.2 million to BHP Development (calculated based on 51.0% multiplied by the Existing BHP Development Shareholder Advances), over 12 months from completion date of the Proposed Subscription of BHP Development;
- (c) As the existing advances from Sunsuria KL (RM42.5 million) and Suez Capital (RM79.4 million) exceeds the amount required of them (calculated based on their shareholdings of 24.5% and 21.1% multiplied by the Existing BHP Development Shareholder Advances), part of the above advances from the Company will be used to partially repay Sunsuria KL and Suez Capital first;
- (d) After the above partial repayment to Sunsuria KL and Suez Capital, any subsequent shareholders' advance shall be based on the shareholders respective shareholdings in BHP Development. In this regard, we note that the estimated shareholders' advance requirement of BHP Development is RM200.2 million (including the Existing BHP Development Shareholder Advances), and as such, the Company may be required to further advance up to RM38.9 million to BHP Development.

The total shareholders advance from the Company of up to RM102.1 million (comprising RM63.2 million in (b) above and up to RM38.9 million in (d) above) represents 51.0% of BHP Development's estimated shareholders' advance requirement of RM200.2 million and reflects the Company's 51.0% shareholdings in BHP Development.

In relation to (c) above, although part of the proceeds from the Company's advance is used to repay existing advances from Sunsuria KL and Suez Capital who are related parties, it is to level the existing advances to reflect the shareholdings of BHP Development post completion of the Proposed Subscription of BHP Development. These existing advances were used by BHP Development towards their property development projects.

We further note the potential corporate guarantees of up to RM174.0 million to be provided by the Company to the existing financiers of BHP Development. Based on the financing facilities of BHP Development of RM341.1 million as at LPD, this is also in proportion to the Company's 51.0% shareholdings in BHP Development.

Premised on the above, we are of the view that the Proposed Provision of Financial Assistance to BHP Development is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of Sunsuria.

7.3 Basis and justification of the consideration of the Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Montflex

7.3.1 Proposed Acquisition of Bumilex

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

- (a) market value of the Development Rights of RM25.0 million as appraised by CBRE|WTW; and
- (b) adjusted NA of Bumilex Group attributable to the owners of Bumilex which was arrived at as follows:

	<u>RM'000</u>	<u>RM'000</u>
Audited net liabilities attributable to the owners of Bumilex as at 31 December 2019 ⁽¹⁾		(1,901)
• Adjustment to be aligned with the MFRS		(3)
• Less: Reversal of goodwill arising from the acquisition of Montflex by Bumilex ⁽²⁾		(213)
		<u>(2,117)</u>
• <u>Adjustment on the fair value of the Development Rights</u>		
Market value of the Development Rights	25,000	
Less: NBV of the Development Rights	<u>(29,470)</u>	
	(4,470)	
Add: Deferred tax assets of 24%	1,073	
Add: Non-controlling interest	<u>1,665</u>	
		(1,732)
• <u>Adjustment on the waiver of certain liabilities</u>		
Waiver of certain liabilities from the existing creditors of Bumilex ⁽²⁾	2,490	
Waiver of certain liabilities from the existing creditors of Montflex ⁽²⁾	3,530	
Less: Deferred tax liabilities of 24%	(847)	
Less: Non-controlling interest	<u>(1,315)</u>	
		3,858
Adjusted NA attributable to the owners of Bumilex		<u>9</u>

Notes:

- (1) The audited financial statements of the Bumilex Group for FYE 31 December 2019 were prepared in accordance with the MPERS.
- (2) Being the carrying amount of the Bumilex Group's share of the fair values of Montflex's identifiable assets and liabilities against the purchase consideration of Montflex at 15 November 2020, being the date of acquisition of Montflex by Bumilex. The carrying amount of the goodwill is reversed out when determining the adjusted NA and for the recognition of the identifiable assets acquired and liabilities assumed by our Company for the Proposed Acquisition of Bumilex.
- (3) Being the Vendors undertaking to deliver to Sunsuria a written waiver of certain liabilities from the existing creditors of Bumilex and Montflex on the completion date of the Proposed Acquisition of Bumilex.

The Waiver of Liabilities were mutually agreed between the Vendors and the Company after taking into consideration the audited NL position of the Bumilex Group as at 31 December 2019 and the market value of the Development Rights of RM25.0 million as appraised by CBRE|WTW which is

lower than the audited NBV of the Development Rights as at 31 December 2019 to reverse the NL position of the Bumilex Group to NA position.

Given that Bumilex Group is a property investment group, we are of the view that the assessment of the Bumilex Purchase Consideration should be based on the adjusted NA methodology to take into account the current fair market value of the Development Rights. In this respect, we have reviewed:

- (i) the audited financial statements of Bumilex as at 31 December 2019. We did not note any exceptional and/or extraordinary items reported in the audited financial statements of Bumilex for FYE 31 December 2019. Based on confirmations by Sunsuria, there is also no change in the accounting policies adopted by Bumilex after the financial year end; and
- (ii) the TAR Land Valuation Certificate prepared by CBRE | WTW. We note that the valuation is prepared in accordance with the Asset Valuation Guidelines issued by SC and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisals, Estate Agents and Property Managers Malaysia. Please refer to Appendix IV(B) for the TAR Land Valuation Certificate.

CBRE | WTW has used the Income Approach (Residual Method) to value the Development Rights, which is summarised as follows:

Items	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	RM million					
GDV	-	81.9	122.8	122.8	163.3	490.8
GDC	(49.0)	(30.6)	(57.2)	(74.6)	(29.4)	(240.8)
Developer's profit	-	(16.4)	(24.6)	(24.6)	(32.7)	(98.2)
Balance Datuk Bandar's entitlement	(24.9)	(25.7)	(28.2)	-	(15.4)	(94.2)
Residual value	(73.9)	9.1	12.8	23.7	85.9	57.6
Present value factor (times)	0.9259	0.8573	0.7938	0.7350	0.6806	N/A
Present value	(68.4)	7.8	10.1	17.4	58.4	25.3
Market value						25.0

The bases and assumptions used by CBRE | WTW in deriving the market value of the Development Rights of RM25.0 million are as follows:

1. GDV

In deriving the GDV for each type of development component below, save for the food court which is allocated a GDV under the development agreement, we noted that CBRE | WTW used the values of similar developments transacted or launched in the market. Appropriate adjustments are then made for differences in, among others, location, accessibility, age, title restrictions.

Type of development	No. of units/bays	Net selling price (RM million)
Retail	768	185.0
Food court	1	15.4
Corporate office	3	39.6
Office suite	350	224.3
Saleable car parking bay	587	26.4
		490.8

2. GDC and developer's profit

Parameters	Amount to be paid (RM million)	Basis
Preliminaries	5.0	3% of total construction costs
Statutory contributions	9.8	Based on a range of percentages of total construction costs or GDV
Land premium	6.3	Based on actual amount issued by the land authorities
Building construction	159.9	Based on costs per square foot provided by the quantity surveyor according to each type of development, cross checked with the JUBM & Arcadis Construction Cost Handbook Malaysia 2020
Infrastructure	6.5	RM7.32 per square foot as provided by the quantity surveyor
Finance cost	6.7	Interest rate of 8% on 50% of the balance of total construction cost
Legal, agency and marketing fees	19.6	4% of GDV
Administrative and project management	5.0	3% of balance construction costs
Professional fees	10.5	6.5% of total construction costs
Contingencies	11.5	5% of all development costs
Total balance GDC	240.8	
Developer's profit	98.2	20% of GDV

Based on the Valuation Report, we noted that the above costing relating to preliminaries and building construction cost are extracted from a feasibility study provided by the developer and certified by a licensed quantity surveyor. CBRE | WTW has also referred to the Jurukur Bahan Malaysia Construction Cost Handbook Malaysia 2020 as a guide and counter checked with other local architects on the rate of construction cost. Additionally, the rates used to estimate the other costs and developer's profit are in line with industry standards. Based on the above, the assumptions used are deemed reasonable.

3. Balance Datuk Bandar's entitlement

This entitlement is due to the Datuk Bandar Kuala Lumpur pursuant to the joint venture agreement dated 21 March 2017 between Datuk Bandar and Montflex.

4. Development period and present value factor

The development period assumed by CBRE | WTW is 5 years, which is the expected timeframe for construction, completion and marketing of the project, and is based on CBRE | WTW's analysis of similar developments.

The discount rate of 8% used in the present value factor over the development period is in tandem with the finance rate.

We are satisfied with the bases and assumptions used by CBRE | WTW in deriving the valuation for the Development Rights. As such, we have relied upon the valuation for the purposes of calculating the adjusted NA of Bumilex.

In addition, we also note the following adjustments to derive at the adjusted NA of Bumilex:

- (aa) Reclassification of some items in the statement of financial position and reversal of goodwill in the audited financial statements of Bumilex Group for FYE 31 December

2019 to align with MFRS, as the audited financial statements of Bumilex Group for FYE 31 December 2019 had been prepared in accordance with MPERS; and

- (bb) adjustment for the Waiver of Liabilities based on the Vendors undertaking to procure waiver of debts of RM2.5 million and RM3.5 million by the creditors of Bumilex and Montflex respectively under the terms of the SSPA. We note that this is a key adjustment which is commercially agreed by the Vendors to make good the net liability position of Bumilex.

We are satisfied with the bases of the above adjustments as they are to conform with internationally accepted accounting standards as well as to revert the net liability position of Bumilex back to NA position of RM9,000. Post adjustments, the Bumilex's adjusted NA attributable to the owners of Bumilex is RM9,000, vis-à-vis the Bumilex Purchase Consideration of RM2.

Premised on the above, we are of the view that the Bumilex Purchase Consideration is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of Sunsuria.

7.3.2 Proposed Provision of Financial Assistance to Montflex

We note the following:

- (a) As at LPD, Excel Logic (via its shareholders) have collectively advanced RM28.4 million to Montflex, which will be reduced to RM24.9 million after the Waiver of Liabilities ("**Existing Montflex Shareholder Advances**");
- (b) Under the terms of the Montflex SHA, the Company shall first advance RM12.7 million to Montflex (calculated based on 51.0% multiplied by the Existing Montflex Shareholder Advances), over 18 months from completion date of the Proposed Acquisition of Bumilex;
- (c) As the Existing Montflex Shareholder Advances already exceeds the amount required of Excel Logic (calculated based on its shareholdings of 49.0% multiplied by the Existing Montflex Shareholder Advances), part of the above advances from the Company will be used to partially repay such Existing Montflex Shareholder Advances;
- (d) After the above partial repayment to the Excel Logic Shareholders, any subsequent shareholders' advance shall be based on the shareholders respective effective shareholdings in Montflex (held through Bumilex). In this regard, we note that the estimated shareholders' advance requirement of Montflex is RM40.3 million (including the Existing Montflex Shareholder Advances), and as such, the Company may be required to further advance up to RM7.9 million to Montflex.

The total shareholders advance from the Company of up to RM20.6 million (comprising RM12.7 million in (b) above and up to RM7.9 million in (d) above) represents 51.0% of Montflex's estimated shareholders' advance requirement of RM40.3 million and reflects the Company's effective shareholdings of 51.0% in Montflex (held through Bumilex).

In relation to (c) above, although part of the proceeds from the Company's advance is used to repay existing advances from Excel Logic Shareholders who are related parties, it is to level the existing advances to reflect the shareholdings of Bumilex post completion of the Proposed Acquisition of Bumilex. These existing advances were used by Montflex for its property development projects.

We further note the potential corporate guarantees of up to RM12.7 million to be provided by the Company to the existing financiers of Montflex. Based on the financing facilities of Montflex of RM25.0 million as at LPD, this is also in proportion to the Company's effective shareholdings of 51.0% in Montflex (held through Bumilex).

Premised on the above, we are of the view that the Proposed Provision of Financial Assistance to Montflex is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of Sunsuria.

7.4 Salient terms of the transaction agreements relating to the Proposals

The salient terms of the transaction agreements relating to the Proposals, namely the SSSA, SSPA and Montflex SHA ("**Transaction Agreements**"), are set out in **Appendix II**.

We have reviewed the salient terms of the Transaction Agreements, and our comments are set out below.

7.4.1 Salient terms of the SSSA

Please refer to **Appendix II(A)** for the salient terms of the SSSA. We set out below our comments to the salient terms of the SSSA:

Salient term	M&A Securities' comments
Subscription of Shares	This clause sets out the number of Subscription Shares and BHP Development Subscription Consideration. Please refer to Section 7.2.1 of this IA Letter for our assessment of the BHP Development Subscription Consideration.
Conditions Precedent	<p>The conditions precedent in essence requires the parties to seek the approval of the relevant stakeholders (i.e. shareholders and financiers) for the Proposed Subscription of BHP Development. Such conditions are fair and reasonable to comply with the Listing Requirements, the parties' constitutional documents, debt covenants in the parties' loan facility agreements and/or conditions attached to the development order for the Bangsar Land.</p> <p>In relation to the approval of the Directors and shareholders of Sunsuria, the Listing Requirements also requires Tan Sri Datuk Ter to abstain from board deliberation and the Interested Shareholders to abstain from voting on the resolutions for the Proposed Subscription of BHP Development and Proposed Provision of Financial Assistance to BHP Development.</p> <p>The due diligence condition is fair and reasonable as it permits the Company not to complete the transaction if its due diligence review on BHP Development is not satisfactory.</p> <p>The period to fulfil the conditions precedent as well as clauses relating to non-fulfilment and waiver of conditions precedent are fair and reasonable to facilitate orderly satisfaction of the conditions precedent and completion of the Proposed Subscription of BHP Development.</p>
Effective Date	The period for the effective date is fair and reasonable to facilitate orderly completion of the Proposed Subscription of BHP Development.

Salient term	M&A Securities' comments
Payment of BHP Development Subscription Consideration	The manner to conduct the payment of BHP Development Subscription Consideration is fair and reasonable to facilitate orderly completion of the Proposed Subscription of BHP Development.
Share Capital	<p>This clause sets out the eventual enlarged share capital of BHP Development and number of BHP Development Shares held by Suez Capital, Dasar Temasek, Sunsuria KL and Sunsuria after the Proposed Subscription of BHP Development.</p> <p>Sunsuria will hold 4,488,520 BHP Development Shares representing 51% shareholdings.</p>
BHP Development and its Operations:	
<ul style="list-style-type: none"> • Scope of the Business 	The business of BHP Development which is to undertake development on the Bangsar Land and such other similar or complementary or ancillary activities is fair and reasonable, and reflects the Company's rationale of the Proposed Subscription of BHP Development.
<ul style="list-style-type: none"> • Financial Requirements – General Principles 	The manner to raise the necessary funding required for BHP Development's operations by issuance of new shares, bank borrowings and shareholders' advance is fair and reasonable. Where applicable, the contribution by the shareholders will be proportionate to their shareholdings in BHP Development.
<ul style="list-style-type: none"> • BHP Development Existing Shareholders' Advances 	This clause is fair and reasonable and merely sets out the details of the BHP Development Existing Shareholders' Advances as at 30 September 2020, being the date of the SSSA.
<ul style="list-style-type: none"> • Proportionate Adjustment of Shareholders' Advances 	<p>This clause sets out the timing and adjustment mechanism of the BHP Development Existing Shareholders' Advances, to account for the Company's contribution to BHP Development's funding requirements after the Proposed Subscription of BHP Development.</p> <p>Please refer to Section 7.2.2 of this IA Letter for our assessment of the Proposed Provision of Financial Assistance to BHP Development.</p>
<ul style="list-style-type: none"> • Updating the Existing Shareholders' Advances 	This clause is fair and reasonable and sets out the parties' agreement to update the BHP Development Existing Shareholders' Advances as at the Effective Date, should it differ from the amount as at 30 September 2020, being the date of the SSSA.
Dividends, Profits and Losses	This clause is fair and reasonable and sets out the manner of which profits shall be distributed by BHP Development.
Organisation and Management	<p>The overall manner for the organisation and management of BHP Development vis-à-vis the conduct of shareholders' and directors' meeting and voting by shareholders and directors are fair and reasonable to allow the effective operations of the company.</p> <p>The composition of the Board of Directors of BHP Development is fair and reasonable and reflects the Company's shareholdings in BHP Development.</p>
Transfer of Shares	The restriction on transfers and encumbrances, pre-emptive and

Salient term	M&A Securities' comments
	tag-along rights are normal anti-dilution clauses, and are fair and reasonable.
Termination	These terms are fair and reasonable. The terms are reciprocal, where in the events of default, parties can take appropriate actions to protect their interest pursuant to the SSSA.
Indemnity	This term is fair and reasonable. The term is reciprocal, and provides for indemnity in the event of misrepresentation or breach of obligations, representation or warranty given by any party in the SSSA.

Premised on the above, we are of the view that the terms of SSSA are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of Sunsuria.

7.4.2 Salient terms of the SSPA

Please refer to **Appendix II(B)** for the salient terms of the SSPA. We set out below our comments to the salient terms of the SSPA:

Salient term	M&A Securities' comments
Agreement to purchase	This clause sets out the number of Sale Shares and Bumilex Purchase Consideration. Please refer to Section 7.3.1 of this IA Letter for our assessment of the Bumilex Purchase Consideration.
Conditions Precedent	<p>The conditions precedent in essence requires the parties to seek the approval of the relevant stakeholders (i.e. shareholders and financiers) for the Proposed Acquisition of Bumilex. Such conditions are fair and reasonable to comply with the Listing Requirements, the parties' constitutional documents, debt covenants in the parties' loan facility agreements and/or conditions attached to the JVA and/or development order for the TAR Land.</p> <p>In relation to the approval of the Directors and shareholders of Sunsuria, the Listing Requirements also requires Tan Sri Datuk Ter to abstain from board deliberation and the Interested Shareholders to abstain from voting on the resolutions for the Proposed Acquisition of Bumilex and Proposed Provision of Financial Assistance to Bumilex.</p> <p>The due diligence condition is fair and reasonable as it permits the Company not to complete the transaction if its due diligence review on Bumilex is not satisfactory.</p> <p>The period to fulfil the conditions precedent as well as clauses relating to non-fulfilment and waiver of conditions precedent are fair and reasonable to facilitate orderly satisfaction of the conditions precedent and completion of the Proposed Acquisition of Bumilex.</p>
Completion	The period for the completion and manner to conduct the completion are fair and reasonable to facilitate orderly completion of the Proposed Acquisition of Bumilex.

Salient term	M&A Securities' comments
Representations, Warranties and Undertakings	The undertaking for the Vendors to observe and procure Bumilex and Montflex to observe the covenants in the SSPA is fair and reasonable.
Indemnity	This term is fair and reasonable. The term is reciprocal, and provides for indemnity in the event of misrepresentation or breach of obligations, representation or warranty given by any party in the SSPA.
Termination	These terms are fair and reasonable. The terms are reciprocal, where in the events of default, parties can take appropriate actions to protect their interest pursuant to the SSPA.

Premised on the above, we are of the view that the terms of SSPA are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of Sunsuria.

7.4.3 Salient terms of the Montflex SHA

Please refer to **Appendix II(C)** for the salient terms of the Montflex SHA. We set out below our comments to the salient terms of the Montflex SHA:

Salient term	M&A Securities' comments
Introduction and Effective Date	The clause sets out the nature by which Sunsuria shall be the sole shareholder of Bumilex and indirect holds 51.0% equity interest in Montflex; and the date the Montflex SHA shall become effective.
Montflex and its Operations	
<ul style="list-style-type: none"> Business of Montflex 	The business of Montflex which is to undertake development on the TAR Land and such other similar or complementary activities is fair and reasonable, and reflects the Company's rationale of the Proposed Acquisition of Bumilex.
<ul style="list-style-type: none"> Financial Requirements – General Principles 	The manner to raise the necessary funding required for Montflex's operations by issuance of new shares, bank borrowings and shareholders' advance is fair and reasonable. Where applicable, the contribution by the shareholders will be proportionate to their shareholdings in Montflex.
<ul style="list-style-type: none"> Proportionate Adjustment of Shareholders' Advances 	This clause sets out the timing and adjustment mechanism of the Existing Montflex Shareholders' Advances, to account for the Company's contribution to Montflex's funding requirements after the Proposed Acquisition of Bumilex. Please refer to Section 7.3.2 of this IA Letter for our assessment of the Proposed Provision of Financial Assistance to Montflex.
<ul style="list-style-type: none"> Updating the Existing Shareholders' Advances 	This clause is fair and reasonable and sets out the parties' agreement to update the Existing Montflex Shareholders' Advances as at the Effective Date, should it differ from the amount as at 30 September 2020, being the date of the SSPA.
Dividends, Profits and Losses	This clause is fair and reasonable and sets out the manner of which profits shall be distributed by Montflex.

Salient term	M&A Securities' comments
Organisation and Management	<p>The overall manner for the organisation and management of Montflex vis-à-vis the conduct of shareholders' and directors' meeting and voting by shareholders and directors are fair and reasonable to allow the effective operations of the company.</p> <p>The composition of the Board of Directors of Montflex is fair and reasonable and reflects the Company's effective shareholdings in Montflex held through Bumilex.</p>
Transfer of Shares	The restriction on transfers and encumbrances, pre-emptive and tag-along rights are normal anti-dilution clauses, and are fair and reasonable.
Termination	These terms are fair and reasonable. The terms are reciprocal, where in the events of default, parties can take appropriate actions to protect their interest pursuant to the Montflex SHA.
Indemnity	This term is fair and reasonable. The term is reciprocal, and provides for indemnity in the event of misrepresentation or breach of obligations, representation or warranty given by any party in the Montflex SHA.

Premised on the above, we are of the view that the terms of Montflex SHA are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of Sunsuria.

7.5 Industry overview and prospects

We take note of the industry overview and outlook of the property market and prospects of BHP Development and Bumilex as disclosed in Section 7 of Part A.

In particular, we note the recovery plans initiated by the government under the Economic Recovery Plan or Penjana which aims to address the health and economic challenges of the COVID-19 pandemic, such as the following initiatives:

- (a) Proposed reintroduction of Home Ownership Campaign where stamp duty exemption will be given on the instruments of transfer (on the first RM1 million of residential property value) and full exemption on loan agreement;
- (b) Exemption of real property gains tax by Malaysian citizens for disposal of residential property up to 3 residential properties per individual for disposal between 1 June 2020 to 31 December 2021; and
- (c) Uplifting of the existing financing limit of 70% for third residential property,

all of which are aimed to ease challenges faced by developers and provide financial relief to buyers.

In the Budget 2021, the government has also proposed several initiatives to increase home ownership in Malaysia. Chiefly, full stamp duty exemption will be given for the transfer of ownership document and loan agreement for the purchase of a first home worth not more than RM500,000 for sale and purchase agreement from 1 January 2021 to 31 December 2025 and RM1.2 billion for the provision of homes for low-income (B40) homebuyers.

Despite the lacklustre sector performance or outlook of the property market at this juncture in view of the current Coronavirus disease 2019 pandemic, we are of the view that the Proposals are beneficial to the Company over the long-term in view of the efforts made to combat the pandemic situation, and that property development and construction activities have generally not ceased despite the Movement Control Order imposed by the Government. We note that based on preliminary studies conducted by Sunsuria, Bangsar Land and TAR Land are estimated to generate net profit of RM1,150.4 million and RM163.8 million to BHP Development and Montflex respectively, of which Sunsuria will have 51% equity interest.

Premised on the above, we are of the view that the long-term prospects of the Company following the Proposals appears to be favourable and barring unforeseen circumstances, is poised to improve its financial performance in the future.

Nonetheless, we wish to highlight that property development is subject to uncertainties which are not within the Board's control such as change in Government policies, fluctuation in construction cost and changes in financing conditions. The occurrence of any of such events may materially impact the property development business and may adversely affect Sunsuria Group's revenue to be derived from the property development business.

7.6 Risk factors of the Proposals

We take note of the risk factors as disclosed in Section 8 of Part A as follows:

- (a) Risks relating to the Proposals:
 - (i) completion risk;
 - (ii) funding and interest rate risk;
 - (iii) risk of default by BHP Development and Montflex;
 - (iv) valuation of Bangsar Land and TAR Land is based on certain assumptions; and
 - (v) risk associated with the investment for the Bangsar Land and the TAR Land.
- (b) Risks in relation to the property sectors and other risks:
 - (i) regulatory risk;
 - (ii) inherent risks; and
 - (iii) risk on investment in Bangsar Land and TAR Land.

Based on the above, we are of the view that the risk factors pertaining to the Proposals and property sector and others are common risks associated with such transactions/investments. Furthermore, as a property developer, the risks relating to the property sector are already present in the Company's existing business.

However, we wish to highlight that although efforts and measures will be taken by the Group to mitigate the risks associated with the Proposals, no assurance can be given that one or a combination of risk factors as stated in Section 8 of Part A will not occur and give rise to material and adverse impact on the business and operations of the Group, its financial performance, financial position or prospects thereon.

In evaluating the Proposals, non-interested shareholders should carefully consider the said risk factors and their respective mitigating factors before voting on the resolutions pertaining to the Proposals at the forthcoming EGM of the Company. Non-interested shareholders should also note that the risk factors mentioned therein are not meant to be exhaustive.

7.7 Effects of the Proposals

The effects of the Proposals on the Company are disclosed in Section 9 of Part A.

(a) Issued share capital and substantial shareholders' shareholding

The Proposals will not have any effect on the issued share capital and substantial shareholders' shareholding as they do not entail any issuance of new Sunsuria Shares and/or convertible securities in the Company.

(b) NA per Sunsuria Share and gearing

The Proposals are not dilutive to the Group's NA and NA per share. NA per share of RM1.12 as at 30 September 2019 will remain at RM1.12 based on the pro forma consolidated statement of financial position as set out in Section 9.2 of Part A.

The Group's borrowings and gearing are however, expected to increase due to financing to be assumed for the Proposals. We note the Group's pro forma borrowings of RM482.9 million (compared to RM183.4 million as at 30 September 2019) and pro forma gearing ratio of 0.47 times (compared to 0.18 times as at 30 September 2019). However, the Group's shareholders' equity is expected to increase upon recognition of profits from the developments of Bangsar Land and TAR Land. In this respect, we note that Bangsar Land and TAR Land are estimated to generate net profit of RM1,150.4 million and RM163.8 million to BHP Development and Montflex respectively, of which Sunsuria will be able to account for 51% based on its 51% equity interest in BHP Development and Montflex after the Proposals.

(c) EPS

We note the incremental increase in earnings and EPS based on the illustration as set out in Section 9.3 of Part A, whereby earnings would increase from RM135.5 million to RM138.2 million; and EPS will increase from 15.12 sen to 15.43 sen.

The incremental in earnings and EPS are mainly attributable to estimated negative goodwill arising from the Proposed Subscription of BHP Development.

Based on the above, we are of the opinion that the effects of the Proposals are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of Sunsuria. In particular, we are of the opinion that the increased gearing at this juncture is reasonable, given the early stages of development of the Bangsar Land and TAR Land, and that such gearing is expected to reduce over time in line with the progress of these development projects and recognition of profits thereon.

8. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the resolutions pertaining to the Proposals, it is pertinent that the non-interested shareholders of Sunsuria consider the issues and implications raised in this IA Letter as well as other considerations as set out in Part A carefully and the directors' statement and recommendation (save for the Interested Director and Interested Major Shareholders with respect to the Proposals) as set out in Section 16 of Part A.

We summarised the potential advantages and disadvantages of the Proposals as follows:

Potential Advantages

The Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex will immediately enhance Sunsuria's existing GDV by RM3,536.8 million.

Based on preliminary studies conducted by the Company, the Bangsar Land and TAR Land are estimated to generate net profit of RM1,150.4 million and RM163.8 million to BHP Development and Montflex respectively, of which Sunsuria will have 51% equity interest.

As such, the developments of Bangsar Land and TAR Land are expected to contribute positively to the earnings of the Group over the long term as the Group recognises the revenue of BHP Development and Bumilex.

Potential Disadvantages

Property development is subject to uncertainties which are not within the Board's control such as change in Government policies, fluctuation in construction cost and changes in financing conditions. The occurrence of such events may materially impact the property development business and adversely affect the Company.

Property development is a capital intensive business. The ability to realise the development potential of Bangsar Land and TAR Land and to market the development units of Bangsar Land and TAR Land are crucial to ensure the Company's return on investments in BHP Development and Bumilex are achieved.

We have assessed and evaluated the terms of the Proposals and have set out our evaluation in Section 7 of this IA Letter.

Particularly, with regards to the proceeds of the Proposed Provision of Financial Assistance to BHP Development and Proposed Provision of Financial Assistance to Montflex being used to repay the existing advances from related parties, we are of the opinion such repayment is **fair** and **not detrimental** to the non-interested shareholders of Sunsuria, as it is to level the Existing BHP Development Shareholder Advances and Existing Montflex Shareholder Advances to the proportion of each shareholders' shareholdings in BHP Development and Bumilex post completion of the Proposed Subscription of BHP Development and Proposed Acquisition of Bumilex, and such existing advances were used towards the property development projects of BHP Development and Montflex.

Based on our evaluation on the Proposals, we are of the opinion that the terms of the Proposals are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of Sunsuria.

Accordingly, we recommend that non-interested shareholders vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company. Nevertheless, non-interested shareholders should consider carefully all the merits and demerits of the Proposals based on all relevant factors, including those which are set out in Part A and the appendices, as well as the considerations set out in this IA Letter, prior to making a decision on whether to vote in favour of or to vote against the Proposals.

Non-interested shareholders should also note the conditionality and inter-conditionality of the Proposals as set out under Section 3 of this IA Letter.

Yours faithfully,
For and on behalf of
M&A SECURITIES SDN BHD

GARY TING
Head
Corporate Finance

RACHEL HO
Deputy Head
Corporate Finance

APPENDIX I(A) – INFORMATION ON BHP DEVELOPMENT

1. Share capital

As at the LPD, the issued share capital of BHP Development is RM18,576,875 comprising 4,312,500 BHP Development Shares.

2. Directors

As at the LPD, the directors of BHP Development and their respective shareholdings in BHP Development are as follows:

Name	Nationality	Direct		Indirect	
		No. of BHP Development Shares	%	No. of BHP Development Shares	%
Tan Sri Datuk Ter	Malaysian	-	-	2,156,250 ⁽¹⁾	50.0
Datuk Ter Leong Hing	Malaysian	-	-	2,156,250 ⁽²⁾	50.0
Abdul Hadi bin Ahmad	Malaysian	-	-	-	-
Wong Chiew Meng	Malaysian	-	-	-	-

Notes:

- (1) *Deemed interested by virtue of his interest in Sunsuria KL pursuant to Section 8 of the Act.*
- (2) *Deemed interested by virtue of his interest pursuant to Section 8 of the Act in Suez Capital and Dasar Temasek arising from his interest in AKA Pro Sdn Bhd.*

3. Shareholders

As at the LPD, the shareholders of BHP Development are as follows:

Name	Place of incorporation	Direct		Indirect	
		No. of BHP Development Shares	%	No. of BHP Development Shares	%
Sunsuria KL	Malaysia	2,156,250	50.0	-	-
Suez Capital	Malaysia	1,859,250	43.1	-	-
Dasar Temasek	Malaysia	297,000	6.9	-	-

4. Subsidiary and associate company

As at the LPD, BHP Development does not have any subsidiary or associated company.

APPENDIX I(A) – INFORMATION ON BHP DEVELOPMENT (Cont'd)

5. Financial information

A summary of the financial information of BHP Development for the FYEs 31 December 2017, 31 December 2018 and 31 December 2019 is as follows:

	Audited		
	FYE 31 December		
	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)
Revenue	-	-	83
(LBT)	(184)	(407)	(4,149)
(LAT)	(205)	(416)	(4,149)
Share capital	2,500	2,500	18,577
Total equity or NA / (NL)	(3,908)	(4,325)	7,603
No. of BHP Development Shares in issue ('000)	2,500	2,500	4,313
(Loss) per BHP Development Share (RM) ⁽¹⁾	(0.08)	(0.17)	(0.96)
NA / (NL) per BHP Development Share (RM) ⁽²⁾	(1.56)	(1.73)	1.76
Current ratio (times)	0.14	0.14	0.06
Total borrowings	155,610	155,877	176,856
Gearing (times)	Not applicable	Not applicable	23.26

Notes:

- (1) *Calculated based on PAT / (LAT) for the financial year divided by total number of BHP Development Shares in issue.*
- (2) *Calculated based on total NA / (NL) attributable to the owner of the company divided by total of number of BHP Development Shares in issue.*

There were no exceptional and/or extraordinary item reported, no peculiar accounting policy adopted by BHP Development which would affect the determination of its income or its financial positions, and no audit qualifications reported in the audited financial statements of BHP Development during the financial years under review.

Commentaries on financial performance**FYE 31 December 2019 vs FYE 31 December 2018**

BHP Development recorded a LAT of RM4.1 million for the FYE 31 December 2019, which represents a RM3.7 million increase as compared to the previous financial year. The increase in LAT was primarily due to the charging out of marketing expenses and administrative expenses in the statement of profit or loss of the company as they do not fulfil the criteria to be capitalised.

FYE 31 December 2018 vs FYE 31 December 2017

BHP Development recorded a LAT of RM0.4 million for the FYE 31 December 2018, which represents a RM0.2 million increase as compared to the previous financial year. The increase in LAT was primarily due to increase in administrative expenses.

6. Material contracts

BHP Development has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

7. Material commitments

Save as disclosed below, as at the LPD, the board of directors of BHP Development is not aware of any material commitments incurred or known to be incurred by BHP Development, which may have a material impact on the profits or NA of BHP Development:

	<u>RM'000</u>
Capital commitment	
- Approved and contracted for property development	15,500
- Approved but not contracted for property development	2,515

8. Contingent liabilities

As at the LPD, the board of directors of BHP Development is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits and/or NA of BHP Development.

9. Material litigation

Save as disclosed below, BHP Development is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the board of directors of BHP Development is not aware of any proceedings, pending or threatened, against BHP Development or of any facts likely to give rise to any proceedings which may materially affect the business or financial position of BHP Development immediately preceding the date of this Circular:

(a) Claim by BHP Development against Chandra Das A/L Subarajan (“Association Chairman”) (being sued for and on behalf of Pertubuhan Penganut Sree Sakthy Muneeswarar Alayam Bukit Bangsar Kuala Lumpur (“Association”))

The Association manages a Hindu temple erected on a portion of land held under Lot 365 Section 96 of the Bangsar Land (“**Lot 365**”) (“**Temple**”) measuring approximately 330 sq ft (“**Site**”). Prior to the entry into the sale and purchase agreement between DBKL (as vendor) and BHP Development (as purchaser) in respect of Lot 365 on 22 September 2015, the Temple was already erected at the Site without the approval from DBKL. Upon delivery of vacant possession of Lot 365 by DBKL in December 2016, BHP Development had informed the Association to relocate and out of goodwill, BHP Development had looked for temporary site for the relocation of the Temple.

On 20 December 2019, the Association agreed to vacate the Site and relocate the Temple to a temporary site at Lot 223, and through its solicitors had, on 9 January 2020, written to BHP Development and confirmed their agreement to relocate to Lot 223 pending further discussion on the relocation of the Temple to a permanent site.

Despite subsequent confirmation by the Association that it will vacate the Site, the Association had, on 10 October 2020, wrote to BHP Development stating that it will only relocate the Temple subject to BHP Development securing a permanent land for the Temple before 31 October 2022 and subsequently made fresh demands for a permanent land measuring approximately 3,000 sq ft on Lot 365 or any other land within Bangsar area, and a total compensation sum of RM530,000. BHP Development immediately rejected the demands by the Association and proposed settlement terms to the Association.

However, neither the Association Chairman nor the Association responded to BHP Development's settlement proposals. BHP Development has, on 18 January 2021, filed a suit against the Association Chairman (being sued for and on behalf of the Association pursuant to Section 9(c) of the Societies Act 1966), amongst others, to cause the Association to deliver vacant possession of the Site.

BHP Development's solicitors are of the view that the court is likely to grant the orders as prayed in the action by BHP Development against the Association Chairman. The damages and costs are to be assessed by the court and cannot be estimated at this juncture.

(b) Claim by MHG IP Holding (Singapore) Pte Ltd ("MHG") against BHP Development for alleged infringement of trademarks

On 2 October 2020, BHP Development had received a letter of demand dated 30 September 2020 from Messrs. Chung Chambers, acting on behalf of MHG, for alleged infringement of trademarks by BHP Development. MHG had alleged that BHP Development had, without MHG's authority, consent, approval and/or licence, attempted to register trademarks that also had a triangular design that is similar to MHG's trademarks.

MHG had demanded that BHP Development cease the usage of BHP Development's trademarks, remove and take necessary steps to remove all signs, marks, labels or brands that are similar to MHG's trademarks.

BHP Development via its solicitors, Messrs. Rahman Rohaida, had on 15 October 2020 denied MHP's allegations and on 12 November 2020, further stated that BHP Development will not accede to MHG's demand stated in the letter dated 30 September 2020.

MHG has not filed a suit against BHP Development for the alleged infringement of trademarks. BHP Development's solicitors are of the view that BHP Development has a good chance in defending the suit if a suit is filed by MHG.

10. Assets owned

As at the LPD, BHP Development is the registered owner of the Bangsar Land. Please refer to **Section 2.2 of Part A** and **Appendix III** of this Circular for further details of the Bangsar Land.

APPENDIX I(B) – INFORMATION ON BHP DEVELOPMENT EXISTING SHAREHOLDERS

1. Sunsuria KL

Sunsuria KL was incorporated as a private limited company in Malaysia under the CA 1965 on 30 November 2007 under the name of Rantau Majuprima Sdn Bhd and is deemed registered under the Act. It assumed its present name on 18 September 2019. The principal activity of Sunsuria KL is activities of holding companies.

As at the LPD, the issued share capital of Sunsuria KL is RM100,000 comprising 100,000 ordinary shares in Sunsuria KL.

The director of Sunsuria KL and his shareholding in Sunsuria KL as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Tan Sri Datuk Ter	Malaysian	95,000	95.0	5,000 ⁽¹⁾	5.0

Note:

(1) Deemed interested by virtue of the shareholding held by his spouse, Puan Sri Datin Kwan May Yuen (“Puan Sri Datin Kwan”), pursuant to Section 59(11)(c) of the Act.

As at the LPD, the shareholders of Sunsuria KL are as follows:

Name	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Tan Sri Datuk Ter	Malaysian	95,000	95.0	5,000 ⁽¹⁾	5.0
Puan Sri Datin Kwan	Malaysian	5,000	5.0	-	-

Note:

(1) Deemed interested by virtue of the shareholding held by his spouse, Puan Sri Datin Kwan, pursuant to Section 59(11)(c) of the Act.

2. Suez Capital

Suez Capital was incorporated as a private limited company in Malaysia under the CA 1965 on 7 February 2001 under the name of Superb Season Development Sdn Bhd and is deemed registered under the Act. It assumed its present name on 18 July 2011. The principal activities of Suez Capital are property investment and investment holding.

As at the LPD, the issued share capital of Suez Capital is RM10,000,000 comprising 10,000,000 ordinary shares in Suez Capital.

APPENDIX I(B) – INFORMATION ON BHP DEVELOPMENT EXISTING SHAREHOLDERS (Cont'd)

The directors of Suez Capital and their respective shareholdings in Suez Capital as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Datuk Ter Leong Hing	Malaysian	9,300,000	93.0	-	-
Datuk Yang Kian Joo	Malaysian	300,000	3.0	-	-
Ter Chen Yi	Malaysian	-	-	-	-

As at the LPD, the shareholders of Suez Capital are as follows:

Name	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Datuk Ter Leong Hing	Malaysian	9,300,000	93.0	-	-
Datuk Yang Kian Joo	Malaysian	300,000	3.0	-	-
Chan Yoke Yen	Malaysian	300,000	3.0	-	-
Ter Leong Keat	Malaysian	50,000	0.5	-	-
Ter Leong Ping	Malaysian	50,000	0.5	-	-

3. Dasar Temasek

Dasar Temasek was incorporated as a private limited company in Malaysia under the CA 1965 on 28 April 2015 and is deemed registered under the Act. The principal activity of Dasar Temasek is investment holding.

As at the LPD, the issued share capital of Dasar Temasek is RM10,000 comprising 10,000 ordinary shares in Dasar Temasek.

The directors of Dasar Temasek and their respective shareholdings in Dasar Temasek as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Datuk Ter Leong Hing	Malaysian	-	-	8,184 ⁽¹⁾	81.8
Chan Yoke Yen	Malaysian	174	1.74	-	-

Note:

(1) Deemed interested by virtue of his interest in AKA Pro Sdn Bhd pursuant to Section 8 of the Act.

APPENDIX I(B) – INFORMATION ON BHP DEVELOPMENT EXISTING SHAREHOLDERS (Cont'd)

As at the LPD, the shareholders of Dasar Temasek are as follows:

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
AKA Pro Sdn Bhd	Malaysia	8,184	81.8	-	-
Ter Hong Khim @ Tai Foong Chin	Malaysian	570	5.7	-	-
Ter Leong Boon	Malaysian	435	4.3	-	-
Datuk Yang Kian Joo	Malaysian	232	2.3	-	-
Chan Yoke Yen	Malaysian	174	1.7	-	-
Ter Leong Hua	Malaysian	135	1.4	-	-
Ter Leong Ping	Malaysian	135	1.4	-	-
Ng Hon Yin @ Hwang Giok Ying	Malaysian	135	1.4	-	-

APPENDIX I(C) – INFORMATION ON BUMILEX

1. Share capital

As at the LPD, the issued share capital of Bumilex is RM100,000 comprising 100,000 Bumilex Shares.

2. Directors

As at the LPD, the directors of Bumilex and their respective shareholdings in Bumilex are as follows:

Name	Nationality	Direct		Indirect	
		No. of Bumilex Shares	%	No. of Bumilex Shares	%
Johari bin Said	Malaysian	99,990	99.9	10 ⁽¹⁾	#
Aqmal Azam bin Ahmad	Malaysian	-	-	-	-

Notes:

(1) Deemed interested by virtue of the shareholding held by his spouse, Aizul Akma binti Awang pursuant to Section 59(11)(c) of the Act.

Negligible.

3. Shareholders

As at the LPD, the shareholders of Bumilex are as follows:

Name	Nationality	Direct		Indirect	
		No. of Bumilex Shares	%	No. of Bumilex Shares	%
Johari bin Said	Malaysian	99,990	99.9	10 ⁽¹⁾	#
Aizul Akma binti Awang	Malaysian	10	#		

Notes:

(1) Deemed interested by virtue of the shareholding held by his spouse, Aizul Akma binti Awang pursuant to Section 59(11)(c) of the Act.

Negligible.

4. Subsidiary and associate company

As at the LPD, the subsidiary of Bumilex is as follows:

Name of Company	Place / date of incorporation	Issued share capital	Effective equity interest held	Principal activities
Montflex	Malaysia / 9 January 2006	5,000,000	51.0%	Property development

APPENDIX I(C) – INFORMATION ON BUMILEX (Cont'd)

5. Financial information

A summary of the consolidated financial information of Bumilex for the FYEs 31 December 2017, 31 December 2018 and 31 December 2019 is as follows:

	Audited		
	FYE 31 December		
	2017	2018	2019
	(RM'000)	(RM'000)	(RM'000)
Revenue	-	-	-
(LBT)	(62)	(292)	(1,418)
(LAT)	(62)	(292)	(1,418)
(LATAMI)	(35)	(163)	(737)
Share capital	100	100	100
Equity or (NL) attributable to the owner of the company	(1,000)	(1,163)	(1,901)
Total equity	159	(133)	(1,550)
No. of Bumilex Shares in issue ('000)	100	100	100
(Loss) per Bumilex Share (RM) ⁽¹⁾	(0.35)	(1.63)	(7.37)
(NL) per Bumilex Share (RM) ⁽²⁾	(10.00)	(11.63)	(19.01)
Current ratio (times)	1.00	0.99	0.01
Total borrowings	-	-	-
Gearing (times)	Not applicable	Not applicable	Not applicable

Notes:

- (1) Calculated based on PATAMI / (LATAMI) for the financial year divided by total number of Bumilex Shares in issue.
- (2) Calculated based on NA / (NL) attributable to the owner of the company divided by total of number of Bumilex Shares in issue.

There were no exceptional and/or extraordinary item reported, no peculiar accounting policy adopted by Bumilex which would affect the determination of its income or its financial positions, and no audit qualifications reported in the audited financial statements of Bumilex during the financial years under review.

Commentaries on financial performance**FYE 31 December 2019 vs FYE 31 December 2018**

Bumilex recorded a LATAMI of RM0.7 million for the FYE 31 December 2019, which represents a RM0.6 million increase as compared to the previous financial year. The increase in LATAMI was primarily due to the increase in administrative and other operating expenses.

FYE 31 December 2018 vs FYE 31 December 2017

Bumilex recorded a LATAMI of RM0.2 million for the FYE 31 December 2018, which represents a RM0.1 million increase as compared to the previous financial year. The increase in LATAMI was primarily due to the increase in administrative and other operating expenses.

6. Material contracts

The Bumilex Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

7. Material commitments

As at the LPD, the board of directors of Bumilex is not aware of any material commitments incurred or known to be incurred by the Bumilex Group, which may have a material impact on the profits or NA of the Bumilex Group.

8. Contingent liabilities

As at the LPD, the board of directors of Bumilex is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits and/or NA of the Bumilex Group.

9. Material litigation

Bumilex is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the board of directors of Bumilex is not aware of any proceedings, pending or threatened, against Bumilex or of any facts likely to give rise to any proceedings which may materially affect the business or financial position of Bumilex immediately preceding the date of this Circular.

10. Assets owned

As at the LPD, Bumilex, through its subsidiary, Montfalex owns the Development Rights. Please refer to **Section 4.2 of Part A** and **Appendix III** of this Circular for further details of the TAR Land.

APPENDIX I(D) – INFORMATION ON THE VENDORS

The information on the Vendors is as follows:

1. Johari bin Said, aged 51, is a Malaysian. He is a director and shareholder of Bumilex.
2. Aizul Akma binti Awang, aged 49, is a Malaysian. She is a shareholder of Bumilex.

APPENDIX I(E) – INFORMATION ON MONTFLEX

Montflex was incorporated as a private limited company in Malaysia under the CA 1965 on 9 January 2006 and is deemed registered under the Act. The principal activity of Montflex is property development.

As at the LPD, the issued share capital of Montflex is RM5,000,000 comprising 5,000,000 ordinary shares in Montflex.

The directors of Montflex and their shareholdings in Montflex as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Datuk Ter Leong Hing	Malaysian	-	-	2,450,000 ⁽¹⁾	49.0
Datuk Yang Kian Joo	Malaysian	-	-	2,450,000 ⁽¹⁾	49.0
Datuk Haji Yasran bin Haji Hussain	Malaysian	-	-	-	-
Abdul Hadi bin Ahmad	Malaysian	-	-	-	-

Note:

- (1) *Deemed interested by virtue of his interest pursuant to Section 8 of the Act in Excel Logic Sdn Bhd arising from his interest in Suez Capital Sdn Bhd*

As at the LPD, the shareholders of Montflex are as follows:

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Bumilex	Malaysia	2,550,000	51.0	-	-
Excel Logic	Malaysia	2,450,000	49.0	-	-

APPENDIX I(F) – INFORMATION ON EXCEL LOGIC

Excel Logic was incorporated as a private limited company in Malaysia under the CA 1965 on 13 July 2007 and is deemed registered under the Act. The principal activity of Excel Logic is investment holding.

As at the LPD, the issued share capital of Excel Logic is RM500,000 comprising 500,000 ordinary shares in Excel Logic.

The director of Excel Logic and his shareholding in Excel Logic as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Datuk Ter Leong Hing	Malaysian	-	-	287,500 ⁽¹⁾	57.5

Note:

(1) Deemed interested by virtue of his interest in Suez Capital pursuant to Section 8 of the Act.

As at the LPD, the shareholders of Excel Logic are as follows:

Name	Nationality / Place of incorporation	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
Suez Capital	Malaysia	287,500	57.5	-	-
Sunsuria City (KL)	Malaysia	187,500	37.5	-	-
Ter Leong Boon	Malaysian	12,500	2.5	-	-
Ter Hong Khim @ Tai Foong Chin	Malaysian	12,500	2.5	-	-

APPENDIX II(A) – SALIENT TERMS OF THE SSSA

(Unless otherwise defined in this Appendix II(A), capitalised terms used herein without definition shall have the meaning assigned to them in this Circular.)

1. Subscription of Shares

Subject to fulfilment of the conditions under paragraph 2.1 below and the terms of the SSSA, BHP Development shall allot and issue to Sunsuria 4,488,520 new BHP Development Shares (“**Subscription Shares**”) representing 51.0% equity interest of the enlarged issued share capital of BHP Development at the issue price of RM1.88 per Subscription Share amounting to the BHP Development Subscription Consideration.

2. Conditions Precedent

2.1 Conditions Precedent

Sunsuria’s obligation to subscribe for the Subscription Shares are conditional upon the fulfilment of the following conditions precedent (“**Conditions Precedent**”) within 4 months from the date of the SSSA with an automatic extension of 1 month or such other date as the parties may mutually agree in writing (“**Conditional Period**”):

2.1.1 Sunsuria having procured the necessary approval of its:

- (a) directors for the execution of the SSSA and the subscription of the Subscription Shares subject to terms and conditions of the SSSA; and
- (b) shareholders at a general meeting for the execution of the SSSA and the subscription of the Subscription Shares subject to the terms and conditions of the SSSA;

2.1.2 Sunsuria shall ensure that it obtains the approval of such banks and financial institutions (including AmBank (M) Berhad and United Overseas Bank (Malaysia) Berhad) who have existing banking and/or credit facilities with the Group in accordance with the terms of the financing arrangements or other facilities granted to the Group, if required;

2.1.3 the BHP Development Existing Shareholders and/or BHP Development having procured the written approval of such banks and financial institutions (including OCBC Bank (Malaysia) Berhad) who have existing banking and/or credit facilities with BHP Development, where the terms of such banking and/or credit facilities expressly require the prior approval of the bank or financial institution, as the case may be, for the implementation of any of the following matters:

- (a) change in the directors to cater for the appointment of the nominee(s) of Sunsuria on the board of directors of BHP Development (“**Board**”);
- (b) change in the shareholdings of the shareholders in BHP Development as a result of allotment and subscription of the Subscription Shares by Sunsuria; and
- (c) the allotment and issuance of the Subscription Shares by BHP Development in favour of Sunsuria,

and Sunsuria being agreeable to any terms and conditions in such written approval, including corporate guarantee in proportion to the shareholdings of BHP Development;

2.1.4 BHP Development obtaining the necessary approval of BHP Development’s directors and the BHP Development Existing Shareholders for the allotment of the Subscription Shares by BHP Development in favour of Sunsuria;

- 2.1.5 the BHP Development Existing Shareholders having procured the written approval and/or consent from Dewan Bandaraya Kuala Lumpur and any relevant authorities in relation to the development on the Bangsar Land for the change in shareholdings of BHP Development as a result of the allotment and subscription of the Subscription Shares by Sunsuria, if required, and Sunsuria being agreeable to any terms and conditions in such written approval, if any, and/or the confirmation from BHP Development that no approval and/or consent from Dewan Bandaraya Kuala Lumpur and any other relevant authorities in relation to the development on the Bangsar Land is required; and
- 2.1.6 the conduct and completion of a legal, business (if required by Sunsuria) and financial due diligence exercise by Sunsuria on BHP Development and its assets in accordance with the SSSA, and the results of such exercise being satisfactory to Sunsuria;

2.2 Unconditional Date

The SSSA shall become unconditional on the date whereupon the last of the Conditions Precedent is duly obtained or fulfilled (or waived by the parties in writing, as the case may be) ("**Unconditional Date**").

2.3 Non-fulfilment of Conditions Precedent

In the event that any or all of the Conditions Precedent is/are not obtained or fulfilled (or waived in writing) by the parties on or before the Conditional Period, the parties shall:

- 2.3.1 firstly, discuss and mutually agree on an extension of the Conditional Period for the fulfilment of the Conditions Precedent for a period not exceeding 3 months or such other period as the parties may mutually agree;
- 2.3.2 secondly, if the unfulfilled Conditions Precedent are not fulfilled due to no fault of any parties, to the extent whether such Conditions Precedent can be waived pursuant to paragraph 2.4 below; and
- 2.3.3 thirdly, in the event the parties are not able to mutually agree on the matters set out in paragraphs 2.3.1 and 2.3.2 above within 30 days of the expiry of the Conditional Period, the SSSA shall be mutually terminated and be deemed null and void and of no further effect whatsoever, and none of the parties shall have any claims against the others hereunder for costs, damages, compensation or otherwise, save for any claim arising from any antecedent breach by the parties.

2.4 Waiver of Conditions Precedent

- 2.4.1 The parties may mutually agree to waive in writing any Conditions Precedent (or condition attached thereto) at any time, save for the Condition Precedent under paragraph 2.1.6 above and such Conditions Precedent which is required under the laws and regulations. Any Conditions Precedent (and any conditions imposed by the relevant authorities and/or financial institutions) agreed to be mutually waived by the parties in writing will be deemed as a satisfaction or fulfilment of that Condition Precedent.
- 2.4.2 Despite the details of the Conditions Precedent set out in paragraph 2.1 above, if the relevant responding party (e.g. banks and financial institutions) validly notifies in writing that such approval is not required, then such Condition Precedent shall be deemed waived.

2.5 Responsibility for Satisfaction

An approval of a relevant authority or financier(s) will be deemed not to be granted and the relevant Condition Precedent will be deemed to be unfulfilled if such approval is subsequently withdrawn, suspended, amended, revoked or cancelled on or prior to the Effective Date (as defined in paragraph 3 below), unless otherwise agreed in writing by Sunsuria.

3. Effective Date

Effective date shall take place within 21 days from the Unconditional Date in accordance with the terms and conditions of the SSSA (“**Effective Date**”).

4. Payment of BHP Development Subscription Consideration

On the Effective Date, in exchange for the completion documents set out in the SSSA, Sunsuria shall make payment of the BHP Development Subscription Consideration for the Subscription Shares to BHP Development.

5. Share Capital

On the Effective Date, BHP Development shall have an enlarged share capital of 8,801,020 BHP Development Shares and will be held by Suez Capital, Dasar Temasek, Sunsuria KL and Sunsuria (collectively, “**Shareholders**”) in the following agreed proportions (“**Agreed Proportions**”), or such other proportions as may be agreed in writing between the Shareholders:

Shareholders	Total no. of BHP Development Shares held prior to allotment	Total Subscription Shares	Total no. BHP Development Shares held after allotment	Percentage of the enlarged shareholding of BHP Development
Suez Capital	1,859,250	-	1,859,250	21.1%
Dasar Temasek	297,000	-	297,000	3.4%
Sunsuria KL	2,156,250	-	2,156,250	24.5%
Sunsuria	-	4,488,520	4,488,520	51.0%
Total	4,312,500	4,488,520	8,801,020	100.0%

6. BHP Development and its Operations

6.1 Scope of the Business

The business of BHP Development shall be the activities of undertaking the development on the Bangsar Land and such other activities that are similar to, complementary to, or ancillary to, the foregoing, or such other businesses as may be agreed pursuant to the SSSA.

6.2 Financial Requirements – General Principles

6.2.1 The Shareholders mutually agree that BHP Development shall use its best efforts to raise all the necessary funding required for the purpose of BHP Development’s operations and to achieve its business objectives as and when required.

APPENDIX II(A) – SALIENT TERMS OF THE SSSA (Cont'd)

6.2.2 The financial requirements of BHP Development can be met in either of the following manner which is to be approved by the Board:

- (a) the issuance of new BHP Development Shares or preference shares by BHP Development and subscribed by the Shareholders in the Agreed Proportions or such other proportions as may be agreed in writing between the Shareholders;
- (b) borrowings from third parties (including banks and financial institutions) which may or may not be secured by assets and properties of BHP Development; or
- (c) by way of Shareholder's advances in the Agreed Proportions or such other proportions as may be agreed in writing between the Shareholders.

6.2.3 Unless paragraph 6.2.2 above has been fully exhausted, the Shareholders shall not be required to provide any form of financial assistance or security or credit support (including the furnishing of any guarantee) for BHP Development unless otherwise mutually agreed upon in the Agreed Proportions or such other proportions as may be agreed in writing between the Shareholders.

6.3 BHP Development Existing Shareholders' Advances

The BHP Development Existing Shareholders have on 30 September 2020 advanced an aggregate sum of RM123,854,790.99 to BHP Development as follows:

6.3.1 RM79,441,241.18 from Suez Capital;

6.3.2 RM42,541,532.70 from Sunsuria KL; and

6.3.3 RM1,872,017.11 from Dasar Temasek,

(collectively, "**BHP Development Existing Shareholders' Advances**"). The BHP Development Existing Shareholders' Advances do not include any interest payable by BHP Development to the respective BHP Development Existing Shareholders for the advances contributed thereto.

6.4 Proportionate Adjustment of Shareholders' Advances

6.4.1 From the Effective Date:

- (b) Sunsuria shall advance to BHP Development an aggregate amount representing its 51.0% equity interest of the enlarged issued share capital of BHP Development. In that respect, Sunsuria shall repay the BHP Development Existing Shareholders' Advances and/or contribute to the working capital of BHP Development gradually over the period of 12 months commencing from the month of the Effective Date against BHP Development's ongoing financial requirements and commitments subject to a minimum monthly payment of RM3,000,000.00 to BHP Development, with the last payment to be paid on the last day of the 12th month and the respective Shareholders' contribution to BHP Development's financial requirements shall be adjusted in accordance with the Agreed Proportions;
- (c) subject to making such appropriate provisions for reserves, capital commitment and working capital of BHP Development, the Shareholders shall procure BHP Development to repay the surplus of any BHP Development Existing Shareholders' Advances so contributed by the BHP Development Existing Shareholders such that the Shareholders' advances is adjusted based on the Agreed Proportions; and

(d) Dasar Temasek shall not be obligated to provide the Shareholders' advances in accordance with the Agreed Proportions.

6.4.2 The BHP Development Existing Shareholders shall not be obligated to contribute to the working capital requirements of BHP Development until Sunsuria contributes (for repayment of then BHP Development Existing Shareholders' Advances and/or contribution to the working capital of BHP Development) up to the amount equivalent to its Agreed Proportions ("**Adjustment of Shareholders Advancement**").

6.4.3 When the Shareholders' contributions are expected to be adjusted in accordance with the Agreed Proportions in any particular month, then Sunsuria shall contribute accordingly as to achieve the Agreed Proportions, whereupon the Adjustment of Shareholders Advancement shall be deemed completed.

6.4.4 In the event Sunsuria has contributed such amount equivalent to its Agreed Proportions within the 12 months period set out in paragraph 6.4.1(a) above, and subject to the completion of the Adjustment of Shareholders Advancement, any additional working capital requirement of BHP Development shall be contributed by the Shareholders in accordance with their respective shareholdings in BHP Development.

6.4.5 Upon the completion of the Adjustment of Shareholders Advancement, all subsequent Shareholders' advances shall be made in accordance with the SSSA.

6.5 Updating the Existing Shareholders' Advances

The BHP Development Existing Shareholders' Advances shall be updated on the Effective Date, and to the extent that the BHP Development Existing Shareholders' Advances as stated in the SSSA shall differ from the actual amount contributed by the Shareholders on the Effective Date, the Shareholders agree that the contributions towards BHP Development's financial requirements shall reflect and include the adjustments to the BHP Development Existing Shareholders' Advances as of the Effective Date.

7. **Dividends, Profits and Losses**

7.1 Subject to making such appropriate provisions for reserves, capital commitment and working capital as the Board may decide and as are required by applicable law and subject to any relevant requirements of lenders of BHP Development, if any, net profit after tax in respect of any financial year will be distributed by way of dividends to the Shareholders.

7.2 Subject to paragraph 7.1 above, BHP Development may distribute final dividends in respect of each financial year, in such amount as the Board may recommend to the Shareholders provided always that the Board may, subject to any laws, regulations and guidelines, approve any declaration of interim dividends. The Shareholders shall have the discretion to approve any recommendation by the Board for distribution of dividends.

8. **Organization and Management**

8.1 Members Meeting

8.1.1 A meeting of the Shareholders ("**Members Meeting**") shall be subjected to a quorum in accordance with the SSSA, whether personally or proxy, at the time when the meeting proceeds.

8.1.2 The chairman of the Members Meeting shall not have a second vote in the event of an equality of votes.

8.2 Votes and Decisions of the Shareholders

All resolutions of the Shareholders shall, unless otherwise required by any of the provisions of the SSSA or the Act, be carried on a poll by a simple majority of vote, save and except for the Shareholders' reserved matters stipulated in the SSSA, which require the affirmative votes of the Shareholders representing at least 75% of the total issued share capital of BHP Development.

8.3 Board Composition

8.3.1 Unless otherwise agreed to by the Shareholders in writing, the Board shall comprise of 5 natural persons of whom shall be appointed in the following manner:

- (a) 3 directors nominated by Sunsuria; and
- (b) 2 directors nominated by Suez Capital.

8.3.2 Dasar Temasek and Sunsuria KL shall not be entitled to board representation in BHP Development.

8.3.3 In respect of the chairman of the Board ("**Board Chairman**"):

- (a) the position of the Board Chairman shall be the nominee elected by Sunsuria; and
- (b) the Board Chairman shall chair all Board and Members meetings and shall not have a second vote in the event of an equality of votes. In the event that the Board Chairman is not present at any meeting of the Board within half an hour from the time appointed for such meeting, the Board Chairman of such meeting shall be elected from such other director whom is present at such meeting.

8.3.4 The directors' remuneration shall be determined by the Shareholders.

8.3.5 The right to nominate and appoint directors of subsidiary and associate companies shall be consistent with paragraph 8.3.1 above.

8.4 Votes and Decisions of the Board

8.4.1 Each director shall be entitled to one vote at Board meetings. Questions arising at any meeting of the Board will be decided by a simple majority of votes of the directors present and voting at that meeting, save that any question arising in respect of a Board's reserved matters stipulated in the SSSA, which shall require affirmative votes of at least 1 director nominated by Sunsuria and 1 director nominated by Suez Capital, respectively.

8.4.2 All resolutions of the Board shall, save and except for the Board's reserved matters and unless otherwise required by any of the provisions of the SSSA or the Act, be passed by a simple majority of the directors present and entitled to vote.

9. Transfer of Shares

9.1 Restriction on Transfers and Encumbrances

Subject to paragraphs 9.3 and 9.4 below, and save and except with the other Shareholders' prior consent in writing or in accordance with the pre-emption procedure set out in paragraph 9.2 below, no Shareholder shall:

- 9.1.1 grant or permit to subsist any option over or any pledge, mortgage, charge (whether by way of fixed or floating charge) or otherwise encumber the legal and beneficial interest in any of its shares in BHP Development;
- 9.1.2 sell, transfer, assign or otherwise dispose of or part with the beneficial ownership of any of its shares in BHP Development (or other legal or beneficial interest therein) to any third party; or
- 9.1.3 enter into any agreement with any entity that is not a party to the SSSA in respect of votes attached to the shares in BHP Development.

9.2 Pre-emptive Rights

9.2.1 No Shareholder shall sell, transfer or dispose or otherwise part with the beneficial ownership of all or any of its shares to any other person who is not an existing Shareholder of BHP Development without first making an offer by written notice ("**Offer Notice**") to the other Shareholder(s) ("**Offerees**"). The Shareholder making an offer to sell its shares shall be referred to as the "**Offeror**".

9.2.2 The Offer Notice shall set out the offer stating the:

- (a) number of shares being offered for sale which shall consist of all or any of its shares by the Offeror as of the date of the Offer Notice ("**Offer Shares**"); and
- (b) price offered by the Offeror for the Offer Shares ("**Offer Price**").

9.2.3 The Offer Notice shall be valid for 45 days from the date of the Offer Notice ("**Offer Period**").

9.2.4 If the Offeree accepts the offer, the sale shall be based on the transfer terms ("**Purchase Notice**").

9.2.5 If the Offeree decides to purchase the Offer Shares but disagrees with the Offer Price, then the Offeree shall give written notice of such its intent and unless the parties are able to agree on a mutually acceptable price within the Offer Period, the offer shall lapse.

9.2.6 If the Offerees (or any of them) are not willing to purchase the Offer Shares or the Offeror and the Offerees (or any of them) are unable to agree on the price of the Offer Shares, the Offeror shall be entitled for the next 45 days immediately after the lapse of the Offer Notice ("**Third Party Offer Period**") in good faith, to sell and transfer the Offer Shares to a bona fide third party ("**Third Party Buyer**") at a price which is not less than the Offer Price and upon terms and conditions not more favourable than those offered to the Offerees.

9.2.7 If the Offeror is unable to identify a potential Third Party Buyer or to complete the sale and transfer of the Offer Shares with the Third Party Buyer after the expiry of the Third Party Offer Period, the Offeror shall be entitled after a lapse of 6 month-period repeat the offer process referred to above.

9.2.8 Any purchase of the Offer Shares shall be based on the transfer terms and be completed within 45 days (or such other date as the Shareholders may mutually agree in writing) from the date of acceptance of the Purchase Notice, or as the case may be, the date of the approval of the relevant authorities having been obtained (if any).

9.2.9 In the event any Shareholder shall receive any unsolicited offers from third parties to purchase any shares in BHP Development, such offers shall be disclosed to the other Shareholders within 7 days of receipt of such offer and the same shall be dealt with in the same manner as this paragraph 9.2.

9.3 Exclusion of Pre-emptive Rights

The pre-emption procedure specified in paragraph 9.2 above shall not apply to any transfer of shares effected:

9.3.1 between a Shareholder and its related corporation (“**Permitted Transferee**”) or among Permitted Transferee of the Shareholder; and

9.3.2 among the BHP Development Existing Shareholders pursuant to such internal shareholding reorganisation.

9.4 Conditions of Transfer

If any transfer of shares in BHP Development under or pursuant to the provisions of this paragraph 9 is subjected to the prior written approval of the relevant authorities and/or financial institutions (including OCBC Bank (Malaysia) Berhad) who have existing banking and/or credit facilities with BHP Development, if required, having been obtained (“**Transfer Approval**”), then in such case the Offeror shall ensure that the Transfer Approval shall be a condition precedent to the sale and purchase agreement for the Offer Shares (“**Offer Shares SPA**”) and the Offeror shall within the period ascribed in the Offer Shares SPA, apply for and obtain the Transfer Approval.

9.5 Tag-Along Rights

Subject to paragraph 9.2 above, if an Offeror proposes to sell at least 20% of the total issued share capital of BHP Development to a Third Party Buyer, then each Offeree (“**Tag-Along Offeree(s)**”) shall have the right to require that the Offeror cause the Third Party Buyer to purchase the Tag-Along Offeree(s) shares in BHP Development which is up to the proportion of shares owned and proposed to be sold by the Offeror (“**Tag-Along Shares**”) along with the Offer Shares (“**Tag-Along Right**”), at the same price and upon the same terms and conditions as are contained in the offer to the Third Party Buyer, provided that:

9.5.1 **Exercise Period:** If any Tag-Along Offeree(s) wishes to exercise the Tag-Along Right he must, within the period of the Offer Notice, deliver a notice to the Offeror setting forth his intention to exercise the Tag-Along Right.

9.5.2 **Effect of Exercise of Tag-Along Right:** The exercise by any Tag-Along Offeree(s) of the Tag-Along Right shall constitute an irrevocable offer by such remaining Shareholders to sell his Tag-Along Shares to the Third Party Buyer at the same price and upon the same terms and conditions as are contained in the offer to the Third Party Buyer.

9.5.3 **The Offeror to Request Acceptance of Tag Along Offer:** If any Offeree(s) exercises the Tag-Along Right, the Offeror shall request that the Third Party Buyer to deliver to the Tag-Along Offeree(s) a Notice accepting the offer by the Tag-Along Offeree(s) to sell his Tag-Along Shares. If the Third Party Buyer refuses, declines or otherwise fails to accept such offer, the Offeror shall not be permitted to sell and the Third Party Buyer shall not be permitted to purchase the Offer Shares.

9.5.4 **Terms of Purchase and Sale:** The sale and purchase of the Tag-Along Shares shall be completed at the price and on the terms and conditions set forth in the offer to the Third Party Buyer.

10. Termination

10.1 Termination

The SSSA shall become effective upon its execution by all Shareholders and shall continue in full force and effect for an indefinite period until the earlier of the following events:

10.1.1 the Shareholders agree in writing to terminate the SSSA;

10.1.2 all of the shares become beneficially owned by any one Shareholder; or

10.1.3 BHP Development goes into liquidation whether voluntary or compulsory (other than for the purpose of an amalgamation or reconstruction approved by all the Shareholders).

10.2 Default

A party ("**Defaulting Shareholder**") shall be in default under the SSSA, if any of the following events shall have occurred:

10.2.1 the Defaulting Shareholder presents a petition or has a petition presented by a creditor for its winding up that is not withdrawn within 2 months;

10.2.2 the Defaulting Shareholder convenes a meeting to pass a resolution for its voluntary winding up (otherwise than a bona fide solvent reconstruction or amalgamation in which all obligations under the SSSA are assumed by a successor corporation);

10.2.3 the Defaulting Shareholder calls a meeting of its creditors or has a receiver or administrator appointed over all or substantially all of its undertaking or assets and such receiver or administrator is not discharged within 2 months as of his appointment; or

10.2.4 the Defaulting Shareholder materially breaches its obligations under the SSSA and, if such breach is capable of remedy, fails to remedy the breach within 30 days of being specifically required in writing to do so by a non-defaulting Shareholder.

10.3 Consequences of Termination

The termination of the SSSA however caused and the ceasing by any Shareholder to hold any BHP Development Share shall be without prejudice to any obligations or rights of any of the Shareholders hereto which have accrued prior to such termination or cessation of the Shareholder in holding the shares and shall not affect any provision of the SSSA which is expressly or by implication provided to come into effect on or to continue in effect after such termination or cessation.

11. Indemnity

Each party shall indemnify and hold the other party harmless from and against any losses suffered or paid by that other party, directly, as a result of or relating to or in respect of any misrepresentation of the matters or breach of any obligations, representation or warranty given by the party in the SSSA.

APPENDIX II(B) – SALIENT TERMS OF THE SSPA

(Unless otherwise defined in this Appendix II(B), capitalised terms used herein without definition shall have the meaning assigned to them in this Circular.)

1. Agreement to Purchase

Subject to the terms of the SSPA, the Vendors as the registered, legal and beneficial owners of 100,000 Bumilex Shares ("**Sale Shares**") representing 100% equity interest in Bumilex, agree to sell and Sunsuria agrees to purchase and accept the transfer of the Sale Shares from the Vendors for the Bumilex Purchase Consideration payable to each of the Vendors in equal proportions based on the Bumilex Group's audited net liability position as at 31 December 2019.

2. Conditions Precedent

2.1 The parties agree that the obligations of Sunsuria to purchase the Sale Shares under the SSPA are conditional upon the fulfilment of the following conditions precedent ("**Conditions Precedent**") within 4 months from the date of the SSPA with an automatic extension of 1 month or such other date as the parties may mutually agree in writing ("**Conditional Period**"):

2.1.1 Sunsuria having procured the necessary approval of its:

- (a) directors for the execution of the SSPA and the purchase of the Sale Shares subject to the terms and conditions of the SSPA; and
- (b) shareholders at a general meeting to be convened for the execution of the SSPA and the purchase of the Sale Shares subject to the terms and conditions of the SSPA;

2.1.2 the Vendors having procured the board of directors' resolutions and if required, the members' resolution of Bumilex, approving the following:

- (a) the transfer of the Sale Shares to Sunsuria in accordance with the terms and subject to the conditions of the SSPA;
- (b) the issue of new share certificates in respect of the Sale Shares in favour of Sunsuria; and
- (c) the entering into the register of members of Bumilex, the name of Sunsuria, as the holder of the Sale Shares;

2.1.3 the written approval of UKAS, JPM for the change in the shareholder of Bumilex as a result of the sale of the Sale Shares to Sunsuria which approval shall be in substance and upon terms and conditions satisfactory to the parties;

2.1.4 the written approval from DBKL extending the validity period under the development order for Montflex to undertake the development of the TAR Land, if required;

2.1.5 the conduct and completion of a legal, business (if required by Sunsuria) and financial due diligence exercise by Sunsuria on Bumilex and its assets in accordance with the SSPA, and the results of such exercise being satisfactory to Sunsuria;

2.1.6 the approval of such banks and financial institutions (including OCBC Bank (Malaysia) Berhad) who have existing banking and/or credit facilities with Montflex in accordance with the terms of the financing arrangements or other facilities granted to Montflex, if required; and

APPENDIX II(B) – SALIENT TERMS OF THE SSPA (Cont'd)

2.1.7 Sunsuria shall ensure that it obtains the approval of such banks and financial institutions (including AmBank (M) Berhad and United Overseas Bank (Malaysia) Berhad) who have existing banking and/or credit facilities with the Group in accordance with the terms of the financing arrangements or other facilities granted to the Group, if required.

2.2 Unconditional Date

The SSPA shall become unconditional on the date whereupon the last of the Conditions Precedent is duly obtained or fulfilled (or waived by the parties in writing, as the case may be) ("**Unconditional Date**").

2.3 Non-fulfilment of Conditions Precedent

In the event that any or all of the Conditions Precedent is/are not obtained or fulfilled (or waived in writing) by the parties on or before the Conditional Period, the parties shall:

2.3.1 firstly, discuss and mutually agree on an extension of the Conditional Period for the fulfilment of the Conditions Precedent for a period not exceeding 3 months or such other period as the parties may mutually agree;

2.3.2 secondly, if the unfulfilled Conditions Precedent are not fulfilled due to no fault of any parties, to the extent whether such Conditions Precedent can be waived pursuant to paragraph 2.4 below; and

2.3.3 thirdly, in the event the parties are not able to mutually agree on the matters set out in paragraphs 2.3.1 and 2.3.2 above within 30 days of the expiry of the Conditional Period, the SSPA shall be mutually terminated and be deemed null and void and of no further effect whatsoever, and none of the parties shall have any claims against the others hereunder for costs, damages, compensation or otherwise, save for any claim arising from any antecedent breach by the parties.

2.4 Waiver of Conditions Precedent

2.4.1 The parties may mutually agree to waive in writing any Conditions Precedent (or condition attached thereto) at any time, save for the Condition Precedent under paragraph 2.1.5 above and such Condition Precedent which is required under the laws and regulations. Any Conditions Precedent agreed to be mutually waived by the parties in writing will be deemed as a fulfilment of that Condition Precedent.

2.4.2 Despite the details of the Conditions Precedent set out in paragraph 2.1 above, if the relevant responding party (e.g. banks and financial institutions) validly notifies in writing that such approval is not required, then such Condition Precedent shall be deemed waived.

2.5 Responsibility for Satisfaction

An approval of a relevant authority under paragraph 2.1 above or financier(s) will be deemed not to be granted and the relevant Condition Precedent will be deemed to be unfulfilled if such approval is subsequently withdrawn, suspended, amended, revoked or cancelled on or prior to the Completion Date (as defined in paragraph 3.1 below), unless otherwise agreed in writing by Sunsuria.

3. Completion

3.1 Completion shall take place within 21 days from the Unconditional Date in accordance with the terms and conditions of the SSPA ("**Completion Date**").

APPENDIX II(B) – SALIENT TERMS OF THE SSPA (Cont'd)

3.2 On the Completion Date, in exchange of the Bumilex Purchase Consideration, the Vendors shall deliver or cause or procure to be delivered to Sunsuria, among others, the following documents:

3.2.1 the duly executed Montflex SHA;

3.2.2 the written waiver of liabilities amounting to RM2,490,000.00 from the following creditors of Bumilex on the amount set out below:

No.	Creditors	Amount to be waived
(i)	Sunsuria City (KL)	RM504,225.00
(ii)	Suez Capital Sdn Bhd	RM922,545.00
(iii)	Ter Leong Boon	RM33,615.00
(iv)	Ter Hong Khim @ Tai Foong Chin	RM33,615.00
(v)	Excel Logic Sdn Bhd	RM996,000.00
	Total	RM2,490,000.00

3.2.3 the written waiver of liabilities amounting to RM3,530,000.00 from the creditors of Montflex on the amount set out below:

No.	Creditors	Amount to be waived
(i)	Sunsuria City (KL)	RM1,323,749.90
(ii)	Suez Capital Sdn Bhd	RM2,029,750.01
(iii)	Ter Leong Boon	RM88,250.04
(iv)	Ter Hong Khim @ Tai Foong Chin	RM88,250.04
	Total	RM3,530,000.00

4. Representations, Warranties and Undertakings

The Vendors undertake to observe and shall procure Bumilex and Montflex to observe from the date of the SSPA until the Completion Date, the covenants set out in the SSPA.

5. Indemnity

Each party shall indemnify and hold the other party harmless from and against any losses suffered or paid by that other party, directly, as a result of or relating to or in respect of any misrepresentation of the matters or breach of any obligations, representation or warranty given by the party in the SSPA.

6. Termination

6.1 Event of Default

A party shall be in default ("**Defaulting Person**") under the SSPA, if any of the following events shall have occurred:

6.1.1 the commencement against a Defaulting Person of any litigation proceeding under any applicable bankruptcy or insolvency law or the approval of a Defaulting Person is granted for the commencement of any such proceeding against it, and such Defaulting Person fails, omits, refuses and/or neglects to settle the proceedings within 14 days of service or deemed service on it of documentary evidence of the commencement of such proceedings;

APPENDIX II(B) – SALIENT TERMS OF THE SSPA (Cont'd)

- 6.1.2 the acquisition, pursuant to court order or otherwise, by a creditor of a Defaulting Person of any rights with respect to such Defaulting Person's assets, benefits or entitlements if such acquisition shall continue undischarged for a period of 14 days and such Defaulting Person shall not have instituted and diligently prosecuted the necessary legal proceedings for the rescission or discharge of such acquisition;
- 6.1.3 the appointment of receivers, managers and/or liquidators over the business, assets or undertaking of any of the Defaulting Person;
- 6.1.4 in respect of any of the Vendors:
 - (a) the breach by the Defaulting Person of any of its representations, warranties and undertakings in the SSPA; or
 - (b) failure to deliver or procure the delivery of any of the completion documents in accordance with paragraph 3.2 above; or
- 6.1.5 in respect of Sunsuria, the breach by the Defaulting Person of any of its obligations and/or representations and warranties in the SSPA.

In the case of a default or breach which is capable of being remedied, by notice in writing to the Defaulting Person requiring the Defaulting Person to rectify such default or breach and if the Defaulting Person shall fail to remedy such default or breach within 14 days after receipt of such notice or such longer period as specified in the notice having regard to the nature of the breach, the non-defaulting party may thereupon by notice forthwith terminate the SSPA in which event paragraph 6.2 below shall take effect.

6.2 Consequences of Default

- 6.2.1 In the instance of any of the Vendors being the Defaulting Person, then Sunsuria shall be entitled to the following:
 - (a) the remedy of specific performance against the Vendors and to all reliefs flowing therefrom; or
 - (b) to forthwith terminate the SSPA by notice in writing to the Vendors and further without prejudice to Sunsuria's right to initiate legal proceedings against the Vendors for damages and losses sustained by Sunsuria arising from the breach of the Vendors.
 - 6.2.2 In the instance of Sunsuria being the Defaulting Person, then the Vendors shall be entitled to forthwith terminate the SSPA as against Sunsuria by notice in writing to Sunsuria and further without prejudice to the Vendors' right to initiate legal proceedings against Sunsuria for damages and losses sustained by the Vendors arising from the breach of Sunsuria.
- 6.3 The SSPA shall remain in force and binding upon the parties until all the transactions contemplated by the SSPA are completed or where the SSPA is terminated in accordance with the provisions of the SSPA.

APPENDIX II(C) – SALIENT TERMS OF THE MONTFLEX SHA

(Unless otherwise defined in this Appendix II(C), capitalised terms used herein without definition shall have the meaning assigned to them in this Circular.)

1. Introduction

- 1.1 As at the date of the Montflex SHA, the shareholding of the ordinary shares in Montflex is held by Bumilex and Excel Logic (collectively, “**Shareholders**”) in the following agreed proportion (“**Agreed Proportions**”):

Shareholder	Number of Shares	Percentage of Shares (Voting)
Bumilex	2,550,000	51.0%
Excel Logic	2,450,000	49.0%

- 1.2 Pursuant to the SSPA, the Vendors have disposed to Sunsuria as the purchaser all of the shareholding in Bumilex upon the terms and conditions set out in the SSPA.
- 1.3 On the completion date of the SSPA (“**Completion Date**”), Sunsuria shall be the sole shareholder of Bumilex and holds as an indirect 51.0% equity interest in Montflex. Montflex shall on the Completion Date be deemed as a subsidiary of Sunsuria.

2. Effective Date

The Montflex SHA shall take effect immediately on the Completion Date (“**Effective Date**”).

3. Montflex and its Operations

3.1 Business of Montflex

The business of Montflex shall be the activities of undertaking property development including undertaking the development of the TAR Land and such other activities that are similar to, complementary to, or ancillary to, the foregoing, or such other businesses as may be agreed pursuant to the Montflex SHA.

3.2 Financial Requirements – General Principles

- 3.2.1 The Shareholders mutually agree that Montflex shall use its best efforts to raise all the necessary funding required for the purpose of Montflex’s operation and to achieve its business objectives as and when required.
- 3.2.2 The financial requirements of Montflex can be met in either of the following manner which is to be approved by the board of directors of Montflex (“**Board**”):
- (a) the issuance of new ordinary shares or preference shares by Montflex and subscribed by the Shareholders in the Agreed Proportions or such other proportions as may be agreed in writing between the Shareholders;
 - (b) borrowings from third parties (including banks and financial institutions) which may or may not be secured by assets and properties of Montflex; or
 - (c) by way of Shareholder’s advances in the Agreed Proportions or such other proportions as may be agreed in writing between the Shareholders.

APPENDIX II(C) – SALIENT TERMS OF THE MONTFLEX SHA (Cont'd)

3.2.3 Unless paragraph 3.2.2 above has been fully exhausted, the Shareholders shall not be required to provide any form of financial assistance or security or credit support (including the furnishing of any guarantee) for Montflex unless otherwise mutually agreed upon in the Agreed Proportions or such other proportions as may be agreed in writing between the Shareholders.

3.3 Excel Logic Shareholders' Advances

3.3.1 The Excel Logic Shareholders have on 30 September 2020 advanced an aggregate sum of RM28,402,785.60 to Montflex as follows:

- (a) RM710,069.88 from Ter Leong Boon;
- (b) RM710,069.88 from Ter Hong Khim @ Tai Foong Chin;
- (c) RM16,331,601.74 from Suez Capital; and
- (d) RM10,651,044.10 from Sunsuria City (KL)

(collectively, "**Excel Logic Shareholders' Advances**"). The Excel Logic Shareholders' Advances do not include any interest payable by Montflex to the respective Excel Logic Shareholders for the advances contributed thereto.

3.3.2 On the Effective Date, Excel Logic Shareholders shall partially write off a portion of the Excel Logic Shareholders' Advances equivalent to RM3,530,000.00 and the Excel Logic Shareholders' Advances shall be adjusted to RM24,872,785.60 ("**Adjusted Excel Logic Shareholders' Advances**") as follows:

Excel Logic Shareholders	Amount to write-off	Adjusted Excel Logic Shareholders' Advances as at Effective Date
Ter Leong Boon	RM88,250.04	RM621,819.84
Ter Hong Khim @ Tai Foong Chin	RM88,250.04	RM621,819.84
Suez Capital	RM2,029,750.01	RM14,301,851.73
Sunsuria City (KL)	RM1,323,749.90	RM9,327,294.20
TOTAL	RM3,530,000.00	RM24,872,785.60

3.4 Proportionate Adjustment of Shareholders' Advances

3.4.1 From the Effective Date:

- (a) Bumilex shall advance to Montflex an aggregate amount representing its 51.0% equity interest in Montflex. In that respect, Bumilex shall repay the Excel Logic Shareholders' Advances and/or contribute to the working capital of Montflex gradually over the period of 18 months commencing from the month of the Effective Date against Montflex's ongoing financial requirements and commitments subject to a minimum monthly payment of RM700,000.00 to Montflex, with the last payment to be paid on the last day of the 18th month whereby Excel Logic (pursuant to the Adjusted Excel Logic Shareholders' Advances) and Bumilex's contribution to Montflex's financial requirements shall be adjusted in accordance with the Agreed Proportions; and

- (b) subject to making such appropriate provisions for reserves, capital commitment and working capital of Montflex, the Shareholders shall procure Montflex to repay the surplus of any Adjusted Excel Logic Shareholders' Advances so contributed by the Excel Logic Shareholders such that the Shareholders' advances is adjusted based on the Agreed Proportions.

3.4.2 The Excel Logic Shareholders and/or Excel Logic shall not be obligated to contribute to the working capital requirements of Montflex until Bumilex contributes (for repayment of then Excel Logic Shareholders' Advances and/or contribution to the working capital of Montflex) up to the amount equivalent to its Agreed Proportions ("**Adjustment of Shareholders Advancement**").

3.4.3 When the shareholders' contributions are expected to be adjusted in accordance with the Agreed Proportions in any particular month, then Bumilex shall contribute accordingly as to achieve the Agreed Proportions, whereupon the Adjustment of Shareholders Advancement shall be deemed completed.

3.4.4 In the event Bumilex has contributed such amount equivalent to its Agreed Proportions within the 18 months period set out in paragraph 3.4.1(a) above, and subject to the completion of the Adjustment of Shareholders Advancement, any additional working capital requirement of Montflex shall be contributed by the Shareholders in accordance with their respective shareholdings in Montflex.

3.4.5 Upon the completion of the Adjustment of Shareholders Advancement, all subsequent Shareholders' advances shall be made in accordance with the Montflex SHA.

3.5 Updating the Excel Logic Shareholders' Advances

The Excel Logic Shareholders' Advances and the Adjusted Excel Logic Shareholders' Advances shall be updated on the Effective Date, and to the extent that the Excel Logic Shareholders' Advances and/or the Adjusted Excel Logic Shareholders' Advances as stated in the Montflex SHA shall differ from the actual amount contributed by the Excel Logic Shareholders on the Effective Date, the Shareholders agree that the contributions towards Montflex's financial requirements shall reflect and include the adjustments to the Excel Logic Shareholders' Advances and the Adjusted Excel Logic Shareholders' Advances as of the Effective Date.

4. **Dividends, Profits and Losses**

4.1 Subject to making such appropriate provisions for reserves, capital commitment and working capital as the Board may decide and as are required by applicable law and subject to any relevant requirements of lenders of Montflex, if any, net profit after tax in respect of any financial year will be distributed by way of dividends to the Shareholders.

4.2 Subject to paragraph 4.1 above, Montflex may distribute final dividends in respect of each financial year, in such amount as the Board may recommend to the Shareholders provided always that the Board may, subject to any laws, regulations and guidelines, approve any declaration of interim dividends. The Shareholders shall have the discretion to approve any recommendation by the Board for distribution of dividends.

5. **Organization and Management**

5.1 Members Meeting

5.1.1 A meeting of the Shareholders ("**Members Meeting**") shall be subjected to a quorum in accordance with the Montflex SHA, whether personally or proxy, at the time when the meeting proceeds.

5.1.2 The chairman of the Members Meeting shall not have a second vote in the event of an equality of votes.

5.2 Votes and Decisions of the Shareholders

All resolutions of the Shareholders shall, unless otherwise required by any of the provisions of the Montflex SHA or the Act, be carried on a poll by a simple majority of vote, save and except for the Shareholders' reserved matters stipulated in the Montflex SHA, which require the affirmative votes of the Shareholders' representing at least 75% of the total issued shares of Montflex.

5.3 Board Composition

5.3.1 Unless otherwise agreed to by the Shareholders in writing, the Board shall comprise of 5 natural persons of whom shall be appointed in the following manner:

- (a) 3 directors nominated by Bumilex; and
- (b) 2 directors nominated by Excel Logic.

5.3.2 In respect of the chairman of the Board ("**Board Chairman**"):

- (a) the position of the Board Chairman shall be the nominee elected by Bumilex; and
- (b) the Board Chairman shall chair all Board and Members meetings and shall not have a second vote in the event of an equality of votes. In the event that the Board Chairman is not present at any meeting of the Board within half an hour from the time appointed for such meeting, the Board Chairman of such meeting shall be elected from such other director whom is present at such meeting.

5.3.3 The directors' remuneration shall be determined by the Shareholders.

5.3.4 The right to nominate and appoint directors of subsidiary and associate companies shall be consistent with paragraph 5.3.1 above.

5.4 Votes and Decisions of the Board

5.4.1 Each director shall be entitled to one vote at Board meetings. Questions arising at any meeting of the Board will be decided by a simple majority of votes of the directors present and voting at that meeting, save that any question arising in respect of a Board's reserved matters stipulated in the Montflex SHA, which shall require affirmative votes of at least 1 director nominated by Bumilex and 1 director nominated by Excel Logic, respectively.

5.4.2 All resolutions of the Board shall, save and except for the Board's reserved matters and unless otherwise required by any of the provisions of the Montflex SHA or the Act, be passed by a simple majority of the directors present and entitled to vote.

6. Transfer of Shares

6.1 Restriction on Transfers and Encumbrances

Subject to paragraphs 6.3 and 6.4 below, and save and except with the other Shareholders' prior consent in writing or in accordance with the pre-emption procedure set out in paragraph 6.2 below, no Shareholder shall:

- 6.1.1 grant or permit to subsist any option over or any pledge, mortgage, charge (whether by way of fixed or floating charge) or otherwise encumber the legal and beneficial interest in any of its shares in Montflex;
- 6.1.2 sell, transfer, assign or otherwise dispose of or part with the beneficial ownership of any of its shares in Montflex (or other legal or beneficial interest therein) to any third party; or
- 6.1.3 enter into any agreement with any entity that is not a party to the Montflex SHA in respect of votes attached to the shares in Montflex.

6.2 Pre-emptive Rights

- 6.2.1 No Shareholder shall sell, transfer or dispose or otherwise part with the beneficial ownership of all or any of its shares to any other person who is not an existing shareholder of Montflex without first making an offer by written notice ("**Offer Notice**") to the other Shareholder(s) ("**Offerees**"). The Shareholder making an offer to sell its shares shall be referred to as the "Offeror".
- 6.2.2 The Offer Notice shall set out the offer stating the:
 - (a) number of shares being offered for sale which shall consist of all or any of its shares by the Offeror as of the date of the Offer Notice ("**Offer Shares**"); and
 - (b) price offered by the Offeror for the Offer Shares ("**Offer Price**").
- 6.2.3 The Offer Notice shall be valid for 45 days from the date of the Offer Notice ("**Offer Period**").
- 6.2.4 If the Offeree accepts the offer, the sale shall be based on the transfer terms ("**Purchase Notice**").
- 6.2.5 If the Offeree decides to purchase the Offer Shares but disagrees with the Offer Price, then the Offeree shall give written notice of such its intent and unless the parties are able to agree on a mutually acceptable price within the Offer Period, the offer shall lapse.
- 6.2.6 If the Offerees (or any of them) are not willing to purchase the Offer Shares or the Offeror and the Offerees (or any of them) are unable to agree on the price of the Offer Shares, the Offeror shall be entitled for the next 45 days immediately after the lapse of the Offer Notice ("**Third Party Offer Period**") in good faith, to sell and transfer the Offer Shares to a bona fide third party ("**Third Party Buyer**") at a price which is not less than the Offer Price and upon terms and conditions not more favourable than those offered to the Offerees.
- 6.2.7 If the Offeror is unable to identify a potential Third Party Buyer or to complete the sale and transfer of the Offer Shares with the Third Party Buyer after the expiry of the Third Party Offer Period, the Offeror shall be entitled after a lapse of 6 month-period repeat the offer process referred to above.

6.2.8 Any purchase of the Offer Shares shall be based on the transfer terms and be completed within 45 days (or such other date as the Shareholders may mutually agree in writing) from the date of acceptance of the Purchase Notice, or as the case may be, the date of the approval of the relevant authorities having been obtained (if any).

6.2.9 In the event any Shareholder shall receive any unsolicited offers from third parties to purchase any shares in Montflex, such offers shall be disclosed to the other Shareholders 7 days of receipt of such offer and the same shall be dealt with in the same manner as this paragraph 6.2.

6.3 Exclusion of Pre-emptive Rights

The pre-emption procedure specified in paragraph 6.2 above shall not apply to any transfer of shares effected between a Shareholder and its related corporation (“**Permitted Transferee**”) or among Permitted Transferees of the shareholder.

6.4 Conditions of Transfer

Any transfer of shares in Montflex under or pursuant to the provisions of this paragraph 6 shall be subject to the prior written approval of the relevant authorities and or such banks and financial institutions who have existing banking and/or credit facilities with Montflex, if required, having been obtained (“**Transfer Approval**”) where required. In such case, the Offeror shall ensure that the Transfer Approval shall be a condition precedent to the sale and purchase agreement for the Offer Shares (“**Offer Shares SPA**”). The Offeror shall within the period ascribed in the Offer Shares SPA, apply for and obtain the Transfer Approval and if the Offeror does not or fails to obtain the Transfer Approval within such period, then the Offer Shares SPA shall forthwith be terminated.

6.5 Tag-Along Rights

Subject to paragraph 6.2 above, if an Offeror proposes to sell at least 20% of the total issued share capital of Montflex to a Third Party Buyer, then each Offeree (“**Tag-Along Offeree(s)**”) shall have the right to require that the Offeror cause the Third Party Buyer to purchase the Tag-Along Offeree(s) shares in Montflex which is up to the proportion of shares owned and proposed to be sold by the Offeror (“**Tag-Along Shares**”) along with the Offer Shares (“**Tag-Along Right**”), at the same price and upon the same terms and conditions as are contained in the offer to the Third Party Buyer, provided that:

6.5.1 **Exercise Period:** If any Tag-Along Offeree(s) wishes to exercise the Tag-Along Right he must, within the period of the Offer Notice, deliver a notice to the Offeror setting forth his intention to exercise the Tag-Along Right.

6.5.2 **Effect of Exercise of Tag-Along Right:** The exercise by any Tag-Along Offeree(s) of the Tag-Along Right shall constitute an irrevocable offer by such remaining Shareholders to sell his Tag-Along Shares to the Third Party Buyer at the same price and upon the same terms and conditions as are contained in the offer to the Third Party Buyer.

6.5.3 **The Offeror to Request Acceptance of Tag Along Offer:** If any Offeree(s) exercises the Tag-Along Right, the Offeror shall request that the Third Party Buyer to deliver to the Tag-Along Offeree(s) a notice accepting the offer by the Tag-Along Offeree(s) to sell his Tag-Along Shares. If the Third Party Buyer refuses, declines or otherwise fails to accept such offer, the Offeror shall not be permitted to sell and the Third Party Buyer shall not be permitted to purchase the Offer Shares.

6.5.4 **Terms of Purchase and Sale:** The sale and purchase of the Tag-Along Shares shall be completed at the price and on the terms and conditions set forth in the offer to the Third Party Buyer.

7. Termination

7.1 Termination

The Montflex SHA shall become effective upon its execution by all Shareholders and shall continue in full force and effect for an indefinite period until the earlier of the following events:

- 7.1.1 the Shareholders agree in writing to terminate the Montflex SHA;
- 7.1.2 all of the shares become beneficially owned by any one Shareholder; or
- 7.1.3 Montflex goes into liquidation whether voluntary or compulsory (other than for the purpose of an amalgamation or reconstruction approved by all the Shareholders).

7.2 Default

A party (“**Defaulting Shareholder**”) shall be in default under the Montflex SHA, if any of the following events shall have occurred:

- 7.2.1 the Defaulting Shareholder presents a petition or has a petition presented by a creditor for its winding up that is not withdrawn within 2 months;
- 7.2.2 the Defaulting Shareholder convenes a meeting to pass a resolution for its voluntary winding up (otherwise than a bona fide solvent reconstruction or amalgamation in which all obligations under the Montflex SHA are assumed by a successor corporation);
- 7.2.3 the Defaulting Shareholder calls a meeting of its creditors or has a receiver or administrator appointed over all or substantially all of its undertaking or assets and such receiver or administrator is not discharged within 2 months as of his appointment; or
- 7.2.4 the Defaulting Shareholder materially breaches its obligations under the Montflex SHA and, if such breach is capable of remedy, fails to remedy the breach within 30 days of being specifically required in writing to do so by a non-defaulting Shareholder.

7.3 Consequences of Termination

The termination of the Montflex SHA however caused and the ceasing by any Shareholder to hold any ordinary shares in Montflex shall be without prejudice to any obligations or rights of any of the Shareholders hereto which have accrued prior to such termination or cessation of the Shareholder in holding the shares and shall not affect any provision of the Montflex SHA which is expressly or by implication provided to come into effect on or to continue in effect after such termination or cessation.

8. Indemnity

Each party shall indemnify and hold the other party harmless from and against any losses suffered or paid by that other party, directly, as a result of or relating to or in respect of any misrepresentation of the matters or breach of any obligations, representation or warranty given by the party in the Montflex SHA.

APPENDIX II(D) – SALIENT TERMS OF THE JVA

(Unless otherwise defined in this Appendix II(D), capitalised terms used herein without definition shall have the meaning assigned to them in this Circular.)

1. Agreement to Develop

- 1.1 Montflex undertakes to develop the TAR Land at its own risk, cost and expense.
- 1.2 Montflex shall:
 - 1.2.1 develop the TAR Land in accordance with the development order and the approved plan (“**Project**”);
 - 1.2.2 carry out and complete the Project within the Development Period (as defined in paragraph 10.1 below);
 - 1.2.3 develop the infrastructure to serve the Project; and
 - 1.2.4 provide the technical knowledge, skills, expertise, consultancy and such other services including overall management and sales. Montflex, with prior written notification to Datuk Bandar, may engage a consultant to ensure the progress and due completion of the Project.
- 1.3 Where the property market factors or conditions render it appropriate or expedient, Montflex shall apply to Datuk Bandar for an approval to amend, modify or vary the component of the Project, the sale prices, the Construction Commencement Date (as defined in paragraph 9.1 below) and the construction completion date as set out in the JVA (“**Construction Completion Date**”). Montflex and Datuk Bandar (collectively, “**Parties**”) shall re-negotiate in good faith with the view of agreeing to the proposed changes, failing which, the existing terms shall be applicable.

2. Consideration

- 2.1 In consideration of Datuk Bandar agreeing to allow Montflex to develop the Project on the TAR Land, the Parties agree the total amount of consideration for the JVA shall be RM87,834,104.25 which comprises the following:
 - 2.1.1 RM70,845,000.00 being the agreed project land value (“**Project Land Value**”) to be paid by Montflex to Datuk Bandar in accordance with the schedule of payment of the Project Land Value as set out in the JVA;
 - 2.1.2 RM8,000,000.00 being the agreed minimum guaranteed profit to be paid to Datuk Bandar for the Project as calculated in accordance with the formula as set out in the JVA (“**Minimum Guaranteed Profit**”); and
 - 2.1.3 RM8,989,104.25 being the agreed value of the piling cost for the Project.
- 2.2 The amount referred to in paragraphs 2.1.2 and 2.1.3 above, which is a total sum of RM16,989,104.25, shall be paid in the following manner:
 - 2.2.1 RM15,437,000.00 to be satisfied by way of planning, design, construction, interior design works, landscaping, equipping, installing, completion, testing and commissioning of 4 food court units measuring approximately 23,640 sq ft located in the Development Units (as defined in paragraph 3.1 below) (“**Datuk Bandar’s Units**”); and

2.2.2 RM1,552,104.25 as cash consideration to be paid by Montflex to Datuk Bandar after 5 October 2017², being the date of the written notice issued by Datuk Bandar to Montflex to confirm the date of the fulfilment of the conditions precedent ("**Effective Date**"), but prior to the Construction Commencement Date (as defined in paragraph 9.1 below).

3. Option to Purchase

3.1 Montflex shall, before the launching of any sale of the development units relating to the Project ("**Development Units**"), notify Datuk Bandar of the same not later than 3 months prior to such launching date.

3.2 Upon receiving such notification, Datuk Bandar shall have the option to purchase the Development Units at a discount of 10% of the public sale price of such units by notifying Montflex in writing not later than 1 month prior to such launching date.

4. Obligations of Datuk Bandar

4.1 Datuk Bandar or its authorised representatives shall, within 14 days from the date of receipt of all proper and necessary applications, sign the plans and submission relating to the Project prepared by Montflex which require the signature of Datuk Bandar in its capacity as the registered proprietor of the TAR Land, provided always that Montflex has fulfilled all necessary legal and statutory requirements for such application and submission.

4.2 Datuk Bandar may assist and do all such acts in its capacity as the registered proprietor of the TAR Land in respect of the Project provided always that Montflex shall have fulfilled all the relevant legal and statutory requirements.

5. Obligations of Montflex

5.1 Montflex shall make all necessary applications to the relevant authority in respect of the Project and shall comply with all terms and conditions imposed by any such application and in particular, to:

5.1.1 prepare all necessary applications for the surrender and re-alienation, amalgamation or subdivision (as the case may be) of the TAR Land; and

5.1.2 prepare, submit to and obtain from the relevant authority approval of the layout plan and building plans. Montflex shall deposit with Datuk Bandar certified true copies of the approved plan with Datuk Bandar within 14 days of the approvals.

5.2 Montflex shall:

5.2.1 at its own cost and expense, design, construct, test, commission and complete the Project in accordance with the approved plan;

5.2.2 bear all costs and expenses relating to the Project; and

5.2.3 settle all debts, money and payment owing and payable to any person, firm or company in connection with the Project,

and such costs shall form part of the total costs of the Project, estimate of which can be found in the JVA ("**Gross Development Cost**").

² Pursuant to the letter dated 5 October 2017 issued by DBKL to Montflex confirming that the conditions under Clause 2.1 of the JVA have been fulfilled and the Effective Date shall be on 5 October 2017.

APPENDIX II(D) – SALIENT TERMS OF THE JVA (Cont'd)

5.3 Montflex shall, within 1 month after the end of each quarter of the year submit to Datuk Bandar a copy of the management accounts relating to the Project.

5.4 Montflex shall cause the final account of the Project to be audited by an auditor appointed by Montflex and approved by Datuk Bandar and the final audited account shall be submitted to Datuk Bandar within 12 months from the Construction Completion Date.

6. Covenants of Montflex

6.1 Montflex undertakes and covenants with Datuk Bandar that for the duration of the JVA, it will not carry on or undertake any business other than the Project.

6.2 Montflex shall ensure that its shareholder and shareholding structure shall at all times conform to the general requirement laid down by Datuk Bandar.

6.3 As at the date of the JVA, the shareholder and shareholding structure of Montflex are as follows:

Shareholders	Percentage of Shareholding
Bumilex	51.0%
Excel Logic	49.0%

6.4 Save for any change permitted pursuant to the listing of Montflex on the official list of Bursa Securities, (subject to obtaining the approvals under paragraph 6.5 below), there shall be no change to the:

6.4.1 shareholder and the shareholding structure of Montflex as set out in the table above; and

6.4.2 shareholder and the shareholding structure of the shareholder of Montflex save and except where the shareholder is listed and quoted on the Bursa Securities,

for a period of 5 years from the date of the JVA.

6.5 Any intention to change the shareholders and shareholding structure after the said period of 5 years shall:

6.5.1 require the prior written approval of the Government through UKAS, JPM;

6.5.2 be subject to terms and conditions as may be imposed by UKAS, JPM; and

6.5.3 be subject to renegotiation of the terms and conditions of the JVA.

6.6 Montflex shall increase the paid-up capital as may be required by its financiers provided that the paid-up capital shall not be less than RM5,000,000.00 throughout the Development Period (as defined in paragraph 10.1 below).

7. Possession of the TAR Land

7.1 Datuk Bandar shall allow Montflex to take possession of the TAR Land on an as is where is basis and to carry out all works necessary for the Project from 5 October 2017³, being the date of issuance of the notice of possession from Datuk Bandar to Montflex (“**Notice of Possession**”).

³ Pursuant to the letter dated 5 October 2017 issued by DBKL to Montflex confirming that the Notice of Possession shall be on 5 October 2017.

8. Performance Bond

- 8.1 Montflex shall, before the Construction Commencement Date (as defined in paragraph 9.1 below), provide Datuk Bandar with an irrevocable guarantee issued or to be issued in favour of Datuk Bandar by a bank or licensed financial institution under the relevant Malaysian laws and approved by Datuk Bandar ("**Performance Bond**") to guarantee the due performance of Montflex's obligations under the JVA.
- 8.2 Montflex shall ensure that:
- 8.2.1 the Performance Bond shall at all times be and not less than the amount of RM21,110,000.00, being 5% of the total cost of the construction for the Project, estimated at RM422,200,000.00; and
- 8.2.2 the Performance Bond shall remain valid until the date of issuance of the certificate of practical completion by Montflex whereupon Datuk Bandar will return the Performance Bond to Montflex.

9. The Project: Construction Commencement Date / Construction Schedule / Infrastructure

- 9.1 The date of commencement of the construction works shall be 30 days from the date the approval from the relevant authority is obtained or the Effective Date, whichever is later ("**Construction Commencement Date**") provided that all of the following conditions have been fulfilled:
- 9.1.1 all necessary approvals for the commencement of the construction work for the Project shall have been obtained by Montflex;
- 9.1.2 Montflex shall have submitted the Performance Bond to Datuk Bandar;
- 9.1.3 Montflex shall have submitted to Datuk Bandar the duplicate copies of the insurance policies taken up for the construction works as set out in the JVA;
- 9.1.4 Montflex shall have submitted to Datuk Bandar the executed copy of the agreement for the construction and completion of Datuk Bandar's Unit SPA (as defined in paragraph 12.1 below); and
- 9.1.5 Montflex shall have submitted to Datuk Bandar a copy of the receipt for the payment made to Datuk Bandar for a sum of RM1,552,104.25 as cash consideration.
- 9.2 Montflex shall carry out the Project in accordance with the work programme for carrying out the construction works for the Project as set out in the JVA ("**Construction Schedule**"). Montflex may, from time to time, propose to Datuk Bandar, such revision, amendments or variations to the Construction Schedule as may be necessary to ensure the completion of the Project within the Development Period (as defined in paragraph 10.1 below). Upon Datuk Bandar being satisfied with the details of the revision, amendments or variations to the Construction Schedule (including the determination of the date of completion), Datuk Bandar shall inform Montflex in writing of such approval.
- 9.3 Montflex shall at its own cost and expense construct and complete within the Development Period (as defined in paragraph 10.1 below) all infrastructures as required by the relevant authority and shall at its own cost and expense maintain the same until it is handed over to the relevant authority.

10. Development Period

- 10.1 The Parties agree that the Project shall be completed within a period of 48 months from the Construction Commencement Date in respect of the Project until the issuance of the certificate of practical completion of the Project as set out in the JVA ("**Development Period**"), unless terminated earlier or extended with the consent of Datuk Bandar.
- 10.2 Datuk Bandar shall upon receiving a written request from Montflex, grant a reasonable extension of time to enable Montflex to complete the Project in the following circumstances:
- 10.2.1 a nationwide shortage of building materials as acknowledged by Datuk Bandar;
- 10.2.2 cessation of work exceeding 7 days as directed by the relevant authority as a result of the discovery of antiquities; and
- 10.2.3 any delay on the part of the public utilities and amenities in connection with the approval, relocation, installation and commissioning of utilities and services and provided that Montflex had acted expeditiously to submit the application and facilitate the action of the public utility authorities.
- 10.3 If Montflex delays to commence the construction works for more than 24 months from the Construction Commencement Date, the land value for the TAR Land affected by such delay shall be revalued based on the current market value (excluding the value of any structure erected on such land) and assessed by the Valuation and Property Services Department, Ministry of Finance Malaysia. Montflex agrees to pay Datuk Bandar the amount representing the aforesaid increase in the land value for the Project (if any) within 1 month prior to the recommencement of the construction works, failing which Datuk Bandar shall be entitled to terminate the JVA.
- 10.4 If Montflex fails to complete the Project by the Construction Completion Date, Montflex shall pay Datuk Bandar liquidated and ascertained damages calculated on a daily basis at the rate of 8% per annum of the Minimum Guaranteed Profit for every day of delay until the certificate of practical completion is issued for the Project.

11. Indemnity

- 11.1 The Parties agree that Montflex shall perform all of its obligations under the JVA at its own risk and releases and shall indemnify and keep Datuk Bandar indemnified from and against all claims and demands of every kind resulting from any accident, damage, injury or death arising out of, or in the course of, or by reason of the Project or any part thereof and Datuk Bandar shall have no responsibility or liability whatsoever in relation to such accident, damage injury or death, unless they are caused by the negligence or willful default of the Datuk Bandar, its agents or servants.
- 11.2 The indemnity obligations shall continue after the expiry of earlier termination of the JVA in respect of any act, deed, matter or thing happening before such expiration or termination of the JVA.

12. Completion and Transfer of Datuk Bandar's Unit

- 12.1 For the purpose of paragraph 2.2.1, the Parties shall execute an agreement for the construction and completion of the Datuk Bandar's Unit substantially in the form as set out in the JVA ("**Datuk Bandar's Unit SPA**") prior to the Construction Commencement Date.

APPENDIX II(D) – SALIENT TERMS OF THE JVA (Cont'd)

12.2 Montflex shall construct and complete the Datuk Bandar's Unit within a period of 48 months from the Construction Commencement Date and shall deliver vacant possession of the Datuk Bandar's Unit pursuant to the Datuk Bandar's Unit SPA; and

12.3 In the event Montflex fails to deliver vacant possession of the Datuk Bandar's Unit in accordance with the Datuk Bandar's Unit SPA, Montflex shall pay liquidated and ascertained damages at the agreed rate prescribed in the Datuk Bandar's Unit SPA.

13. Sale and Purchase of Development Units

13.1 Subject to paragraph 3 above, Datuk Bandar shall allow Montflex to sell the Development Units according to the Project in such manner as Datuk Bandar and Montflex shall mutually agree provided always that Montflex has fulfilled all legal and statutory requirements necessary for the sale.

13.2 Montflex shall be solely responsible for and shall discharge all liabilities arising from the sale and purchase agreement in respect of the Development Units and shall indemnify Datuk Bandar in the event of any loss, damage, claim or proceeding against Datuk Bandar by any purchaser.

13.3 The Parties agree that at least 30% of the total Development Units shall be sold to Bumiputera. In the event that any Development Units is not purchased by Bumiputera purchaser within 12 months from the date of launching of the Project, then Montflex, upon obtaining Datuk Bandar's written approval, shall be entitled to sell the Development Units in any manner to any person including to foreign buyers, foreign companies or any other person as Montflex deems fit. It is further agreed that Datuk Bandar may permit a variation of the number of units to be sold to Bumiputera purchaser provided that each variation in numbers shall take into consideration the current market environment and sentiments.

14. Termination by Datuk Bandar

14.1 Events of Default – Prior to the Construction Commencement Date

Datuk Bandar shall be entitled to give written notice ("**Default Notice**") to Montflex, specifying the relevant default and requiring Montflex to remedy the default within a specified period ("**Remedy Period**"), if Montflex:

14.1.1 fails to commence the Construction Works in respect of the Project on the Construction Commencement Date; or

14.1.2 breaches any of its obligation or fails to comply with any other provisions in the JVA.

14.2 Termination

If Montflex fails to remedy the relevant default within the Remedy Period or such other period as may be determined by Datuk Bandar, Datuk Bandar shall have the right to terminate the JVA with immediate effect by giving notice to Montflex.

14.3 Consequences of Termination

Upon termination of the JVA pursuant to paragraph 14.2 above:

14.3.1 the right and licence granted to Montflex under the Notice of Possession shall expire;

14.3.2 the right of Montflex to develop the TAR Land shall expire and Datuk Bandar shall be entitled to appoint another party to carry out the Project;

14.3.3 Datuk Bandar shall:

- (a) be entitled to call on the Performance Bond (if any); and
- (b) be entitled to forfeit the amount of RM7,084,500.00, being 10% of the Project Land Value, which has been paid to Datuk Bandar as at the date of termination ("**Termination Date**");

14.3.4 Montflex shall:

- (a) reimburse Datuk Bandar for any costs, expenses, damages, penalties and losses (including incidental cost and expense) reasonably or properly incurred by Datuk Bandar arising from such default within 6 months from the Termination Date. If Montflex fails to reimburse Datuk Bandar, it shall become a debt due and payable by Montflex to Datuk Bandar;
- (b) at no cost and expense to Datuk Bandar, vacate and remove from the TAR Land all its equipment, machineries, plants and materials thereon and its workmen, employees, servants, agents, contractors and subcontractors therefrom within 30 days from the Termination Date;
- (c) hand over vacant possession of the TAR Land to Datuk Bandar in a well maintained condition, fair wear and tear excepted;
- (d) at no cost to Datuk Bandar, hand over to Datuk Bandar, upon receipt of the termination notice all plans, designs, drawings including its intellectual property rights in respect thereof, specifications and other relevant documents including the approved plans relating to the Project; and
- (e) fully indemnify Datuk Bandar in the event of any claims or proceedings instituted by the purchaser of the Development Units or such other third parties against Datuk Bandar prior to or at the time of termination of the JVA.

14.4 The Parties agree that Montflex shall not be entitled to claim for any compensation or any other form of losses including loss of profit, damages, claims or whatsoever upon termination of the JVA.

14.5 Events of Default – During Construction Works

If at any time during the construction works in respect of the Project, Montflex:

- 14.5.1 fails to complete the Project within the Construction Completion Date;
- 14.5.2 suspends or abandons the whole of the construction works or any part thereof as stipulated in the Construction Schedule for a continuous period of 2 months;
- 14.5.3 fails to show progress of the construction works in accordance with the Construction Schedule;
- 14.5.4 fails to carry out the construction works in accordance with the approved plan and the composition of the Development Units as specified in the JVA or there is defect, imperfection, damage, inadequacy or insufficiency to the approved plan and the composition of the Development Units as specified in the JVA; or
- 14.5.5 breaches or fails to comply with or carry out any material obligations, terms or conditions under the JVA,

then Datuk Bandar shall be entitled to give Default Notice to Montflex, specifying the relevant default and requiring Montflex to remedy such default within the Remedy Period.

14.6 Termination

If Montflex fails to remedy the relevant default within the Remedy Period or such other period as may be determined by Datuk Bandar, Datuk Bandar shall have the right to terminate the JVA with immediate effect by giving notice to Montflex.

14.7 Consequences of Termination

If Datuk Bandar terminates the JVA pursuant to paragraph 14.6 above,

14.7.1 the right and licence granted to Montflex under the Notice of Possession shall expire;

14.7.2 the right of Montflex to develop the TAR Land shall expire, and Datuk Bandar shall be entitled to appoint another party to carry out the Project;

14.7.3 all Development Units (excluding the Development Units which has been sold to purchasers) and infrastructure erected on the TAR Land by Montflex, whether wholly or partly completed as at the Termination Date, shall vest absolutely in Datuk Bandar without any compensation whatsoever to Montflex and Datuk Bandar is entitled to utilise such Development Units or infrastructure for Datuk Bandar's own benefit;

14.7.4 Datuk Bandar shall:

- (a) be entitled to call on the Performance Bond;
- (b) be entitled to forfeit the amount of the Project Land Value which has been paid to Datuk Bandar pursuant to paragraph 2.1.1 above;
- (c) subject to the provisions of any written law, be entitled to utilise the monies in the escrow account to be opened by Montflex with a reputable bank or financial institution approved by Datuk Bandar for the purposes of depositing progressive payments of all monies ("**Escrow Account**") as at the Termination Date for the purpose of completing the Project; and
- (d) be entitled to all machinery, plants, equipment, building material and any other thing paid out of the Escrow Account without any compensation whatsoever to Montflex.

14.7.5 Montflex shall:

- (a) cease the construction works immediately upon receipt of the termination notice;
- (b) at its own cost and expense vacate and remove from the TAR Land all its equipment, machineries, materials thereon and its workmen, employees, servants, agents, contractors and subcontractors therefrom within 30 days from the date of the termination notice. If Montflex fails to effect the aforesaid, Montflex shall pay and reimburse to Datuk Bandar any costs and expenses paid or incurred by Datuk Bandar arising from such failure, and such costs and expenses shall be a debt due from Montflex to Datuk Bandar;
- (c) hand over vacant possession of the TAR Land to Datuk Bandar in a well maintained condition, fair wear and tear excepted;

- (d) at no cost to Datuk Bandar, handover to Datuk Bandar upon receipt of the termination notice, all plans, designs, drawings and specifications and other relevant documents including the approved plan relating to the Project and shall procure the transfer of the intellectual property rights to such documents to Datuk Bandar within 30 days from the Termination Date provided that if Montflex fails to effect the aforesaid, Montflex shall pay and reimburse to Datuk Bandar any costs and expenses paid or incurred by Datuk Bandar arising from such failure, and such costs and expenses shall be a debt due from Montflex to Datuk Bandar. Montflex further agrees that Datuk Bandar has the right to utilise all the plans, designs, drawings and specifications and other documents relating to the Project to continue and complete the Project;
- (e) pay to Datuk Bandar for any cost and expense paid, incurred or reimbursed by Datuk Bandar arising from such default including the actual costs and expense incurred by Datuk Bandar in having to complete the Project where the physical construction works have already been carried out by Montflex but Montflex failed to complete it as at the Termination Date;
- (f) terminate such third party contracts entered into by Montflex in relation to the construction works, as may be directed by Datuk Bandar, and Datuk Bandar shall not be liable for any termination cost arising thereby and shall be indemnified and held harmless by Montflex in respect thereof;
- (g) not to apply for a court order to freeze the Escrow Account; and
- (h) fully indemnify Datuk Bandar in the event of any claims or proceedings instituted by the purchasers of the Development Units against Datuk Bandar prior to or at the time of termination of the JVA and Datuk Bandar shall not be liable to such purchasers.

14.8 The Parties agree that Montflex shall not be entitled to claim for any compensation or any other form of losses including loss of profit, damages, claims or whatsoever upon termination of the JVA.

15. General Default by Montflex

15.1 Without prejudice to paragraphs 14.2 and 14.6 above, if at any time after the Effective Date but prior to the completion of the Project:

15.1.1 execution is levied against a substantial portion of Montflex's assets, unless it has instituted proceedings in good faith to set aside such execution; or

15.1.2 Montflex:

- (a) assigns the whole or part of the JVA save and except in relation to the assignment pursuant to paragraph 21 below;
- (b) is subject to an order made against it or a resolution passed for the winding up of Montflex, save for the purpose of reconstruction, amalgamation not involving the realisation of assets in which the interests of creditors are protected;
- (c) enters into liquidation or receivership whether compulsorily or voluntarily or suffers its goods to be taken in execution or become insolvent or compounds with or makes an assignment for the benefit of its creditors or does any act which affects its ability to fulfil its obligations under the JVA; or

- (d) enters into an arrangement or composition with its creditors or stops payment or is unable to pay its debts,

then Datuk Bandar shall have the right to terminate the JVA forthwith by giving notice to that effect.

15.2 In the event the termination of the JVA pursuant to paragraph 15.1 above:

15.2.1 takes effect prior to the Construction Commencement Date, paragraph 14.3 above shall apply; or

15.2.2 takes effect during Construction Works in respect of the Project, paragraph 14.7 above shall apply.

16. Non-termination

If Datuk Bandar does not terminate the JVA pursuant to paragraph 14 above, it may by written notice to Montflex, require Montflex to reimburse Datuk Bandar for all losses, costs, expenses, damages, litigation costs, penalties reasonably and properly paid incurred or reimbursed by Datuk Bandar arising directly from such default. Non-termination of the JVA by Datuk Bandar shall not affect Datuk Bandar's rights to impose liquidated and ascertained damages under the JVA.

17. Rights and Liabilities of Parties Upon Termination

17.1 The termination of the JVA shall not affect the rights and liabilities of the Parties which have accrued as at the Termination Date.

17.2 All liabilities, obligations, claims, suits or proceedings whatsoever existing prior to and at the Termination Date whether arising out of or in connection with:

17.2.1 any agreement entered by Montflex with third parties; or

17.2.2 any act, default, omission or negligence of Montflex, its employees, agents or servants with regards to third parties,

shall be borne by Montflex and Datuk Bandar shall not be liable for any of the action aforesaid provided always that the termination of the JVA shall not affect the liability of any of the Parties for any of their acts or omissions during the period of the construction works of the Project and each of the Parties shall thereafter continue to be so liable and shall keep the other Party indemnified and harmless in respect of any claims therefrom.

18. Termination by Montflex

18.1 Event of Default

If Datuk Bandar, without reasonable cause fail to issue the Notice of Possession to Montflex within 14 days from the Effective Date, then Montflex shall be entitled to give Default Notice to Datuk Bandar specifying the relevant default and requiring Datuk Bandar to remedy the default within the Remedy Period or such other period as may be agreed by the Parties from the date of receipt of such notice.

18.2 Termination

If Datuk Bandar fails to remedy the default specified in the Default Notice within the stipulated time therein or such other period as may be agreed by the Parties, Montflex may by written notice to Datuk Bandar terminate the JVA which shall take effect 30 days after the date of such written notice.

18.3 Consequences of Termination

If the JVA is terminated by Montflex pursuant to paragraph 18.2 above:

18.3.1 the right of Montflex to develop the TAR Land shall expire, and Datuk Bandar shall be entitled to appoint another person to carry out the Project on such terms and conditions as Datuk Bandar may deem fit;

18.3.2 Datuk Bandar shall:

- (a) return the Performance Bond to Montflex; and
- (b) within 6 months from the Termination Date, pay to Montflex (without interest) the amount which has been paid to Datuk Bandar pursuant to paragraph 2.1 above (if any) as at the Termination Date.

18.4 The Parties agree that Montflex shall not be entitled to claim for any compensation or any other form of losses including loss of profit, damages, claims or whatsoever upon termination of the JVA other than the payment made by Datuk Bandar pursuant to paragraph 18.3.2(b) above. The Parties further agree that the payment made by Datuk Bandar pursuant to paragraph 18.3.2(b) shall constitute as a full and final settlement between the Parties.

19. Termination on Datuk Bandar's Interest

19.1 Termination

Datuk Bandar may, at any time during the validity of the JVA, terminate the JVA by giving not less than 3 months written notice to that effect to Montflex if Datuk Bandar considers that such termination is necessary for Datuk Bandar's interest. The determination of what amount to "Datuk Bandar's interest" shall be made by Datuk Bandar and such determination shall for all intent and purpose be final and conclusive and shall not be open to any challenge whatsoever.

19.2 Consequence of Termination

In the event Datuk Bandar exercise its rights under paragraph 19.1 above, the consequences under paragraph 18.3 above shall apply.

19.3 The Parties agree that Montflex shall not be entitled to claim for any compensation or any other form of losses including loss of profit, damages, claims or whatsoever upon termination of the JVA other than those stipulated in paragraph 19.2 above. The Parties further agree that the payment made by Datuk Bandar under paragraph 19.2 above shall constitute as a full and final settlement between the Parties.

20. Termination on Corruption Unlawful or Illegal Activities

20.1 Termination

Without prejudice to any other rights of Datuk Bandar, if Montflex, its personnel, servants or employees is convicted by a court of law for corruption or unlawful or illegal activities in relation to the JVA or any other agreements that Montflex may have with Datuk Bandar, Datuk Bandar shall be entitled to terminate the JVA at any time, by giving immediate written notice to that effect to Montflex.

20.2 Consequences of Termination

In the event the termination of the JVA pursuant to paragraph 20.1 above:

20.2.1 takes effect prior to the Construction Commencement Date of the Project, paragraph 14.3 above apply; or

20.2.2 takes effect during the Construction Works in respect of the Project, paragraph 14.7 above apply.

20.3 The Parties agree that Montflex shall not be entitled to claim for any compensation or any other form of losses including loss of profit, damages, claims or whatsoever upon termination of the JVA.

21. Assignment

21.1 Montflex shall not:

21.1.1 assign, transfer, charge the TAR Land or part of it to any person; and

21.1.2 assign, transfer or novate the JVA or any part of it or any benefit of interest conferred by the JVA to any person.

21.2 Notwithstanding the above, Montflex may with the prior consent of Datuk Bandar, be entitled to assign the gross sales value as set out in the JVA to such licensed financial institution as a security for borrowing money or raise financing provided that all such monies as may be borrowed thereby shall be solely and exclusively be used for the purpose of meeting the Gross Development Cost and/or providing working capital for the construction and completion of the Project.



Report and Valuation

Our Ref: WTW/01/V/002000/20/SIA &
WTW/01/V/002018/20/THP

21 October 2020

PRIVATE & CONFIDENTIAL

SUNSURIA BERHAD

Suite 8, Main Tower, Sunsuria Avenue
Persiaran Mahogany
Kota Damansara PJU 5
47810 Petaling Jaya
Selangor

Dear Sir,

CERTIFICATE OF VALUATION OF TWO (2) PROPERTIES FOR THE PURPOSE OF SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE PROPOSED SUBSCRIPTION OF NEW ORDINARY SHARES IN BANGSAR HILL PARK DEVELOPMENT SDN BHD AND PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN BUMILEX CONSTRUCTION SDN BHD BY SUNSURIA BERHAD ("PROPOSALS")

In accordance with the instructions of Sunsuria Berhad, we, C H Williams Talhar & Wong Sdn Bhd, have carried out a valuation on the above captioned properties as at 1 September 2020 for the purpose of submission to Bursa Malaysia Securities Berhad in relation to the Proposals.

This Master Valuation Certificate is prepared for the inclusion in the circular in relation to the Proposals.

We have prepared and provided this Master Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of market value of the above captioned properties and reflects all information known by us and based on present market conditions.

The valuation has been prepared in accordance with the requirements as set out in the Asset Valuation Guidelines issued by Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia.

The basis of the valuation is market value which is defined by the Malaysian Valuation Standards to be "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

We have inspected the subject properties and the material date of valuation is taken as at 1 September 2020.

This Master Valuation Certificate should be read in conjunction with the full Reports and Valuations.

C H Williams Talhar & Wong Sdn Bhd (18149-U)
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C H Williams Talhar & Wong Sdn Bhd (18149-U)

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METHOD OF VALUATION

In arriving at our opinion of market values, we have adopted the following Valuation Methodologies: -

- 1. A parcel of residential development land**
- 2. Development rights of two (2) adjoining parcels of commercial land**

Income Approach - Residual Method

Under the Income Approach - Residual Method, consideration is given to the gross development value (being the estimated gross proceeds obtainable from the completed development) of the project and deducting there from the estimated costs of development including construction costs, professional fees, contribution to authorities, marketing, administrative and legal fees, financing charge, contingencies and developer's profit. The resultant answer is then deferred over the period of time required for the completion of the project to arrive at the market value.

The Coronavirus disease 2019 ("COVID-19") pandemic in 2020 is unprecedented in nature. As a result of the pandemic, the Malaysian Government has implemented the Movement Control Order ("MCO") in March 2020 to contain the spread of the virus. Although the construction sector has been affected by the implementation of MCO, it is noted that this industry has been gradually recovered after the first few phases of MCO since the Malaysian Government has allowed most of the construction projects to resume operations. In this respect, we expected any disruption to the construction of the subject property to be minimal. In order to reflect the unforeseen circumstances in the valuation, we have adopted a longer development period in our valuation and downward adjustment has been made on the time factor in arriving at the gross development value ("GDV").

The GDV refers to the potential sales revenue achievable from the proposed development units. A survey has been carried out on the transactions and selling prices of similar units launched or transacted in the market in order to arrive at the fair and reasonable sale prices of each component of the subject property. Adjustments are then made for differences in location, size, tenure, density, specifications and other relevant characteristics, if any, to arrive at the final proposed sales figure.

The gross development cost ("GDC") includes preliminaries, contribution to Air Selangor, Tenaga Nasional Berhad, Indah Water Konsortium and building plan fees, earthwork and site clearance, building construction costs, infrastructure work costs, finance costs, marketing, administrative & legal fees, administration & project management, professional fees, contingencies and developer's profit.

In arriving at the GDC, we have considered and adopted the industry average costs as derived from the analysis of contracts awarded for the construction of similar type development components, client's information and the current cost estimated by quantity surveyors as well as make reference to the JUBM & Arcadis Construction Cost Handbook Malaysia 2020.

Legal fees, agency fees and marketing are adopted at 1% to 4% of the GDV, administration & project management is adopted at 3% of balance of the total construction cost, professional fees at 5.5% to 6.5% of the total construction cost and a contingency of 5% of the total cost excluding developer's profit is adopted. The developer's profit is adopted at 7.5% to 10% of the GDV for price control unit, 20% of the GDV for normal priced units. The development period for the properties is between 5 years to 8 years and a discount rate of 8.0% is applied for properties in our valuation.

In valuing development rights, we have taken into account the rights, liabilities and obligations arising from the Joint Venture Agreement (as defined herein) in deriving the market value.

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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METHOD OF VALUATION (Cont'd)

1. A parcel of residential development land
2. A parcel of residential detached plot

Comparison Approach

The Comparison Approach entails analysing the recent transactions and asking prices of similar property in the locality for comparison purposes with adjustments made for differences in location, accessibility, terrain, size and shape of land, tenure, planning status, title restrictions, if any, and other relevant characteristics to arrive at the market value.

We have compiled and analysed sale evidences in the localities of the subject property. In arriving at our opinion of value of the subject property using the Comparison Approach, the selected suitable sale evidences, amongst others, are considered and adopted.


In some instances, the Comparison Approach is the only method adopted as there are adequate transaction data either from Valuation and Property Services Department ("JPPH"), Bursa Malaysia or company announcements which can be relied upon with significant level of certainty.

OPINION OF VALUE

The table below is a summary of market values for the properties valued: -

No.	Property Details	Market Value
1	Bangsar Hill Park, Lot Nos. 365 & 223, Section 96, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur A parcel of residential development land and a parcel of residential detached plot (Our Ref : WTW/01/V/002000/20/SIA)	RM327,000,000/-
2	Development rights of Lot Nos. 316 & 20002, Section 40, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur Development rights of two adjoining parcels of commercial land (Our Ref : WTW/01/V/002018/20/THP)	RM25,000,000/-
Grand Total		RM352,000,000/-

Yours faithfully
for and on behalf of
C H Williams Talhar & Wong Sdn Bhd


Sr HENG KIANG HAI
MBA (Real Estate), B.Surv (Hons) Prop.Mgt,
MRICS, FRISM, FPEPS, MMIPFM
Registered Valuer (V-486)

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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CERTIFICATES OF VALUATION

- i. Lot Nos. 365 & 223, Section 96, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur
(Our Ref : WTW/01/V/002000/20/SIA)

TERMS OF REFERENCE

The valuation is conducted based on the following **BASIS**: -

Lot 365 Section 96

- I. The subject property is a parcel of residential development land;
- II. It has been granted with development order via letter issued by Dewan Bandaraya Kuala Lumpur (“DBKL”) bearing reference no. (81) dlm.DBKL/JPRB.5834/86 [OSC (B) A13 S1 150722-006 (K5 170221) (P2)] dated 23 August 2017 with an approved density of 1,327 persons per acre;
- III. The proposed apartment building plans have been approved by DBKL in year 2019 except the last block which is meant for affordable housing;
- IV. The subject property confers a tenure of 99 years lease with all the relevant premium paid;
- V. It is valued with vacant possession; and
- VI. No value is attributed to all site improvement including the buildings/ structures erected on site.

Lot 223 Section 96

- I. The subject property is a parcel of vacant freehold residential detached plot; and
- II. No value is attributed to all site improvement including the buildings/ structures erected on site.

IT IS TO BE NOTED THAT THE VALUATION IS BASED ON THE ABOVE BASIS WHICH ARE ASSUMED TO BE VALID AND CORRECT. WE RESERVE THE RIGHT TO MAKE AMENDMENTS (INCLUDING THE MARKET VALUE) IF ANY OF THE ABOVE BASIS IS INVALID/ INCORRECT.

PROPERTY IDENTIFICATION

The Property : a. Lot 365 Section 96 - A parcel of residential development land
b. Lot 223 Section 96 - A parcel of residential detached plot

Location : Along Lorong Maarof, Bangsar, 59000 Kuala Lumpur

Title No., Lot No. & Land Area :

Title No.	Lot No.	Land Area (square metres)
Pajakan Negeri 15226	Lot 365 Section 96	39,739.000 (approx. 427,747 square feet/ 9.82 acres)
Geran 31910	Lot 223 Section 96	562.533 (approx. 6,055 square feet/ 0.14 acre)
Total		40,301.533 square metres (approx. 433,802 square feet/ 9.96 acres)

All within Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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PROPERTY IDENTIFICATION (Cont'd)

- Tenure : a. Lot 365 Section 96 - Leasehold 99 years* ^{Note 1}
b. Lot 223 Section 96 - Term in Perpetuity (Freehold)
- Registered Proprietor : a. Lot 365 Section 96 - PRO GREEN GENERATION SDN BHD* ^{Note 2}
b. Lot 223 Section 96 - BANGSAR HILL PARK DEVELOPMENT SDN. BHD.
- Category of Land Use : a. Lot 365 Section 96 - Building
b. Lot 223 Section 96 - Nil* ^{Note 3}
- Encumbrances : a. Lot 365 Section 96 – Nil
b. Lot 223 Section 96 – Charged to OCBC BANK (MALAYSIA) BERHAD
- Express Condition : a. Lot 365 Section 96 – Bangunan yang didirikan diatas tanah ini hendaklah digunakan untuk perumahan awam dan lain-lain kemudahan awam yang berkaitan. * ^{Note 4}
b. Lot 223 Section 96 –
i. That the Government may control all water-courses and that this land shall continue to be subject to all existing rights of way and other easements.
ii. That Land-marks defining the boundaries of this land, will be set up and maintained to the satisfaction of the Collector of Land Revenue or other officer appointed for the time being by the Government.
iii. That this lease be subject to the State Land Regulations in force for the time being and that this land shall not be transferred, subdivided or mortgaged, except in accordance with the provisions therein contained. (Full Information as to this provisions will be given in any District Land Officer)
iv. That this lease may be forfeited if Bila Bin Patianoo or those claiming under him, fail to comply with any of the foregoing conditions. * ^{Note 5}
- Restriction in Interest : a. Tanah ini tidak boleh dipindahmilik, dipajak dan dicagar melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur ("JKTWPKL").
b. Not stated

Note: -

* ^{Note 1} The existing tenure of land title for Lot 365 Section 96 is leasehold 99 years expiring on 27 November 2088 with an unexpired term of approximately 68 years. However, vide a copy of letter issued by Pejabat Pengarah Tanah dan Galian Wilayah Persekutuan ("PTGWP") dated 7 December 2018, the authority has approved the application for surrender and re-alienation of Lot 365 Section 96 with a new lease of 99 years upon completion of the process of surrender and re-alienation. Subsequently, vide a payment receipt dated 4 June 2019, it is noted that all the premium and other related fees charged by PTGWP have been fully paid. Hence, our valuation for Lot 365 Section 96 is based on an unexpired term of 99 years. Based on the new land titles dated 14 October 2020, it is noted that the tenure of the land has been extended to 99 years leasehold expiring on 13 October 2119.

* ^{Note 2} Vide a certificate of incorporation on change of name of company issued by Suruhanjaya Syarikat Malaysia dated 8 September 2017, we noted PRO GREEN GENERATION SDN. BHD. has changed its name to BANGSAR HILL PARK DEVELOPMENT SDN. BHD.

* ^{Note 3} The land was alienated before the National Land Code. Based on our checking with relevant authorities, the land is considered as residential land by virtue of the annual rent imposed.

* ^{Note 4} The express conditions of the new land titles for Lot 365 Section 96 upon completion of the process of surrender and re-alienation as approved by PTGWP vide its letter dated 7 December 2018 are as follows:

Plot 1	Tanah ini hendaklah digunakan untuk pembangunan bercampur bagi tujuan apartment, kedai, klinik dan pejabat sahaja.
Plot 2	Tanah ini hendaklah digunakan untuk bangunan kediaman bagi tujuan apartment sahaja.
Plot 3	Tanah ini hendaklah digunakan untuk bangunan kediaman bagi tujuan rumah mampu milik sahaja.

* ^{Note 5} As per letter issued by PTGWP dated 8 February 2019, we noted that the express condition does not restrict the dealings of Lot 223 Section 96. However, it is advisable that the land owner to submit application to change the express condition in order to facilitate its future dealings.

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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GENERAL DESCRIPTION

Lot 365 Section 96 is a parcel of residential development land. The site is near rectangular in shape and undulating in terrain. During our inspection, we noted that the site was cleared and ready for development except part of the land which was erected with 3 blocks of 17-storey Public Housing Projects flats.

Based on the letter of award dated 7 September 2020, the piling works contract for Block D & Block E was awarded on 7 September 2020 and works have commenced on 17 September 2020.

Lot 223 Section 96 is a parcel of residential detached plot. The site is near rectangular in shape and flat in terrain. It lies slightly lower than the existing frontage metalled road, Lorong Maarof. The site is generally demarcated with chain link fencing, bricks wall and metal hoarding. The main entrance is secured with a pair of metal gate. At the time of our inspection, we noted that Lot 223 Section 96 was erected with a single storey detached house.

PLANNING PROVISION

Lot 365 Section 96 has been granted with a development order issued by DBKL bearing reference no. (81) dlm.DBKL/JPRB.5834/86 [OSC (B) A13 S1 150722-006 (K5 170221) (P2)] dated 23 August 2017 for a residential development comprises 3,257 residential units.

Lot 223 Section 96 is zoned for local commercial with permissible plot ratio of 1:1.0 as per Kuala Lumpur City Plan 2020. Currently, there is no development order for Lot 223 Section 96.

METHOD OF VALUATION

The market value of Lot 365 Section 96 is arrived at principally by the Income Approach - Residual Method. We have also carried out Comparison Approach as a check.

Lot 223 Section 96 is valued using the Comparison Approach as the only method of valuation as the subject property is a parcel of residential detached plot with no development order and there are adequate sales comparable within vicinity.

VALUE CONSIDERATION

i. Income Approach (Residual Method) – Lot 365 Section 96

Summary of Parameters

GDV	RM2,387,642,297.71
GDC	RM1,447,759,803.65
Developer's Profit & Risk	7.5 - 20% of GDV
Development Period	8 years
Present Value Rate	8.00% per annum

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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VALUE CONSIDERATION (Cont'd)

i. **Income Approach (Residual Method) – Lot 365 Section 96 (Cont'd)**

We have estimated the GDV based on the following selling prices: -

Components	No. of unit	Proposed Selling Price	Justification						
Apartment	2,078	RM850 psf to RM940 psf	<p>Based on our analysis of the transacted prices of residential units within the vicinity, the adjusted values range from RM830 per square foot to RM962 per square foot.</p> <p>We have not only considered the transactions of similar properties and developers' selling prices of residence units within the vicinity but also the average net selling price of the sold/ booked unit as at 8 October 2020. The analysed net selling price are ranging from RM733 per square foot to RM1,003 per square foot.</p> <p>Notwithstanding that our valuation date is 1 September 2020, we have taken into consideration the actual selling price of Block D above in deriving the GDV for Block D.</p> <p>Our analysis revealed the following: -</p> <table border="1"> <thead> <tr> <th>Type</th> <th>Price</th> </tr> </thead> <tbody> <tr> <td>Adjusted value of transactions for residential units</td> <td>RM830 psf – RM962 psf</td> </tr> <tr> <td>Net Selling Price for sold/ booked units as at 8 October 2020</td> <td>RM733 psf – RM1,003 psf</td> </tr> </tbody> </table> <p>The subject scheme is subject to 30% Bumi quota and 5% Bumi discount.</p> <p>Block D has officially launched in the middle of September 2020. Based on the extracted sales status as at 8 October 2020 as provided by Bangsar Hill Park Development Sdn Bhd, we noted that out of total 406 units, 66 units were sold and 113 units were booked.</p>	Type	Price	Adjusted value of transactions for residential units	RM830 psf – RM962 psf	Net Selling Price for sold/ booked units as at 8 October 2020	RM733 psf – RM1,003 psf
Type	Price								
Adjusted value of transactions for residential units	RM830 psf – RM962 psf								
Net Selling Price for sold/ booked units as at 8 October 2020	RM733 psf – RM1,003 psf								
DBKL Apartment	1,017	RM 218,584.07 per unit	<p>We have taken into account the total selling price of RM 222,300,000/- over 1,017 apartment units resulting an average selling price of RM 218,584.07 per unit in accordance with the terms and conditions as stated in the sale and purchase agreement for Lot 365 Section 96 dated 22 September 2015.</p>						
Affordable housing	162	RM300,000 per unit	<p>The proposed selling price of the affordable housing as stated in development order bearing reference no. (81) dlm. DBKL/JPRB.5834/86 [OSC (B) A13 S1 150722-006 (K5 170221) (P2)] dated 23 August 2017 is RM 300,000 per unit.</p>						

Notes: 1) "psf" denotes per square foot

2) We are of the view that the GDV adopted above is deemed fair, reasonable and in line with the market condition.

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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VALUE CONSIDERATION (Cont'd)

i. Income Approach (Residual Method) – Lot 365 Section 96 (Cont'd)

The GDC are based on the following material parameters: -

Item	Rate Adopted		Justification
Earthwork & Site Clearance	RM1,500,000 per acre		Earthwork and site clearance include demolition of existing 3 blocks of 17-storey building but exclude the site which has been cleared. The estimated cost is based on industry average cost by counter checked with the developers and data from our previous valuations of similar properties.
Building Construction Cost	Apartment	RM240 psf to RM260 psf	The cost adopted is based on the estimation cost by DL QS Consult. Further reference has been made to the JUBM & Arcadis Construction Cost Handbook Malaysia 2020.
	Affordable apartment	RM110 psf	
	Elevated and semi-basement car park	RM85 psf to RM90 psf	
Infrastructure	RM5,000 to RM10,000 per unit		Infrastructure cost is the cost required to provide a development with infrastructure such as roads, drainage, sewerage treatment system, electricity, water and tele-communication supply, street lightings and other public amenities and facilities. The estimated cost is based on industry average cost by counter checked with the developers and data from our previous valuations of similar properties.
Finance Cost	8.00% on the 50% of the balance of the total construction cost		The finance cost of 8.0% is based on our enquiries with financial institutions, i.e. Base Lending Rate 5.40% per annum to 6.14% per annum plus security margin of 1.0% to 2.5% per annum.
Professional Fees	5.50% of the total construction cost		The professional fees to be incurred are for the various professionals engaged in the different stages of development and construction. The rated adopted based on normal rate within the industry practise.
Developer's Profit & Risk	20.0% of the GDV for apartment 10.0% of the GDV for price control unit 7.5% of the GDV for DBKL apartment		Our surveys and enquiries with developers revealed that the rate of return of about 10% to 20% of GDV is required for a developer to commit to a project development. We have adopted lower rate for affordable housing and DBKL apartment.
Development Period	8 years		Based on our market research and analysis, it is noted that the development period for single phase residential development is approximately 3 to 4 years depending on the numbers of unit and type of products. After taking into consideration the impact of COVID-19 on the current market conditions, we have adopted a lower absorption rate and a longer development period of 8 years for the entire development of the subject property.
Present Value Rate	8.00% per annum		In tandem with finance rate and reflects adequately the time value of money.

Note: We are of the view that the rate adopted above is deemed fair, reasonable and in line with the industry standard.

The market value of the subject property is derived at RM320,385,608.38 and rounded to RM320,000,000/-.

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Our Ref : WTW/01/V/002000/20/SIA &
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VALUE CONSIDERATION (Cont'd)

ii. Comparison Approach – Lot 365 Section 96

In arriving at the market value of the subject property, we have considered the following residential land market evidences: -

Details	Comparable 1	Comparable 2	Comparable 3
Source		JPPH	
Title No.	Pajakan Negeri 92831	Geran 75962	Geran 66452
Lot No.	Lot 89553	Lot 245 Section 89A	Lot 326 Section 89A
Town	Damansara	Kuala Lumpur	
District	Petaling	Kuala Lumpur	
State	Selangor	Federal Territory of Kuala Lumpur	
Location	Persiaran Tropicana, Petaling Jaya, Selangor	Jalan U-Thant, Kuala Lumpur	Jalan Langgak Golf, Kuala Lumpur
Land Area	7,143 sq. metres (76,887 sq. feet/ 1.77 acres)	4,692 sq. metres (50,505 sq. feet/ 1.16 acres)	8,645 sq. metres (93,054 sq. feet/ 2.14 acres)
Tenure	Leasehold 99 years expiring on 4 April 2109	Term in Perpetuity	
Date	21/08/2018	18/12/2018	03/05/2018
Vendor	Tropicana Golf Country Resort Berhad	Sime Darby Property (Bukit Tunku) Sdn Bhd	D&P-Ejenawa Sdn Bhd
Purchaser	One Residence Sdn Bhd (Subsidiary Of Mct Berhad)	Paramount Oracle Sdn Bhd	Meer Sadik Bin Habib Mohamed
Consideration	RM 42,287,000/-	RM 33,333,300/-	RM 83,748,600/-
Consideration Land Value (RM psf)	RM550psf	RM660psf	RM900psf
Adjustments	Adjustment has been made on location – general, land size, tenure, planning permission, density, medium cost component, MRT/LRT and golf view		
Adjusted Value	RM742psf	RM792psf	RM1,035psf

We have taken into consideration the material amount expended in the valuation, i.e. conversion premium, where the subject property is valued on the basis that it has been converted from public housing use to residential use and the lease has been extended to 99 years.

From the above analysis, the adjusted land values range from RM742 per square foot to RM1,035 per square foot. Having regard to the foregoing, we have adopted Comparable 1 as the best comparable as it has similar characteristics with subject property in terms of planning permission and tenure. We have adopted a rounded figure of RM750 per square foot for the land in our valuation. Hence, the market value of the subject property is derived at RM320,809,965/-, say RM320,000,000/-.

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VALUE CONSIDERATION (Cont'd)

ii. Comparison Approach – Lot 223 Section 96

In arriving at the market value of the subject property, we have considered the transactions of similar property: -

Details	Comparable 1	Comparable 2	Comparable 3
Source	JPPH		
Title No.	Geran 15682	Geran 16061	Geran 6827
Lot No.	Lot 14472	Lot 14943	Lot 216 Section 96
Mukim/ Town	Mukim of Kuala Lumpur		Town of Kuala Lumpur
District	Kuala Lumpur		
State	Federal Territory of Kuala Lumpur		
Address	No. 7, Lorong Maarof 1, Kuala Lumpur	No.24, Lorong Maarof, Kuala Lumpur	No. 8, Lorong Maarof, Kuala Lumpur
Land Area	485 sq. metres (5,220 sq. feet)	513 sq. metres (5,522 sq. feet)	817 sq. metres (8,793 sq. feet)
Tenure	Term in Perpetuity		
Date	03/12/2018	07/12/2015	16/01/2015
Vendor	Vijayakumar A/L Ratnavelu	Madzlan Bt Ismail	Equity Podium Sdn Bhd
Purchaser	Shanmuga A/L Ratnavelu +1	Geopancar Sdn Bhd	Statecrest Dev Sdn Bhd
Consideration	RM 5,200,000/-	RM 6,500,000/-	RM 8,150,000/-
Consideration Land Value (RM psf)	RM 996psf	RM 1,177psf	RM 927psf
Adjustments	Adjustment has been made on time, location – accessibility/ visibility, land size and zoning		
Adjusted Value (RM psf)	RM1,145psf	RM1,360psf	RM1,070psf

Note: The value of the buildings erected on the abovementioned transactions are excluded from our valuation.

Notwithstanding that Comparable 2 and Comparable 3 were transacted 5 years ago, we have adopted these transactions due to dearth of comparable transactions of residential land having similar characteristics with the subject property in terms of location, frontage and land use that better reflect the value of the subject property.

From the above analysis, the adjusted land values range from RM1,070 per square foot to RM1,360 per square foot. Having regard to the foregoing, we have adopted Comparable 1 as the best comparable as it is the latest transaction. We have adopted a rounded figure of RM1,150 per square foot for the land in our valuation. Hence, the market value of the subject property is derived at RM6,963,308/-, say RM7,000,000/-.

RECONCILIATION OF VALUES

The market value for Lot 365 Section 96 derived from both Income Approach - Residual Method and Comparison Approach and are shown as follows: -

Method of Valuation	Derivation of Value
Income Approach - Residual Method	RM320,000,000/-
Comparison Approach	RM320,000,000/-

We have adopted the market value derived from Income Approach - Residual Method as a fair representation of the market value of the subject property in view that the subject property has granted with development order.

Summary of the market value are as follows: -

Lot No.	Market Value
Lot 365 Section 96	RM320,000,000
Lot 223 Section 96	RM7,000,000
Total	RM327,000,000

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AS STATED IN DETAIL UNDER THE TERMS OF REFERENCE HEREIN** as at 1 September 2020 with permission to transfer, lease, charge and free from all encumbrances at **RM327,000,000/- (Ringgit Malaysia: Three Hundred and Twenty Seven Million Only)**.

C H Williams Talhar & Wong Sdn Bhd (18149-U)

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- ii. **Development rights of Lot Nos. 316 & 20002, Section 40, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur**
(Our Ref : WTW/01/V/002018/20/THP)

TERM OF REFERENCE

Pursuant to the joint venture agreement dated 21 March 2017 entered between DATUK BANDAR KUALA LUMPUR ("Datuk Bandar") and MONTFLEX SDN BHD ("Developer") ("Joint Venture Agreement"), the parties thereto have agreed to undertake the development of the lands known as Lot 316 Section 40 and Lot 20002 Section 40, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur subject to the terms and conditions hereinafter contained.

The joint venture is to be implemented by the combination of the respective resources of the parties thereto and to this effect Datuk Bandar's contributions to the joint venture shall be the subject property free from encumbrances and its obligations as stated under the Joint Venture Agreement and the other obligations to develop the subject property shall be solely undertaken by Developer in accordance with the provisions thereof.

Having regard to the foregoing, as instructed, the valuation is conducted based on the following BASIS: -

- I. We are valuing the MONTFLEX SDN BHD ("Developer") development rights based on the terms and conditions as contained in the Joint Venture Agreement;
- II. The subject land has been granted with development order via letter issued by Dewan Bandaraya Kuala Lumpur ("DBKL") bearing reference no. (19) dlm.DBKL/JPRB. 1702/77/1 Bhg 2T [OSC (B) A13 T4 170925-033 (PTKM 180108) (P2)] dated 6 March 2018 with an approved plot ratio of 1 : 11.23;
- III. Vide a letter from Pejabat Pengarah Tanah dan Galian Wilayah Persekutuan bearing reference no. PTGKL/6/PSBB/2018/26 dated 7 December 2018, the authority has approved the application to surrender and re-alienate the lands with term in perpetuity (Freehold) interest subject to the payment of premium and other related fees. As at the date of valuation, the aforesaid premium and fees amounting RM6,267,004.24 are still outstanding;
- IV. As at the date of valuation, the development order and approval for surrender and re-alienation have lapsed. We have been instructed to assume both approvals will be renewed; and
- V. A marketable and registrable individual title for commercial use confers a tenure of term in perpetuity will be issued.

IT IS TO BE NOTED THAT THE VALUATION IS BASED ON THE ABOVE BASIS WHICH ARE ASSUMED TO BE VALID AND CORRECT. WE RESERVE THE RIGHT TO MAKE AMENDMENTS (INCLUDING THE MARKET VALUE) IF ANY OF THE ABOVE BASES IS INVALID/INCORRECT.

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PROPERTY IDENTIFICATION

The property : Development rights of Lot Nos. 316 & 20002, Section 40, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur based on the terms and obligations as contained in the Joint Venture Agreement

Location : Along Lorong Tuanku Abdul Rahman, 50100 Kuala Lumpur

Title No., Lot No., & Land Area	Title No.	Lot No.	Titled Land Area (square metres)
Geran 79019	Lot 316	Section 40	3,176 (approx. 34,186 square feet / 0.785 acre)
Pajakan Negeri 51109	Lot 20002	Section 40	1,547 (approx. 16,652 square feet / 0.382 acre)
Total Land Area			4,723 square metres (approx. 50,838 square feet / 1.167 acres)
Land Area under Valuation <i>*Note 1</i>			4,617 square metres (approx. 49,697 square feet / 1.141 acres)

All within Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur

Tenure to be valued : Term in perpetuity (Freehold)

Registered Owner : DATUK BANDAR KUALA LUMPUR

Category of Land Use : Building

Encumbrances : Nil

Express Condition **Note 2* : a. Lot 316 Section 40 - Tanah ini hendaklah digunakan untuk pembangunan campuran bagi tujuan kediaman dan perdagangan sahaja.
b. Lot 20002 Section 40 - Tanah ini hendaklah digunakan hanya untuk tujuan tapak pembangunan bercampur sahaja.

Restriction in Interest **Note 2* : a. Lot 316 Section 40 - Tiada
b. Lot 20002 Section 40 - Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai tanpa kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur.

Note: -

**Note 1* Based on the pre-computation plan bearing reference no. DBKL.JPRB.1702/77/1 BHG.1 dated 5 January 2018, we noted that an area measuring 106 square metres will be surrendered for road reserve. Hence, for the purpose of this valuation, we have adopted the net land area of 4,617 square metres in our valuation.

**Note 2* Vide a copy of letter issued by PTGWP dated 7 December 2018, the updated express condition and restriction in interest upon the completion of the process of surrender and re alienation of the subject property are as follows: -

Express Condition	Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan ruang perniagaan, pejabat dan hotel sahaja.
Restriction in Interest	Tiada

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GENERAL DESCRIPTION

Lot Nos. 316 and 20002, Section 40 are two (2) adjoining parcels of vacant commercial land. The combined site is almost L-shape and generally flat in terrain. Part of the site boundaries were generally demarcated with metal hoarding sheets. During our site inspection, we noted that the site has been cleared and utilised as car parking area. We are unable to provide details of the car park operations as the tenancy agreement for the car park operations was entered into between Datuk Bandar as the landlord and the car park operator, and the Developer is not privy to the said agreement. However, we were informed that an advance notice of 3 months is required to be given to the car park operator prior to taking possession of the subject property.

JOINT VENTURE AGREEMENT

Pursuant to the Joint Venture Agreement, the parties thereto have agreed to undertake the development of the lands known as Lot 316 Seksyen 40 and Lot 20002 Seksyen 40, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur ("Project Land") subject to the terms and conditions thereafter contained.

In consideration of Datuk Bandar agreeing to allow the Developer to develop the Project Land, both Datuk Bandar and the Developer agreed that the amount of consideration for the Joint Venture Agreement shall be RM84,834,104.25 which comprises:

- i. RM 70,845,000/- being the agreed project land value ("Project Land Value") to be paid by the Developer to Datuk Bandar in accordance with the schedule of payment of the Project Land Value as set out in the Joint Venture Agreement;
- ii. RM8,000,000/- being the agreed minimum guaranteed profit ("Minimum Guaranteed Profit") to be paid to Datuk Bandar as set out in the Joint Venture Agreement; and
- iii. RM8,989,104.25/- being the agreed value of the piling cost for the development of the Project Land ("Pre-Development Piling Cost").

The total amount of RM16,989,104.25 referred to in (ii) and (iii) shall be paid in the following manner: -

- a. Four (4) food court unit with total floor area of approximately 23,640 square feet which are located within the development for the value of RM15,437,000/- only; and
- b. Cash consideration amounting RM1,552,104.25, to be paid by the Developer to Datuk Bandar after the date of written notice issued by Datuk Bandar to the Developer to confirm the date of the fulfilment of the conditions precedent ("Effective Date"), but prior to the date of commencement of the construction works.

PLANNING PROVISION

The subject property is designated for mixed commercial use as per the express condition in the document of title.

The development order of the subject property was issued by DBKL on 21 August 2014 approved with plot ratio of 1:11.23 for a proposed development of one (1) block of 42-storey mixed commercial development (commercial area and hotel). Subsequently, the proposed development has been revised to 1-block of 42-storey mixed commercial development with one (1)-storey basement (commercial area and office) based on the amended development order dated 6 March 2018.

Vide a letter issued by DBKL dated 25 May 2018, conditional approval for the building permits (*Kebenaran Mendirikan Bangunan*) has been obtained via a letter issued by DBKL with reference no. (19) dlm.BP T4 OSC 2018 1277 dated 19 March 2019.

Vide a letter issued by DBKL dated 10 September 2020, the deadline to fulfil the conditions to obtain building plan approval has been extended to 30 November 2020.

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METHOD OF VALUATION

In valuing development rights, the primary method is the Income Approach - Residual Method. Hence, we have adopted the Income Approach - Residual Method as the sole method of valuation for the reason that market value derived takes into account the rights, liabilities and obligations arising from the Joint Venture Agreement.

VALUE CONSIDERATION

Income Approach - Residual Method

Summary of Parameters

GDV	RM490,836,910.00
GDC	RM240,779,272.60
Developer's Profit & Risk	20% of GDV
Development Period	5 years
Present Value Rate	8.00% per annum

We have estimated the GDV based on the following selling prices: -

Components	No. of Units/Bays	Proposed Selling Price	Justification
Retail	768 units	RM1,700 psf to RM4,000 psf	Based on our analysis of the transacted price of retail units within the vicinity and a larger locality, the adjusted values range from RM1,613 per square foot to RM4,072 per square foot.
DBKL Food Court	1 unit	RM15,437,000/-	Based on the Joint Venture Agreement.
Corporate Office & Office Suite	353 units	RM810 psf to RM950 psf	Based on our analysis of the transacted prices of office units within vicinity, the adjusted values ranged from RM850 per square foot to RM1,355 per square foot.
Saleable Car Parking Bay	587 bays	RM45,000 per bay	Based on our analysis of the transacted prices of car parking bays, the adjusted value ranging from RM44,370 per bay to RM45,900 per bay.

Notes: 1) "psf" denotes per square foot

2) We are of the view that the GDV adopted above is deemed fair, reasonable and in line with the market condition.

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VALUE CONSIDERATION (Cont'd)

The GDC are based on the following material parameters: -

Item	Rate Adopted	Justification
Earthwork & Site Clearance	-	The site has been cleared.
Building Construction Cost	Piling, retaining wall and sub-structure works	RM23 psf (Excluding Existing Piles)
	Main Building	RM200 psf
	Elevated Car Park	RM67 psf
Infrastructure	RM7.32 psf	The cost adopted is based on the estimation cost by DL QS Consult.
Finance Cost	8.00% on the 50% of the balance of the total construction cost	The finance cost of 8.0% is based on our enquiries with financial institutions, i.e. Base Lending Rate 5.40% per annum to 6.14% per annum plus security margin of 1.0% to 2.5% per annum.
Professional Fees	6.50% of the total construction cost	The professional fees to be incurred are for the various professionals engaged in the different stages of development and construction. The rated adopted based on normal rate within the industry practise.
Developer's Profit & Risk	20% of GDV	Our surveys and enquiries with developers revealed that the rate of return of about 10% to 20% of GDV is required for a developer to commit to a project development.
Balance of Landowner's Entitlement	RM94,351,844.25 ¹	Based on the Joint Venture Agreement.
Development Period	5 years	Based on our market research and analysis, it is noted that the development period of similar single phase projects takes approximately 4 years depending on the number of units and type of products. After taking into consideration the location of the subject property that is within the Kuala Lumpur city centre, good access to public transportations and the impact of COVID-19 on the current market conditions, we have adopted a lower absorption rate where the sales are projected to commence in the second year and a longer development period of 5 years for the development of the subject property.
Present Value Rate	8.00% per annum	In tandem with finance rate and reflects adequately the time value of money.

Note: We are of the view that the rate adopted above is deemed fair, reasonable and in line with the industry standard.

Based on the above parameters adopted in the Income Approach - Residual Method, the market value of the subject property is derived at RM25,377,433.40 and rounded to RM25,000,000/-.

VALUATION

Taking into consideration the above factors, we therefore assess the market value of the subject property **BASED ON THE BASIS AND PROVISO AS STATED IN DETAIL UNDER THE TERM OF REFERENCE HEREIN** as at 1 September 2020 with permission to transfer, lease, mortgage, charge and free from all encumbrances at RM25,000,000/- (Ringgit Malaysia: Twenty Five Million Only).

¹ The summary of Datuk Bandar's entitlement based on the Joint Venture Agreement is as follows:

Description	Amount
Agreed Project Land Value (Inclusive of Interest)	RM84,447,240.00
Minimum Guaranteed Profit	RM8,000,000.00
Pre Development Piling Cost	RM8,989,104.25
Total Datuk Bandar's Entitlement	RM101,436,344.25
Total Received by Datuk Bandar (10% of Project Land Value)	RM7,084,500.00
Balance of Datuk Bandar's entitlement	RM94,351,844.25

Bangsar Hill Park Development Sdn. Bhd.
(Registration No. 199901017855 (492755-M))
(Incorporated in Malaysia)

**Financial statements for the year
ended 31 December 2019**

Bangsar Hill Park Development Sdn. Bhd.

(Registration No. 199901017855 (492755-M))

(Incorporated in Malaysia)

Directors’ report for the year ended 31 December 2019

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2019.

Principal activity

The Company is principally engaged in property development and property management services. There has been no significant change in the nature of this activity during the financial year.

Results

	RM
Loss for the year	<u>4,149,355</u>

Reserves and provisions

There was no material transfer to or from reserves and provisions during the financial year under review.

Dividends

Since the end of the previous financial year, no dividend was paid by the Company and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Abdul Hadi bin Ahmad

Datuk Ter Leong Hing

Tan Sri Datuk Ter Leong Yap (Appointed on 27 December 2019)

Wong Chiew Meng (Appointed on 27 December 2019)

Aqmal Azam bin Ahmad (Resigned on 27 December 2019)

Directors’ interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors’ Shareholdings are as follows:

Registration No. 199901017855 (492755-M)

Directors’ interests in shares (continued)

	Number of ordinary shares			
	At 1.1.2019/ Date of appointment	Bought	Diluted/ Sold	At 31.12.2019
The Company				
Indirect interest*				
Datuk Ter Leong Hing	2,300,500	555,750	(700,000)	2,156,250
Tan Sri Datuk Ter Leong Yap	175,000	1,981,250	-	2,156,250
Corporate shareholder				
– Sunsuria KL Sdn. Bhd. (fka Rantau Majuprima Sdn Bhd)				
Indirect interest				
Tan Sri Datuk Ter Leong Yap	100,000	-	-	100,000
– Suez Capital Sdn. Bhd.				
Indirect interest				
Datuk Ter Leong Hing	9,300,000	-	-	9,300,000

* Deemed interest through their shareholdings in the corporate shareholder.

None of the other Directors holding office at 31 December 2019 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors’ benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There was no arrangement during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

On 31 December 2019, the Company issued 1,812,500 new ordinary shares for a total cash consideration of RM863,902 and other considerations of RM15,212,973 for working capital purposes.

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Options granted over unissued shares

No option was granted to any person to take up unissued shares of the Company during the financial year.

Registration No. 199901017855 (492755-M)

Indemnity and insurance costs

During the financial year, no indemnity was given to or insurance was effected for Directors, officer and auditor of the Company.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there were no bad debts to be written off and no provision to be made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render it necessary to write off any bad debts, or provide for any doubtful debts, in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2019 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

Subsequent event after the financial year ended 31 December 2019 is disclosed in Note 22 to the financial statements.

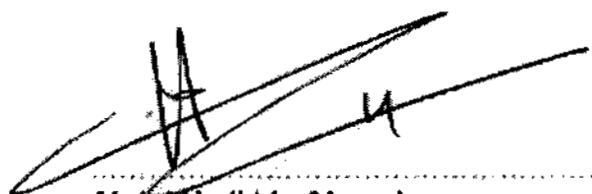
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Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 15 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



Abdul Hadi bin Ahmad
Director



Datuk Ter Leong Hing
Director

Petaling Jaya, Selangor

Date: 23 June 2020

Bangsar Hill Park Development Sdn. Bhd.

(Registration No. 199901017855 (492755-M))

(Incorporated in Malaysia)

Statement of financial position as at 31 December 2019

	Note	2019 RM	2018 RM
Assets			
Plant and equipment	3	371,486	457,275
Right-of-use assets	4	4,069,668	-
Investment property	5	8,216,000	-
Inventories	6	298,968,322	252,285,673
Total non-current assets		<u>311,625,476</u>	<u>252,742,948</u>
Other receivables	7	1,660,823	1,016,894
Prepayments		375,040	-
Contract costs	8	-	14,540,009
Current tax asset		2,430	6,616
Cash and cash equivalents	9	5,877,196	246,927
Total current assets		<u>7,915,489</u>	<u>15,810,446</u>
Total assets		<u>319,540,965</u>	<u>268,553,394</u>
Equity			
Share capital	10	18,576,875	2,500,000
Accumulated losses		(10,973,994)	(6,824,639)
Equity attributable to owners of the Company		<u>7,602,881</u>	<u>(4,324,639)</u>
Liabilities			
Loans and borrowings	11	172,354,167	155,825,643
Lease liabilities		3,187,155	-
Total non-current liabilities		<u>175,541,322</u>	<u>155,825,643</u>
Trade and other payables	12	130,922,315	117,000,624
Loans and borrowings	11	4,502,085	51,766
Lease liabilities		972,362	-
Total current liabilities		<u>136,396,762</u>	<u>117,052,390</u>
Total liabilities		<u>311,938,084</u>	<u>272,878,033</u>
Total equity and liabilities		<u>319,540,965</u>	<u>268,553,394</u>

The notes on pages 10 to 47 are an integral part of these financial statements.

Bangsar Hill Park Development Sdn. Bhd.

(Registration No. 199901017855 (492755-M))

(Incorporated in Malaysia)

**Statement of profit or loss and other comprehensive
income for the year ended 31 December 2019**

	Note	2019 RM	2018 RM
Revenue	13	82,723	-
Marketing expenses		(1,053,242)	-
Administrative expenses		<u>(2,715,007)</u>	<u>(404,328)</u>
Results from operating activities		(3,685,526)	(404,328)
Finance income		31	30
Finance costs	14	<u>(463,860)</u>	<u>(3,027)</u>
Loss before tax	15	(4,149,355)	(407,325)
Tax expense	16	<u>-</u>	<u>(8,974)</u>
Loss and total comprehensive expense for the year		<u>(4,149,355)</u>	<u>(416,299)</u>

The notes on pages 10 to 47 are an integral part of these financial statements.

Bangsar Hill Park Development Sdn. Bhd.

(Registration No. 199901017855 (492755-M))

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**Statement of changes in equity for the year ended
31 December 2019**

	Share capital RM	Non – distributable Accumulated losses RM	Total equity RM
At 1 January 2018	2,500,000	(6,408,340)	(3,908,340)
Loss/Total comprehensive expense for the year	-	(416,299)	(416,299)
At 31 December 2018/1 January 2019	2,500,000	(6,824,639)	(4,324,639)
Issue of ordinary shares	16,076,875	-	16,076,875
Loss/Total comprehensive expense for the year	-	(4,149,355)	(4,149,355)
At 31 December 2019	18,576,875	(10,973,994)	7,602,881

Note 10

The notes on pages 10 to 47 are an integral part of these financial statements.

Bangsar Hill Park Development Sdn. Bhd.

(Registration No. 199901017855 (492755-M))

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**Statement of cash flows for the year ended
31 December 2019**

	Note	2019 RM	2018 RM
Cash flows from operating activities			
Loss before tax		(4,149,355)	(407,325)
Adjustments for:			
Depreciation of plant and equipment	3	96,479	43,398
Depreciation of right-of-use assets	4	638,544	-
Interest expense		463,860	3,027
Interest income		(31)	(30)
Operating loss before changes in working capital		(2,950,503)	(360,930)
Change in other receivables		(643,929)	(648,231)
Change in prepayments		(375,040)	-
Change in contract costs		-	(1,772,759)
Change in trade and other payables		3,609,167	1,029,575
Change in inventories		(32,142,640)	(20,518,025)
Cash used in operations		(32,502,945)	(22,270,370)
Interest received		31	30
Interest paid		(463,860)	(3,027)
Tax refund		6,616	-
Tax paid		(2,430)	(6,476)
Net cash used in operating activities		(32,962,588)	(22,279,843)
Cash flows from investing activities			
Acquisition of plant and equipment	3	(10,690)	(494,860)
Acquisition of investment property	5	(8,216,000)	-
Net cash used in investing activities		(8,226,690)	(494,860)
Cash flows from financing activities			
Drawdown from borrowings	11.2	21,030,609	-
Net (repayment)/drawdown of hire purchase liability	11.2	(51,766)	267,409
Net advances from ultimate holding company	12.6	-	4,897,770
Net advances from corporate shareholder	12.6	17,626,609	17,039,271
Net (repayment)/advances from related parties	12.6	(7,314,085)	502,753
Proceeds from issue of share capital	10	16,076,875	-
Payment of lease liabilities	(ii)	(548,695)	-
Net cash generated from financing activities		46,819,547	22,707,203
Net increase/(decrease) in cash and cash equivalents		5,630,269	(67,500)
Cash and cash equivalents at 1 January		246,927	314,427
Cash and cash equivalents at 31 December	(i)	5,877,196	246,927

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Statement of cash flows for the year ended 31 December 2019 (continued)

(i) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2019 RM	2018 RM
Cash and bank balances	9	5,876,089	245,851
Deposits placed with a licensed bank	9	1,107	1,076
		<u>5,877,196</u>	<u>246,927</u>

(ii) Cash outflows for leases as a lessee

	Note	2019 RM	2018 RM
Included in net cash from operating activities:			
Payment relating to short-term leases	15	150,000	-
Interest paid in relation to lease liabilities		89,505	-
Included in net cash from financing activities:			
Payment of lease liabilities		<u>548,695</u>	-
Total cash outflows for leases		<u>788,200</u>	-

(iii) Reconciliation of movements of lease liabilities to cash flows arising from financing activities:

	Lease liabilities RM
At 31 December 2018, as previously reported	-
Adjustment on initial application of MFRS 16	<u>1,376,667</u>
At 1 January 2019, as restated	1,376,667
Net changes from financing cash flows	(548,695)
Acquisition of new lease	<u>3,331,545</u>
At 31 December 2019	<u>4,159,517</u>

The notes on pages 10 to 47 are an integral part of these financial statements.

Bangsar Hill Park Development Sdn. Bhd.

(Registration No. 199901017855 (492755-M))

(Incorporated in Malaysia)

Notes to the financial statements

Bangsar Hill Park Development Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business of the Company are as follows:

Registered office

Unit 30-01, Level 30, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

Principal place of business

L3.01 & L3.02, KL Gateway Mall,
No. 2, Jalan Kerinchi,
Gerbang Kerinchi Lestari
59200 Kuala Lumpur

The Company is principally engaged in property development.

The financial statements were authorised for issue by the Board of Directors on 23 June 2020.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16 Leases – Covid-19 Related Rent Concessions

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2018–2020”
- Amendments to MFRS 3 Business Combinations - Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment - Property, Plant and Equipment–Proceeds before Intended Use
- Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts–Cost of Fulfilling a Contract

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company plans to apply the abovementioned amendments:

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020 except for Amendments to MFRS 3 which is not applicable to the Company;
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020 and;
- from the annual period beginning on 1 January 2022 for those amendment that is effective for annual periods beginning on or after 1 January 2022.

The Company does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Company.

The initial application of the applicable amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Company.

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1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on historical cost basis, unless stated otherwise in Note 2.

The Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred loss of RM4,149,355 during the financial year ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded the current assets by RM128,481,273. These conditions may indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company as a going concern.

The validity of the going concern assumption is dependent on a continuing financial assistance from its corporate shareholders to enable the Company to meet its obligations as and when they fall due and to maintain the Company in existence as a going concern for the foreseeable future.

As the date of this report, there is no reason for the Directors to believe that there is any significant uncertainty that the corporate shareholders will not continue its financial support. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

(c) Functional and presentation currency

This financial statement is presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, except for significant judgements and assumptions in relation to leases as disclosed in Note 4.2.

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2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Company as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 20.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Amortised cost (continued)

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(h)(i)) where the effective interest rate is applied to the amortised cost.

Financial assets categorised as amortised costs are subject to impairment assessment (see Note 2(h)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

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2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain and loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and the difference is recognised net within “other income” or “other expenses” respectively in profit or loss.

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2. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date they are available for use. Plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative period are as follows:

• Office equipment	10 years
• Computer and software	5 years
• Furniture and fittings	10 years
• Motor vehicle	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(c) Leases

The Company has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

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2. Significant accounting policies (continued)

(c) Leases (continued)

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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2. Significant accounting policies (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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2. Significant accounting policies (continued)

(c) Leases (continued)

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Previous financial year

As a lessee

Operating lease

Leases, where the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and the leased assets were not recognised on the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.