



Building Homes for Generations

SUMMARY OF KEY MATTERS DISCUSSED DURING THE 38TH ANNUAL GENERAL MEETING HELD ON WEDNESDAY, 28 APRIL 2021 AT 11.00 A.M. CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT NO. 2-1 JALAN SRI HARTAMAS 8, SRI HARTAMAS, 50480 KUALA LUMPUR

During the 38th Annual General Meeting (“AGM”), the Chairman informed the shareholders present that the Company had received a letter dated 19 April 2021 from the Minority Shareholder Watch Group (“MSWG”).

The Chairman requested the Chief Financial Officer to present the questions/queries raised by MSWG and the Board and management’s response with the aid of slides for the benefit of shareholders present at the AGM as follows:

Operational/Financial Matters

1) The Group recorded a fair value gain of RM12.6 million from the transfer of property inventories to investment properties in FY2020 and RM10.3 million in FY2019. (page 89 of AR).

(a) What is the type of property inventory that was transferred to investment properties in FY2020?

Answer:

The type of properties that were recognised and transferred to investment properties in FY2020 were all three storey shop offices.

(b) What are the current occupancy rates of the investment properties that was transferred in FY2020 and FY2019 respectively?

Answer:

The current occupancy rate of the investment properties that was transferred in FY2020 is 100% and the current occupancy rate for investment properties transferred in FY2019 is 75%.

(c) What is the expected annual gross rental yield from the investment properties transferred in FY2020?

Answer:

The expected annual gross rental yield from the investment properties transferred in FY2020 is 2.15% per annum based on the fair value of the investment properties as at 30 November 2020. The rental yield if it is based on the carrying amount of the properties in inventories is much higher.

(d) Why did the Group dispose investment properties at a loss of RM23,000 in FY2020 as compared to RM1.1 million gain reported in FY2019?

Answer:

The disposal of the investment properties by the Group had resulted in a gain of RM23,000 in FY2020 and a loss of RM1.1 million in FY2019.

As disclosed during the 36th Annual General Meeting (AGM) in 2019 and also in our 37th AGM in 2020, we mentioned that our Group will explore the necessary avenues and measures to reduce the gearing ratio to an optimal level. One of the avenues mentioned is to sell the existing investment properties of the Group to generate cashflows and income to reduce the gearing ratio of the Group.

As disclosed on Note 4.8 (page 70) and Note 9 (c) (page 89) to the financial statements, investment properties of the Group are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at fair value. Fair values of investment properties are based on reference to market evidence of transaction prices for similar properties. The fair value of investment properties are referenced to previous sales of similar properties in the vicinity on a price per square feet basis. Any changes in price per square feet would result in a reasonable change in the fair value of the investment properties.

The gain or loss on disposal of investment properties in FY2020 and FY2019 were due to disposal of investment properties of seven (7) and seventeen (17) units of 3-storey-shop-offices respectively during the financial years.

2) The Group is planning the launch of the upcoming property development known as Aurora Sentral in Iskandar Puteri for FY2021. (page 16 of AR)

(a) What is the Gross Development Value (“GDV”) of Aurora Resort Villas?

Answer:

As the necessary approvals from all of the relevant authorities have yet to be fully obtained, we are unable to determine with certainty the GDV for the Double Storey Resort Link Villas known as Aurora Resort Villas (“ARV”) at this juncture.

(b) Please elaborate on the master plan of the land in Iskandar Puteri in terms of phases of development and GDV of each phase?

Answer:

As explained above in (a), as the necessary approvals from all of the relevant authorities have yet to be fully obtained, we are unable to elaborate on the master plan of the land in Iskandar Puteri as such plan may still be subject to further changes.

Based on the current master plan, the development on the land in Iskandar Puteri known as Aurora Sentral is expected to be developed in phases as follows :

Phase	Type	Units
1	Aurora Resort Villas	270
2	Aurora Resort Villas	194
3	3 Storey Semi-Detached Shops	112
4	3 Storey Semi-Detached Shops	70
5	Commercial lots	2

Corporate Governance

- 1) The Audit and Risk Management Committee (“ARMC”) held 5 meeting in FY2020 and the internal auditor (that was outsourced to Tricor Axcelasia Sdn. Bhd, attended two meetings only. (page 37 of AR)**

Please explain the reason why the internal auditor attended only two meetings?

Answer:

The ARMC held 5 meetings in FY2020 and during the 2 relevant meetings that were held, the internal audit reports were tabled and the representatives from the internal audit was present to brief the ARMC.

As part of the Internal Auditor engagement terms, the Internal Auditor carries out the Internal Audit Plan based on a 2 year cycle and their internal audit reviews cover areas determined after deliberation and agreement with the ARMC including follow up on implementation of corrective action plans to ensure satisfactory actions have been taken to address previous internal audit findings.

The presence of the Internal Auditor at the other remaining meetings were not required or requested by any member of the ARMC. The Internal Auditors have access to the minutes of all meetings for both the ARMC and the Board for their review in order to discharge their role and responsibilities effectively.

- 2) The internal auditor prepared two audit reports namely Crisis Management and Project Development and Planning for the ARMC’s approval. (page 37 of AR)**

- (a) What is the internal auditor’s scope of work and the number of audit reports expected to be completed in a calendar year?**

Answer:

Before the commencement of the internal audit reviews, an Internal Audit Plan for a 2 year period is presented to the ARMC for their deliberation and approval. Upon approval by the ARMC, the internal audit reviews would be carried out in accordance with the approved Internal Audit Plan. Thereafter, during the relevant quarterly meetings following the presentation of the Internal Audit Report, the ARMC also reviews with the Internal Auditors, the progress and coverage of the Internal Audit Plan to ensure that the audit direction remains relevant and is in line with the expectations of the ARMC. 2 audit reports are expected to be completed in a calendar year.

- (b) Is the ARMC satisfied with the two internal audit reports produced by the internal auditor in view of the RM44,591.05 paid as internal audit fees?**

Answer:

The ARMC is currently satisfied with the 2 internal audit reports taking into consideration the costs involved and other mitigating factors such as :-

- i) the Group’s core business of property development has remained unchanged and remains well managed since its listing on Bursa Malaysia.
- ii) the Group’s systems of internal controls have been continuously reviewed and improved upon over the years
- iii) the Group’s risk management and steps taken to mitigate and control its risk have been adequately addressed

- iv) from the internal audit reports presented, the ARMC noted that the internal audit findings and recommendations, management response and proposed action plans were implemented. As such, the ARMC is satisfied with the reports
- v) the ARMC has reviewed and assessed the performance of the internal auditors annually and are satisfied with their performance

(c) What are the major findings reported in the two internal audit reports and what are the remedial actions taken?

Answer:

The major findings reported in the two audit reports and the remedial actions taken are as follows :-

Crisis Management

Major findings:

- Absence of Emergency Response Plan for handling Covid-19 infection cases in the workplace
- Opportunities to enhance the risk management practices by :-
 - i) incorporating the risk matrix into the risk assessment practices
 - ii) proactively identify and assess key risk as and when there is a significant change to the business environment such as the Covid-19 pandemic
 - iii) key control to manage risk not identified and incorporated into the risk profile
 - iv) identification of key strategies and risk action plans and the status of implementation shall be reported to the ARMC periodically.

Management actions :

- Management had formulated the Emergency Response Plan for handling Covid-19 incidents.
- Management had incorporated the risk matrix to determine the overall risk identified.
- The risks associated with the Covid-19 pandemic was assessed and incorporated into the risk profile of the Group. However, management is of the opinion that not all key controls need to be incorporated into the risk profile as the strategies and detailed action plans change from time to time in accordance with prevailing market conditions and are highlighted and deliberated in the Management meetings

Project Development and Planning

Major findings:

- Pre-qualification assessment of Consultants not carried out before their appointment
- Performance evaluation for Consultants not performed periodically

Management actions:

- Management will conduct pre-qualification assessment on consultants before appointment.
- Management will conduct performance appraisal for consultants at the end of the respective project/phase.

(d) Why the ARMC decided to outsource the internal audit function instead of having an in-house internal audit department?

Answer:

The ARMC decided to outsource the internal audit function due to the following advantages :-

- i) Staffing : The company will not need to spend money to recruit staff with relevant expertise and experience.
- ii) Skills and experience : Tricor Axcelasia Sdn Bhd (“Tricor”) has a large pool of staff available to provide internal audit services. In addition, Tricor is likely to have staff with specialist skills already available.
- iii) Cost savings : Outsourcing can be an efficient means to control the costs of internal audit function as any associated costs such as training will be eliminated as the outsourced firm will train their own employees. In addition, the costs for the internal audit service will be agreed in advance. This will ensure that our company will be able to budget accordingly.
- iv) Flexibility : Our company will have total flexibility in the internal audit service where staff and the internal audit reviews/visits can be requested to suit the workload and requirements of the company. This will ensure that, when required, extra staff/reviews are readily available for as long or short a period as needed.
- v) A fresh set of eyes from outside the organization that are objective and unbiased.
- vi) Professional and timely reports will be prepared by Tricor.
- vii) More cost and time effective, freeing up internal resources.
- viii) Management gives greater attention to an outside expert, especially when there are sensitive issues that an inside auditor may be hesitant to address.
- ix) Better internal response and acceptance of findings and opportunities for improvement.
- x) More content, findings, comments, opportunities for improvement, and observations for added value

Further matters raised

The following question was raised by the shareholders via Q&A panel during the AGM.

Q1. Hope the board of directors will give us faithful shareholders shopping vouchers thanks.

A1. We would like to inform you that since our listing on Bursa Malaysia Securities Berhad, Country View Berhad (“CVB”) has maintained a stand of not providing any door gifts for shareholders attending its general meeting.

The Board and Management takes the view that the provision of door gift is not an appropriate avenue to reward its shareholders and does not add any significant long term value to the Company.

Instead, CVB has distributed corporate table calenders to all its shareholders each year since 2006 which promotes and builds its image and brand name and provides an accessory that serves a useful daily purpose in general for everyone.