



*Building Homes for Generation*

SUMMARY OF KEY MATTERS DISCUSSED DURING THE 36<sup>TH</sup> ANNUAL GENERAL MEETING (“AGM”) OF COUNTRY VIEW BERHAD DULY CONVENED AND HELD AT THE MEETING ROOM 1 & 2, LEVEL 11, DOUBLETREE BY HILTON JOHOR BAHRU, NO. 12, JALAN NGEE HENG, 80000 JOHOR BAHRU, JOHOR DARUL TAKZIM ON 25<sup>TH</sup> APRIL 2019 AT 10.00 A.M.

## **AGENDA 1 - AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 JULY 2018**

During the AGM, the Chairman informed the shareholders present that the Company had received a letter dated 12 April 2019 from the Minority Shareholder Watch Group (“MSWG”). A written reply had already been given on 22 April 2019 to MSWG in respect of the queries/questions raised.

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

### **Strategic/Financial Matters**

#### **Q1. What are the key features of the master plan for the recent land acquired from UEM Sunrise Berhad and the expected Gross Development Value (“GDV”) of the land?**

Based on the Proposed Development Plan, the proposed development on the Land in Iskandar Puteri is expected to generate a gross development value of approximately RM1.26 billion.

Subject to the approval of all the relevant authorities and based on the Proposed Development Plan, our wholly owned subsidiary, Country View Resources Sdn Bhd (CVRSB), intends to develop the Land in Iskandar Puteri into a mixed commercial development comprising 463 units of resort linked villas, 182 units of shopoffices and 2 commercial plots of land. The final number of units in respect of each type of development is yet to be finalised pending approvals by various authorities and may differ from the Proposed Development Plan. The requisite approvals required for the Proposed Development Plan include, amongst others, approvals from Majlis Bandaraya Iskandar Puteri, Pejabat Tanah dan Galian, Johor, Jabatan Ukur dan Pemetaan Negeri Johor, Executive Council (EXCO) of the State Government of Johor and Pejabat Tanah Daerah Johor.

This was disclosed in our circular to the shareholders dated 27 March 2018.

#### **(a) What are the Company’s strategies to ensure that the properties to be launched can attract house buyers as there are a few property developers, namely Sunway Berhad, E & O Property Development Berhad and UEM Sunrise Berhad, that have their development projects in the vicinity.**

The acquisition represents a strategic purchase as the Land is situated in Iskandar Puteri which is in close proximity to CVRSB’s existing ongoing development project at Taman Nusa Sentral and will allow CVRSB to capitalise on its already established presence in Iskandar Puteri and Johor Bahru.

The planned development of the resort linked villas will be a relatively new product with a fresh concept in Iskandar Puteri, which may be used for homestays and/or holiday homes. With its close proximity to Singapore via the Second Link Expressway, these resort linked villas will be attractive to both locals and foreigners alike. The shop-offices are expected to be launched after

the resort linked villas and due to the close proximity of the Land in Iskandar Puteri with many existing developments to be completed over the next few years, the demand for commercial/retail/office space is expected to be on the rise in the Iskandar Puteri region. The commercial plots of land will be reserved for future development.

This was disclosed in our circular to the shareholders dated 27 March 2018.

As in all businesses, intense competition is ever present. CVB has a track record built up over more than 30 years. Since the purchase of the land at Taman Nusa Bestari Jaya in year 2001, the Group has carved for itself a market with a strong following by offering the right product types with competitive pricing in Iskandar Puteri.

**(b) When is the target date for the first launch of the property project and its GDV?**

An application for approval of the layout plan to the state government and relevant authorities has been submitted by CVRSB on 18 March 2018. The proposed development on the Land in Iskandar Puteri is expected to commence in the year 2020 after all necessary approvals from the relevant authorities have been obtained and it is expected that the completion of the entire development will take a period of seven (7) years. However, our Group is unable to ascertain the total development cost, expected commencement and completion dates, number of units in respect of each type of development, as well as the expected profits to be derived from the proposed development at this juncture as the proposed development is still in preliminary stage.

Therefore, at this juncture, we are unable to determine the GDV for the first phase of the project.

**Q2 The Group's gearing ratio has increased substantially from 0.25 times in FY2017 to 0.79 times in FY2018. (Page 7 of the Annual Report).**

**a) What is the optimal gearing ratio for the Group?**

The borrowings of our Group had increased as we borrowed to purchase our new land bank which is an income producing asset. We view this as a long-term positive development for the sustainability of the Group. Our Group may also incur additional borrowings to finance the development cost of the land in Iskandar Puteri going forward.

Our Group has not identified an optimal gearing ratio but rather conducts its operations taking into consideration its financial requirements, cashflow and serviceability of the borrowings and profitability of the Group.

Our projected cash flows are derived mainly from the combination of internally generated funds and borrowings. Our borrowings will drop when more cash are generated. Similarly, borrowings will rise when less cash are generated over the development period.

**b) What are the measures the Company intends to take to reduce the gearing ratio to the optimal level?**

The Group is aware that the gearing ratio has increased arising from the purchase of the land in Iskandar Puteri. However as stated the Group views this as a long-term positive development for the sustainability of the Group.

Going forward the Group will explore and intensify all avenues to generate cashflow and income to reduce its gearing ratio including the following:

- i. To sell inventories of completed properties at our existing project, Taman Nusa Sentral
- ii. To sell the investment properties at our existing project, Taman Nusa Sentral.
- iii. To sell properties under development at our existing project, Taman Nusa Sentral
- iv. To sell parcels of vacant land held by the Group
- v. Launching and sale of properties at the newly acquired land in Iskandar Puteri

**c) What are the financial institution’s borrowing covenant on the Group’s gearing ratio?**

As at to date, the financial covenant imposed on CVB by financial institutions is as follows:

- i. RHB Islamic Bank Berhad and MBSB Bank Berhad in respect of a syndicated banking facilities: Country View Berhad (CVB) shall maintain a Consolidated Gearing Ratio of not more than one point five (1.50) times as long as the Banking Facility remains outstanding.

**Q3 The Company has disposed a piece of land in Kulim, Kedah for a total consideration of RM119,949,000.**

**a) What is the financial impact to the Group’s bottom line?**

The disposal contributed Profit After Tax of RM 73.10 million to the Group’s bottom-line for the financial year ended 30 November 2018.

**b) What was the reason for disposal?**

As stated in our circular dated 27 March 2018, the disposal provides an opportunity for our Group to unlock the value of the Lands in Kulim, which has increased in value since its acquisition in the year 2000, without having to develop the Lands in Kulim and also provides immediate cash flow for our Group. The disposal is in line with our Group’s strategy and objective to enhance shareholder value. Furthermore, the disposal presents an opportunity and viable option for our Group to raise funds to part finance the acquisition of the new land in Iskandar Puteri.

**Q4 The Group’s revenue for FY2018 increased due to the sale of land amounting to RM119.9 million.**

**a) What are the reasons for the lower revenue from property development of RM74.19 million in FY2018 as compared to RM94.0 million in FY2017?**

Revenue as disclosed in Note 27 of the Financial Statements in the Annual Report 2018 of CVB is as follows:-

	GROUP	
	2018	2017
	RM'000	RM'000
Property Development	74,190	94,021
Sales of completed properties	41,710	27,805
	<u>115,900</u>	<u>121,826</u>
Sales of land	119,949	-
Others	214	127
	<u><u>236,063</u></u>	<u><u>121,953</u></u>

Revenue for properties under development/construction (RM94.021 million) was higher in FY2017 as more units of premium priced properties were sold and the percentage of completion recognized was also higher in respect of these premium priced properties sold.

**b) What is the nature of “Others” that is reported as a component of the Group’s Revenue?**

“Others” represents income from security services charged to the property owners.

**c) What are the reason(s) for the increase in “Others” revenue in FY2018 (RM214K) as compared to FY2017 (RM127K)?**

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The increase in “Others” revenue in FY2018 was due to the income from security services charged to the owners of the 3-storey superlink houses as well as the 3 storey cluster houses when the properties were completed with Certificate Of Completion and Compliance (CCC).

In FY2017, the income from security services were only charged to the owners of the 3-storey superlink houses.

**Q5 Other income was lower at RM10.1 million in FY2018 as compared to RM22.1 million in FY2017.**

**a) What is the nature of this Other Income?**

The component of other income is as follows: -

	GROUP	
	2018	2017
	RM'000	RM'000
Fair value gain on investment properties	7,697	20,694
Interest income	1,055	649
Others	1,324	778
Gain on disposal of property, plant and equipment	-	28
	<u>10,076</u>	<u>22,149</u>

**b) What are the reason(s) for the lower Other Income?**

In FY2018, the other income was lower due to lower fair value gain on investment properties arising from fewer units of investment properties recognized and the allowance for impairment to the carrying value of the investment properties.

**c) Is this trend expected to continue in the future?**

As disclosed in note 4.8 to the Financial Statements, fair values of investment properties are based on reference to market evidence of transaction prices for similar properties.

A gain or loss arising from a change in the fair value of investment properties is recognized in profit or loss for the period in which it arises.

The fair value gain on investment properties to be recognized would be dependent on both the buoyancy of the property market and the prevailing rental conditions at our existing Taman Nusa Sentral.

**Corporate Governance and Sustainability Matters**

**Q1 As explained in Practice 1.3 of the Corporate Governance Report, the roles and functions of a Chief Executive Officer is carried out and performed by three Executive Directors jointly and collectively.**

**Is it practical to have three Executive Directors carrying out the role of the Chief Executive Officer?**

Country View Berhad was listed on Bursa on 29 May 2002. The Group’s organization and management structure has been in place since the Company’s listing. The Board is of the opinion that this structure has served the Company very well as reflected in the commendable results with a solid track record over the past 17 years.

**What is the role and job functions of each Executive Director?**

The roles and job functions of the Executive Directors are shared jointly and collectively and they can be viewed in the Company's Board Charter which can be easily accessed via the Company's website at [www.countryview.com.my](http://www.countryview.com.my).

The Executive Directors are supported by a Senior Management team, comprising the Group General Manager, Chief Financial Officer and all the Heads of Departments to conduct the day to day management of the Group.

Should there be any important matters or issues to address, the Executive Directors will immediately convene a meeting to address it. In our Group, the decision making lies with the three Executive Directors collectively which the Group is of the view that it is more transparent, effective and valuable as opposed to having one Chief Executive Officer.

**Q2. We have accessed the Company's website on 11 April 2019 and noted that there was no publication of the "Key Matters Discussed" at the Company's 35<sup>th</sup> Annual General Meeting held on 26 April 2018 as required under paragraph 9.21(2)(b) of the Main Market Listing Requirements.**

There were no "key matters discussed" posted on the website as there were no key matter raised by shareholders for discussion during the 35<sup>th</sup> Annual General Meeting held on 26 April 2018.

All motions were tabled and proceeded to poll voting and were duly passed during the said Annual General Meeting.

**Further matters raised**

1. The representative from MSWG, Mr Lee Chee Meng requested the Board to consider improving the presentation of the financial performance of the Group carried out by the Chief Financial Officer to be presented in point form with the help of tables and charts format for shareholders to understand easily.
2. A Shareholder, Ms Chan Thing Yee stated that she is a buyer and resident of Taman Nusa Sentral, Iskandar Puteri, developed by the Group and observed that the sales of residential units of the Group was good but noted that the commercial shop houses were not so welcomed by buyers. She raised her concerns on sales of shop houses in the current market and enquired on the commercial aspects of the plans for the newly acquired land in Iskandar Puteri.

She stated that she was pleased with her investment in the property in Nusa Sentral which had also prompted her to invest in shares of the Company.

**Response from Executive Director**

Mr Law Kit Tat stated that the commercial shop houses in Taman Nusa Indah, the Company previous project had been fully sold.

The commercial shop houses in Taman Nusa Sentral were also mostly sold to date. There have also been active transactions on the secondary market, and just recently a shop house put up for auction had also been taken up. This shows the interest buyers have in commercial property in Taman Nusa Sentral.

Recently, more and more shops are opening up and it is normal for any new development take some time to mature and achieve a high tenancy rate of its commercial properties.

With regards to the new land bank at Iskandar Puteri, the land use is zoned for commercial and as was previously disclosed, the Group intends to develop resort villas which can be used for own stay but had the

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added advantage of being a commercial property that can be rented out under the Airbnb concept which is a growing and popular trend and be an added attraction to local and foreign investors.

**AGENDA 6 – PROPOSED RETENTION OF INDEPENDENT DIRECTOR**

The representative of MSWG noted that the Board opted not to adopt the two tier voting process recommended under Malaysian Code of Corporate Governance 2017 to retain Independent Director who have served for a cumulative period of 12 years.

He stated that the rationale behind the two tier voting process was to allow the minority shareholders to have a chance to vote and decide as to whether to retain the independent director. He requested and suggested the Board to reconsider to adopt the two tier voting process.

**Board's response:**

The Board explained that it was adopting a cautious approach to the two tier voting process as it was a relatively new concept. The Board takes note of the MSWG's suggestion and will be reviewing the two tier voting process going forward.

There were no other questions except for the above.