SUIWAH CORPORATION BHD. (253837 H)
(Incorporated in Malaysia)

Summary of key matters discussed at the Extraordinary General Meeting ("EGM") of the Company (or "SCB") held at Sunshine Banquet Hall, Level 4, Sunshine Square Complex, 1, Jalan Mayang Pasir, 11950 Bayan Baru, Penang held on Tuesday, 30 April 2019 at 9.10 a.m.

PRESENT

1) Members of the Board of Directors
2) Company Secretaries
3) The Company's Share Registrar and Poll Administrator, Securities Services (Holdings) Sdn Bhd
4) The Company's independent scrutineers, Value Creator Consultancy
5) Shareholders / Proxies / Authorised Representatives / Invitees and others as per attendance list.

CHAIRMAN OF MEETING

Mr. Jen Shek Voon ('the Chairman") chaired the EGM of the Company as per the mandate given by the Board of Directors of the Company.

NOTICE OF MEETING

The Notice convening the Meeting was taken as read.

Before proceed to the agenda of this meeting, the Chairman also highlighted that the following persons, who are the Offeror, Ultimate Offeror and/or Persons Acting in Concert ("PACs") shall abstain from the proceedings and voting on the sole Special Resolution tabled at this meeting:

i) Suiwah Holdings Sdn. Bhd. ("Offeror");
ii) Dato' Hwang Thean Long ("Ultimate Offeror"); and
iii) Collectively, Datin Cheah Gaik Huang, Suiwah Supermarket Sendirian Berhad, Hwang Siew Peng and Hwang Shin Hung, who are acting in concert with the Offeror and Ultimate Offeror.

QUORUM

The requisite quorum being present pursuant to Regulation 65 of the Company's Constitution, the Meeting was duly convened at 9.10 a.m.

1. PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF SCB UNDER SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED SCR")

1.1) Corporate Presentation

The Meeting was preceded by the Presentation ("Corporate Presentation") on the Proposed Selective Capital Reduction and Repayment Exercise of the Company under Section 116 of the Companies Act 2016 (the "Act") by the representative of UOB Kay Hian Securities (M) Sdn. Bhd. as the Company's Principal Advisers and the representative of Mercury Securities Sdn. Bhd. as the Independent Adviser in relation the Proposed SCR.

1.2) MSWG's Questions and the Company's responses: -

The Chairman informed the shareholders that the Company had received a letter dated 17 April 2019 from the Minority Shareholders Watch Group ("MSWG"). The Chairman then read out the questions raised by MSWG and the Company's responses as follows: -

i) Question 1:

"Suiwah Holdings Sdn Bhd (SHSB) proposed to privatize the Company at RM2.80 per share via a selective capital reduction and repayment exercise (Proposed SCR).

The offer price represents a discount between RM2.13 and RM2.40, or equivalent to 43.2% and 46.15% of the Company's estimated value per share (page 19 of the Circular issued to shareholders on the Proposed SCR).

Given the discounts, please elaborate why the offer price is justifiable? How does the Proposed SCR work in the best interest of the Entitled Shareholders (page 15 of the Circular) when the offer price does not reflect the estimated value of the Company?"

SCB Reply:
The Board takes note that the estimated "fair value" per share based on the Independent Adviser's evaluation ranges from RM4.93 to RM5.20 per SCB share, which has been summarized in Part B of the IAL on page 18 of the Circular to Shareholders for the EGM ("Circular"), and, is based on the "Sum-of-the-Parts" ("SOPV") model. This SOPV Model does not take into account critical market factors, which the Entitled Shareholders would need to take into account for their own valuation to themselves as shareholders, such as their expected future yearly return on investment models, or when they would like to sell their current shareholdings for whatever personal reasons. To look merely at the "fairness" of the SOPV model, would be a gross disservice to The Entitled Shareholders if the factors which have been highlighted in the Circular, inter alia, like the past market illiquidity, the premium of the offer price over the past historical traded market price and the current clear and imminent enterprise risks, which faces all shareholders of the SCB Group, were to be ignored. However, it should be noted that <u>the market prices of SCB Shares have never traded close to nor above the estimated fair value over the past 10 years</u> (traded at a low of RM0.621 and a high of RM3.253). Further, the Offer Price of RM2.80 is higher than the daily volume weighted average prices ("VWAP") of SCB Shares for 94% of the total market days over the past 10 years prior to the date of the SCR Offer Letter and up to the LPD (as illustrated in page 42 of the Circular).

Fair value and share price are 2 different concepts. The fair value of a company represents the intrinsic value of the company whereas the share price is driven by market forces between willing buyers and willing sellers and is influenced by amongst others, the performance and prospects of the future SCB Group, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company-specific factors.

Hence, the share price of SCB Shares does not necessarily equate the fair value of SCB. Additionally, <u>fair value is derived from theoretical financial models, which assumes markets to be perfect but in reality, estimated values per share are not perfect,</u> and, hence there will be always be differences between theoretical fair values and reasonable market values.

Further, it is pertinent to note that: (a) there is no guarantee that the share price will trade close to the aforementioned range in the future; and (b) the low trading volume and liquidity of SCB Shares may limit the Entitled Shareholders' ability to trade in SCB Shares in the open market, particularly for those holding a large number of SCB Shares.

In view of the above, the Board views the offer price as a good exit opportunity for Entitled Shareholders to dispose their SCB Share immediately at a premium above the closing market prices of SCB Shares as set out in the Circular to shareholders.

ii) MSWG's Question 2:

What effort has been taken by the Board, save for the Interested Directors, to negotiate for a higher offer price which is closer to Suiwah's estimated value of RM4.93 to RM5.20 per share for the benefit of the Entitled Shareholders?

SCB Reply:
The Board (save for the Interested Directors) is mindful of its obligations to safeguard the interest of minority shareholders and to deliver the best possible value to all shareholders. With the interest of shareholders at heart, the Board had requested the Offeror for an extension of time for the Independent Adviser to perform the evaluation on the Offer Price and had communicated to the Offeror on a number of occasions regarding the Offer Price and the need to bring the proposal to shareholders as soon as possible. Based on our discussions with the Offeror, the Board takes note that: -

- **the Offer Price is within the financing capacity of the Offeror** and the Offeror believes that the Offer Price is reasonable given that the Offeror will assume in entirety, all operational and business risks in the implementation of the capital expenditure initiatives which will likely affect the profitability of the Group in the short to medium term. Accordingly, the cash flow of SCB will be strained pending the successful implementation and gestation period of its capital investment plans;

- Moving forward, the Group is expected to continue facing challenges in both the retail industry and the manufacturing sector amidst a very challenging local and globally competitive environment. The Group is susceptible to changes in consumers' habits and trends for its retail business and the advancement of technology for its electronics manufacturing sector. The stiff competition and rising operation costs will affect the profitability of the Group further and dampen its future dividend payment capabilities.

Given the above prospects, the Board believes that the Proposed SCR represents a reasonable exit opportunity, with shareholders able to realize their investment in SCB at a premium whilst having the option to re-invest in other less risky businesses.

iii) MSWG's Question 3:
What is the breakdown of property, plant and equipment amounting to RM217.54 million as of 30 November 2018 (page 75 of the Circular)? Kindly identify these properties and plant.is the breakdown of the property, plant and equipment.

SCB Reply:
The details of the properties, plant and equipment are set out below: -

Machinery and equipment	**NBV as at 30-Nov-2018 (RM' mil)**
Properties	
Properties held under Retail Segment	68.73
Properties held under Manufacturing Segment	67.00
Properties held under Property Development Segment	18.89
Machinery and equipment	
Machinery used in the Group's manufacturing segment, such as direct imaging systems, drilling, plating machines, vacuum contact exposure, laminator, laser drilling, etc.	50.66
Office equipment	11.46
Motor vehicles	0.80
Total	**217.54**

iv) MSWG's Question 4:

On page 7 of the Circular, the Company stated that the capital expenditure required to invest in retail, manufacturing and property development business will increase the group's gearing and translate into higher borrowing cost resulting in lower profitability.

Why did the Company not consider raising funds from the capital market to expand business and thereby mitigate its high borrowing costs due to financing facilities?

SCB Reply:
SCB shares have been thinly traded over the past 3 years, and the market price of SCB Shares remained fairly stagnant with minimal movement. In addition, there has not been much coverage by research houses, or media coverage relating to the performance of SCB or its shares. These factors have added to the challenge faced by the Company in raising funds via the equity market, as management does not foresee much public/investor interest in SCB that would support a successful fund raising exercise.

It is also challenging for the Company to undertake any fund raising activities at an issue price that is in the best interest of the Company and its shareholders in view that: -

- **SCB's future performance calls for substantial capital expenditure** (to the tune of approximately RM700 million for its 3 main business divisions as set out in Section 4(ii) of the Circular to shareholders) **versus SCB's low share base and market capitalization** (approximately RM160 million based on the Offer Price of RM2.80), making it not feasible to raise sufficient funds unless priced at a premium to the current market price or causing a significant dilution to the existing shareholders' shareholdings. **This may be burdensome to the shareholders of SCB**. Likewise, pricing the shares at a discount, although more attractive, will not enable the Company to raise a meaningful amount of funds to fully address SCB's funding needs.

- The privatization of SCB vide the subsequent delisting of the Company would provide greater flexibility to the future SCB Group in managing and developing its businesses without the regulatory restrictions and cost associated with being listed entities, and without encumbering all Entitled Shareholders, who may not have the future risk appetite for such risks without a viable exit option now, based on the disclosures made in the Circular.

- Further, there is operational and business risk in the implementation of these capital expenditure initiatives including a long gestation period. This would affect the profitability of the Group in the short to medium term, and affect the future dividend payment to SCB Shareholders. If the Company fails to pay dividends or pays dividends lower than anticipated, the market price of SCB Shares may be adversely affected and the value of the investment in SCB Shares may reduce.

1.3 Voting by Poll

There being no questions raised by the shareholders/proxy holders during the Meeting, the sole Special Resolution as set out in the Notice of the EGM of the Company was put forward for voting by poll in accordance with Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Company had appointed its Share Registrar, Messrs. Securities Services (Holdings) Sdn. Bhd. to act as the Polling Administrator while Messrs. Value Creator Consultancy has been appointed as the Independent Scrutineers to verify the results of the poll voting for this Meeting.

The Chairman also highlighted that the Special Resolution in respect of Proposed SCR could only be passed by: -

i) at least majority in number of the disinterested shareholders;
ii) 75% in value to the votes attached to the disinterested shares that are cast either in person or by proxy at the EGM; and
iii) the value of votes cast against the Special Resolution to approve the Proposed SCR should not be more than 10% of the votes attaching to all disinterested shares of the total voting shares of the Company.

All interested parties, including the Offeror, Ultimate Offeror and their PAC, must be abstained themselves from voting on the Proposed Selective Capital Reduction and Repayment Exercise.

Based on the scrutineer's report, the Meeting was briefed on the outcome of the poll result as follow: -

	In terms of number		**In terms of value**	
	No. of disinterested shareholders	**(%)**	**No. of disinterested shareholders**	**(%)**
Voted For	205	89.91	28,451,934	98.01
Voted Against	23	10.09	577,540	1.99
Total		**100.00**		**100.00**

	No. of shares	**(%)**
Total number of disinterested shares	39,552,622	100.00
Total vote casted against	577,540	1.46

There being no other business, the Chairman concluded the EGM and thanked all present for their attendance. The meeting ended at 10.55 a.m. with a vote of thanks to the Chair.