

SUNWAY LAGOON CLUB BERHAD

Registration No. 198901008175 (185477-W)
(Incorporated in Malaysia)

MINUTES OF THE 33RD ANNUAL GENERAL MEETING OF SUNWAY LAGOON CLUB BERHAD (“THE COMPANY” OR “THE CLUB”) HELD AT THE POOLSIDE COVE, SUNWAY LAGOON CLUB, NO. 3, JALAN LAGOON TIMUR, BANDAR SUNWAY, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN ON FRIDAY, 24 JUNE 2022 AT 6.30 P.M.

- PRESENT** : **Class ‘A’ Board of Directors:**
Dato’ Jeffrey Ng Tiong Lip (*Chairman*)
Mr Goh Hai Thun @ Ng Hai Thun
Ms Irene Tan Siew Hin
Mr Kelly Leong Wai Keong
Mr Fong Foo Tat
- Class ‘B’ Board of Directors:**
Mr Cheng Jew Keng
Mr Bernard Anand A/L Paul
Mr Matthew Goh Geok Chuan
Ms Poh Siau Jane
Mr Choy Le Roy
- MEMBERS/PROXIES/
GUESTS** : As per Attendance Lists
- IN ATTENDANCE** : Ms Chin Lee Chin (*Company Secretary*)

OPENING ADDRESS

Dato’ Jeffrey Ng Tiong Lip (“**Dato’ Chairman**” or “**Dato’ Jeffrey Ng**”) called the Meeting to order at 6.30 p.m. and welcomed all members present at the Meeting.

He then proceeded to introduce the Class ‘A’ and ‘B’ Directors, the Company Secretary as well as the representatives from the operation and finance teams, Messrs BDO PLT (External Auditors), Mega Corporate Services Sdn Bhd (Independent Scrutineers for the polling exercise for the Meeting), Andersen Corporate Restructuring Sdn Bhd (Independent Consultants) and Kee Sern, Siu & Huey (Legal Advisors).

CONFIRMATION OF QUORUM

Upon enquiry from Dato’ Chairman, the Secretary confirmed that there was sufficient quorum for the Meeting.

CONFIRMATION OF PROXIES

Upon enquiry from Dato’ Chairman, the Secretary reported that a total of 20,000 Class ‘A’ shares and 772 Class ‘B’ shares were represented by proxies.

CONFIRMATION OF NOTICE SENT

Upon enquiry from Dato’ Chairman, the Secretary confirmed that the notice convening the Meeting had been duly sent to all members as well as displayed on the members’ notice board and uploaded on the Club’s website.

Dato' Chairman declared that the notice of the Meeting which had been sent to all members within the prescribed period, be taken as read.

1. CONFIRMATION OF MINUTES OF 32ND ANNUAL GENERAL MEETING HELD ON 24 JUNE 2021

The minutes of the 32nd Annual General Meeting held on 24 June 2021 which was contained in the Annual Report 2021, was tabled at the Meeting for confirmation by the members present.

After having obtained the members' agreement, the minutes of the 32nd Annual General Meeting held on 24 June 2021 was confirmed and signed by Dato' Chairman as a true and correct record of the proceedings thereat.

2. MATTERS ARISING FROM THE MINUTES OF PREVIOUS MEETING

As there were no questions raised from the members, Dato' Chairman proceeded to the next agenda.

3. AUDITED FINANCIAL STATEMENTS, DIRECTORS' AND AUDITORS' REPORTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Audited Financial Statements for the financial year ended 31 December 2021 together with the Directors' and Auditors' Reports thereon were tabled to the members for discussion.

Mr Narasingam A/L Arumugam ("**Mr Narasingam**") enquired on the reduction of the Club members' refundable deposits amounting to RM115,525 in year 2021 as compared with year 2020. Ms Irene Tan Siew Hin ("**Ms Irene Tan**") explained that the reduction was mainly due to Management using the defaulted members' refundable deposits to offset their outstanding amounts owing to the Club. Mr Law Kian Huat from Messrs BDO PLT, clarified that the members' refundable deposits were not rounded off to the exact amount of the refundable deposits of RM500 (former rate) or RM1,000. Some of the amount used to offset the amount owing by defaulted members were partially taken from the refundable deposits.

Dato' Chairman then proceeded to the next agenda.

**4. ORDINARY RESOLUTIONS NO. 1 AND 2
- RE-ELECTION OF CLASS 'A' DIRECTORS**

Dato' Chairman informed that the Class 'A' Directors namely Mr Fong Foo Tat and Ms Tan Siew Hin were retiring by rotation in accordance with Clause 80(1) and Clause 86 of the Company's Constitution respectively and being eligible, had offered themselves for re-election.

At the proposal of Dato' Chairman, all the members present unanimously consented that the motion for the re-election of the Class 'A' Directors be carried out concurrently by a single resolution.

On the motion duly proposed by Mr Narasingam A/L Arumugam and seconded by Mr Yeoh Thiam Leong, the members RESOLVED THAT Mr Fong Foo Tat and Ms Tan Siew Hin be hereby re-elected as Class 'A' Directors of the Company.

5. ORDINARY RESOLUTIONS NO. 3 TO 7
- RE-ELECTION OF CLASS 'B' DIRECTORS

Dato' Chairman informed that the Class 'B' Directors namely Mr Cheng Jew Keng, Ms Poh Siau Jane, Mr Bernard Anand A/L Paul, Mr Goh Geok Chuan and Mr Choy Le Roy had been recommended by the Board of Directors for re-election pursuant to Clause 80(2) of the Company's Constitution.

At the proposal of Dato' Chairman, all the members present unanimously consented that the motion for the re-election of the Class 'B' Directors be carried out concurrently by a single resolution.

On the motion duly proposed by Mr Yeoh Thiam Leong and seconded by Ms Wong Chooi Fun, the members RESOLVED THAT Mr Cheng Jew Keng, Ms Poh Siau Jane, Mr Bernard Anand A/L Paul, Mr Goh Geok Chuan and Mr Choy Le Roy be hereby re-elected as Class 'B' Directors of the Company.

6. ORDINARY RESOLUTION NO. 8
- RE-APPOINTMENT OF MESSRS BDO PLT AS AUDITORS

On the motion duly proposed by Mr Narasingam A/L Arumugam and seconded by Mr Chew Kam Seong, the members RESOLVED THAT Messrs BDO PLT, having indicated their willingness to continue in office, be hereby re-appointed as Auditors of the Company for the ensuing year until the next Annual General Meeting at a remuneration to be fixed by the Directors.

7. ORDINARY RESOLUTION NO. 9
- PROPOSED RENEWAL OF THE LEASE OF THE LANDS WHERE THE CLUB HOUSE IS ERECTED

The ordinary resolution pertaining to the proposed renewal of the lease of the lands in which the Club house was erected on for a further period of 5 years commencing immediately after the expiration of the current lease on 14 July 2023 at market rate ("**Lease**") was tabled to the members for their deliberation and approval.

Dato' Chairman highlighted that the Class 'A' Directors could only answer the questions raised by members based on facts. However, they could not make any recommendation on the proposed renewal of the Lease as they were conflicted by virtue of them being the interested Directors i.e. they were the nominated Directors of Sunway City Sdn Bhd which in turn was the holding company of the Lessor i.e. Sunway Pyramid Development Sdn Bhd.

Dato' Chairman then handed over the chairmanship to Mr Matthew Goh Geok Chuan ("**Mr Matthew Goh**") to preside over Ordinary Resolution No. 9 since he was an interested party.

Mr Matthew Goh informed the members that the summarized report ("**Andersen Report**") from the independent consultant, Messrs. Andersen Corporate Restructuring Sdn Bhd ("**Andersen**"), engaged by the Directors, as contained in the Circular to Shareholders which formed part of the Club's Annual Report 2021 had been circulated to the members prior to the Meeting. He then invited Mr Alex Chiang from Andersen, to present its independent report on the financial position of the Company to the members.

After the presentation by Mr Alex Chiang, Mr Mathew Goh then opened the floor for members to raise any questions regarding the proposed renewal of the Lease.

Mr Yee Fook Weng enquired on the estimated return to the members in the event the Company is wound up. In response, Mr Alex Chiang explained that the expected return to Class 'B' shareholders would be approximately 5.98% based on the Club's financial position as at 31 December 2021 and on the assumption that the assets of the Company would be realized under a forced sale value within a short period of time and liabilities liquidated at net book values. He gave an example whereby a member would get an estimated return of RM360 based on his/her share purchase price of RM6,000. He added that the estimated return to the Class B Shareholders could be higher if the liquidation was conducted in an orderly manner.

Mr Yeoh Thiam Leong ("**Mr Yeoh**") noted that the proposal to renew the existing lease tenure of the Club for another 5 years was based on an indicative market rent of RM0.60 per square feet ("**psf**") per month. He expressed his wish including those pioneer members like him who had joined the Club from its inception, for the Club's lease to be extended depending on the viability of the Club. He hoped that the lessor could consider reducing the rental rate of the lease so that Management could lower the projected increase in the subscription fees. He felt that the Club's subscription fees were considered high as compared with other clubs offering similar facilities such as Klang Executive Club and Royal Klang Club. He urged the Board to do its best to assist the members. He also noted that the Club had recorded profits for the past 3 years. He hoped that Management would bring back the activities (e.g. in-house tournaments, inter-club friendly matches, etc) pre-pandemic levels. During the Movement Control Orders' ("**MCO**") period, there were no activities in the Club and the members had been diligently paying their subscription fees. Management had only granted a rebate of RM40 in year 2021. The Club's profit was basically from the members' contribution but they were not able to enjoy the facilities provided by the Club during the pandemic. The Board noted his comments.

Mr Balakrishnan Arumugam ("**Mr Balakrishnan**") requested Mr Alex Chiang to elaborate on the projected return of 5.98%. He concurred with Mr Yeoh that presently, there were not many activities being organized by the Club as compared previously and that the members had been paying their subscription fees faithfully. He hoped that Management would take action to improve the situation. He further complained that the guard stationed at the Club's entrance did not have the courtesy to help open the barrier gate during heavy rain when members were facing problem to wind down their car window to enter or exit the Club. He had raised this matter previously and hoped that actions could be taken to address this issue.

On Mr Balakrishnan's request, Mr Alex Chiang informed that the estimated return of 5.98% was derived from the projected amount distributable to shareholders after taking into consideration the assets of the Club which were not charged and the amount distributable to unsecured creditors (i.e. liquidator's fee and priority payment under Section 527 of the Companies Act 2016). Mr Lim Tian Huat ("**Mr Lim**") from Andersen added that the projected return was based on the worst-case scenario. It could be higher if the winding up proceeding was undertaken in a systematic manner.

In response to Mr Narasingam's query, Mr Alex Chiang explained that the members' refundable deposits were classified under the unsecured creditors. It would be returned to the Class "B" shareholders together with the projected return of 5.98%. Mr Narasingam also raised his concern that the proposed lease extension for additional 5 years was too short and it would deter the public from purchasing the Club memberships.

Mr Alex Chiang clarified that the recommendation for a 5-year lease renewal was the preferred option as further increase in monthly subscription fees above RM170 would be deemed intolerable and unacceptable by the members.

Mr Chang Keng Kiang shared that many clubs were facing the same challenges to sustain their business operations as the younger generations preferred to join fitness clubs instead. In view of that, Management must change its strategies or direction of the Club in order to sustain its business in future. He hoped that the Board would consider maintaining the Club. Alternatively, the Board could consider building another club in a different location to cater for the future needs of the members.

Mr Chew Kam Seong ("**Mr Chew**") enquired on the basis of the assumption of the projected increase of 25 defaulters per year. Ms Irene Tan explained that based on the past 10 years' record prior to the pandemic i.e. 2019, there was an average increase of 25 defaulters per year. However, during the MCO, the Club had recorded a much higher number of defaulters i.e. 69 defaulters recorded in 2020 and 88 defaulters in 2021.

Mr Chew acknowledged the exceptional increase in the number of defaulters during MCO since members were not able to utilize the Club's facilities during the said period. Many members had appealed for rebates on their subscription fees during the said period. However, there was no answer from Management. Subsequently, a rebate of RM40 was given. This did not encourage the members to maintain their memberships in the Club. He noted that the Andersen Report only disclose the revenue generated from the subscription fees. He enquired whether the Board and Management had explored other strategies to improve the financials of the Club such as cost containment, improve efficiency in operation, etc. He commented that this was not stated in the Andersen Report.

Mr Yeoh felt that the lease renewal for additional term of 5 years was too short and suggested to extend it for another 10 years instead.

Dato' Jeffrey Ng then requested the following Directors to explain on some of the concerns raised by the members:

- a) Ms Irene Tan to explain on the financial performance of the Club;
- b) Mr Goh Hai Thun ("**Mr Goh**") and Ms Nina Chua to brief on the operation of the Club; and
- c) Mr Cheng Jew Keng ("**Mr Cheng**") to elaborate on the rental of the commercial space in the Club.

Dato' Jeffrey Ng informed that the profit registered by the Club for the past 2 years was due to the accounting adjustments pursuant to the Malaysian Financial Reporting Standards ("**MFRS**"). He assured the members that the Board members had put in a lot of effort to improve the Club's revenues e.g. lease of commercial space for office use and selling banquet events etc. The Board members were mindful of their duties and had been pressuring the Management team to aggressively improve the Club's revenues. The Management team had also placed numerous advertisements on social media and other marketing channels to promote the rental of its space and facilities.

Dato' Jeffrey Ng also reported that the Club's Management had spoken with the lessor on the lease renewal and was informed that the renewal lease rental would be based on market rate. The rental rate of RM0.60 psf per month was determined based on the valuation conducted by a professional independent valuer, Rahim & Co. The lease

agreement also provided a minimum increase of 15% in lease rental every 2 years. He assured the members that the information in the Andersen Report were factual and supported by independent professional consultants. On operational matters, the Board had put a lot of emphasis on cost containment.

Dato' Jeffrey Ng took note of the members' request for longer lease term. However, if the number of defaulters and rental rate keep increasing, it would not be possible for the Club to be in a financially viable position if the monthly subscription fees remained unchanged. If the members were prepared to pay higher subscription fees as stated in the Andersen Report, the Club might be able to sustain for a few years. However, if the members were not willing to bear the higher subscription fees, the Club might not be able to meet its commitment on the liabilities for the balance of the lease term especially in circumstances where the number of defaulters increase exponentially when the subscription fees reached the intolerance rate of the members. The Board would be liable for fraudulent or wrongful trading if the Club could not fulfil its payment obligation. He also shared that it was common for both lessee and lessor to negotiate on the lease extension term prior to the expiry of the lease agreement.

Dato' Jeffrey Ng then invited Ms Irene Tan to explain the Club's financial position.

Ms Irene Tan clarified that the MFRS 16 Lease adjustments were RM512,000 and RM578,000 for years 2020 and 2021 respectively. The actual profits after discounting the MFRS 16 adjustments were approximately RM58,000 and RM178,000 for years 2020 and 2021 respectively. She added that the profit generated in year 2021 amounting to RM178,000 was not reflective of the Club's normal business operation as it had received Government subsidies such as wages' subsidy and electricity rebate during the pandemic period. There were also savings from the maintenance and utilities costs following the Club's closure during the MCO period. After removing such subsidies and cost savings from maintenance and utilities expenses, the Club was actually operating at a loss of RM140,000.

At this juncture, Mr Vincent Leong Weng Haw ("**Mr Vincent Leong**") enquired whether Andersen had studied other areas for restructuring in order to increase the Club's revenues besides the increase in subscription fees. In reply, Mr Lim explained that they did not conduct such study as they were not expert in the operation of the club. Hence, they had suggested that Management look into this area. Andersen was basically engaged to review and advise on the solvency position of the Club. Its report was basically based on members' subscription fees as the Club's main source of revenue.

Noting that Management would take turns to explain to the members, Mr Vincent Leong requested that Management focus on the revenue generation of the Club. He concurred that the Club could not sustain with the present subscription fees. However, the members loved the Club and its facilities. He hoped that the Board and Management would do their best to sustain the Club. He suggested that Management appoint someone to look into strategic plans to generate more revenues for the Club.

Dato' Jeffrey Ng assured the members that Management had put in a lot of efforts and explored various strategies to generate additional income for the Club. Unfortunately, the increasing number of defaulters had adversely impacted the Club.

Mr Goh informed that the Club had been operating with a very lean staff force. Management had substantially reduced the Club's maintenance expenses without affecting its facilities and service quality. It was a challenge to retain the Club's tenants. Even the restaurant operator had expressed its desire to leave even though the rental rate charged was low. This was due to insufficient revenue generated to sustain their business. Management had been encouraging members to support the restaurant. Management had also approached the companies of Sunway Group to rent the Club's space as additional source of revenue. Besides that, Management were re-introducing sport lessons such as swimming and yoga as well as aggressively promoting the function/banquet facilities to improve the Club's revenue. Noting the members' complaints on the venue for table tennis sport, Management was trying its best to accommodate and strike a balance on the members' requirements and efforts to generate income for the Club.

Mr Cheng also assured the members that the Directors were working closely with Management to improve the Club's earnings. He was pleased to report that all the commercial lots had been leased out. Two (2) shoplots were rented to Sunway Medical Centre Sdn Bhd ("**SMC**") at market rental rate. A lot of efforts were made to improve the banquet sales and the Club's facilities via promotional advertisements on the Club's social media. The Board had engaged Rahim & Co to determine the market rate for the lease of the Club. Based on their evaluation, the independent valuer had determined the market rental rate at RM0.60 psf.

Ms Nina Chua confirmed that all the commercial space had been rented out. She added that Management had received positive response from the public from the advertisements placed on the social media in relation to the Club's banquet facilities. Management had received many bookings for its function rooms since April 2022. As for cost containment exercise, she informed that most of the maintenance works were carried out internally without engaging external contractors. Other strategies included converting all fluorescent and bulb lighting fixtures into LED ones which had helped to reduce the electricity cost. The Club was managed by a very lean team and the team were trying their very best to provide good services to the members.

Mr Alan Fung Kam Foo ("**Mr Alan Fung**") thanked Management for their contributions to the Club. However, he felt that Management had not done anything different to improve the Club's financial situation and it was expected that the Club would still be in the red even if the members were to vote for the renewal of the lease tenure for another 5 years. Based on the members' view, he would prefer for the lease renewal to be extended for another 10 years. He further suggested that Management introduce a new membership package to allow members' children to join the Club's memberships by riding on their parents' memberships at a lower fee e.g. RM100 per month.

Mr Goh responded that the Club being a share membership club could not offer different types of membership as it was governed under the Companies Act 2016. This had been confirmed by an officer of the Companies Commission of Malaysia previously.

In reply to Mr Alan Fung's comments, Mr Goh explained that the defaulters were still shareholders of the Company unless they transfer their shares by executing proper transfer forms. Due to the existing share memberships structure, the Club was not able to strike off the defaulters, resulting in a loss of yearly subscription revenue of exceeding RM900,000.

Mr Alan Fung then commented that he would like to vote for a lease renewal term of 8 years instead of 5 years. In this respect, the Company Secretary explained that the resolution tabled at the Meeting could not be amended unless a proper notice of a resolution had been submitted prior to the Meeting.

Mr Vincent Leong opined that increasing subscription fees based on Andersen Report should not be the direction taken for the Club moving forward. He concurred with the rest of the members that the 5-year renewal lease was too short. He also enquired on the future plans for the Club after the expiry of the 5-year term. In relation to the Club's services, he highlighted that some of the squash members had tried calling the Club to book the squash courts but there were no one answering the calls. He was of the view that there were various ways that Management should look into to improve the financial position of the Club. Management had not done enough and had not taken drastic actions to improve the performance of the Club. The issues were still there.

In response to Mr Alan Fung, Mr Goh clarified that Management had enticed SMC to rent the Club's premises at market rate and they were bearing their own utilities cost as well. Mr Goh also explained that the Class 'A' ordinary shares of 20,000 were held by Sunway City Sdn Bhd, the sponsor/promoter of the Company. Only Class 'B' Shareholders could utilize the Club's memberships and nominate others to use the Club's facilities. A few of Sunway's corporate companies were also Class 'B' shareholders.

Mr Yee Fook Weng recommended to add the wordings 'with or without modifications' in future resolutions tabled, to enable amendments to the contents of the proposed resolution in the future. He then asked on the Company's rights to forfeit the defaulters' shares.

The Company Secretary explained that forfeiture of shares involved cancellation of existing shares which had not been fully paid up by members who had subscribed for the shares. However, in the Club's situation, the defaulted members had already fully paid the subscription amount of their shares. On the other hand, they did not pay their monthly subscription fees to the Club.

Mr Tan Chian Howe suggested that Management take drastic action such as initiating a liquidation process on the Company and set up a new company to resume the lease tenure of the Club or a new club. Management could transfer the Club's active members to the new club in addition to new recruitment of members.

As there were no further questions asked, Mr Matthew Goh being the presiding chairman, proceeded to the voting of the Ordinary Resolution. He demanded for the Ordinary Resolution No. 9 to be voted by poll in accordance with Clause 65 of the Company's Constitution. He then requested the Company Secretary to explain the requirements for a poll under the Company's Constitution.

After the Company Secretary's explanation on the requirements for a poll, Mr Matthew Goh informed the members on the polling procedures. The outcome of the poll would be announced once the results have been tabulated and verified by the independent scrutineers appointed for the polling exercise.

After tabulation of the results for Ordinary Resolution No. 9 and based on the members and proxies who were present and voted, Mr Matthew Goh reported that Ordinary Resolution No. 9 was duly passed with 680 ordinary shares (99.42%) voted for the resolution and 4 ordinary shares (0.58%) voted against the resolution.

Based on the poll results, Mr Matthew Goh declared that Ordinary Resolution No. 9 was duly passed.

It was hereby RESOLVED:

**ORDINARY RESOLUTION:
Proposed renewal of the lease of the lands where the Club House was erected**

THAT approval and authority be hereby given to the Company to renew the lease of the lands held under Pajakan Negeri 12547, Lot 38158 (formerly H.S.(D) 118320 PT No. 1487) and Pajakan Negeri 12548, Lot 43 (formerly H.S.(D) 118330 PT No. 26) both in Bandar Sunway, Daerah Petaling, Negeri Selangor to be granted by Sunway Pyramid Development Sdn Bhd for a further period of five (5) years immediately after the expiration of the current lease on 14 July 2023 at market rate ("**Lease**").

AND THAT approval and authority be hereby given to the Board of Directors of the Company to give effect to the renewal of the Lease with full powers to do all such acts as it may consider necessary or expedient or in the best interest of the Company so as to give full effect to the same with further power to assent to any condition, modification, variation and/or amendments as may be required by the relevant regulatory authorities and/or parties and to take all steps and do all such acts and matters as it may be necessary or expedient to implement, finalise and give full effect to the renewal of the Lease.

Thereafter, Mr Matthew Goh handed back the chairmanship to Dato' Chairman.

Dato' Chairman then thanked Mr Matthew Goh. He informed that all the agenda for the Meeting had been completed. He then declared the Meeting closed and thanked the attendees for attending the Meeting.

CONCLUSION

The Meeting concluded at 8.45 p.m. with a vote of thanks to the Chair.

Confirmed as a true and correct record of the proceedings thereof:-

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CHAIRMAN

Dated this: