

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

### ACQUISITION BY SUNSURIA OF THE EQUITY INTERESTS IN SUNSURIA FORUM SDN BHD (FORMERLY KNOWN AS SUNSURIA (MM2H) SDN BHD) (“SFSB”)

---

#### 1. INTRODUCTION

The Board of Directors of Sunsuria (“**Board**”) wishes to announce that the Company had, on 25 March 2016, entered into and completed a shares sale and purchase agreement (“**SPA 2**”) with Sunsuria Development Sdn Bhd (“**SDSB**”) for the acquisition by Sunsuria of 16,000 ordinary shares of RM1.00 each in SFSB (“**SFSB Shares**”) (“**Sale Shares 2**”), representing 32% equity interest in SFSB for a cash consideration of RM4,500,000 (“**Purchase Consideration 2**”) (“**Acquisition 2**”).

For information, on 3 February 2016, the Company had entered into and completed a shares sale and purchase agreement (“**SPA 1**”) with Carefeel Cotton Industries (M) Sdn Bhd (“**CCI**”) and Peekay Global Sdn Bhd (“**PGSB**”) for the acquisition by Sunsuria of 9,500 SFSB Shares (“**Sale Shares 1**”), representing 19% equity interest in SFSB for a cash consideration of RM2,805,680 (“**Purchase Consideration 1**”) (“**Acquisition 1**”).

(The SPA 1 and SPA 2 are collectively referred to as the “**SPAs**”)

(The Purchase Consideration 1 and Purchase Consideration 2 are collectively referred to as the “**Purchase Considerations**”)

(The Acquisition 1 and Acquisition 2 are collectively referred to as the “**Acquisitions**”)

Upon completion of the Acquisitions, Sunsuria owns an aggregate of 51% equity interests in SFSB and the remaining 49% is held by SDSB.

The Company has aggregated the Acquisitions and treated them as one transaction in accordance with Paragraph 10.12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**MMLR**”).

#### 2. BACKGROUND INFORMATION

##### 2.1 Information on SFSB

SFSB was incorporated as a private limited company on 10 April 2007 in Malaysia under the Companies Act, 1965 (“**Act**”) under the name of Sunsuria (MM2H) Sdn Bhd and assumed its present name on 7 October 2015. As at the date of this announcement, the authorised share capital of SFSB is RM100,000 comprising 100,000 SFSB Shares, of which RM50,000 comprising 50,000 SFSB Shares have been issued and fully paid-up. Based on the audited financial statements of SFSB as at 31 December 2015, the net profits of SFSB was RM2.13 million and its net assets amounted to RM2.16 million.

SFSB is principally engaged in the business of property development. SFSB is the developer of the on-going integrated mixed development project known as “The Forum @ Sunsuria Seventh Avenue” located at Setia Alam, Selangor (“**Project**”). A summary of the salient information on the Project is as follows:

Name of the Project	:	The Forum @ Sunsuria Seventh Avenue
Location of the land	:	HS(D) 268650, PT 27890, Mukim Bukit Raja, Daerah Petaling, Negeri Selangor
Description of the land	:	A parcel of commercial land
Tenure of the land	:	Freehold
Land area	:	54,870 square meters (approximately 590,615 square feet / 13.56 acres)
Registered owner	:	Mega Milestone Sdn Bhd (" <b>MMSB</b> ") <sup>(1)</sup>
Beneficial owner	:	SFSB
Category of land use (as per land title)	:	Building
Express condition (as per land title)	:	Commercial building
Restriction-in-interest (as per land title)	:	None
Encumbrances	:	Nil
Net book value	:	RM151.08 million as at 31 December 2015
Existing usage	:	Development land
Building erected	:	On-going development
Type of development	:	Mixed development comprising of: <ul style="list-style-type: none"> <li>(i) Phase 1: 264 unit of retail lots and offices</li> <li>(ii) Phase 2: Proposed retail mall, serviced apartments and offices, details of which shall be finalised at a later stage</li> </ul>
Estimated total development cost (including land cost)	:	Approximately RM214.15 million for Phase 1. Estimated development cost for Phase 2 has yet to be determined and shall be finalised at a later stage.
Estimated gross development value (" <b>GDV</b> ")	:	RM1.07 billion
Commencement date of development	:	Phase 1 development commenced in April 2015
Expected completion date of development	:	Phase 1 development is expected to be completed in 2019
Stage of completion	:	Phase 1 development is approximately 15% completed
Relevant approvals obtained	:	(i) Planning Approval (Kebenaran Merancang) for Phase 1 obtained on 13 November 2014 (ii) Building Plan Approval for Phase 1 obtained on 22 July 2015 (iii) Planning Approval (Kebenaran Merancang) for Phase 2 obtained on 10 February 2016

Note:

(1) *MMSB is the initial landowner prior to SFSB. The transfer of the beneficiary ownership of the land has been completed on 25 March 2016 pending legal transfer of the land title to SFSB.*

## **2.2 INFORMATION ON SDSB**

SDSB was incorporated as a private limited company on 1 March 2002 in Malaysia under the Act under the name of Diligent Development Sdn Bhd and assumed its present name on 5 February 2007. SDSB is a wholly-owned subsidiary of Sunsuria Holdings Sdn Bhd (“**SHSB**”) and is principally engaged in investment holding, property development and provision of management services to its subsidiary companies. As at the date of this announcement, the authorised share capital of SDSB is RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each, of which RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The total original cost of investment made by SDSB for the Sale Shares 2 on 26 April 2007 amounted to RM16,000.

## **2.3 INFORMATION ON CCI**

CCI was incorporated as a private limited company on 28 June 1993 in Malaysia under the Act. CCI is a wholly-owned subsidiary of Wang-Zheng Berhad, a company listed on Bursa Securities, and is principally engaged in the business of manufacturing of facial cotton, tissues and other related products. As at the date of this announcement, the authorised share capital of CCI is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM2,187,500 comprising 2,187,500 ordinary shares of RM1.00 each have been issued and fully paid-up.

## **2.4 INFORMATION ON PGSB**

PGSB was incorporated as a private limited company on 31 January 2013 in Malaysia under the Act. PGSB is principally an investment holding company. As at the date of this announcement, the authorised share capital of PGSB is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

## **3. DETAILS OF THE ACQUISITIONS**

### **3.1 Basis and justification of arriving at the Purchase Considerations**

The Purchase Considerations was arrived at on a willing-buyer willing-seller basis after taking into consideration, *amongst others*, the following:

- (i) the audited net profits of SFSB for the financial year ended (“**FYE**”) 31 December 2015 of RM2.13 million. The Purchase Considerations of RM7.30 million for 51% equity interests in SFSB represents a price-to-earnings multiple of approximately 6.7 times over the audited net profits of SFSB for the FYE 31 December 2015; and
- (ii) the future earnings and prospect of the Project.

The purchase consideration of RM4.5 million for the Acquisition 2 is at a 4.8% discount to the equivalent pricing for the Acquisition 1 taken into consideration that the Acquisition 2 is a related party transaction.

### **3.2 Source of funding**

The Purchase Considerations are funded via internally generated funds.

### **3.3 Salient terms of the SPAs**

#### SPA 1

- (i) CCI and PGSB collectively agreed to sell the Sale Shares 1 to the Company and the Company agreed to purchase Sale Shares 1 on a willing-buyer willing-seller basis, free from all charges, liens, security interests and encumbrances whatsoever together with all rights attached or attaching thereto or accrued or accruing thereon as from the date of the agreement at Purchase Consideration 1 and on the terms and conditions as set out in SPA 1.
- (ii) The Purchase Consideration 1 shall be satisfied in full by cash payable on the completion date as per the SPA 1.
- (iii) Simultaneously with the settlement of Purchase Consideration 1, CCI and PGSB shall procure SFSB to deliver to the Company the original share certificates for the Sale Shares 1 to be registered in the name of the Company as the legal registered owner of the Sale Shares 1.
- (iv) The completion of SPA 1 shall take place upon the settlement of Purchase Consideration 1 on the completion date as per the SPA 1.

#### SPA 2

- (i) SDSB agreed to sell the Sale Shares 2 to the Company and the Company agreed to purchase Sale Shares 2 on a willing-buyer willing-seller basis, free from all charges, liens, security interests and encumbrances whatsoever together with all rights attached or attaching thereto or accrued or accruing thereon as from the date of the agreement at Purchase Consideration 2 and on the terms and conditions as set out in SPA 2.
- (ii) The Purchase Consideration 2 shall be satisfied in full by cash payable on the completion date as per the SPA 2.
- (iii) Simultaneously with the settlement of Purchase Consideration 2, SDSB shall procure SFSB to deliver to the Company the original share certificates for the Sale Shares 2 to be registered in the name of the Company as the legal registered owner of the Sale Shares 2.
- (iv) The completion of SPA 2 shall take place upon the settlement of the Purchase Consideration 2 on the completion date as per the SPA 2.

### **3.4 Liabilities to be assumed**

Save for the liabilities comprised in SFSB, there are no liabilities, contingent liabilities or guarantees to be assumed by Sunsuria pursuant to the Acquisitions.

### **3.5 Estimated financial commitments**

The Board does not foresee any other material financial commitments to put through SFSB and the Project on stream, save for the remaining unpaid land purchase consideration by SFSB and the development costs to be incurred for the Project. The remaining unpaid land purchase consideration and development costs to be incurred for the Project may be funded by Sunsuria and its group of subsidiary companies (collectively, the “**Group**” or “**Sunsuria Group**”) via bank borrowings and/or internally generated funds after taking into consideration the Group’s future gearing level and its working capital requirements.

## **4. RATIONALE AND PROSPECTS OF THE ACQUISITIONS**

Subsequent to the Acquisitions, SFSB become a subsidiary of Sunsuria. This would enable Sunsuria to consolidate the future earnings to be generated from the Project and augment the Sunsuria Group’s presence in Setia Alam, complementing its on-going and future projects at Setia Alam. As the Project is already income-generating, the Acquisitions are expected to be income accretive, and is envisaged to increase the overall business profitability of the Sunsuria Group.

The Project is the phase two development of the Sunsuria Seventh Avenue project and is expected to embark on a journey of success following the footsteps of the phase one development of the Sunsuria Seventh Avenue project which has been completed in 2014 and fully sold. The Project is sited at a strategic and mature location within the vicinity of Setia Alam Commercial Hub, which has excellent development potential and capital appreciation.

## **5. RISK FACTOR**

### **5.1 Industry risk**

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

Nevertheless, the Board believe that the experience and expertise of the management team will enable the Group to mitigate these risks through, *inter alia*, diligently monitor the development and changes of the Malaysian property market as well as careful planning and proactive and close monitoring of the progress of its development projects.

### **5.2 Financing risk**

As mentioned in Section 3.5 herein, Sunsuria Group intends to finance the remaining unpaid land purchase consideration and the associated development costs to be incurred for the Project through a combination of internally generated funds and/or external bank borrowings. Incurring additional bank borrowings will correspondingly increase the borrowing and gearing level of the Group. It would expose the Group to interest rate and debt servicing risks while any utilisation of internal funds is expected to result in a reduction of funds available for working capital purposes, which may have an adverse effect on the Group’s cash flow position.

Nevertheless, the Board will endeavour to manage its cash flow position and funding requirements prudently, to address the above risks.

## 6. EFFECTS OF THE ACQUISITIONS

### 6.1 Share capital and substantial shareholders' shareholdings

The Acquisitions do not have any effect on the share capital and substantial shareholders' shareholdings of the Company.

### 6.2 Net assets and gearing

The Acquisitions do not have any material effect on the consolidated net assets per share and gearing of the Group.

### 6.3 Earnings and earnings per share

The Acquisitions are expected to contribute positively to the future earnings and earnings per share of the Group for the ensuing financial years, due to, *amongst others*, the earnings contribution from the Project.

## 7. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Acquisition 2 is 4.90% and the highest aggregated percentage ratio for the Acquisitions pursuant to Paragraph 10.12 of the MMLR is 5.38%, which is the aggregation of 0.48% for Acquisition 1 (a non-related party transaction) and 4.90% for Acquisition 2 (a related party transaction), based on the audited consolidated financial statements of Sunsuria for the financial period ended 30 September 2015.

## 8. APPROVALS REQUIRED

The Acquisitions are not subject to shareholders' approval.

## 9. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

Save as disclosed below, none of the directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Acquisitions.

Datuk Ter Leong Yap ("**Datuk Ter**") is the Executive Chairman and major shareholder of Sunsuria, holding 22.56% direct equity interest in Sunsuria and 40.25% indirect equity interest in Sunsuria through Ter Equity Sdn Bhd ("**Ter Equity**"), Ter Capital Sdn Bhd ("**Ter Capital**") and THK Capital Sdn Bhd ("**THK Capital**") as at the date of this announcement.

SDSB is a wholly-owned subsidiary of SHSB while SHSB is in turn, controlled by Datuk Ter and his family members. In addition, Datuk Ter is the director of SHSB, SDSB and SFSB.

In view of the above, Datuk Ter, Ter Equity, Ter Capital and THK Capital are deemed interested in the Acquisition 2 ("**Interested Parties**"). As such, Datuk Ter has abstained from all deliberations and voting at the relevant Board meetings in respect of the Acquisition 2.

The shareholdings of the Interested Parties in Sunsuria as at the date of this announcement are as follows:

	Number of ordinary shares of RM0.50 each held in Sunsuria			
	Direct	%	Indirect	%
<b><u>Interested director and interested major shareholder</u></b>				
Datuk Ter	165,921,872	22.56	296,013,508 <sup>(1)</sup>	40.25 <sup>(1)</sup>
<b><u>Interested major shareholder</u></b>				
Ter Equity	182,557,376	24.82	-	-
Ter Capital	107,814,132	14.66	-	-
<b><u>Interested shareholder</u></b>				
THK Capital	5,642,000	0.77	-	-

Note:

(1) Deemed interested by virtue of his interest in Ter Equity, Ter Capital and THK Capital pursuant to Section 6A of the Act.

**10. AMOUNT TRANACTED WITH THE INTERESTED PARTIES FOR THE PRECEDING 12 MONTHS**

Save for the recurrent related party transactions which have been previously announced and approved by the shareholders of the Company and the related party transactions that are disclosed in the Company's circular to shareholders dated 27 May 2015 and had been approved by shareholders of the Company on 11 June 2015 which were completed on 12 June 2015, there were no other transactions entered into by the Company with the Interested Parties for the preceding 12 months from the date of this announcement.

**11. DIRECTORS' STATEMENT**

Acquisition 1

The Board, after having considered all aspects of the Acquisition 1 and after careful deliberation, is of the opinion that the Acquisition 1 is in the best interests of the Company.

Acquisition 2

The Board (save for Datuk Ter who is deemed interested in the Acquisition 2), after having considered all aspects of the Acquisition 2 and after careful deliberation, is of the opinion that the Acquisition 2 is in the best interests of the Company and the terms of the Acquisition 2 are fair, reasonable and on normal commercial terms and hence, will not be detrimental to the interests of the non-interested shareholders of the Company.

The opinion of the Board (save for Datuk Ter who is deemed interested in the Acquisition 2) was arrived at after having considered, *inter-alia*, the terms and conditions of the SPA 2, the rationale and prospects of the Acquisition 2 as well as the proforma effects of the Acquisition 2 on the Group.

## **12. AUDIT COMMITTEE'S STATEMENT**

The Audit Committee of the Company is of the opinion that the Acquisition 2 is in the best interest of the Group and the terms of the Acquisition 2 are fair, reasonable and on normal commercial terms and hence, will not be detrimental to the interests of the non-interested shareholders of the Company.

The opinion of the Audit Committee was arrived at after having considered, *inter-alia*, the terms and conditions of the SPA 2, the rationale and prospects of the Acquisition 2 as well as the proforma effects of the Acquisition 2 on the Group.

## **13. ADVISER**

Astramina Advisory Sdn Bhd is the appointed Financial Adviser for Sunsuria for the Acquisitions.

## **14. TIMEFRAME FOR COMPLETION**

The Acquisition 2 is completed on 25 March 2016 in accordance with the terms of the SPA 2.

## **15. DOCUMENTS AVAILABLE FOR INSPECTION**

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

This announcement is dated 25 March 2016.